

No. _____

In the
Supreme Court of the United States

SUNOCO PARTNERS MARKETING &
TERMINALS L.P.,

Petitioner,

v.

POWDER SPRINGS LOGISTICS, LLC,
MAGELLAN MIDSTREAM PARTNERS L.P.,

Respondents.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The Patent Act provides that if a patent owner proves infringement, courts “shall award the claimant damages adequate to compensate for the infringement.” 35 U.S.C. § 284. Damages are “adequate to compensate for infringement when they place the patent owner in as good a position as he would have been in if the patent had not been infringed.” *WesternGeco LLC v. ION Geophysical Corp.*, 585 U.S. 407, 417 (2018) (quotation marks omitted). Despite that, the Federal Circuit does not permit patentees to recover lost profits merely by proving that the infringement caused them to lose reasonably foreseeable sales. After proving that, patentees also must subtract the hypothetical “value” of non-patented services or things that are sold with the patented technology from their lost profits claims. This leaves them with less than the value of the sales.

Patent damages often require expert testimony. In the Federal Circuit, courts must exclude experts if they rely on facts contradicted by record evidence, even if record evidence cuts both ways. The questions presented are:

1. Whether the Federal Circuit’s standard for recovery of lost profits damages violates 35 U.S.C. § 284.
2. Whether Rule 702 requires courts to exclude expert testimony when record evidence is contrary to a critical fact upon which the expert relied, as the Federal Circuit holds, or whether juries should determine whether facts upon which an expert relied are true, as all other Circuits have held.

PARTIES TO THE PROCEEDING

Petitioner Sunoco Partners Marketing & Terminals L.P. (parent company stock ticker symbol: ET) was plaintiff in the district court and appellant before the Federal Circuit. Respondents Powder Springs Logistics, LLC, and Magellan Midstream Partners L.P., were defendants in the district court and appellees and cross-appellants before the Federal Circuit.

RULE 29.6 DISCLOSURE STATEMENT

Sunoco Partners Marketing & Terminals L.P. is a wholly owned subsidiary of Energy Transfer L.P., a publicly held corporation under the ticker symbol ET. Energy Transfer L.P. does not have a parent corporation, and no publicly held corporation owns ten percent or more of its stock.

RELATED PROCEEDINGS

This case arises from and is related to the following proceedings:

Sunoco Partners Marketing & Terminals L.P., v. Powder Springs Logistics, LLC, Nos. 2023-1218, 2023-1274 (Fed. Cir.), judgment entered January 16, 2026;

Sunoco Partners Marketing & Terminals L.P., v. Powder Springs Logistics, LLC, No. 1:17-cv-01390-LPS-CJB (D. Del.), final judgment entered October 24, 2022.

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PETITION FOR WRIT OF CERTIORARI

The Federal Circuit has badly misconstrued Section 284 of the Patent Act to deny patent owners the full value of their patents. And it has mangled Federal Rule of Evidence 702 to invade the province of the jury on key damages issues. The net result of those distortions is that patent owners are often deprived of adequate compensation for infringement of their patents, while infringers are incentivized to usurp that value with impunity. This case is a prime example of both problems. The Court should grant certiorari and reverse.

Section 284 is clear. It directs that when a patent owner proves infringement, courts “shall award the claimant damages adequate to compensate for the infringement.” 35 U.S.C. § 284. As this Court has repeatedly emphasized, the “overriding purpose” of Section 284 is to “afford[] patent owners complete compensation” for infringement. *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655 (1983). And this Court has long heeded that congressional command. It has held that the proper measure of damages is “what would [the] Patent Holder[] have made” had “the Infringer not infringed.” *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964) (quotation marks omitted). So, if a practicing entity can show that it would have made reasonably foreseeable sales but for the infringement, then it is entitled to recoup those lost profits if it can prove the amount. That ensures that the patent owner receives “complete compensation for infringement.” *WesternGeco LLC v. ION Geophysical Corp.*, 585 U.S. 407, 414 (2018) (cleaned up).

The Federal Circuit's apportionment jurisprudence upends those principles and artificially depresses the compensatory damages that patent owners can obtain. Under the Federal Circuit's framework, proof of reasonably foreseeable sales is not enough to recover lost profits from those sales. The patent owner must also separate the hypothetical "value" of non-patented services or things sold or provided with the patented technology. Then it must subtract that "value" from its lost profits claim. That is true even when those services or things are needed to use the patented technology and are provided for that reason.

That is out of step with the Patent Act's command. And this case demonstrates that approach's distortive effect. Petitioner Sunoco owned patents covering an automated system for blending butane into gasoline, which is a profitable endeavor. Sunoco licensed the patented technology as part of Butane Supply Agreements ("BSAs"). Through those agreements, Sunoco provided customers with fully operational turnkey blending facilities that blended butane into gasoline. Here, the record overwhelmingly demonstrates that, but for Respondent Magellan's infringement, Sunoco would have executed BSAs with Magellan. Consequently, Sunoco sought to recover the profits it lost from not executing those BSAs as "damages adequate to compensate for the infringement." 35 U.S.C. § 284.

But the decision below rejected that straightforward application of the statute. Instead, it faulted Sunoco for not parceling out damages tied to each element of the BSA. Thus, rather than being compensated for the hundreds of millions of profits it

lost as a result of the infringement, Sunoco received only \$12 million in compensatory damages. Respondents were rewarded for their willful infringement. And other counterparties naturally will be incentivized to take the same unlawful route.

Worse yet, the decision below tied Sunoco's hands behind its back by excluding its damages expert based on the Court's view of the evidence. That freewheeling approach has become commonplace in the Federal Circuit. But Rule 702 does not grant courts the right to invade the jury's role as factfinder. On the contrary, this Court has rejected calls for a strict interpretation of Rule 702, stressing that judges must not underestimate the "capabilities of the jury." *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 595-96 (1993). The Framers shared the same view. They ratified the Seventh Amendment to ensure that litigants could rely on juries, not courts, to weigh the evidence and resolve factual disputes.

All of the regional Circuits have eschewed the Federal Circuit's approach. Unlike the Federal Circuit, they have consistently resisted temptations to "supplant the adversary system or the role of the jury." *Quiet Tech. DC-8, Inc. v. Hurel-Dubois UK Ltd.*, 326 F.3d 1333, 1341 (11th Cir. 2003) (quotation marks omitted). That aligns with centuries of Anglo-American law, from Blackstone to this Court, stressing that "[t]he right to trial by jury is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right has always been and should be scrutinized with the utmost care." *SEC v. Jarkesy*, 603 U.S. 109, 121 (2024) (quotation marks omitted).

Yet, as the decision below showcases, the Federal Circuit’s outlier interpretation of Rule 702 has created a uniquely stringent regime for patent damages experts, which calls upon judges “to resolve fact disputes under the guise of evaluating whether experts may testify at trial.” *EcoFactor, Inc. v. Google LLC*, 137 F.4th 1333, 1354 (Fed. Cir. 2025) (en banc) (Stark, J., concurring in part and dissenting in part). Under the Federal Circuit’s distinct approach, whenever “relevant evidence is contrary to a critical fact upon which the expert relied, the district court fails to fulfill its responsibility as gatekeeper by allowing the expert to testify at trial.” *Id.* at 1346 (majority op.).

Here, the lower court “assumed a factfinding role in its analysis” and improperly made “credibility determinations that are reserved for the jury.” *Elosu v. Middlefork Ranch Inc.*, 26 F. 4th 1017, 1023-24 (9th Cir. 2022). Because that is precisely what the Federal Circuit’s interpretation of Rule 702 invites, it will continue to happen until this Court intervenes. This Court should step in now and explain that, as “*Daubert* makes clear,” when predicate facts on which an expert relies are in dispute and evidence cuts both ways, the “fact-finder is entitled to hear” the expert testimony and decide whether the “predicate facts on which [the expert relies] are accurate.” *Pipitone v. Biomatrix, Inc.*, 288 F.3d 239, 250 (5th Cir. 2002). That is how every other Circuit approaches the issue. This Court should resolve that split and fix the Federal Circuit’s broken view of Rule 702.

OPINIONS AND ORDERS BELOW

The Federal Circuit’s opinion is unreported but available at 2026 WL 122544 and reproduced at Pet.App.1a-71a. The district court’s opinion striking Sunoco’s expert is unreported but available at 2020 WL 3060458 and reproduced at Pet.App.72a-92a.

JURISDICTION

The Federal Circuit entered judgment on January 16, 2026. The Chief Justice has granted applications to extend the time for filing a petition for writ of certiorari to June 11, 2026. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The following provisions are reproduced in the appendix: U.S. Const. amend. VII; 35 U.S.C. § 284; and Fed. R. Evid. 702.

STATEMENT OF THE CASE

A. Factual Background

In 2010, Sunoco purchased part of Texon’s business and obtained patents covering automated systems and methods for blending butane into gasoline. App.7456-7460.¹ Butane is cheaper than gasoline, and each gallon of blended butane creates an extra gallon of gasoline for sale at the gasoline market price. App.169.

After purchasing the patents, Sunoco adopted Texon’s method of licensing its patents as part of Butane Supply Agreements (“BSAs”). App.7477-7479. Under those agreements, Sunoco granted a limited

¹ “App.____” cites are to the joint appendix in the Federal Circuit.

license to “practice and use” the patented technology, which encompasses Sunoco’s full blending system. App.25160. To ensure that customers could use the patented blending system, Sunoco also provided certain services under the BSAs. App.25142-25143. These included building and operating the patented blending systems at the licensees’ gasoline terminals, supplying the needed butane, and maintaining the patented blending systems. App.25143. In exchange, Sunoco received a share in the profits that the licensee made from selling the extra gasoline created using the patented inventions. App.7498-7505. The typical profit-sharing arrangement was either 40/60 or 50/50, depending on which entity provided the construction capital. *Id.*

Sunoco has never granted rights to these patents other than through BSAs. App.7626. Since 2010, Sunoco has executed over 60 BSAs and has earned over \$470 million in profits from patented blending at third-party terminals. App.7477-7480; App.25328-25335. It has earned \$261 million more from using its patented systems at its own terminals. App.25519.

Many of the companies that agreed to BSAs with Sunoco are Sunoco’s direct competitors. App.7626. Recognizing the financial benefits, they partnered with Sunoco to obtain the right to use the patented technology. App.8984. And agreeing to a BSA with Sunoco was the only way to get that. App.7626. The BSAs provided some other services to facilitate the use of the patented technology, such as supplying butane. App.25143. But no one agreed to a BSA because of those other services. They wanted the patented systems. App.22016.

Take Phillips 66 as an example. It built and installed its own automated butane blending system in Denver. App.7626. It soon realized that its system might be infringing Sunoco's patents. *Id.* Phillips 66 then agreed to multiple BSAs with Sunoco, even though, aside from the right to use the patented technology, it could have accessed internally other services provided under the BSAs. *Id.* As a Sunoco executive explained, the only reason companies like this were with Sunoco was "because of the patents." App.22016.

But one company, after learning about the patented technology, decided to disregard the strength of the patents and do everything itself. Respondent Magellan Midstream Partners L.P. ("Magellan") first learned about the patented technology decades ago when Texon approached it and offered it a BSA. App.22513. After one of Texon's presentations, Magellan recognized the "value in Texon's . . . system" but figured there would be "more value for Magellan [in] keeping everything internal." App.25500. Magellan disregarded infringement concerns, which were confirmed when the PTO rejected Magellan's patent claims as anticipated by Sunoco's patents. App.22249-22253. Since 2012, Magellan's infringing systems have blended over 600 million gallons, yielding over \$300 million in profits. App.25629-25632.

In 2013, the Colonial Pipeline Company ("Colonial"), operator of the largest refined products pipeline in the world, sought an automated butane blending system for its pipeline. App.1486-1487. Sunoco and Magellan competed for the business, with

Sunoco proposing its patented technology and offering a profit share consistent with its BSA arrangements. App.7535-7536. Instead, Colonial went with Magellan, and the two jointly formed Respondent Powder Springs Logistics LLC (“Powder Springs”), which began blending on the pipeline in 2017. App.22095-22097. Since 2018, Powder Springs’s infringement has resulted in it blending over 300 million gallons, generating over \$100 million in profits. App.24043-24044.

B. Procedural Background

Sunoco sued Respondents for patent infringement and requested a damages award based on the profit-sharing methodology embodied in the BSAs. Pet.App.15a-16a. A jury ultimately found that the relevant asserted claims covering the butane blending technology were valid and willfully infringed. *Id.* But it awarded a mere \$12 million in damages, even though Respondents had stolen hundreds of millions of dollars in profits by using the infringing systems. App.1-2; Pet.App.16a.

The damages amount was that small because the jury never heard from Sunoco’s damages expert. Pet.App.84a. So, it was forced to adopt the two cents per gallon rate that Respondents’ expert offered as the sole measure of damages. Pet.App.18a.

Unlike Respondent’s expert, Sunoco’s damages expert relied on the BSAs. App.7362-7407. He offered a straightforward causation argument and explained that the BSAs provided the most accurate way to measure damages. App.7476-7514. Because Magellan’s infringement directly and proximately

caused Sunoco to miss out on BSAs that it otherwise would have executed with Magellan, damages should be based on the BSAs. App.7490-7493. And because there were dozens of BSAs executed with a plethora of different companies that all adopted the same standard profit-sharing arrangement, that profit-sharing agreement should be used. App.7497-7506. Based on the amount of blended gasoline Magellan created using the infringing technology, and even using the BSAs' lower rate of 40% of net profits, Sunoco would have received over \$150 million from BSAs with Magellan. App.7506-7514.

Sunoco's expert further explained that the patented technology drove demand for the BSAs. App.8976-8985. Testimony from multiple Sunoco executives confirmed that. For example, one executive testified that Sunoco would not "have a [BSA] business without [the] patents" and that "a hundred percent of our income" comes from "those patents." App.5238. Another testified that the patents drove demand and that Sunoco would not even have been "at the table" without the patents. App.7626; App.8984. Other evidence supported that testimony, such as competitors like Phillips 66 agreeing to the BSAs despite being able to do everything Sunoco did under the BSAs—except legally use the patented technology. App.7626; App. 8980-8982. Under binding law, if the patented technology drove demand for the BSAs, all agree that they could be used to reliably measure damages.

But bound by the Federal Circuit's artificial apportionment requirement and misguided interpretation of Rule 702, the District Court excluded

the opinions of Sunoco's damages expert. The magistrate judge concluded that because the BSAs contained more than just the patented technology, Sunoco's expert needed to separate the value of the services provided under the BSAs, such as operating the blending system, from the value of the patented blending system. Pet.App.216a-225a. Although the magistrate judge agreed that there would be no need for that if the patents drove demand for the BSAs, he decided that Sunoco had failed to "persuasively demonstrate" that was the case. Pet.App.223a.

In response, Sunoco's damages expert submitted a supplemental report, further explaining in detail that the patents drove demand for Sunoco's BSAs. App.8966-9001. For support, the report emphasized a litany of the documentary evidence discussed above, ranging from sworn testimony from Sunoco's executives to Sunoco's competitors agreeing to BSAs despite having no independent need for anything provided under the BSAs aside from the patented blending system. App.8976-8985. For example, one Sunoco executive noted an agreement with Kinder Morgan, a direct competitor, and explained that the BSA with Kinder "really reflects the strength of the patents." App.8984-8985.

The district judge adopted the report and recommendation of the magistrate judge and struck the supplemental report of Sunoco's expert. Pet.App.84a-89a. Applying the Federal Circuit's misguided precedents, he stressed "the fact evidence" undercutting the expert's position. Pet.App.87a. As for the expert's view that the patented technology drove demand for the BSAs, which was based on the

testimony of fact witnesses, the judge noted that “binding precedent” of the Federal Circuit held that this went to admissibility, not weight, and the judge simply stated he was “not persuaded” by the expert’s view. Pet.App.88a.

The Federal Circuit affirmed the lower court’s exclusion of Sunoco’s damages expert. Pet.App.44a-59a. It refused to allow Sunoco to rely on the profit-sharing arrangements reflected in the BSAs, even though Sunoco lost out on executing BSAs because of the infringement. Pet.App.44a-48a. Instead, the Federal Circuit imposed a stringent apportionment requirement on Sunoco’s claim for lost profits. According to the court, Sunoco’s expert should have separated the “value” of the non-patented BSA services, such as operating the system and delivering butane, from the value of the patented technology. Pet.App.46a-47a. And then he had to subtract that “value” from Sunoco’s total lost profits claim. *Id.*

Sunoco’s expert had not done so to the court’s satisfaction. *Id.* The Federal Circuit then reasoned that because there was “record evidence showing that the BSAs” contained more than just the patented technology, an opinion “premised on using the total profit-share from the . . . BSAs” must be unreliable unless some recognized exception to this apportionment requirement applied, such as if the patents drove demand for the BSAs. Pet.App.47a.

Ample documentary evidence supported that the patents drove demand for the BSAs and the expert’s conclusion that damages should be based on the profit-sharing methodology in the BSAs. App.7497-7506; App.8976-8985. Nevertheless, after weighing evidence

and discrediting purported “self-serving testimony from Sunoco’s own witnesses,” the court simply rejected Sunoco’s view of the facts. Pet.App.56a-57a. And it said as much, noting that Sunoco’s expert’s view of the facts was unpersuasive “when viewed against” the competing evidence in the record. *Id.* It found that the patents did not in fact drive demand. *Id.* It also stressed, multiple times, the “strict requirements” that must be met before allowing expert testimony to reach the jury on the inherently fact-bound question of whether a patent drove demand for a product or service. Pet.App.54a; Pet.App.56a.

At bottom, the Federal Circuit never fully grappled with Sunoco’s basic lost profits argument: that but for the infringement, Sunoco would have executed BSAs with the infringer, so lost profits damages should be based on the BSAs—regardless of whether they were worth more than the patent licenses. And the Federal Circuit compounded that error by refusing to allow expert testimony that would have allowed Sunoco to recover its lost profits even under the Federal Circuit’s flawed framework. As a result, the infringers netted hundreds of millions of dollars through years of willful infringement, while Sunoco received a mere \$12 million dollars after years of litigation.

REASONS FOR GRANTING THE PETITION

I. The Decision Below Is Profoundly Wrong.

The decision below is egregiously wrong in multiple ways. The Federal Circuit’s lost profits apportionment requirement conflicts with the Patent Act’s text, statutory history, and this Court’s precedents. And its interpretation of Rule 702 conflicts

with this Court’s precedents and the law of every other Circuit. To restore uniformity in the law and to uphold the patent and expert witness regimes that Congress enacted, this Court should intervene.

A. The Federal Circuit’s Apportionment Requirement Violates the Patent Act.

The decision below epitomizes what is wrong with the Federal Circuit’s current lost profits framework. Section 284 of the Patent Act aims to put patent holders in as good a place as they would have been in had infringement not occurred. The plain text and this Court’s cases make that clear. Despite that, proving that infringement directly caused lost profits is not enough for the Federal Circuit.

Instead, the Federal Circuit has developed a rule—untethered from Section 284’s text—that injects an arbitrary apportionment requirement into the lost profits framework. It requires practicing entities seeking lost profits to subtract the hypothetical “value” of non-patented services or things that are sold or provided with the product containing the patented technology. That leaves patent owners with less than they would have earned had the infringement not occurred, conflicting with the statute’s text and frustrating the design of Section 284.

1. Section 284 provides damages to fully compensate for infringement.

Section 284 of the Patent Act provides that a court “*shall* award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer.” 35 U.S.C. § 284 (emphasis

added). This “provides a general damages remedy for the various types of patent infringement.” *WesternGeco LLC*, 585 U.S. at 414. And “[a]s this Court has explained, the overriding purpose of § 284 is to affor[d] patent owners complete compensation for infringements.” *Id.* (quotation marks omitted).

“The question posed by the statute is how much has the patent holder suffered by the infringement.” *Id.* (cleaned up). Damages are “adequate to compensate for infringement when they place the patent owner in as good a position as he would have been in if the patent had not been infringed.” *Id.* at 417 (cleaned up). In other words, the court must ask: “had the Infringer not infringed, what would [the] Patent Holder . . . have made?” *Aro Mfg.*, 377 U.S. at 507.

Simply put, a “patent owner is entitled to recover the difference between its pecuniary condition after the infringement, and what its condition would have been if the infringement had not occurred.” *WesternGeco LLC*, 585 U.S. at 417 (cleaned up). “This recovery can include lost profits.” *Id.* And a practicing entity may thus recover all reasonably foreseeable lost profits if they result from the infringement. That is the only showing required under the “plain text of the Patent Act.” *Id.* at 417.

2. The Federal Circuit’s apportionment requirement conflicts with Section 284’s plain text, this Court’s precedents, and the statutory history.

The Federal Circuit has refused to follow the plain text of Section 284 and this Court’s interpretation of it. It has instead imposed requirements on top of those

that Congress prescribed. Beyond proof of “how much [the patent owner] would have made if [the defendant] had not infringed,” *Aro Mfg.*, 377 U.S. at 507, plaintiffs must also determine the hypothetical “value” of non-patented services or things sold or provided with the product containing the patented technology. Then they must subtract that “value” from their total lost profits claim—regardless of whether the patented technology is ever licensed in isolation.

The problem with that approach is that it leaves patent owners worse off than where they would have been had infringement not occurred. It does not make them whole through “damages adequate to compensate for the infringement.” 35 U.S.C. § 284. After all, if there were no infringement, the patent owners would have recouped all profits made from selling the product containing the patented technology. But under the Federal Circuit’s approach, the patent owners recoup only a portion of that amount. This artificial apportionment requirement thus prevents “plac[ing] the patent owner in as good a position as he would have been in if the patent had not been infringed.” *WesternGeco LLC*, 585 U.S. at 417 (quotation marks omitted). That does not align with the statute, this Court’s case law, basic principles of tort law, or common sense.

Nor does it align with the history of Section 284. Before 1946, the Patent Act permitted patentees to sue both for “disgorge[ment]” of the infringer’s profits and the patentee’s own lost profits and other “damages.” *Gen. Motors Corp.*, 461 U.S. at 654. “A patent owner’s ability to recover the infringer’s profits reflected the notion that he should be able to force the

infringer to disgorge the fruits of the infringement even if it caused him no injury.” *Id.* Thus, in an action for disgorgement, only those “profits of the infringer” that were “properly attributable to the patented invention justly belonged to the patentee.” *W.L. Gore & Assocs., Inc. v. Carlisle Corp.*, 1978 WL 21430, at *11 (D. Del. May 17, 1978). This concept of apportionment was “developed as [a] means for determining what portion of the infringer’s profits should be paid to the patent owner.” Ned L. Conley, *An Economic Approach to Patent Damages*, 15 AIPLA Q.J. 354, 371, 373 (1987) (citing *Garretson v. Clark*, 111 U.S. 120, 121 (1884)).

But “[t]he difficulty of allocating profits in such cases [had] plagued the court[s] from the outset” and ultimately asked an “unanswerable” question. *Cincinnati Car Co. v. N.Y. Rapid Trans. Co.*, 66 F.2d 592, 593 (2d Cir. 1933). So, Congress abolished the disgorgement remedy in 1946 and adopted the current general damages provision “to ensure that the patent owner would in fact receive full compensation.” *Gen. Motors Corp.*, 461 U.S. at 654; see *Aro Mfg.*, 377 U.S. at 505-06 (explaining that the amendment sought “to make the basis of recovery in patent-infringement suits general damages, that is, any damage the complainant can prove”).

Although Congress thought it had done away with the “unanswerable” apportionment question, once the Federal Circuit seized exclusive jurisdiction over the field in 1982, it began asking the very same question anyway. On many occasions, the Federal Circuit has cited *Garretson v. Clark* as justifying a new set of jerry-rigged apportionment rules. 111 U.S. 120

(1884).² In doing so, it walked right back into the apportionment morass from which Congress had extricated the patent bar.

Garretson did not even interpret the current text of Section 284. And it cannot support the weight the Federal Circuit wants it to bear. In *Garretson*, the patentee sold mops, and the patent at issue covered the “clamp of a mop-head.” *Id.* at 121. The patentee brought an action seeking disgorgement and damages. *Id.* He could not show that infringement of the clamp patent caused the loss of any mop sales, and so there was a failure of proof on causation. *Id.* The Court then said that the patentee “must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features.” *Id.* In the context of lost profits, that simply means that the patentee must establish that the infringement caused his damages. Nothing more, nothing less.³

² This Court has not cited *Garretson*, which is a thinly reasoned one-page opinion, since 1940.

³ *Yale Lock Manufacturing Co. v. Sargent*, 117 U.S. 536 (1886), arose in this same context. Because the plaintiff could not prove that it would have sold more locks but for the infringement, the special master prevented recovery of lost profits. Damages were confined to the “reduction of price on the locks which the plaintiff sold, caused by the infringement.” *Id.* at 552. *Yale Lock* is thus a price erosion case, not a typical lost profits case involving lost sales. Regardless, the Court embraced a standard but for test, explaining that the “proper measure of damages” must be calculated by examining “the difference between [the patent holder’s] pecuniary condition after the infringement, and what

When read with the historical background and in context, it is apparent that *Garretson*, a case bound up with disgorgement issues, did not create a rigid apportionment requirement for *all* lost profits cases. “Whatever purposes apportionment served with respect to equitable recovery of infringer profits, it clearly [does] not apply with equal force to a damage recovery where the basic theory [is] one of making the patent owner whole for all losses covered by the infringer’s wrongdoing.” 7 Donald S. Chisum, *Chisum on Patents*, § 20.05 Lost Profits (2026); *see also* Conley, *supra*, at 373 (explaining that apportionment “originated with application to an infringer’s profits as the measure of damages” and “has no relevance to the measure of damages based on lost profits”).

Before the Federal Circuit was created, decisions from the regional Circuits and district courts recognized all this and rejected the argument that apportionment was required to recover lost profits. Take the Second Circuit’s decision in *Elec. Pipe Line, Inc. v. Fluid Sys. Inc.*, 250 F.2d 697 (2d Cir. 1957), which is analogous to the facts here. Fluid Systems had developed a patented system for “reducing the viscosity of heavy fuel oils.” *Id.* at 698. The infringing system caused Fluid Systems to miss out on certain contracts to install their system. *Id.* at 699. The infringer argued that Fluid Systems “must apportion profits resulting from the sale of its system to exclude

his condition would have been if the infringement had not occurred.” *Id.* at 552-53. The special master concluded that one-half of the total reduction in price could be attributed to the infringement and not “other causes which gave to the defendant an advantage in selling its locks.” *Id.*

revenues derived from the unpatented component parts.” *Id.* at 700. Despite no apportionment, the lower court awarded Fluid Systems lost profits on those contracts, which included “profits on lost sales of unpatented component parts of the system, such as immersion heaters and other accessories.” *Id.* at 699.

The Second Circuit affirmed. *Id.* at 700. It reasoned that “but for Electric Pipe’s infringement, Fluid Systems would have made all these installations,” so “loss of profit on [them] was the correct standard of damages.” *Id.* at 699. And it rejected any apportionment requirement. “[T]he inclusion of profits from the sale of all the components seem[ed] proper, because Fluid Systems’ revenues would have reflected these sales had it not been for Electric Pipe’s infringement.” *Id.* at 700. Fluid Systems “was under no duty to apportion profits, and the component parts property were included in the computation of lost profits.” *Id.*; see also *Hughes Tool Co. v. G.W. Murphy Indus., Inc.*, 491 F.2d 923, 928 (5th Cir. 1973) (“Whether or not the article would have some commercial usefulness without the patented feature is irrelevant where it is clear that the patentee would have made the sale of the article had not the defendant infringed.”). Simply put, “[o]nce the fact that sales have been lost has been proven, there is no occasion for the application of apportionment.” *W.L. Gore*, 1978 WL 21430, at *10.

This case exemplifies the problems with the Federal Circuit’s approach, which fundamentally fails to “make the patent owner whole.” *Gen. Motors Corp.*, 648 U.S. at 656. Sunoco provided a valuable patented blending system. To facilitate the use of that

technology, Sunoco provides other services that are intertwined with the patented blending system. That arrangement was embodied in the BSAs, and the only way Sunoco monetized its patented technology was through the BSAs.

The analysis here should have been straightforward. Because Magellan's infringement caused Sunoco to miss out on BSAs that it otherwise would have executed with Magellan, damages should be based on the BSAs. And because there were dozens of BSAs executed with many similarly-situated companies that all adopted the same profit-sharing arrangements, that profit-sharing agreement should have been used. Given the opportunity to present this claim, Sunoco would have established that it lost more than \$150 million because of Magellan's infringement.

Instead of permitting that, the Federal Circuit needlessly demanded that Sunoco strip the "value" of the non-patented BSA services from the value of the patented blending system. Even setting aside that these services have functionally no independent value, that logic makes no sense.

The infringement caused Sunoco to lose BSAs. Sunoco thus cannot be made "whole" unless it receives what it would have made under the BSAs. And none of that turns on the hypothetical value of the BSA services that fall outside the literal scope of the asserted claims. As a result, the arbitrary apportionment rule prevented Sunoco from receiving "full compensation for the infringement," thereby

frustrating the “language of § 284” and its “fundamental purpose.” *Id.* at 654.⁴

Moreover, even under the Federal Circuit’s flawed framework, Sunoco still should have been able to recover lost profits here because of the entire market value rule. All agree that apportionment is unnecessary when the patents drive demand for a product or service. In such cases, damages may be based on the entire value of the product or service, regardless of whether it encompasses more than just the patents. *See Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1360 (Fed. Cir. 2012).

Sunoco’s blending systems were no incremental improvement like the mop-head clamp in *Garretson*, which had barely altered a household product that “had been in use time out of mind.” 111 U.S. at 121. Sunoco’s patented technology provided a method for implementing a turnkey system for blending butane into gasoline. *See* Pet.App.9a-11a. Sunoco never offered, and no one has ever purchased, any of the BSA services from Sunoco unless they also received the patented blending system. The record more than supports that Sunoco’s patented blending system drove all demand for the BSAs. But, after distorting Section 284, the Federal Circuit compounded that

⁴ The Federal Circuit’s approach also conflicts with basic principles of tort law. Patent infringement is a tort. *Carbrice Corp. of Am. v. Am. Pats. Dev. Corp.*, 283 U.S. 27, 33 (1931). Under ordinary tort principles, injured parties receive compensatory damages sufficient to put them in the same position they would have occupied had the injury never occurred. *See, e.g., Cooper Indus., Inc. v. Leatherman Tool Grp., Inc.*, 532 U.S. 424, 432 (2001).

initial error and refused to let the jury address the key factual question of whether the patents drove demand for the BSAs.

B. The Federal Circuit’s Outlier View of Rule 702 Invades the Province of the Jury, While Conflicting with the Text of Rule 702 and this Court’s Precedents.

The decision below also exemplifies the Federal Circuit’s uniquely stringent interpretation of Rule 702. That outlier approach has created a special regime for patent damages experts that invites lower courts to resolve fact disputes and invade the province of the jury. Under the Federal Circuit’s rule, whenever the court believes “evidence is contrary to a critical fact upon which the expert relied, the district court fails to fulfill its responsibility as gatekeeper by allowing the expert to testify at trial.” *EcoFactor, Inc.*, 137 F.4th at 1346; *see also* Pet.App.47a (affirming exclusion of Sunoco’s damages expert because his opinion was “premised on using the total profit-share” from the BSAs and there was “record evidence showing that the BSAs” were worth more than the patents). The Federal Circuit’s approach fundamentally distorts the division of labor between judge and jury. And it conflicts with every other Circuit’s approach to the question.

1. The Seventh Amendment tasks juries with resolving factual disputes.

The right to trial by a jury of one’s peers was “prized by the American colonists.” *Jarkesy*, 603 U.S. at 121. By the Founding, it had long been hailed as “the glory of the English law.” 3 William Blackstone,

Commentaries on the Laws of England 379 (1768). And it served as a vital check on judicial overreach. The Framers knew that making judges the “masters as to facts” in civil disputes would at best result in “arbitrary proceedings,” Letter from a Federal Farmer (Jan. 18, 1788), in 2 *The Complete Anti-Federalist* 321-22 (Herbert Storing ed. 1981), and at worst in “lordly court[s] of justice,” always eager to displace the wisdom and judgment of the common man, Essay of a Democratic Federalist (Oct. 17, 1787), in 3 *The Complete Anti-Federalist* 61.

To avoid that, the Framers adopted the Seventh Amendment, guaranteeing that in “[s]uits at common law . . . the right of trial by jury shall be preserved.” U.S. Const. amend. VII. This right requires “issues of fact” to “be submitted for determination . . . by the jury.” *Gasoline Prods. Co. v. Champlin Ref. Co.*, 283 U.S. 494, 498 (1931). That role for the jury is “fundamental and sacred to the citizen,” and it must be “guarded by the courts.” *Jacob v. City of New York*, 315 U.S. 752, 753 (1942). As Blackstone warned long ago, intrusions on the jury right, “though begun in trifles,” tend to “gradually increase and spread.” 4 William Blackstone, *Commentaries on the Laws of England* 344 (1769). And so “every encroachment upon it” must be “watched with great jealousy.” *Jarkesy*, 603 U.S. at 122 (quotation marks omitted).

In *Daubert*, this Court adhered to those principles and rejected a restrictive interpretation of Rule 702. It swatted aside the argument that a strict approach was needed to prevent “befuddled juries” from being constantly “confounded” by complex expert testimony. *Daubert*, 509 U.S. 595-96. That view was “overly

pessimistic about the capabilities of the jury and of the adversary system generally.” *Id.* at 596. “Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof” are the “conventional devices” to hash out an expert’s perceived weaknesses, not “wholesale exclusion.” *Id.*

Daubert made clear that Rule 702 provides no license for judges to “supplant the adversary system or the role of the jury.” *Quiet Tech.*, F.3d at 1341 (quotation marks omitted). Yet the Federal Circuit’s approach, which “invit[es] district judges . . . to resolve fact disputes under the guise of evaluating whether experts may testify at trial,” does precisely that. *EcoFactor, Inc.*, 137 F.4th at 1354 (Stark, J., concurring in part and dissenting in part). That cannot be squared with the Seventh Amendment, *Daubert*, or Rule 702.

2. When expert testimony is based on a disputed set of facts, the jury must resolve those factual disputes.

Under Rule 702 and *Daubert*, expert testimony is admissible where the proponent shows that the testimony is helpful, “reliable,” and “based on sufficient facts or data.” Fed. R. Evid. 702. Nothing in that language allows a court to exclude expert testimony because it is predicated on facts that—while “sufficient” to support the expert’s opinion—are disputed. Those factual disputes must be resolved by the jury, not by judges.

The Advisory Committee notes, which are accorded great weight in interpreting the federal rules, *see, e.g.*, *Tome v. United States*, 513 U.S. 150, 160 (1995),

reinforce that understanding. They state that Rule 702 is “not intended to authorize a trial court to exclude an expert’s testimony on the ground that the court believes one version of the facts and not the other.” Fed. R. Evid. 702 advisory committee’s note to 2000 amendment. Where expert opinions are “based on contested sets of facts,” the underlying factual disputes must be resolved by the jury at trial, not by the court at the threshold. *See* Fed. R. Evid. 702 advisory committee’s note to 2023 amendment.

This Court’s precedents and a litany of decisions from the regional Circuits clearly articulate that understanding. *See Daubert*, 509 U.S. at 596. “When the factual underpinning of an expert’s opinion is weak, it is a matter affecting the weight and credibility of the testimony—a question to be resolved by the jury.” *Milward v. Acuity Specialty Prods. Grp. Inc.*, 639 F.3d 11, 22 (1st Cir. 2011) (quotation marks omitted). “[M]ere weaknesses in the factual basis of an expert’s opinion . . . bear on the weight of the evidence rather than on its admissibility.” *In re Scrap Metal Antitrust Litig.*, 527 F.3d 517, 530 (6th Cir. 2008) (quotation marks omitted). That is because it is “not the role of [courts] to make ultimate conclusions as to the persuasiveness of the proffered evidence.” *Quiet Tech.*, 326 F.3d at 1341. Nor is the court’s gatekeeping role intended to disturb the role of the jury. *See Elosu*, 26 F.4th at 1026.

In short, courts have long understood and adhered to the basic principle that issues with the factual predicates of expert testimony go to weight, not admissibility. The proper inquiry under Rule 702 is not whether the district court agrees with the expert’s

conclusions. Nor is it whether the court agrees with the facts underlying those conclusions. It is simply whether a reasonable mind considering the relevant facts and data *could reach* the expert's conclusions. Once that threshold is cleared, the court's gatekeeping role is complete.

3. The Federal Circuit often excludes expert testimony based on a court's own weighing of the evidence.

But one court—the Federal Circuit—has become “so enamoured of judges,” *Neder v. United States*, 527 U.S. 1, 32 (1999) (Scalia, J., concurring in part and dissenting in part), and so skeptical of jurors, that it has developed its own unique interpretation of Rule 702. That view “invit[es] district judges . . . to resolve fact disputes under the guise of evaluating whether experts may testify at trial.” *EcoFactor, Inc.*, 137 F.4th at 1354 (Stark, J., concurring in part and dissenting in part). Under the Federal Circuit's distinct approach, expert testimony must be excluded when record “evidence is contrary to a critical fact upon which the expert relied.” *Id.* at 1346 (majority op.).

The decision below stands as an exemplar of this troubling trend in the Federal Circuit. That court has “opened the door to turning Rule 702 into a vehicle for judicial resolution of fact disputes.” *Id.* at 1355 (Stark, J., concurring in part and dissenting in part). As explained above, the decision below started from the incorrect premise that Sunoco's expert should have separated the value of the other services provided under the BSAs from the value of the patented

technology, unless an exception recognized by the Federal Circuit applied.

But Sunoco's expert had offered a straightforward basis, supported by the evidence, for calculating lost profits based on the BSAs, without apportionment. In any event, Sunoco's expert also relied on the entire market value rule and explained that the patented technology drove demand for the BSAs.

Most notably, Sunoco's damages expert relied on deposition and trial testimony from multiple Sunoco executives that directly supported his view. For example, one Sunoco executive had testified that Sunoco would not "have a [BSA] business without [the] patents" and that "a hundred percent of our income . . . is related to those patents." App.5238; App.8984. He noted that Sunoco wouldn't even have "the opportunity to negotiate partnerships . . . without the patent." App.8985. Likewise, another Sunoco executive testified that the patents drove demand and that Sunoco's customers did not need anything offered by the BSAs aside from the patents. App.22016. Sunoco would not even have been "at the table" without the patents. App.7626; App.8984.

Real-world evidence supported that testimony and the opinion of Sunoco's damages expert too. Phillips 66 developed and installed its own automated butane blending system in Denver. But, when it realized that its system was infringing Sunoco's valid patents, Phillips 66 executed BSAs with Sunoco covering the Denver terminal and several others. This supports the obvious point: companies executed BSAs because of the patents—which is what Sunoco's expert concluded.

None of that was sufficient to satisfy the Federal Circuit's "[s]trict requirements." Pet.App.56a. After weighing the evidence and discrediting purported "self-serving testimony from Sunoco's own witnesses," *id.*, the Federal Circuit decided that the patents did not drive demand. The decision below never even attempted to explain why large oil companies agreed to BSAs despite being able to construct and operate their own versions of Sunoco's patented blending systems. At bottom, the Federal Circuit found Sunoco's view of the facts unpersuasive "when viewed against" the competing evidence in the record and adopted the competing view. Pet.App.56a-57a.

Once again, the Federal Circuit's "outright dismissal of . . . testimony lays bare that [it] chose[] to believe one version of the facts over the other." *EcoFactor, Inc.*, 137 F.4th at 1351 (Reyna, J., concurring in part and dissenting in part). That invades the province of the jury, which has long been tasked with appraising credibility and determining the weight given to testimony. *See, e.g., Tennant v. Peoria & P.U. Ry. Co.*, 321 U.S. 29, 35 (1944). Unfortunately, this case is not unique in the Federal Circuit. It is only the latest example of a misguided trend that has taken hold in the Federal Circuit, which has developed a penchant for doing its own factfinding and making credibility determinations. *See, e.g., EcoFactor, Inc.* 137 F.4th at 1344 (reducing executive's testimony to "an unsupported assertion from an interested party" and excluding expert opinion that relied upon it).

II. The Decision Below Exacerbates A Lopsided Circuit Split.

Although only the Federal Circuit deals with patent damages experts, whether proffered evidence should be admitted in a trial is not an issue unique to patent law. *See Bose Corp. v. JBL, Inc.*, 274 F.3d 1354, 1360 (Fed. Cir. 2001). And the Federal Circuit stands alone in its repeated refusals to heed a key principle of Rule 702—that expert testimony may be, and frequently will be, based on hotly disputed facts.

Solely within the Federal Circuit, the court is tasked with weighing the evidence and determining when certain record “evidence is contrary to a critical fact upon which the expert relied.” *EcoFactor, Inc.*, 137 F.4th at 1346. But because the adversarial system will almost always produce some contrary evidence detracting from important facts upon which an expert relies, this cannot be a correct interpretation of Rule 702. As a result, in cases governed by Federal Circuit precedent, the court often resolves factual disputes to exclude experts on critical damages issues.

That is not the rule outside the Federal Circuit. Indeed, the panel below was duty bound to apply the law of the Third Circuit on evidentiary issues. *See Tokai Corp. v. Easton Enters., Inc.*, 632 F.3d 1358, 1364 (Fed. Cir. 2011). After paying lip service to that requirement, it followed the Federal Circuit’s unique view instead. The Third Circuit has not adopted any rule instructing district judges to wholesale exclude expert testimony whenever record “evidence is contrary to a critical fact” on which the expert relied.

Instead, the Third Circuit will reverse district judges only if they “admit expert testimony which is based on assumptions lacking any factual foundation in the record.” *Leonard v. Stemtech Int’l Inc.*, 834 F.3d 376, 391 (3d Cir. 2016) (quotation marks omitted).

The Federal Circuit’s rule is incompatible with the Third’s Circuit’s interpretation of Rule 702. In fact, an advisory committee note to Rule 702 cites a Third Circuit case for the proposition that, when expert testimony is based on “contested sets of facts,” the jury should “decid[e] the disputed facts.” *See* Fed. R. Evid. 702 advisory committee’s note to 2023 amendment.

Unlike the Federal Circuit, the regional Circuits manage to faithfully apply Rule 702 and *Daubert* without usurping the jury’s role in many complicated contexts. *See, e.g., Pipitone*, 288 F.3d at 250; *Synergetics, Inc. v. Hurst*, 477 F.3d 949, 955 (8th Cir. 2007) (explaining the “general rule” that the “factual basis of an expert opinion goes to the credibility of the testimony, not the admissibility, and it is up to the opposing party to examine the factual basis for the opinion in cross-examination”); *Smith v. Ford Motor Co.*, 215 F.3d 713, 718 (7th Cir. 2000) (citing *Daubert* for the proposition that the “soundness of the factual underpinnings of the expert’s analysis and the correctness of the expert’s conclusions based on that analysis are factual matters to be determined by the trier of fact”); *United States v. Morgan*, 45 F.4th 192, 201 (D.C. Cir. 2022) (stressing that concerns about an expert’s factual assumption “should be considered by the jury in assessing the weight” of the expert’s testimony, “not by the court in its threshold admissibility determination”); *United States v.*

Napout, 963 F.3d 163, 188 (2d Cir. 2020) (noting that most “contentions that [an expert’s] assumptions are unfounded go to the weight, not admissibility” of the opinion); *Sommerville v. Union Carbide Corp.*, 149 F.4th 408, 423 (4th Cir. 2025) (“[Q]uestions regarding the factual underpinnings of the [expert’s] opinion affect the weight and credibility of the witness’s assessment, not its admissibility.”); *Werth v. Makita Elec. Works, Ltd.*, 950 F.2d 643, 654 (10th Cir. 1991) (“[S]ufficiency of the factual basis to support [the expert’s] opinion go[es] to its *weight*, and not to its admissibility.”). The list could go on.⁵

The Fifth Circuit’s opinion in *Pipitone* is illustrative of the conflict. In *Pipitone*, the critical issue was whether an expert should be permitted to testify that use of a manufacturer’s syringe caused the plaintiff to develop a salmonella infection in his knee. 288 F.3d at 241. Neither side disputed that if the syringe was in fact contaminated, the knee would become infected. *Id.* at 246. But the manufacturer took issue with the expert’s factual premise that the “syringe was the source of the contamination.” *Id.* at 247.

The district court excluded the expert, believing that his conclusions were “too speculative” and ultimately “unsupported” because evidence in the

⁵ Of course, in some instances courts must exclude experts for failing to establish a sufficient factual foundation for their opinion. When an expert opinion lacks factual foundation, exclusion is proper. But “[t]here is an important difference between what is *unreliable* support and what a trier of fact may conclude is *insufficient* support for an expert’s conclusion.” *Milward*, 639 F.3d at 22.

record undermined his key factual premise that the syringe was the source of the contamination. *Pipitone v. Biomatrix, Inc.* 2001 WL 568611, at *3-4 (E.D. La. May 22, 2001).

The Fifth Circuit reversed. It explained that “the answer to the critical causation question will depend on which set of predicate facts the fact-finder believes: the plaintiffs’ contention that the content of the [syringe] was contaminated or the defendant’s that it was not.” *Pipitone*, 288 F.3d at 249. Stressing the Advisory Committee notes to Rule 702, the Fifth Circuit held that, as “*Daubert* makes clear,” in situations like this one where a key predicate fact is in dispute and some evidence cuts both ways, the “fact-finder is entitled to hear” the expert testimony and “decide whether the predicate facts on which [the expert relied] are accurate.” *Id.* at 250.

Here, like *Pipitone*, the dispute is not actually about the expert’s methodology or whether a sufficient factual basis supports the opinion. Rather, the dispute centers on whether a key predicate fact is true: whether the patents are the key drivers of demand for the BSAs. If that is true, then all agree that using the BSAs to measure damages is appropriate. In essence, as in *Pipitone*, this is a case where everything turns on “which set of predicate facts the fact-finder believes.” *Id.* at 249. But just like the district court that the Fifth Circuit reversed, the Federal Circuit never let the factfinder fulfill its role. Instead, the panel below offered an “overly stringent” interpretation of Rule 702, *id.* at 250, turning the “court’s role as gatekeeper [into] a replacement for the adversary system,”

EcoFactor, Inc., 137 F. 4th at 1350 (Stark, J., concurring in part and dissenting in part).

The Ninth Circuit's decision in *Elosu* also squarely conflicts with the Federal Circuit's approach. That "case concern[ed] the scope of a district court's discretion to exclude expert testimony that it deems unsupported by the record." *Elosu*, 26 F.4th at 1023. The district court reasoned that the expert had "relied too heavily" on "interested testimony" and that positions in the expert report "conflicted with the testimony of eyewitnesses." *Id.* at 1026-28. The district court excluded the expert, holding the opinion to be "speculative and unsupported by the evidence." *Id.* at 1026.

The Ninth Circuit reversed, holding that a "court cannot exclude expert testimony for lacking 'sufficient facts or data' while openly disregarding the foundation of the expert's opinion." *Id.* at 1027. Rule 702 "requires foundation, not corroboration." *Id.* at 1025. The Ninth Circuit explained that it "may well be that [the expert] relied too heavily on an interested party," but that "goe[s] to the weight of the testimony and its credibility, not its admissibility." *Id.* at 1028 (quotation marks omitted). Nor should a court "fixat[e] on evidence not offered in support of [an expert's opinion] while simultaneously ignoring the evidence advanced on its behalf." *Id.* at 1027 (quotation marks omitted).

The decision below made both errors. It criticized Sunoco's damages expert for relying on "self-serving testimony from Sunoco's own witnesses," and it ignored the real-world evidence supporting that testimony and the expert's opinion. Pet.App.56a.

Just like the district court that the Ninth Circuit reversed, the decision below expressly stated that it found Sunoco's view of the facts unpersuasive "when viewed against" competing evidence in the record. Pet.App.56a-57a. It "assumed a factfinding role in its analysis" and made "credibility determinations that are reserved for the jury." *Elosu*, 26 F.4th at 1023-25. It ignored that neither Rule 702 nor *Daubert* "license[s] a court to engage in freeform factfinding, to select between competing versions of the evidence, or to determine the veracity of the expert's conclusions." *Id.* at 1026. Instead, "[t]hat is for the litigants to argue, and for the jury to decide." *Id.*

The regional Circuits respect those principles. The Federal Circuit does not. The Federal Circuit's approach results in "constraining damages experts in a manner not called for by either Rule 702 or *Daubert*." *EcoFactor, Inc.*, 137 F.4th at 1354. (Stark J., concurring in part and dissenting in part). It fails to appreciate the role and resolve of the jury. *Id.* at 1351. And it raises serious concerns under the Seventh Amendment.

III. These Are Exceptionally Important Questions, And This Case Is An Ideal Vehicle To Resolve Them.

The interpretation of Section 284 offered below and in many recent Federal Circuit decisions violates the plain meaning of the Patent Act. And despite the Federal Circuit's recent insistence upon unyielding adherence to a rigid apportionment requirement in lost profits cases, some of its own decisions cannot possibly be reconciled with that rule. *See, e.g., Rite-*

Hite Corp. v. Kelley Co., 56 F.3d 1538, 1544 (Fed. Cir. 1995) (en banc) (affirming an award of lost profits on sales of a product that *did not even contain* the patent in suit). Indeed, not long ago, commentators and leading practitioners were declaring that “under current law, there is never a need to apportion lost profits between patented and unpatented items.” Brent Rabowsky, *Recovery of Lost Profits on Unpatented Products in Patent Infringement Cases*, 70 S. Cal. L. Rev. 281, 295 (1996); *see also* Conley, *supra*, at 373 (“[T]he concept of recovery of lost profits, as uniformly applied by the courts, does not admit to dividing the patent owner’s lost profits according to any perceived value contributed by the invention.”).

Despite the confusion and shifting standards, this Court does not appear to have squarely addressed the critical topic of apportionment in over a hundred years. The lack of attention to this fundamental issue has plagued district courts, the Federal Circuit, and litigants. This Court’s guidance is necessary to prevent entrenchment of a doctrine that disregards the fundamental dictates of the Patent Act.

Likewise, the Federal Circuit’s unique position in the federal judiciary makes its cramped interpretation of Rule 702 enormously consequential. *See* 28 U.S.C. § 1295(a). And nearly every patent case involves a damages expert. If courts must continue to exclude those experts whenever some “evidence is contrary” to an important fact on which their opinions rely, the role of the jury will be severely diminished.

This case supplies a perfect example of both problems and an ideal opportunity to correct the Federal Circuit’s flawed approach in one fell swoop.

The Federal Circuit misconstrued Section 284. And then it weighed evidence, discredited testimony, and excluded Sunoco's damages expert simply because the court rejected the factual predicate of the expert's opinion. In doing so, it allowed Respondents to reap hundreds of millions in profits from willful infringement and left Sunoco with a mere fraction of that in damages. Such perverse outcomes will proliferate until this Court intervenes.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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**APPENDIX A — OPINION OF THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT,
FILED JANUARY 16, 2026**

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2023-1218, 2023-1274

SUNOCO PARTNERS MARKETING &
TERMINALS L.P.,

Plaintiff-Appellant,

v.

POWDER SPRINGS LOGISTICS, LLC, MAGELLAN
MIDSTREAM PARTNERS L.P.,

Defendants-Cross-Appellants.

Appeals from the United States District Court for
the District of Delaware in No. 1:17-cv-01390-RGA, Judge
Richard G. Andrews.

Decided: January 16, 2026

Before STOLL, CLEVINGER, and CUNNINGHAM,
Circuit Judges.

STOLL, *Circuit Judge.*

This patent infringement case raises issues of
eligibility, infringement, and damages and is related to
systems and methods of blending butane with gasoline.

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Sunoco Partners Marketing & Terminals L.P. sued Magellan Midstream Partners L.P. and Powder Springs Logistics, LLC for patent infringement, which ultimately proceeded to a bifurcated jury trial. A final judgment was entered against Magellan for willfully infringing claim 3 of U.S. Patent No. 6,679,302, claims 31 and 32 of U.S. Patent No. 7,032,629, and claim 3 of U.S. Patent No. 9,207,686. A final judgment was entered against Powder Springs for willfully infringing claim 3 of the '686 patent.

Sunoco challenges on appeal several decisions by the district court that occurred pre-trial, during trial, and post-trial related to damages, as well as the district court's judgment as a matter of law that claims 16 and 17 of the '302 patent and claims 18 and 22 of the '629 patent were not infringed. Magellan and Powder Springs cross-appeal the district court's judgment under Federal Rule of Civil Procedure 52(c) that claims 3, 16, and 17 of the '302 patent, claims 18, 22, 31, and 32 of the '629 patent, and claim 3 of the '686 patent are eligible under 35 U.S.C. § 101, as well as the district court's decision to award supplemental damages to Sunoco. For the reasons discussed below, we affirm the district court's damages decisions, affirm the district court's JMOL of no infringement, and affirm-in-part and reverse-in-part the district court's eligibility decision.

BACKGROUND**I**

The '302 and '629 patents are titled "Method and System for Blending Gasoline and Butane at the Point of Distribution." U.S. Patent No. 6,679,302 Title; U.S. Patent

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No. 7,032,629 Title. They are directed to “blending butane with gasoline at petroleum tank farms, immediately before distribution to tanker trucks,” and share a common specification, as the ’629 patent is a continuation of the ’302 patent. ’302 patent Abstract; ’629 patent Abstract. The “Background of the Invention” explains that “[b]utane has historically been blended with gasoline at several points in the gasoline distribution chain.” ’302 patent col. 1 ll. 65-66. Butane is added to gasoline for two reasons: (1) because it is more volatile than gasoline, it is “commonly added as a RVP modifying agent,” where RVP stands for Reid vapor pressure and is the measure of a petroleum product’s ability to combust; and (2) because it “reduce[s] the cost of gasoline.” *Id.* at col. 1 ll. 31-51. The Environmental Protection Agency has promulgated regulations on how much butane can be blended with gasoline. *Id.* at col. 1 ll. 52-64.

The specification explains that one of the locations in the gasoline distribution chain where butane has historically been added to gasoline is at tank farms, before the gasoline is dispensed to tanker trucks using a dispensing unit such as a rack. *Id.* at col. 1 ll. 65-66, col. 2 ll. 24-40, col. 5 ll. 13-20. The specification describes blending at the tank farm: “When delivery of gasoline is made to a large storage tank, the RVP of the tank is measured, and sufficient butane is added to the tank to attain a desired RVP.” *Id.* at col. 2 ll. 24-27. “However, blending butane at tank farms is not without its complications,” including that it is “labor intensive and imprecise.” *Id.* at col. 2 ll. 34-41. Additionally, “[e]ach time that gasoline is introduced to a tank, the RVP must again be measured, and butane must be added to the, [sic] tank to attain a desired RVP.” *Id.* at

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col. 2 ll. 34-37. But “[o]ften, gasoline will be dispensed to several tanker trucks before the butane can be blended, . . . losing the opportunity to blend butane in those shipments.” *Id.* at col. 2 ll. 37-40. Thus, after the butane is offloaded into the gasoline tank, the tank then takes “considerable stirring” to render the mixture homogeneous. *Id.* at col. 2 ll. 39-44. The specification explains that, because these conventional methods were imprecise, suppliers were unable to maximize the amount of butane blended with gasoline. *See id.* at col. 2 ll. 39-52, col. 2 l. 66-col. 3 l. 11.

The patented invention offers a solution: unlike prior manual blending methods where butane was added directly to the gasoline tank, “blending occurs downstream of the gasoline and butane storage tanks on the tank farm, after the gasoline and butane are drawn from their storage tanks for dispensing into a tanker truck, but before the gasoline is actually dispensed to the tanker truck at the rack.” *Id.* at col. 3 ll. 17-21. The invention uses a “blending apparatus” for blending the butane and gasoline streams at varying blend ratios to achieve a desired vapor pressure, and the apparatus is “under the continuous control of a process control unit, which can vary the ratio at which gasoline and butane are blended to attain a desired vapor pressure.” *Id.* at col. 3 ll. 21-31. The specification explains that these features offer “a number of significant advantages”: (1) “[t]he amount of butane blended with the gasoline can be more thoroughly controlled, yielding less RVP variability”; (2) “butane and gasoline can be blended to yield consistent optimal performance of motor vehicles that employ the blended gasoline”; (3) “[t]he ratio of butane and-gasoline

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[sic] blended can be easily varied and controlled to comply with regional and/or seasonal RVP requirements imposed by EPA or state regulations”; and (4) “tank farm operators are able to maximize the amounts of butane that they blend with gasoline, and minimize their cost basis for the gasoline sold.” *Id.* at col. 3 ll. 44-67.

Sunoco asserted claims 3, 16, and 17 of the '302 patent and claims 18, 22, 31, and 32 of the '629 patent at trial. Claim 3 of the '302 patent, which depends from claims 1 and 2, provides:

1. A system for blending gasoline and butane at a tank farm comprising:
 - a) a tank of gasoline;
 - b) a tank of butane;
 - c) a blending unit, at the tank farm, downstream of and in fluid connection with the tank of gasoline and the tank of butane;
 - d) a dispensing unit downstream of and in fluid connection with the blending unit; and
 - e) a rack, wherein the dispensing unit is located at the rack and is adapted to dispense gasoline to gasoline transport vehicles.

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2. The system of claim 1 further comprising a process control unit, wherein the process control unit generates a ratio input signal that controls the ratio of butane and gasoline blended by the blending unit.

3. The system of claim 2 wherein the ratio input signal is derived from a calculation of the ratio of butane and gasoline that will yield a desired vapor pressure.

Id. at col. 13 ll. 12-31. Claims 16 and 17 of the '302 patent, which depend from claims 12, 13, and 14, provide:

12. A method for blending gasoline and butane at a tank farm comprising:

- a) drawing a gasoline stream from a tank of gasoline;
- b) drawing a butane stream from a tank of butane;
- c) blending the butane and gasoline streams, at the tank farm, to form a blend; and
- d) dispensing the blend to gasoline transport vehicles using a dispensing unit located at a rack.

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13. The method of claim 12, further comprising:

- a) determining a blend ratio of butane and gasoline in the butane and gasoline streams that will yield a desired vapor pressure, and
- b) blending the gasoline and butane streams at the blend ratio.

14. The method of claim 13, wherein the blend ratio is determined from a vapor pressure of the gasoline stream and a vapor pressure of the butane stream.

16. The method of claim 14, wherein the step of determining the blend ratio comprises:

- a) setting a predetermined value for the vapor pressure of the blend;
- b) transmitting the predetermined value for the vapor pressure of the blend to a processing unit;
- c) transmitting the gasoline vapor pressure and the butane vapor pressure to the processing unit;
- d) calculating the blend ratio from the gasoline vapor pressure, the

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butane vapor pressure, and the predetermined value for the vapor pressure of the blend.

17. The method of claim 16, further comprising:

a) transmitting a signal that corresponds to the vapor pressure of the blend from the processing unit to a programmable logic control; and

b) adjusting the ratio of butane and gasoline blended in the blending unit with the programmable logic control.

Id. at col. 14 ll. 3-21, col. 14 ll. 33-50.

Claims 18 and 22 of the '629 patent, which depend from claim 17, provide:

17. A computer-implemented method for blending a butane stream with a gasoline stream comprising the steps of:

receiving a first measurement indicating a vapor pressure of the gasoline stream;

receiving a second measurement indicating a vapor pressure of the butane stream;

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calculating a blend rate at which the butane stream can be blended with a gasoline stream; and

transmitting an instruction to a programmable logic controller for adjusting the butane stream to the calculated blend rate for blending with the gasoline stream and distributing at a rack.

18. The computer-implemented method of claim 17, wherein the blend rate is based on a predetermined vapor pressure for the blended gasoline and butane.

22. The computer-implemented method of claim 17, further comprising the steps of:

receiving a third measurement indicating a vapor pressure of the blend of the gasoline stream and the butane stream; and

generating a report comprising the third measurement.

'629 patent col. 14 ll. 38-52, col. 14 ll. 62-67. Claims 31 and 32 of the '629 patent provide:

31. A computer-implemented method for blending a butane stream and a gasoline stream comprising the steps of:

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receiving a first measurement indicating a vapor pressure of the gasoline stream;

calculating a blend rate at which the butane stream can be blended with the gasoline stream;

transmitting an instruction to a programmable logic controller for adjusting the butane stream to the calculated blend rate for blending with the gasoline stream and distributing at a rack; and

receiving a second measurement indicating a vapor pressure of the blended gasoline stream and butane stream.

32. The computer-implemented method of claim 31, further comprising the step of generating a report comprising the second measurement.

Id. at col. 16 ll. 8-24.

II

The '686 patent is titled "Versatile Systems for Continuous In-line Blending of Butane and Petroleum," is directed to "in-line processes of blending butane into

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gasoline streams, and for blending butane into a gasoline stream at any point along a petroleum pipeline,” and is a continuation-in-part of the ’629 patent. U.S. Patent No. 9,207,686 Title, Abstract. The “Background of the Invention” explains that “[s]everal methods have been attempted to improve the precision of butane blending and the predictability of Reid vapor pressure in the final product.” *Id.* at col. 3 ll. 1-3. The specification explains that “[b]y combining the advantages of in-line vapor pressure monitoring both upstream and downstream of a butane blending operation,” the patented invention is “a tightly controlled butane blending system with surprising versatility that can be used to blend butane with petroleum products at practically any point along a petroleum pipeline, regardless of variations in the flow rate of gasoline . . . , the time of year . . . , or the ultimate destination.” *Id.* at col. 3 ll. 15-23. The invention allows “petroleum vendors and distributors . . . to take optimum advantage of the many cost saving and performance benefits that butane blending offers, and to do so without regard to the location where the blending occurs along the pipeline.” *Id.* at col. 3 ll. 24-28.

Sunoco asserted only claim 3 at trial. Claim 3 depends from claim 1 and provides:

1. A method for in-line blending of gasoline and a volatility modifying agent comprising:
 - a) providing a continuously flowing gasoline stream that comprises:

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- i) a plurality of batches of different gasoline types;
 - ii) a gasoline flow rate that varies over time; and
 - iii) a plurality of gasoline vapor pressures;
- b) providing an allowable vapor pressure;
- c) providing a stream of said agent that comprises an agent vapor pressure;
- d) periodically determining said gasoline vapor pressure;
- e) periodically determining said gasoline flow rate;
- f) calculating a blend ratio based upon said agent vapor pressure, said gasoline vapor pressure, and said allowable vapor pressure; and
- g) blending said agent stream and said gasoline stream at a blending unit at said blend ratio to provide a blended gasoline stream having a blended

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vapor pressure less than or equal to said allowable vapor pressure.

3. The method of claim 1, further comprising:
 - a) providing a first information processing unit (IPU) on which said calculating is performed;
 - b) providing a second IPU which generates pulses of flow rate data;
 - c) transmitting said flow rate data to said first IPU; and
 - d) calculating a blend rate on said first IPU based upon said flow rate data from said second IPU.

Id. at col. 15 l. 62-col. 16 l. 13, col. 16 ll. 16-23.

III

Sunoco purchased the asserted patents from Texon LP in 2010, when it acquired all of Texon's butane blending business. After the purchase, Sunoco adopted Texon's method of licensing its patents as part of Butane Supply Agreements ("BSAs"). Under the BSAs, Sunoco (1) constructs and operates its patented system at a licensee's gasoline terminal, (2) supplies butane needed for the system, and (3) grants a limited license to its patents, all

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in exchange for sharing the licensee's profits from selling the extra gasoline created using the patented inventions. Also under the BSAs, Sunoco performs services related to (1) making and using the patented inventions, such as designing, engineering, constructing, and maintaining the blending systems; and (2) providing regulatory oversight support, maintenance and support services, risk management, customer services, and financial services related to butane hedging, among others. Additionally, Sunoco's BSAs include the use of its proprietary blending algorithm with its patented system. Generally, the parties to the BSAs share the resulting profits 40/60 or 50/50 with Sunoco only being compensated for its share of the profit on the gasoline gallons created, not on the sale of all gallons blended with the patented technology. The difference in profit-share depends on which party provides construction capital for building the blending system: Sunoco gets a 40 percent profit-share when the licensee provides the construction capital and a 50 percent profit-share when it provides the capital.

Sunoco has granted rights to its patents under an arrangement other than the above described BSA methodology only once. When Sunoco acquired Texon's butane blending business, a preexisting licensee of Texon, Buckeye Terminals, LLC, wanted to continue its BSA with Texon rather than Sunoco. Sunoco agreed to allow Texon to continue to use the patented inventions for Buckeye, and under the "Buckeye License," Texon paid Sunoco \$0.02/gallon for patented blending at all Buckeye terminals for ten years and 60 percent of Texon's profits at any future Buckeye terminals. Buckeye and Texon used a 50/50

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profit-share, so Sunoco's 60 percent share from Texon's profit was 30 percent of the total profits from the use of the patented inventions at Buckeye terminals.

In 2013, Colonial Pipeline Company sought an automated blending system for the Colonial Pipeline, which is the largest refined products pipeline system in the country. Sunoco and Magellan competed for the project, with Sunoco proposing use of its patented blending technology with a 50/50 profit-share under its established BSA methodology. Colonial, however, chose Magellan's proposal, under which Magellan would construct, operate, and maintain the system, as well as supply butane and provide other services, in exchange for a 40/60 profit-share. Colonial and Magellan jointly formed Powder Springs, which began blending on the pipeline in 2017. Sunoco still operates its own patented systems at 25 terminals on the Colonial Pipeline downstream of Powder Springs's terminals.

IV

In 2017, Sunoco filed suit for patent infringement in the District of Delaware, initially suing Magellan and Powder Springs (or, collectively, "Defendants-Cross-Appellants") for infringing multiple claims across five patents. Sunoco requested a damages award based on its BSA profit-sharing methodology. Several stages of the underlying lawsuit—which ultimately proceeded to a bifurcated trial on (1) liability, where the jury found claims 3, 16, and 17 of the '302 patent, claims 18, 22, 31, and 32 of the '629 patent, and claim 3 of the '686 patent

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valid and willfully infringed; and (2) damages, where the jury awarded Sunoco approximately \$12 million—are relevant to this appeal.

A

Before trial, Defendants-Cross-Appellants sought to exclude the opinions of Sunoco’s damages expert, Dr. Keith Ugone, as unreliable under *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S. Ct. 2786, 125 L. Ed. 2d 469 (1993), because Dr. Ugone failed to apportion Sunoco’s BSAs to reflect only the value of the patented inventions. After allowing Sunoco an opportunity to supplement Dr. Ugone’s opinions to show apportionment, the district court struck his supplemental opinions for failing to apportion appropriately.

In so doing, the district court first determined that the “entire market value analysis in Dr. Ugone’s supplemental report is unreliable.” J.A. 22. The court found that Dr. Ugone did “not identify reliable evidence to allow Sunoco to ‘meet its burden to show that the patented feature was the *sole driver* of consumer demand, i.e., that it alone motivated consumers to buy the accused the [sic] products or substantially creates the value of the component parts.’” *Id.* (quoting the entire market value standard set forth in *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 904 F.3d 965, 979-80 (Fed. Cir. 2018)). The district court also noted that it does not “follow[] that the ‘sole driver’ requirement is satisfied” merely because the non-patented features offered as part of Sunoco’s BSAs are not sold separately from the patented features. J.A.

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23 (citing *LaserDynamics, Inc. v. Quanta Comput., Inc.*, 694 F.3d 51, 68 (Fed. Cir. 2012)). Further, the district court determined that Sunoco had not provided evidence to meet its burden to show that its patented features substantially create the value of the component parts of the BSA, “especially given the undisputed evidence that Sunoco’s services are valued for their non-patented features, such as their expertise and algorithm.” J.A. 23-24 (citations omitted).

Turning to Dr. Ugone’s purported apportionment analysis, the district court determined that his analysis was unreliable because Dr. Ugone did not analyze the value of certain unpatented features of Sunoco’s BSAs. This included Sunoco’s blending algorithm, which the district court did not view as “part of the patented system” because of testimony that the algorithm was “proprietary and a Sunoco trade secret.” J.A. 24-25 (citations omitted). As to Dr. Ugone’s opinions on lost opportunity cost, the district court determined that those too were unreliable because he “failed to apportion the value lost due to non-infringing manual blending.” J.A. 25. Thus, the district court struck all of Sunoco’s damages expert’s opinions.¹

1. Sunoco filed several other suits that involve the asserted patents, including a suit against U.S. Venture, Inc. in the Northern District of Illinois for infringing different claims of the ’302 and ’629 patents. *Sunoco P’ship Mktg. & Terminals L.P. v. U.S. Venture, Inc.*, 436 F. Supp. 3d 1099, 1107 (N.D. Ill. 2020) (“*U.S. Venture I*”). Notably, in *U.S. Venture I*, Sunoco sought damages based on its BSAs relying on the testimony of the same expert, Dr. Ugone. After a bench trial, the Illinois district court determined that Dr. Ugone’s failure to apportion the BSAs to reflect only the value of the asserted and infringed patent claims prohibited Sunoco from recovering lost

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At trial, Sunoco requested jury instructions regarding lost profits based on evidence it elicited from fact witnesses, such as (1) testimony that the patents drove demand for Sunoco’s BSAs, and (2) testimony about the 30 percent profit sharing arrangement between Sunoco and Texon from the Buckeye License. The district court, however, rejected the proposed instruction and precluded Sunoco from arguing for damages based on “some value that’s intermediate” to the “full value” of the 40 or 50 percent rates in the BSAs or the 30 percent rate in the Buckeye License. *See* J.A. 23229-31 (Trial Tr. 1461:5-1463:15). The district court had warned Sunoco prior to trial that such a theory “is no more proper . . . coming from fact witnesses than it would have been coming from Dr. Ugone” and that “someone must apportion” the BSAs. J.A. 14509 (Hearing Tr. 95:18-97:7). Thus, the royalty rate that Sunoco could seek from the jury in its closing argument was limited to the \$0.02/gallon rate that Defendants-Cross-Appellants’ expert, Dr. Robert Maness, proposed based on the Buckeye License.

C

During post-trial proceedings, the district court issued three orders relevant to this appeal: (1) an order

profits or reasonable royalty damages based on the full value of the BSAs. *Id.* at 1127-30. Sunoco appealed that decision to this court, arguing the district court erred in rejecting BSA-based damages, and we affirmed the Illinois district court’s damages decision. *Sunoco Partners Mktg. & Terminals L.P. v. U.S. Venture, Inc.*, 32 F.4th 1161, 1179-81 (Fed. Cir. 2022) (“*U.S. Venture II*”).

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addressing patent eligibility as to each asserted claim, (2) an order addressing JMOL of no infringement and of no willful infringement, and (3) an order addressing enhanced and supplemental damages.

1

The district court denied Defendants-Cross-Appellants' renewed motion under Federal Rule of Civil Procedure 52(c) that all asserted claims are ineligible under 35 U.S.C. § 101. Defendants-Cross-Appellants argued that the asserted claims of the '302 and '629 patents are directed to "the abstract idea of gathering and transmitting blend data and using generic computer components to calculate a blend ratio and add butane to gasoline," with the focus of the claims on "using a computer to automate aspects of butane blending that have long been done manually." *Sunoco Partners Mktg. & Terminals L.P. v. Powder Springs Logistics, LLC*, 624 F. Supp. 3d 484, 489 (D. Del. 2022) ("*101 Order*") (citations omitted). The district court, however, disagreed and determined that Defendants-Cross-Appellants had "failed to show that the claimed invention simply automates this prior manual blending," and instead the court determined "that claims 3, 16, and 17 of the '302 patent and claims 18, 22, 31, and 32 of the '629 patent are directed to improved systems and methods for blending butane." *Id.* at 490.

The district court explained that the specification described improvements over conventional methods of butane blending:

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Specifically, “[b]y blending gasoline and butane immediately before the gasoline is dispensed to a tanker truck, and by continuously controlling the ratio of gasoline and butane blended by the blending apparatus, a number of significant advantages are attained, including,” among other things, that “[t]he ratio of butane and[] gasoline blended can be easily varied and controlled” and “operators are able to maximize the amounts of butane that they blend.”

Id. at 491 (second and third alteration in original) (quoting ’302 patent col. 3 ll. 44-67). The district court determined that the patents’ claims capture these improved blending methods. The district court further analogized this case to *EcoServices, LLC v. Certified Aviation Services, LLC*, 830 F. App’x 634 (Fed. Cir. 2020), and *CardioNet, LLC v. InfoBionic, Inc.*, 955 F.3d 1358 (Fed. Cir. 2020), to conclude that the “claims are not simply directed to the automation of the prior manual blending methods in which an operator would measure the RVP of samples from a gasoline tank, add the appropriate amount of butane into the tank, stir the tank, and then measure the RVP of the blend.” *101 Order* at 492. Instead, the district court held that “the claims are directed to specific technical systems and methods that ‘allow[] a distributor to blend more gasoline than would be possible with the prior art.’” *Id.* (alteration in original) (quoting ’302 patent col. 11 ll. 53-55). As the district court determined the claims were not directed to ineligible subject matter under *Alice* step one, the court did not proceed to *Alice* step two.

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As to the '686 patent, Defendants-Cross-Appellants argued that claim 3 is directed to the “abstract idea of receiving blending data and using a generic computer to make calculations based on those measurements,” which “is simply the automation of the well-known methods for manual blending along a pipeline.” *Id.* at 493 (citation omitted). The district court, however, determined that Defendants-Cross-Appellants had not met their burden to show that “claim 3 is directed simply to the automation of these prior manual blending methods,” holding that “[c]laim 3 is instead directed to a specific method for in-line blending.” *Id.* The district court concluded that claim 3 captures unconventional methods of in-line blending by reciting (1) “periodically determining said gasoline vapor pressure’ and ‘said gasoline flow rate’”; (2) “calculating a blend ratio based upon . . . said gasoline vapor pressure[] and said allowable vapor pressure’”; and (3) “blending’ the butane and gasoline streams ‘at a blending unit at said blend ratio to provide a blended gasoline stream having a blended vapor pressure less than or equal to said allowable vapor pressure.’” *Id.* at 493-94 (alteration and omission in original) (quoting '686 patent col. 15 l. 61-col. 16 l. 13). The district court explained that *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), is instructive in determining that Defendants-Cross-Appellants had failed to provide sufficient evidence that the prior art blending process was the same process required by claim 3. The district court thus held that the claimed invention used a computer to perform a distinct process to automate a task compared to what was

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previously manually performed. *See 101 Order* at 494.² Again, as the district court determined the claim was not directed to ineligible subject matter under *Alice* step one, the court did not proceed to *Alice* step two.³

2

The district court granted JMOL of no infringement for claims 16 and 17 of the '302 patent and claims 18 and 22 of the '629 patent but denied JMOL of no infringement on the other claims the jury found infringed. The district court concluded that claims 16 and 17 of the '302 patent and claims 18 and 22 of the '629 patent “require[] knowing (whether it be through, for example, actual measurement, through looking it up in a table or other resource, or through knowledge of an inherent characteristic) the vapor pressure of the gasoline or butane to be blended.” *Sunoco Partners Mktg. & Terminals L.P. v. Powder*

2. As part of its *101 Order*, the district court also noted that it struck exhibits related to the prior art Kerr-McGee system as untimely and declined to use Defendants-Cross-Appellants' remaining proposed findings of fact that relied on excerpts of the Kerr-McGee documents from the prosecution history of another related patent to find the claimed blending steps were conventional activities. *See 101 Order* at 490 n.3.

3. Sunoco sued U.S. Venture in the Southern District of Texas for infringing different claims of the '686 patent. *Sunoco Partners Mktg. & Terminals L.P. v. U.S. Venture, Inc.*, 598 F. Supp. 3d 520, 523 (S.D. Tex. 2022) (“*U.S. Venture Tex. Op.*”), *appeal dismissed*, 2023 U.S. App. LEXIS 31858, 2023 WL 8366206 (Fed. Cir. Dec. 4, 2023). There, the Texas district court held claims 16 and 17 of the '686 patent ineligible under 35 U.S.C. § 101. *Id.* at 535-41. Neither claim recites periodically determining gasoline vapor pressure or flow rate.

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Springs Logistics, LLC, 624 F. Supp. 3d 473, 477 (D. Del. 2022) (“*Infringement Order*”) (quotation marks and citation omitted). The district court considered a prior decision of our court that held “the phrase ‘vapor pressure of the butane stream’ in claim 17 of the ’302 patent covers an assumed vapor pressure value.” *Id.* (citing *U.S. Venture II*, 32 F.4th at 1175-76). The district court next considered that it was undisputed the accused products do not measure the vapor pressure of the butane but use an inherent butane RVP of 52 psi. The district court concluded that using an assumed butane vapor pressure satisfied the claim limitations requiring knowledge of a butane vapor pressure. The district court, however, determined that this knowledge was not enough to satisfy the “receiving” limitation of claims 18 and 22 of the ’629 patent and “transmitting” limitation of claims 16 and 17 of the ’302 patent, and held that Sunoco’s expert’s conclusory testimony on these limitations could not constitute substantial evidence to support the jury verdict of infringement for these claims.

In its *Infringement Order*, the district court also denied Defendants-Cross-Appellants’ motion for JMOL of no willful infringement for all asserted claims.

The district court declined to enhance Sunoco’s damages award, despite its denial of JMOL of no willful infringement. The district court considered the *Read* factors as part of its analysis, see *Sunoco Partners Mktg. & Terminals L.P. v. Powder Springs Logistics, LLC*, No.

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17-cv-01390-RGA, 2022 U.S. Dist. LEXIS 156988, 2022 WL 3973499, at *1 (D. Del. Aug. 31, 2022) (“*Damages Order*”) (citing *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992)), ultimately concluding that the factors weighed against enhancing damages. 2022 U.S. Dist. LEXIS 156988, [WL] at *3.

The district court also awarded supplemental damages at a \$0.02/gallon royalty rate for Defendants-Cross-Appellants’ infringement that was not covered by the jury verdict. The district court explained that the jury’s damages number of \$12,200,958.44 was the exact number presented by Sunoco in closing argument from multiplying the royalty rate of \$0.02/gallon by the infringing volumes of blended gasoline through the end in January 2019. “Thus, [the district court] ha[d] no doubt that the jury only considered Defendants’ infringement through January 2019 when assessing damages.” *Id.* And while the district court acknowledged that Sunoco had Defendants-Cross-Appellants’ blending volumes through October 2021 prior to trial, the court reasoned that (1) this information came in after fact and expert discovery closed, (2) there was no witness at trial or within subpoena range through whom Sunoco could have introduced these new volumes, and (3) other efforts to remedy an authentication problem may not have been successful. Accordingly, the district court determined that Sunoco “had no practical means of presenting these new volumes to the jury.” *Id.* As “the jury only compensated Sunoco for infringement through January 2019, [the district court] believe[d] supplemental damages [were] necessary to properly compensate Sunoco for Defendants’ infringement.” 2022 U.S. Dist. LEXIS 156988, [WL] at *4.

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* * *

Sunoco appeals the district court's (1) decision to strike Dr. Ugone's various damages opinions, (2) decision not to instruct the jury on lost profits and to preclude Sunoco from asking the jury for a royalty based on its BSAs or Buckeye License, (3) decision not to award enhanced damages for Defendants-Cross-Appellants' willful infringement, and (4) decision to grant JMOL of no infringement of claims 16 and 17 of the '302 patent and claims 18 and 22 of the '629 patent. Magellan and Powder Springs cross-appeal the district court's decisions (1) holding all asserted claims eligible and (2) awarding supplemental damages. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION**MAGELLAN AND POWDER SPRINGS'S CROSS-APPEAL**

We first address Magellan and Powder Springs's cross-appeal, as they challenge the eligibility of all patent claims at issue. Magellan and Powder Springs also challenge the district court's award of pre-verdict supplemental damages to Sunoco.

I

“For the district court's entry of judgment under Rule 52(c), we review the district court's factual findings for clear error and its legal conclusions *de novo*.” *Intell. Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1312

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(Fed. Cir. 2016). “Patent eligibility is a question of law that may involve underlying questions of fact.” *PersonalWeb Techs. LLC v. Google LLC*, 8 F.4th 1310, 1314 (Fed. Cir. 2021). We review de novo a determination that a claim is not directed to patent-ineligible subject matter. *See, e.g., CardioNet*, 955 F.3d at 1367.

“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor” 35 U.S.C. § 101. “The Supreme Court has identified three types of subject matter that are not patent-eligible: ‘Laws of nature, natural phenomena, and abstract ideas’” *CardioNet*, 955 F.3d at 1367 (quoting *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216, 134 S. Ct. 2347, 189 L. Ed. 2d 296 (2014)). “The abstract ideas category, the subject matter at issue in this case, embodies the longstanding rule that an idea of itself is not patentable.” *Id.* (cleaned up) (quoting *Alice*, 573 U.S. at 218). But “an invention is not rendered ineligible for patent simply because it involves an abstract concept.” *Alice*, 573 U.S. at 217. Applications of abstract concepts to a new and useful end are eligible for patent protection. *Id.*

The Supreme Court has “articulated a two-step test for examining patent eligibility.” *CardioNet*, 955 F.3d at 1367. “At step one, we consider the claims ‘in their entirety to ascertain whether their character as a whole is directed to excluded subject matter.’ We also consider the patent’s written description, as it informs our understanding of the claims.” *Id.* at 1367-68 (citations omitted). “If the claims are not directed to a patent-ineligible concept under *Alice*

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step [one], the claims satisfy § 101 and we need not proceed to the second step.” *Id.* at 1368 (quotation marks omitted) (quoting *Data Engine Techs. LLC v. Google LLC*, 906 F.3d 999, 1007 (Fed. Cir. 2018)). “If the claims are directed to a patent-ineligible concept, however, we next consider *Alice* step two. In this step, we consider the elements of each claim both individually and as an ordered combination to determine whether the additional elements transform the nature of the claim into a patent-eligible application.” *Id.* (quotation marks and citations omitted).

A

We begin by analyzing claims 3, 16, and 17 of the ’302 patent at *Alice* step one. Defendants-Cross-Appellants argue the claims are directed to the abstract idea of gathering and/or receiving blend data and making a calculation with that data.⁴ We disagree and hold that claims 3, 16, and 17 are not directed to an abstract idea.

“At this step, we look to whether the claims focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery.” *PowerBlock Holdings, Inc. v. iFit, Inc.*, 146 F.4th 1366, 1371 (Fed. Cir. 2025) (quotation marks and citation omitted). As the district court concluded here, claims 3, 16, and 17 of the ’302 patent are

4. Defendants-Cross-Appellants argue that claim 31 of the ’629 patent is representative of the claims in the ’302 patent. *See* Defendants-Cross-Appellants’ Reply Br. 2 n.1. We disagree and note that the district court also did not treat any claims as representative.

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“directed to improved systems and methods for blending butane.” *See 101 Order* at 490.

The '302 patent's specification, as well as trial testimony on the state of the art that the district court credited,⁵ explains the conventional methods of blending butane at tank farms and the drawbacks of these methods. *See 101 Order* at 489-90. The specification then explains how the patented system and methods are different from prior manual blending methods, including that (1) “blending occurs downstream of the gasoline and butane storage tanks on the tank farm, after the gasoline and butane are drawn from their storage tanks for dispensing into a tanker truck, but before the gasoline is actually dispensed to the tanker truck at the rack,” '302 patent col. 3 ll. 16-21; and (2) “a blending apparatus” blends the butane and gasoline streams at varying blend ratios to achieve a desired vapor pressure, and the apparatus is “under the continuous control of a process control unit, which can vary the ratio at which gasoline and butane are blended to attain a desired vapor pressure,” *id.* at col. 3 ll. 21-31. The specification explains that this “allows for blending the butane and gasoline streams to form a blend such that the maximum allowable vapor pressure is not exceeded and then dispensing the blend at the rack, without having to stir the tank and certify the vapor pressure of the tank before releasing it to the rack.” *See 101 Order* at 490 (citing

5. As Sunoco pointed out at oral argument, the district court ruled on eligibility under Rule 52(c) and made several fact findings based on the record. *See Oral Arg.* at 43:04-44:01, https://oralarguments.cafc.uscourts.gov/default.aspx?fl=23-1218_01132025.mp3 .

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'302 patent col. 10 ll. 33-36, col. 11 ll. 30-42, 50-55). The specification further lays out four specific improvements this allowed for, including that “[t]he ratio of butane and gasoline [sic] blended can be easily varied and controlled” and “operators are able to maximize the amounts of butane that they blend.” ’302 patent col. 3 ll. 44-67.

Improvements over the prior blending methods are sufficiently captured in claim 3, which depends from claims 1 and 2. Claim 3 recites a system “for blending gasoline and butane at a tank farm” that includes: (1) a butane stream and a gasoline stream; (2) a tank of gasoline and one of butane; (3) a processing unit to calculate a blend ratio; (4) equipment, including a blending unit downstream of and in fluid connection with the gasoline tank, for blending the streams at the calculated blend ratio; and (5) a dispensing unit downstream of the blending unit to dispense the blend at a truck rack. *See* ’302 patent col. 13 ll. 12-31. Accordingly, we agree with the district court that claim 3 is directed to “a specific implementation of a technological improvement” for a butane blending system. *Chamberlain Grp., Inc. v. Techtronic Indus. Co.*, 935 F.3d 1341, 1347 (Fed. Cir. 2019). We hold that the limitations in this claim provide enough specificity and structure to satisfy § 101.

Indeed, we see this case as analogous to our recent decision in *PowerBlock Holdings* where we held eligible at *Alice* step one claims for selectorized dumbbells. *PowerBlock Holdings*, 146 F.4th at 1371-73. There, we explained that even though the claim language was broad, it was still “limited to a particular type of dumbbell,”

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went “beyond claiming the ‘broad concept’ of automating a known technique and provide[d] a sufficiently ‘specific manner of performing’ automated weight stacking,” and was “sufficiently focused on a specific mechanical improvement.” *Id.* at 1372-73. Similarly here, claim 3 is limited to a particular blending system that goes beyond merely automating conventional blending techniques by providing a sufficiently specific manner of blending and is focused on a specific mechanical improvement. *See also, e.g., CardioNet*, 955 F.3d at 1368 (holding that the claims “focus on a specific means or method that improves cardiac monitoring technology; they are not directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery” (quotation marks and citation omitted)).

On the other hand, we disagree with Defendants-Cross-Appellants’ contention that claim 3 is analogous to the patent at issue in *University of Florida Research Foundation, Inc. v. General Electric Co.*, 916 F.3d 1363 (Fed. Cir. 2019). The patent at issue there, involving “a method and system for ‘integrat[ing] physiologic data from at least one bedside machine,’” sought to “automate ‘pen and paper methodologies’ to conserve human resources and minimize errors” and was “a quintessential ‘do it on a computer’ patent.” *Univ. of Fla.*, 916 F.3d at 1366-67 (alteration in original) (citations omitted). As explained above, claim 3 is different: it claims equipment tanks, a processing unit to calculate a blend ratio, a blending unit, a dispensing unit, and a truck rack, as well as the specific arrangement that the blending unit is downstream of the tank. It is directed to an eligible mechanical invention—

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i.e., “a concrete thing, consisting of parts, or of certain devices and combination of devices.” *SiRF Tech., Inc. v. Int’l Trade Comm’n*, 601 F.3d 1319, 1332 (Fed. Cir. 2010) (quoting *In re Ferguson*, 558 F.3d 1359, 1364 (Fed. Cir. 2009)); see 35 U.S.C. § 101.

Nor do we agree with Defendants-Cross-Appellants’ view that claim 3 is similar to the claims at issue in *Chamberlain*. In *Chamberlain*, the specification described a system for wirelessly controlling a moveable barrier, such as a garage door. The claims recited a moveable barrier operator with a controller, an interface, and a wireless transmitter that sends status information. The claims did not recite the moveable barrier. We concluded that the asserted claims were “directed to wirelessly communicating status information about a system,” an abstract idea. *Chamberlain*, 935 F.3d at 1346-47. We explained that the claims in *Chamberlain* were “not limited to a specific implementation of a technological improvement to communication systems,” “they simply recite[d] a system that wirelessly communicates status information” instead of using physical signal paths. *Id.* at 1347. Claim 3 of the ’302 patent here is distinguishable. Claim 3 recites elements of a mechanical system including a blending unit that physically blends butane and gasoline that is both connected downstream of the butane and gasoline tanks and upstream of the dispensing unit, which is also configured to blend butane and gasoline such that the blend has the desired vapor pressure. Here, claim 3 passes muster at *Alice* step one, as it is sufficiently focused on a specific mechanical improvement to blending butane.

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Defendants-Cross-Appellants contend that we should not consider elements of claims that were invalidated as anticipated in other court proceedings—i.e., claim 1 of the '302 patent—and should only consider in our § 101 analysis the limitations added in claims 2 and 3. “We decline [Defendants-Cross-Appellants’] invitation to read out or ignore limitations in claim [3] here merely because they can be found in the prior art.” *PowerBlock*, 146 F.4th at 1373 (citing *Diamond v. Diehr*, 450 U.S. 175, 188, 101 S. Ct. 1048, 67 L. Ed. 2d 155 (1981)). We emphasize here that “parties and tribunals [should] not . . . conflate the separate novelty and obviousness inquiries under 35 U.S.C. §§ 102 and 103, respectively, with the step one inquiry under § 101.” *Id.* at 1373 n.3.⁶

Defendants-Cross-Appellants have not made any meaningful argument that the method claims 16 and 17 of the '302 patent are patent-ineligible even if claim 3 is patent-eligible. *See, e.g.*, Defendants-Cross-Appellants’ Br. 66 (describing claim 3 of the '302 patent as “more high-level” than claims 16 and 17). Courts may treat claims the same regardless of whether they are method or system claims for the purposes of patent eligibility. *See Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Canada (U.S.)*, 687 F.3d 1266, 1277 (Fed. Cir. 2012) (“The

6. The district court struck certain evidence regarding the prior art Kerr-McGee system, an order that is not appealed, and then did not find the remaining excerpts of the prior art system in the record persuasive in showing the claimed blending steps were conventional. *See 101 Order* at 490 n.3. As our analysis is focused on what the language of the challenged claims captures, we do not reach the parties’ dispute over this prior art system.

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equivalence of the asserted method and system claims is also readily apparent. . . . The only difference between the claims is the form in which they were drafted. The district court correctly treated the system and method claims at issue in this case as equivalent for purposes of patent eligibility under § 101.”); *cf. Alice*, 573 U.S. at 226 (“Put another way, the system claims are no different from the method claims in substance. . . . This Court has long warned against interpreting § 101 in ways that make patent eligibility depend simply on the draftsman’s art.” (cleaned up) (citation omitted)). Thus, claims 16 and 17 are directed to eligible subject matter for the same reasons as claim 3.

Because we conclude under *Alice* step one that claims 3, 16, and 17 of the ’302 patent are not directed to an abstract idea, we do not reach *Alice* step two. We affirm the district court’s holding that claims 3, 16, and 17 of the ’302 patent are patent eligible under § 101.

B

We turn next to claims 18, 22, 31, and 32 of the ’629 patent and start with *Alice* step one. Defendants-Cross-Appellants argue that these claims are directed to the abstract idea of gathering and/or receiving blend data and making a calculation with that data. Because Sunoco concedes that claim 31 is representative for our § 101 analysis for the ’629 patent, our analysis focuses on claim 31. Oral Arg. at 42:18-42:32. Starting with *Alice* step one, we agree that claim 31 of the ’629 patent is directed to an abstract idea.

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In contrast to claim 3 of the '302 patent, claim 31 of the '629 patent recites “[a] computer-implemented method for blending a butane stream and a gasoline stream” that includes: (1) “receiving a first measurement indicating a vapor pressure . . .”; (2) “calculating a blend rate . . .”; (3) “transmitting an instruction to a programmable logic controller . . .”; and (4) “receiving a second measurement indicating a vapor pressure” ’629 patent col. 16 ll. 8-21. Claim 31 does not recite the step of blending gasoline and butane; nor does it recite where blending would occur. Rather, claim 31 recites an algorithm that receives measurements, calculates, and transmits an instruction for adjusting a butane stream based on “receiving” and “calculating” data. We have held similar algorithm and data-focused claims ineligible. *See In re Bd. of Trs. of Leland Stanford Junior Univ.*, 989 F.3d 1367, 1372-73 (Fed. Cir. 2021) (collecting cases and explaining that “[c]ourts have long held that mathematical algorithms for performing calculations, without more, are patent ineligible under § 101.”); *PersonalWeb Techs.*, 8 F.4th at 1317 (“[W]e [have] explained that a process that started with data, added an algorithm, and ended with a new form of data was directed to an abstract idea.” (cleaned up) (citation omitted)).

While the district court determined that this claim is directed to the improved blending methods based on the specification, *see 101 Order* at 491, we disagree. Unlike claim 3 of the '302 patent, which recites specific components of a system, in a specific order so that butane is blended at a specific point in the pipeline, and in a specific manner to capture the invention’s improvements,

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claim 31 is written at a high level of generality and fails to capture any specific improvements described in the specification. For example, claim 31 does not recite if or where in the pipeline butane is blended with gasoline. At most, the claim recites an instruction that could be used for blending and “distributing at a rack.” ’629 patent col. 16 l. 18.

Sunoco argues that the claim involves more than gathering and processing data, and that Defendants-Cross-Appellants ignore that the claim is specifically about a process of blending butane with gasoline, which is recited by the claim’s preamble. Appellant’s Reply Br. 42-43. Sunoco warns against “disregard[ing] those express claim elements [and] proceed[ing] at ‘a high level of abstraction’ that is ‘untethered from the claim language’ and that ‘overgeneraliz[es] the claim.’” Appellant’s Reply Br. 44 (fourth alteration in original) (quoting *TecSec, Inc. v. Adobe Inc.*, 978 F.3d 1278, 1295 (Fed. Cir. 2020)). Sunoco argues that “the focus of the claim[] is determining the RVP of a flowing gasoline stream to calculate how much butane can be added, not the subsequent act or result of blending,” which is all that is required. *Id.* (citing *Free Stream Media Corp. v. Alphonso Inc.*, 996 F.3d 1355, 1363 (Fed. Cir. 2021)).

The claim’s preamble does not save it from abstraction here. We agree that courts must be vigilant against over generalizing what a claim is directed to in an *Alice* analysis. However, “we have treated collecting information, including when limited to particular content (which does not change its character as information), as

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within the realm of abstract ideas.” *Elec. Power Grp., v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016). Here, the claims recite a method “of gathering and analyzing information of a specified content [in claim 31], then displaying the results [by generating a report in claim 32], and not any particular assertedly inventive technology for performing those functions. The[claims] are therefore directed to an abstract idea.” *Id.* at 1354.

Because we hold that claim 31 is directed to an abstract idea at *Alice* step one, we move to *Alice* step two.⁷ “In this step, we consider the elements of each claim both individually and as an ordered combination to determine whether the additional elements transform the nature of the claim into a patent-eligible application.” *CardioNet*, 955 F.3d at 1368 (citations and quotation marks omitted).

As an initial matter, the district court did not reach *Alice* step two. Sunoco thus contends that if we reach this step, we should not analyze it in the first instance but instead remand the issue to the district court. *See* Appellant’s Reply Br. 59 (citing *MyMail, Ltd. v. ooVoo, LLC*, 934 F.3d 1373, 1380 (Fed. Cir. 2019)). However, where a patentee has argued that its claims are eligible under step two as a matter of law, as Sunoco does here, we have previously reached step two even when the district court did not. *See Free Stream*, 996 F.3d at 1365-66.

Sunoco argues that claim 31 recites an inventive concept at step two because the invention is directed to

7. The parties did not provide separate arguments under *Alice* step two for the various claims on appeal.

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specific blending methods, not just automated calculations, that are “directed to improved systems and methods” that “blend more gasoline than would be possible with the prior art.” Appellant’s Reply Br. 60 (emphasis removed) (first quoting *101 Order* at 490, 492; and then citing *CosmoKey Sols. GmbH & Co. KG v. Duo Sec. LLC*, 15 F.4th 1091, 1098-99 (Fed. Cir. 2021) (“[C]laims recite an inventive concept by requiring a specific set of ordered steps that go beyond the abstract idea . . . and improve upon the prior art.”)). We disagree.

Here, at *Alice* step two, we do not discern “an ‘inventive concept’ sufficient to ‘transform’ the claimed abstract idea into a patent-eligible [invention].” *Alice*, 573 U.S. at 221 (quoting *Mayo Collaborative Servs. v. Prometheus Lab’ys, Inc.*, 566 U.S. 66, 72, 79, 132 S. Ct. 1289, 182 L. Ed. 2d 321 (2012)). While we agree that the invention as disclosed in the specification describes “improved systems and methods” that “blend more gasoline than would be possible with the prior art,” the focus of our inquiry is on claim 31. And as discussed above, what is actually claimed does not capture the improvements described elsewhere in the patent. The claim merely recites a generic method of performing any butane blending (i.e., calculating a blend rate after receiving a vapor pressure measurement and transmitting an instruction adjusting the flow of the butane stream), albeit done on a computer. The claim limitations, analyzed alone and in combination, fail to add “something more” to “transform” the claimed abstract idea of gathering and/or receiving blend data and making a calculation into “a patent-eligible [invention].” *See Alice*, 573 U.S. at 217, 221.

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Because we conclude that claim 31 is ineligible, and the parties treat it as representative of claims 18, 22, and 32, we reverse the district court’s holding that claims 18, 22, 31, and 32 of the ’629 patent are eligible under § 101.

C

Finally, we turn to claim 3 of the ’686 patent and again start with *Alice* step one. Defendants-Cross-Appellants argue the claim is directed to the abstract idea of gathering and/or receiving blend data and making a calculation with that data. We disagree.

The ’686 patent does not share a specification with the other two patents. Instead, the ’686 patent’s specification describes a method for in-line blending of butane and gasoline “at any point along a petroleum pipeline,” ’686 patent col. 1 ll. 22-25, which allows for “surprising versatility that can be used to blend butane with petroleum products at practically any point along a petroleum pipeline, regardless of variations in the flow rate of gasoline . . . , the time of year . . . , or the ultimate destination.” *Id.* at col. 3 ll. 17-23. The district court highlighted “[o]ne embodiment [that] includes ‘periodically determining’ the gasoline flow rate and vapor pressure so that ‘the blend ratio and blend rate are both periodically recalculated to account for differences within and among batches in gasoline flow rate and gasoline vapor pressure.’” *101 Order* at 493 (first quoting ’686 patent col. 3 ll. 52-64; and then citing *id.* at col. 14 ll. 38-44).

The district court held that claim 3 captured the described “unconventional methods” of the ’686 patent specification because it recited (1) “periodically

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determining said gasoline vapor pressure,” (2) a “gasoline flow rate,” (3) “calculating a blend ratio based upon . . . said gasoline vapor pressure[] and said allowable vapor pressure,” (4) “‘blending’ the butane and gasoline streams ‘at a blending unit at said blend ratio to provide a blended gasoline stream having a blended vapor pressure less than or equal to said allowable vapor pressure,’” (5) a processing unit that “generates pulses of flow rate data,” and (6) “another processing unit that performs the steps of ‘calculating a blend ratio’ and of ‘calculating a blend rate . . . based upon said flow rate data.’” *101 Order* at 493-94 (alteration and omissions in original) (quoting ’686 patent col. 15 l. 61—col. 16 l. 23). We agree and conclude that claim 3 is directed to providing in-line blending notwithstanding differences within and among batches in gasoline flow rate and gasoline vapor pressure.

Claim 1, from which claim 3 depends, recites a method for in-line blending of gasoline and a volatility modifying agent, batches of different gasoline types, with different flow rates and vapor pressures, requiring periodic determinations of flow rates and vapor pressures and calculating a blend ratio. Claim 1 also recites blending the agent stream and gasoline stream at a blending unit, and claim 3 adds first and second “information processing unit[s],” the second for calculating the flow rate data and the first for calculating blend ratios based on the flow rate data. Based on this specific claim language as understood in light of the specification, we conclude that claim 3 is not directed to an abstract idea. Rather, claim 3 recites specific technological improvements to address specific problems that existed in providing in-line blending of gasoline and a volatility modifying agent.

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As we hold that claim 3 is not directed to an abstract idea at *Alice* step one, we need not address *Alice* step two. Consistent with the specification, the claims are directed to an improved in-line blending system that allows for more “versatility” and for butane and gasoline to be blended “at any point along a petroleum pipeline.” We thus affirm the district court’s holding that claim 3 of the ’686 patent is eligible under § 101.

II

Magellan and Powder Springs also contend on cross-appeal that the district court erred in awarding pre-verdict supplemental damages to Sunoco for February 2019 to October 2021.

Assessing and computing supplemental damages “is within the sound discretion of the district court.” *Bayer Healthcare LLC v. Baxalta Inc.*, 989 F.3d 964, 985 (Fed. Cir. 2021) (citation omitted); *Stryker Corp. v. Davol Inc.*, 234 F.3d 1252, 1259-60 (Fed. Cir. 2000) (reviewing an award of supplemental damages for abuse of discretion). “A district court abuses its discretion by making a clear error of judgment in weighing relevant factors or in basing its decision on an error of law or on clearly erroneous factual findings.” *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1377 (Fed. Cir. 1998).

Defendants-Cross-Appellants argue that Sunoco should be held to the damages number it calculated for the jury at trial—i.e., multiplying the \$0.02/gallon royalty rate times the accused blend volumes through January

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2019—because Sunoco had possession of Defendants-Cross-Appellants’ updated blend volumes through October 2021 prior to trial. Defendants-Cross-Appellants contend that Sunoco had ample time after its damages expert’s opinions were stricken and it received the updated volumes data to attempt to authenticate or admit the data at trial. Defendants-Cross-Appellants argue that the district court’s assessment that it was “not sure [authentication] efforts would have been successful” was insufficient to grant Sunoco damages it had not proven. Defendants-Cross-Appellants’ Br. 50 (alteration in original) (quoting *Damages Order*, 2022 U.S. Dist. LEXIS 156988, [WL] at *3). We are not persuaded.

The district court, having witnessed trial where “[t]he jury awarded Sunoco’s exact damages number” as “Sunoco’s counsel presented [it]” using the infringing volumes that ended in January 2019, was left with “*no doubt* that the jury only considered Defendants’ infringement through January 2019 when assessing damages.” *Damages Order*, 2022 U.S. Dist. LEXIS 156988, [WL] at *3 (emphasis added) (citation omitted). The district court then made three observations about the updated blend volume data: (1) this information came in after fact and expert discovery closed, (2) there was no witness at trial or within subpoena range through whom Sunoco could have introduced the new volumes, and (3) other efforts to remedy an authentication problem may not have been successful based on Defendants-Cross-Appellants’ objections practice. Thus, the district court determined that Sunoco “had no practical means of presenting these new volumes to the jury,” and “[b]ecause the jury only

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compensated Sunoco for infringement through January 2019, . . . supplemental damages are necessary to properly compensate Sunoco.” 2022 U.S. Dist. LEXIS 156988, [WL] at *3-4. Defendants-Cross-Appellants have not shown the district court made a clear error in judgment, of law, or in fact finding in reaching this conclusion, and we will not second guess the district court’s assessment of the proceedings before it. Accordingly, we affirm the district court’s award of supplemental damages.

SUNOCO’S DIRECT APPEAL

As we affirm the district court’s determination that claims 3, 16, and 17 of the ’302 patent and claim 3 of the ’686 patent are eligible under § 101, *supra*, we now turn to Sunoco’s direct appeal. Sunoco challenges a litany of the district court’s holdings on damages, arguing that the court: (1) abused its discretion by excluding Dr. Ugone’s opinions relying on Sunoco’s unapportioned BSAs; (2) abused its discretion by excluding Dr. Ugone’s lost profits opinions; (3) abused its discretion by excluding Dr. Ugone’s reasonable royalty opinions; (4) erred by not instructing the jury on lost profit damages and by prohibiting Sunoco from asking the jury for an intermediate royalty based on Sunoco’s BSAs and Buckeye License; (5) abused its discretion by excluding Dr. Ugone’s lost opportunity cost opinion against Powder Springs; and (6) abused its discretion by not awarding enhanced damages for Defendants-Cross-Appellants’ willful infringement. Sunoco also challenges the district court’s JMOL of no infringement as to claims 16 and 17 of the ’302 patent and claims 18 and 22 of the ’629 patent.

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“For issues not unique to patent law, we apply the law of the regional circuit in which this appeal would otherwise lie.” *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 841 (Fed. Cir. 2010). This includes evidentiary rulings. *Tokai Corp. v. Easton Enters., Inc.*, 632 F.3d 1358, 1364 (Fed. Cir. 2011). The Third Circuit applies an abuse-of-discretion standard to review evidentiary rulings, reversing decisions resting “upon a clearly erroneous finding of fact, an errant conclusion of law or an improper application of law to fact.” *Pineda v. Ford Motor Co.*, 520 F.3d 237, 243 (3d Cir. 2008) (quoting *In re TMI Litig.*, 193 F.3d 613, 666 (3d Cir. 1999)). “[A] trial judge acts as a ‘gatekeeper’ to ensure that ‘any and all expert testimony or evidence is not only relevant, but also reliable.’” *Id.* (quoting *Kannankeril v. Terminix Int’l, Inc.*, 128 F.3d 802, 806 (3d Cir. 1997)).

“We review a district court’s decision on [patent] damages for ‘an erroneous conclusion of law, clearly erroneous factual findings, or a clear error of judgment amounting to an abuse of discretion.’” *Juicy Whip, Inc. v. Orange Bang, Inc.*, 382 F.3d 1367, 1370 (Fed. Cir. 2004) (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1543 (Fed. Cir. 1995) (en banc)). When we “review a damages determination, the clearly erroneous standard applies to the review of the amount of damages, while the abuse of discretion standard applies to the review of the methodology chosen to compute damages.” *In re Cambridge Biotech. Corp.*, 186 F.3d 1356, 1369 (Fed. Cir. 1999). “We review a district court’s decision regarding enhanced damages for an abuse of discretion.” *Ironburg Inventions Ltd. v. Valve Corp.*, 64 F.4th 1274, 1300 (Fed. Cir. 2023).

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We review “the legal sufficiency of jury instructions on an issue of patent law without deference to the district court.” *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc). “A jury verdict will be set aside only if the jury instructions were ‘legally erroneous’ and the ‘errors had prejudicial effect.’” *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1225 (Fed. Cir. 2014) (quoting *Sulzer Textil A.G. v. Picanol N.V.*, 358 F.3d 1356, 1363 (Fed. Cir. 2004)).

“We review denial of post-trial motions for JMOL and new trial under regional circuit law.” *Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197, 1202 (Fed. Cir. 2010) (citations omitted). “In the Third Circuit, review of denial of JMOL is plenary.” *Id.* (citations omitted). JMOL is “‘granted only if, viewing the evidence in the light most favorable to the nonmovant and giving it the advantage of every fair and reasonable inference, there is insufficient evidence from which a jury reasonably could find’ for the nonmovant.” *TransWeb, LLC v. 3M Innovative Props. Co.*, 812 F.3d 1295, 1301 (Fed. Cir. 2016) (quoting *Lightning Lube, Inc. v. Witco Corp.*, 4 F.3d 1153, 1166 (3d Cir. 1993)). Infringement is a question of fact, “reviewed for substantial evidence when tried to a jury.” *ACCO Brands, Inc. v. ABA Locks Mfr. Co.*, 501 F.3d 1307, 1311 (Fed. Cir. 2007).

I

We turn first to Sunoco’s assertion that the district court erred by striking Dr. Ugone’s opinions relying on Sunoco’s BSAs as comparable licenses from which to adopt

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the BSA royalty rate and royalty base—i.e., a 40/60 to 50/50 profit-share on the extra gasoline created—without further apportionment. Sunoco asserts its expert’s opinions were erroneously struck for two reasons.

First, Sunoco argues that because its BSAs “are the epitome of the ‘comparable’ licenses,” they “may be the most effective method of estimating the asserted patent’s value” and need not be apportioned. Appellant’s Br. 23-24 (first quoting *LaserDynamics*, 694 F.3d at 79; and then quoting *Commonwealth Sci. & Indus. Rsch. Organisation v. Cisco Sys., Inc.*, 809 F.3d 1295, 1303-04 (Fed. Cir. 2015)). Sunoco argues that any question over “[t]he degree of comparability of the . . . license agreements[,] as well as any failure on the part of [Sunoco’s] expert to control for certain variables[,] are factual issues best addressed by cross examination and not by exclusion.” Appellant’s Br. 24 (first and third alterations and omission in original) (quoting *ActiveVideo Networks, Inc. v. Verizon Commc’ns, Inc.*, 694 F.3d 1312, 1333 (Fed. Cir. 2012)). Sunoco compares this case to *Commonwealth* to argue that it was an abuse of discretion to exclude Dr. Ugone’s opinions because the BSAs tracked actual marketplace negotiations over sharing the profits from Sunoco’s patented inventions.

In the alternative, Sunoco argues that it was an abuse of discretion to exclude Dr. Ugone’s opinions under *Vectura Limited v. GlaxoSmithKline LLC*, 981 F.3d 1030 (Fed. Cir. 2020), which explains that prior licenses can have “built-in apportionment” sufficient to meet this court’s requirements. Appellant’s Br. 26 (citing 981 F.3d at 1039-42). Sunoco argues that because negotiators for its “BSAs

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recognized the only thing that prospective licensees needed was rights to Sunoco's patents, and settled upon on [sic] a royalty rate and base combination that embodied the market's value of Sunoco's patents," Appellant's Br. 27-28, "apportionment principles had already been negotiated into the BSA methodology." Appellant's Br. 28-29.

We are not persuaded by either argument. While Sunoco attempts to frame its BSAs as only accounting for the value of its patents, it is undisputed that the BSAs provide Sunoco's customers with many services and proprietary rights beyond patent rights. These include (1) designing, engineering, constructing, and maintaining the blending systems; (2) providing regulatory oversight support; (3) providing maintenance and support services; (4) providing risk management services; (5) providing other customer services; (6) providing hedging services on butane; and (7) allowing the use of its unclaimed, proprietary blending algorithm. *See, e.g.*, J.A. 5244; J.A. 5206-08; J.A. 5222; J.A. 5343 (Meyers Dep. Tr. 141:7-20). Indeed, evidence from Sunoco itself recognizes that (1) its BSAs "provide a basket of services to make it as easy as possible on [its] customers," J.A. 5237-38 (Meyers Dep. Tr. 53:16-54:7); (2) offering these services together "is more efficient . . . because [Sunoco] ha[s] the supply and the logistics and the know-how . . . [, and] most of [Sunoco's] blend partners recognize [its] expertise in this area," J.A. 5330-31 (Collela Dep. Tr. 536:25-537:5); (3) "[t]he results of the blending, because of [the proprietary] algorithms, . . . was the selling point," J.A. 5343 (Meyers Dep. Tr. 139:18-141:2); and (4) the proprietary algorithm helps blend butane to a customer's specification, which is a selling

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point, J.A. 5336 (Buchanan Dep. Tr. 70:9-72:22). *See also* J.A. 23-24 (district court crediting this evidence).⁸ None of the case law cited by Sunoco allows a party to avoid apportionment when it will result in a damages award that exceeds the value attributable to the infringing features of the accused product. *See, e.g., LaserDynamics*, 694 F.3d at 67 (“[T]he patentee . . . *must in every case* give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative.” (emphasis added) (omission in original) (citation omitted)); *Commonwealth*, 809 F.3d at 1301 (“Consequently, to be admissible, all expert damages opinions must separate the value of the allegedly infringing features from the value of all other features.”). In view of the largely undisputed record evidence showing that the BSAs encompass more than just the value of the asserted patents, the district court did not abuse its discretion in excluding Dr. Ugone’s opinions that were premised on using the total profit-share from the unapportioned BSAs as unreliable under our precedent.

This conclusion accords with our prior decision in *U.S. Venture II*, where we held that a different district court did not err in refusing to grant Sunoco (1) lost profit damages or (2) a reasonable royalty rate based on its unapportioned BSAs because the BSAs “do not accurately reflect the

8. While not the focus of the parties’ apportionment dispute here, we note that the BSAs also provide a license to other patents in Sunoco’s butane blending portfolio in addition to the asserted patents. *See* J.A. 5206-07.

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value of the patented invention.” 32 F.4th at 1180. There, we noted that Sunoco’s “[BSAs] reflect a bundle of goods and services beyond just the patented invention—e.g., the purchase and sale of butane, equipment maintenance and monitoring, and a license to more than just the patented technology.” *Id.* (citation omitted).

We disagree, however, with Defendants-Cross-Appellants’ contention that Sunoco is collaterally estopped from arguing that its damages should be tied to the unapportioned BSAs. Collateral estoppel applies when “(1) a prior action presents an identical issue; (2) the prior action actually litigated and adjudged that issue; (3) the judgment in that prior action necessarily required determination of the identical issue; and (4) the prior action featured full representation of the estopped party.” *VirnetX Inc. v. Apple Inc.*, 909 F.3d 1375, 1377 (Fed. Cir. 2018) (quoting *Stephen Slesinger, Inc. v. Disney Enters., Inc.*, 702 F.3d 640, 644 (Fed. Cir. 2012)). At a minimum, we are unpersuaded that Defendants-Cross-Appellants can show factor one is satisfied here. First, our prior decision in *U.S. Venture II* stemmed from different infringement acts against a different defendant. Second, that decision was also on appeal from a bench trial where the district court, acting as a fact finder, credited the defendant’s expert’s opinions over Dr. Ugone’s opinions, which presents a different legal standard than the case here, where the district court was acting as a gatekeeper to admissibility prior to a jury trial. *See Kroy IP Holdings, LLC v. Groupon, Inc.*, 127 F.4th 1376, 1380 (Fed. Cir. 2025) (“Collateral estoppel generally does not apply when the second action involves application of a different legal standard.”).

*Appendix A***II**

We next turn to Sunoco's challenge to the district court's exclusion of Dr. Ugone's lost profits opinions.⁹ Sunoco presents five arguments on appeal for why the district court abused its discretion in excluding Dr. Ugone's lost profits opinions: (1) Dr. Ugone established a prima facie case for lost profits under the *Panduit* factors; (2) under *Mentor*, apportionment is satisfied when the first two *Panduit* factors are established; (3) Dr. Ugone presented enough evidence in support of his opinions that Sunoco's patents were the key drivers of demand for Sunoco's BSAs to go to the jury; (4) Dr. Ugone established that apportionment was not necessary because Sunoco could receive lost profits on the other BSA services as conveyed sales; and (5) Dr. Ugone appropriately apportioned Sunoco's damages request in his supplemental report. We take each issue in turn.

A

Sunoco contends that Dr. Ugone established a prima facie case of "but for" causation for lost profits by opining on how the *Panduit* factors were met. As part of these opinions, Dr. Ugone calculated that Sunoco would have averaged a per-gallon profitability that ranged from \$0.25/gallon (from a 40/60 profit-share) to \$0.28/gallon (from a 50/50 profit-share) but for infringement, resulting in lost profits of \$150.3 to \$166.7 million. *See* J.A. 7503-14 ¶¶ 107-16.

9. Sunoco did not seek lost profits from Powder Springs. *See* Appellant's Br. 31 n.2.

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“Under the *Panduit* test, a patentee is entitled to lost profit damages if it can establish four things: (1) demand for the patented product; (2) absence of acceptable non-infringing alternatives; (3) manufacturing and marketing capability to exploit the demand; and (4) the amount of profit it would have made.” *Mentor Graphics Corp. v. EVE-USA, Inc.*, 851 F.3d 1275, 1285 (Fed. Cir. 2017) (quoting *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978)). “Damages under *Panduit* are not easy to prove.” *Id.* (collecting support).

The district court did not abuse its discretion in striking Dr. Ugone’s lost profits opinions under the *Panduit* factors for the same reasons discussed above related to his opinion on reasonable royalty and comparable licenses. Dr. Ugone used the full profit-share of the unapportioned BSAs to calculate Sunoco’s lost profits. While Sunoco may be able to show demand for its BSAs, the BSAs are not coextensive with the asserted patents and instead encompass more services and products than the patented inventions. Thus, there was no *prima facie* showing under *Panduit* factor one—demand for the patented product—or *Panduit* factor four—the amount of profit Sunoco would have made—without apportioning the value of the patents from the other services.

Nor does the case law relied on by Sunoco compel a different result. In *Versata Software, Inc. v. SAP America, Inc.*, 717 F.3d 1255 (Fed. Cir. 2013), the patentee’s damages expert isolated from the sales of the accused product the value of the patentee’s software product—software that the parties apparently did not

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dispute encompassed only the claimed invention—before separately calculating what additional revenue streams would follow on from a software sale through maintenance and consulting agreements. 717 F.3d at 1266-67. Similarly, it does not appear to have been a dispute in *Georgetown Rail Equipment Co. v. Holland L.P.*, 867 F.3d 1229 (Fed. Cir. 2017), that the comparable contract used for the lost profit calculation would include services other than those rendered by the patented invention. We are not holding that a prima facie case for lost profits can never be made based on comparable licenses that take into account “sound economic proof confirmed by the historical record” or the sale of other services. *Versata*, 717 F.3d at 1267 (citation omitted); *Georgetown*, 867 F.3d at 1243; *see also* Appellant’s Br. 32. We hold only that, based on the record here, the district court did not err in requiring Sunoco to separately apportion the other services out from the patented inventions in its BSAs.

B

Sunoco contends, however, that in proving the first two *Panduit* factors, Dr. Ugone satisfied the apportionment requirement for his lost profit opinions under *Mentor*. But *Mentor* does not fit the facts of this case.

Mentor’s unusual facts were “remarkably simple”—in short, “[t]he jury found, and [the defendant] d[id] not dispute on appeal, that Mentor satisfied all of the *Panduit* factors with regard to the sales to Intel for which the jury awarded lost profits.” 851 F.3d at 1286-87. These facts included that:

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Intel would not have purchased the [defendant's] emulator system without the two patented features and that there were no other alternatives available. Despite hearing evidence that there were many valuable and important features in the emulator system, this jury found that if [defendant] could not have sold its emulator system with the two infringing features (Mentor's patented features), Intel would have bought the emulators from Mentor.

Id. at 1287. In *Mentor*, the relevant challenge on appeal was whether, because the “infringing features were just two features of [the accused] emulators that comprise[d] thousands of hardware and software features,” further apportionment was needed. *Id.*

In our analysis, we acknowledged that “apportionment is an important component of damages law generally, and we believe it is necessary in both reasonable royalty and lost profits analysis.” *Id.* at 1287-88 (first citing *Ericsson*, 773 F.3d at 1226 (“Apportionment is required even for non-royalty forms of damages.”); and then citing *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1326 (Fed. Cir. 2014) (“No matter what the form of the royalty, a patentee must take care to seek only those damages attributable to the infringing features.”)). We then narrowly held (1) that “[i]n this case, apportionment was properly incorporated into the lost profits analysis and in particular through the *Panduit* factors,” and (2) “that on the undisputed facts of this record, satisfaction of the *Panduit* factors satisfies principles of apportionment: Mentor's damages are tied

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to the worth of its patented features.” *Id.* at 1288. We also emphasized that *Mentor* was “a highly factual case, and [the defendant] did not appeal any of the jury’s fact findings relating to damages.” *Id.* at 1289.

There are no undisputed facts on the *Panduit* factors here. Indeed, Magellan contests both *Panduit* factors one and two. And again, as to factor one, Dr. Ugone did not start his analysis with demand for the claimed inventions; instead, he and Sunoco sought to conflate demand for the claimed inventions with the demand for the BSAs as a whole. But they cannot start with the demand for undisputedly more than the patented inventions—indeed, for an entire basket of services—to base patent damages on. *See, e.g., VirnetX*, 767 F.3d at 1326 (“[A] patentee must take care to seek only those damages attributable to the infringing features.”).¹⁰

Thus, Dr. Ugone did not reliably show that Sunoco’s “damages are tied to the worth of its patented features.” *Mentor*, 851 F.3d at 1288; *see also WesternGeco L.L.C. v. ION Geophysical Corp.*, 913 F.3d 1067, 1073 & n.2 (Fed. Cir. 2019) (citing *Mentor* in a footnote after explaining that “[i]f the application of the *Panduit* factors does not result in the separation of profits attributable to the patented device and the profits attributable to providing other aspects of the surveys . . . , it appears that apportionment

10. As to factor two, Magellan points out that following the jury’s verdict of infringement, Powder Springs switched to a non-infringing manual blending operation, indicating that there were acceptable non-infringing alternatives. Defendants-Cross-Appellants’ Br. 36 (citing J.A. 21263-64; J.A. 21283-85).

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is necessary.”). And while Sunoco argues that the district court erred in “dismiss[ing] *Mentor* because Sunoco was seeking lost profits associated with its BSAs,” as “demand [for the BSAs] is the same demand for the rights to Sunoco’s patents provided under the BSAs,” Appellant’s Br. 35, that argument is belied by the record.

C

Sunoco further argues that apportionment was not necessary because Dr. Ugone’s opinion that Sunoco’s patents were the key drivers of demand for Sunoco’s BSAs under the entire market value rule was reliable. We disagree.

“The entire market value rule allows for the recovery of damages based on the value of an entire apparatus containing several features, when the feature patented constitutes the basis for customer demand.” *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336 (Fed. Cir. 2009) (quoting *TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 901 (Fed. Cir. 1986)). We have explained that “[t]he law requires patentees to apportion . . . to a reasonable estimate of the value of its claimed technology,” unless the patentee can “establish that its patented technology drove demand for the entire product.” *VirnetX*, 767 F.3d at 1329. “[S]trict requirements limiting the entire market value exception ensure that [a damages request] ‘does not overreach and encompass components not covered by the patent.’” *Id.* at 1326 (quoting *LaserDynamics*, 694 F.3d at 70). “If the product has other valuable features that also contribute to driving consumer demand . . . then the damages for patent infringement must be apportioned to

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reflect only the value of the patented feature. This is so whenever the claimed feature does not define the entirety of the commercial product.” *Power Integrations*, 904 F.3d at 978.

Sunoco argues that Dr. Ugone explained that the granted patent rights were the key driver for the BSAs, *see* Appellant’s Br. 37 (citing J.A. 8976-85 ¶¶ 7-19), and relied on fact witness testimony from Sunoco personnel that included (1) Sunoco’s former Director of Business Development James Myers’s testimony that “I don’t think we have a business without those patents,” and that “a hundred percent of our income, in my opinion, probably is related to those patents,” J.A. 8984 ¶ 18(a); (2) Myers’s testimony that he believed Phillips 66 Company entered into a BSA to ensure that it was not infringing Sunoco’s patents, J.A. 8981 ¶ 14; and (3) Sunoco’s former Vice President for Sunoco’s Northeast Operations Joseph Colella’s testimony that “Kinder Morgan’s license with Sunoco ‘really reflects the strength of the patents,’” J.A. 8984 ¶ 18(d). *See* Appellant’s Br. 38-39. Sunoco also points to Dr. Ugone’s reliance on evidence that Magellan assumed Perimeter Terminal, LLC’s pre-existing BSA with Sunoco on terms more favorable to Sunoco. Appellant’s Br. 39 (citing J.A. 8978-79 ¶ 9(b)-(c)). Sunoco contends that this was enough to “‘reliably show’ that the licensed patent rights were the ‘sole’ driver of BSA demand[, which] is a jury question.” Appellant’s Br. 39 (citing *Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1360 (Fed. Cir. 2012)). Thus, Sunoco argues that the district court overstepped its gatekeeping role in excluding Dr. Ugone’s opinions.

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We disagree. “[S]trict requirements limit[] the entire market value exception.” *VirnetX*, 767 F.3d at 1326. We do not believe the district court abused its discretion in requiring Dr. Ugone’s opinions to adhere to those requirements to reach the jury; indeed, it is part of the court’s “gatekeeping obligation” to ensure as “a critical prerequisite . . . that the underlying methodology be sound.” *Id.* at 1328. And where it is not, “the district court should . . . exercise[] its gatekeeping authority to ensure that only theories comporting with settled principles of apportionment [are] allowed to reach the jury.” *Id.* Here, the district court determined that Dr. Ugone’s entire market value opinions were unreliable because they were speculative as to the importance of the patents in driving demand for Sunoco’s BSAs. The court’s determination was supported by evidence and admissions in the record that features of the BSAs other than the asserted patents helped drive demand for Sunoco’s customers to enter into the BSAs. The district court explained that evidence from Sunoco itself showed that its services are “valued for their non-patented features, such as their expertise and algorithm,” and that even Dr. Ugone “recognized in formulating his expert opinions that Sunoco’s algorithm and software are necessary and valuable components to what Sunoco includes in its [BSAs].” J.A. 23-24 (citation omitted). The district court’s determination is not undermined by the above self-serving testimony from Sunoco’s own witnesses. None of that testimony states that the asserted patents are the sole driver of demand for the BSAs and Sunoco’s other services have no value. And, while not required, Sunoco did not present testimony from the customers whose state of mind Sunoco’s employees and former employees purported to speak to. The evidence

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Sunoco relies on, when viewed against Sunoco's admissions about other meaningful services provided by the BSAs, is unreliable to show that "the claimed feature . . . define[s] the entirety of the commercial product [or service]." *Power Integrations*, 904 F.3d at 978. Thus, under the facts of this case, the district court did not abuse its discretion in holding that apportionment was required.

D

Sunoco also argues that Dr. Ugone established that apportionment was not necessary because Sunoco could receive lost profits on the other BSA services as convoyed sales.

"A patentee may recover lost profits on unpatented components sold with a patented item, a convoyed sale, if both the patented and unpatented products 'together were considered to be components of a single assembly or parts of a complete machine, or they together constituted a functional unit.'" *Am. Seating Co. v. USSC Grp., Inc.*, 514 F.3d 1262, 1268 (Fed. Cir. 2008) (quoting *Rite-Hite*, 56 F.3d at 1550). "Our precedent has not extended liability to include items that have essentially no functional relationship to the patented invention and that may have been sold with an infringing device only as a matter of convenience or business advantage." *Id.* (quoting *Rite-Hite*, 56 F.3d at 1550).

As with any damages opinion, however, an expert must still present a reliable methodology. *See Daubert*, 509 U.S. at 589-93. And here, merely declaring certain services to be convoyed sales did not remove the need

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to provide guidance for the fact finder on what the value was of the non-patented products versus the patented product in order for Dr. Ugone's opinions to be reliable. Indeed, review of Dr. Ugone's reports shows he attributed a value to only two services as "convoyed sales": Sunoco's hedging service and its butane supply service. J.A. 8972-76 ¶ 5(b). To be sure, Dr. Ugone also provided general statements like "[u]nder a lost profits theory of damages, these services would represent convoyed sales." J.A. 8986 ¶ 20. But he provided no breakdown for what the value of each "convoyed sale" would be for any of the other various unpatented services and features provided by the BSAs. While "we note that we have never required absolute precision in [applying the principles of apportionment]," *VirnetX*, 767 F.3d at 1328, the issue here is that if the jury were to determine that only some (or none) of the extra services were in a functional relationship with the patented inventions, it would have *no* guidance on how to determine what to award in damages.

As Dr. Ugone provided no way to determine what amount to award for each service if it was found to be in a functional unit with the patented inventions versus what to award for just the patented inventions, the district court did not abuse its discretion in striking his opinions as unreliable.

E

Finally, Sunoco challenges the district court's decision striking Dr. Ugone's apportionment opinions in

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his supplemental report. In his supplemental report, Dr. Ugone assigned value for Sunoco's hedging services at \$0.02/gallon and for its butane supply/certification services at \$0.01/gallon. *See* J.A. 8991-93 ¶ 26(d)-(e); J.A. 8987-88 ¶¶ 22-24. Dr. Ugone opined that there was no separate value for any other features of Sunoco's BSAs apart from its patented system. The district court determined that this was unreliable, as at a minimum, Sunoco's blending algorithm was a feature that Sunoco's own witnesses touted as a selling point and could not be considered part of the patented system because it was an unclaimed trade secret.¹¹ *See* J.A. 24-25 (citation omitted). For all the reasons previously discussed about requiring an appellant to ensure "damages are tied to the worth of its patented features," *Mentor*, 851 F.3d at 1288, we see no abuse of discretion in this exclusion.

Moreover, Sunoco and Dr. Ugone were warned that they needed to apportion the value of the various services offered in the BSAs relative to the value of the patented technology and were allowed to supplement Dr. Ugone's report in order to do so. They disregarded this warning from the district court and thus risked the exclusion of all of Dr. Ugone's opinions.

11. At oral argument, Sunoco argued that the value of its blending algorithm was already apportioned out of Dr. Ugone's opinions because Dr. Ugone used Defendants-Cross-Appellants' blend volumes as a royalty base—i.e., gasoline and butane blended without Sunoco's algorithm. However, Sunoco could not explain how this represented the value of the algorithm under the BSAs to Sunoco's customers. Oral Arg. at 10:21-11:15.

*Appendix A***III**

We next turn to Sunoco's challenge to the district court's exclusion of Dr. Ugone's reasonable royalty opinions. Sunoco argues that, under *Vectura* and *Bio-Rad Laboratories, Inc. v. 10X Genomics Inc.*, when an expert's opinions parallel the hypothetical negotiation, as Sunoco contends Dr. Ugone's opinions do here, no further apportionment is required. *See* Appellant's Br. 47-48 (first citing *Vectura*, 981 F.3d at 1041; and then citing *Bio-Rad Lab'ys.*, 967 F.3d 1353, 1376-77 (Fed. Cir. 2020)). We are not persuaded.

This argument simply repackages Sunoco's prior arguments for why it need not apportion the BSAs in order to accurately determine the value of a bare license to its patents in a hypothetical negotiation. Sunoco seeks to use the entire profit-share of its BSAs to calculate the royalty rate for a bare license to the asserted patents. For the reasons described above, the district court did not abuse its discretion in excluding such opinions when Dr. Ugone failed to properly apportion the value of the patented inventions from the BSAs to opine on a royalty rate. Nor do the cases Sunoco relies on compel a different result. *See Vectura*, 981 F.3d at 1040-41 (presenting "unusual circumstance[s]" where even the opposing expert conceded the prior license was "a very close comparable [license to the hypothetical negotiation], much closer than you ever find in a patent case" (citation omitted)); *Bio-Rad Lab'ys.*, 967 F.3d at 1376-77 (explaining that the expert's "analysis could reasonably be found to incorporate the required apportionment").

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IV

We next turn to Sunoco's other, miscellaneous challenges to the district court's decisions on damages. These include challenges to the district court's decision to (1) exclude Dr. Ugone's rebuttal opinions on the Buckeye License; (2) not instruct the jury on lost profits based on Sunoco's fact witness testimony; and (3) bar Sunoco from arguing to the jury in closing its comparable license evidence and royalty-rate theories. We are not persuaded that the district court erred in these rulings.

Whether premised on opinions from Dr. Ugone or on fact witness testimony, these challenges still stem from the same issue that has been fatal to Sunoco's other challenges to the district court's damages decisions. First, Dr. Ugone and Sunoco were prohibited "from arguing that . . . the full value of the Buckeye license is attributable solely to the patents," J.A. 15978 (Hearing Tr. 33:4-13)—i.e., where the "full value" would include Sunoco's 30 percent of the profits stemming from its agreement with Texon that Sunoco would receive 60 percent of Texon's 50/50 profit-share from Buckeye. *See* Appellant's Br. 55-56. The district court thus did not abuse its discretion in excluding such opinions as "consistent with the *Daubert* ruling," J.A. 15978 (Hearing Tr. 33:4-13), as Sunoco was still seeking damages based on an unapportioned profit rate.

Second, the district court did not err by not including Sunoco's lost profits jury instruction. Sunoco argues that, even without expert testimony, trial evidence would have allowed the jury to make any necessary determination,

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including on apportionment, to properly consider Sunoco's lost profits. However, whether Sunoco tries to advance its theory of lost profits through an expert, as we have already rejected, or through fact witness testimony, apportionment as to the value of the patented inventions versus the rest of the services offered in the BSAs was necessary in order to seek lost profit damages. Such apportionment did not occur.¹² We thus see no error in the district court declining to include Sunoco's proposed lost profits instruction in its jury instructions.

Third, Sunoco complains that the district court improperly barred Sunoco from arguing to the jury "some value that's intermediate" between the 40-50 percent profit-sharing rate in the BSAs and the 30 percent profit rate in the Buckeye License, as "even if you say here's a little piece and here's a little piece and they're worth this and this . . . that's not apportionment." J.A. 23229-31 (Trial Tr. 1461:2-1463:15). The district court thus ruled that "the 30 percent is out and the 50 percent is out." J.A. 23236-37 (Trial Tr. 1468:16-1469:4). Sunoco contends that this was error, as it prevented Sunoco from presenting to the jury a reasonable royalty theory based on evaluating the

12. Sunoco relies on our case law that a party need not present expert testimony on damages, including on lost profits, but can instead rely on lay witness testimony. *See* Appellant's Br. 58-59. This argument misses the mark. Here, Sunoco's lost profits theory was already stricken as unreliable and merely repackaging it through fact witness testimony does not imbue it with reliability such that the theory can reach the jury. Our case law allowing lay witness testimony and juries to determine a damages award is not a vehicle for a party to avoid an unfavorable *Daubert* ruling.

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comparability of Sunoco's prior licenses and negotiations. Additionally, Sunoco argues, this ruling resulted in a one-sided damages trial where only Defendants-Cross-Appellants' \$0.02/gallon rate could be argued to the jury. We disagree. Sunoco was required to apportion its BSAs under either a lost profits or a reasonable royalty damages theory. Sunoco's choice not to undertake such apportionment left it open to having its theories struck and only Defendants-Cross-Appellants' damages model being presented to the jury. It was not an abuse of discretion for the district court to hold Sunoco to our apportionment case law nor to the consequences of its own strategic decisions.

V

We next turn to Sunoco's challenge to the district court's exclusion of Dr. Ugone's lost opportunity cost opinion regarding Powder Springs. Sunoco argues that a new damages trial on Powder Springs's infringement is warranted because the district court improperly excluded Dr. Ugone's opinion on lost opportunity cost from Powder Springs's infringing blending on the Colonial Pipeline upstream of Sunoco's terminals, which was not based on Sunoco's BSA methodology. We are not persuaded that the district court abused its discretion in excluding Dr. Ugone's opinion as unreliable.

The district court explained that, while this theory may not be based on Sunoco's BSA methodology, "it, too, is unreliable because Dr. Ugone failed to apportion the value lost due to non-infringing manual blending (and, thus, failed to identify the value lost to infringing

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automated blending).” J.A. 25. Sunoco contends that Dr. Ugone did not need to apportion the value derived from non-infringing manual blending because Dr. Ugone stated in his report that, “based upon discussions with Sunoco personnel[,] I understand that manual blending would not be feasible into large and active pipelines (such as [Powder Springs’s] Accused System).” J.A. 7469. Sunoco offers no other support for this proposition, including no testimony from a fact witness or technical expert as to the accuracy of this statement.¹³ Here, we cannot say the district court abused its discretion in not crediting a non-technical expert’s statement as to the feasibility of certain blending processes. Nor can we say the district court abused its discretion in finding Dr. Ugone’s methodology unreliable where he failed to account for the value of potential noninfringing processes in his opinions.¹⁴

13. To avoid a permanent injunction after the jury found Powder Springs infringed claim 3 of the ’686 patent, Defendants-Cross-Appellants represented to the district court, based on sworn witness testimony, that Powder Springs switched its operation over to a manual blending process. *See* J.A. 21263-65; J.A. 21283-84.

14. Sunoco also argues that the district court abused its discretion by addressing an argument raised for the first time in Defendants-Cross-Appellants’ *Daubert* reply briefing to exclude Dr. Ugone’s lost opportunity cost opinion. *See* Appellant’s Br. 54. But prior to *Daubert* briefing, Sunoco merely presented lost opportunity cost as part of Dr. Ugone’s opinions on Powder Spring’s bargaining position in a hypothetical negotiation, not as an affirmative, standalone damages theory. *See* J.A. 7431-33; J.A. 7558-60 ¶¶ 177-78; *see also* J.A. 25 (the district court noting that it is reaching this issue because it is merely “*assuming arguendo* that Dr. Ugone is offering what Sunoco calls a ‘lost opportunity cost opinion’” (emphasis added) (citation omitted)). We therefore will not fault the district court for addressing Sunoco’s new damages theory when it arose.

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VI

We now turn to Sunoco's challenge to the district court's decision not to award enhanced damages for Defendants-Cross-Appellants' willful infringement. Sunoco contends that the district court abused its discretion by improperly reweighing evidence and made its own findings that contradicted the jury's findings. We disagree.

The district court thoroughly analyzed each *Read*¹⁵ factor, determining that five factors weighed against enhancement, three factors weighed in favor of enhancement, and one factor was neutral. *Damages Order*, 2022 U.S. Dist. LEXIS 156988, [WL] at *1-3. While Sunoco takes issue with how the district court weighed certain factors against it, it is not our role as the reviewing court to reweigh the evidence. *See Ecolab, Inc. v. FMC Corp.*, 569 F.3d 1335, 1352 (Fed. Cir. 2009) (explaining we only find an abuse of discretion "on a showing that the court made *a clear error of judgment* in weighing relevant factors" (emphasis added)); *Nutrinova Nutrition Specialties & Food Ingredients GmbH v. Int'l Trade*

15. The *Read* factors include: (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other's patent protection, 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 behavior as a party to the litigation; (4) defendant's size and financial condition; (5) closeness of the case; (6) duration of defendant's misconduct; (7) remedial action by the defendant; (8) defendant's motivation for harm; and (9) whether defendant attempted to conceal its misconduct. *See Read*, 970 F.2d at 827.

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Comm'n, 224 F.3d 1356, 1359 (Fed. Cir. 2000) (“[E]ven if we might have drawn some inferences from the facts differently, none of which we are inclined to do, that is not the role of an appellate court.”).

Nor are we persuaded by Sunoco’s contention that the district court replaced the jury’s findings with its own. For example, Sunoco points to the district court’s analysis on factor one. Sunoco argues that the “the jury had substantial evidence that Magellan copied Texon’s systems” and that “the jury’s presumed findings” were that copying occurred, Appellant’s Br. 66-67, and the district court erred by finding that the evidence of discussions between Magellan and Texon did not show copying and instead there was record evidence that Magellan had internal automated blending systems that predated its discussions with Texon. *Damages Order*, 2022 U.S. Dist. LEXIS 156988, [WL] at *1. But our case law emphasizes that “[w]illfulness and enhancement are separate issues,” *Ironburg*, 64 F.4th at 1295, and that “an award of enhanced damages does not necessarily flow from a willfulness finding,” *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 875 F.3d 1369, 1382 (Fed. Cir. 2017). In reviewing the district court’s analysis on each factor and overall weighing of the factors, we see no contradictions between the district court upholding the jury’s willfulness verdict and determining that enhanced damages were not warranted here.

Nor are we persuaded by Sunoco’s argument that the district court legally erred in its analysis of factors three and five under *Halo Electronics, Inc. v. Pulse*

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Electronics, Inc., 579 U.S. 93, 136 S. Ct. 1923, 195 L. Ed. 2d 278 (2016). Sunoco argues that *Halo* rendered the district court’s findings that “Defendants acted reasonably and in good faith in pursuing their defenses” and that the case “was relatively close,” *Damages Order*, 2022 U.S. Dist. LEXIS 156988, [WL] at *2, “irrelevant absent proof Defendants knew of and acted on their trial defenses before infringing.” Appellant’s Br. 67 (citing *Halo*, 579 U.S. at 105). But *Halo* does not stand for this proposition. Instead, *Halo* rejected the test laid out in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007), which required a threshold finding of objective recklessness on the part of the infringer, in favor of a less rigid standard granting substantial discretion to district courts in determining whether to award enhanced damages. In this context, the Court noted how under *Seagate*, bad actors could escape enhanced damages “by making dispositive the ability of the infringer to muster a reasonable (even though unsuccessful) defense at the infringement trial. The existence of such a defense insulates the infringer from enhanced damages, even if he did not act on the basis of the defense or was even aware of it.” *Halo*, 579 U.S. at 105. In rejecting *Seagate*, the Supreme Court explained that district courts are permitted “to exercise their discretion in a manner free from the inelastic constraints of the *Seagate* test.” *Id.* at 106. And “[a]s with any exercise of discretion, courts should continue to take into account the particular circumstances of each case in deciding whether to award damages, and in what amount.” *Id.* Nowhere does *Halo* lay out the strict test Sunoco proposes that would require a district court to ignore an infringer’s behavior as a party to the litigation or the closeness of the

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case unless the defendant could also prove it knew of its litigation defenses at the time of infringement.

We decline to second guess the district court’s weighing of the *Read* factors. As we see no clear error in the district court’s weighing of the evidence or any legal error in its analysis, we determine that the court did not abuse its discretion in declining to award enhanced damages for Defendants-Cross-Appellants’ willful infringement.¹⁶

VII

Finally, we turn to Sunoco’s challenge to the district court’s JMOL that claims 16 and 17 of the ’302 patent and claims 18 and 22 of the ’629 patent were not infringed.¹⁷ Sunoco argues that the district court erred in granting JMOL because (1) Magellan failed to move under Federal Rule of Civil Procedure 50(a) on the “transmitting” or

16. Sunoco also argues that it is highly relevant to the enhanced damages analysis that the jury’s damages award amounted to only 2 percent of Defendants-Cross-Appellants’ profits from their infringing systems. However, as explained above, the ultimate damages award was limited to Defendants-Cross-Appellants’ proposed royalty rate in part due to Sunoco’s failure to propose an apportioned damages model. We are thus unpersuaded that any disparity between the damages award and Defendants-Cross-Appellants’ profits “reflects such a serious error in judgment that the corresponding failure to enhance damages could only be an abuse of discretion.” Appellant’s Br. 69.

17. Powder Springs was only found to infringe claim 3 of the ’686 patent, thus this issue applies only to Magellan.

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“receiving” limitation arguments it raised in its Federal Rule of Civil Procedure 50(b) motion; and (2) the only evidence addressing these limitations came from Sunoco’s infringement expert, and such un rebutted testimony is substantial evidence to support the jury verdict.

As to Sunoco’s contention that Magellan failed to raise the relevant arguments from its Rule 50(b) motion in its Rule 50(a) motion, Sunoco has forfeited this argument. Under Third Circuit law, when a party does not raise this type of forfeiture argument in response to a Rule 50(b) motion before the district court, the party forfeits that argument for appeal. *Williams v. Runyon*, 130 F.3d 568, 572 (3d Cir. 1997) (“[W]here a party d[oes] not object to a movant’s Rule 50(b) motion specifically on the grounds that the issue was waived by an inadequate Rule 50(a) motion, the party’s right to object on that basis is itself waived.”). Sunoco thus forfeited this argument for appeal.¹⁸

18. After oral argument to the panel, Sunoco filed a letter with our court attaching an email Sunoco sent the district court after argument on the JMOL motions below, which raised Magellan’s failure to argue the “transmitting” or “receiving” limitation arguments in its Rule 50(a) motion. *See* ECF No. 67. However, Sunoco did not raise this issue in its briefing on the JMOL motions, it did not raise it at the hearing on the JMOL motions, and it did not even raise it in the first letter it sent to the district court after the hearing; it only raised it in a post-hearing reply letter. *Cf.* D. Del. LR 7.1.3(c)(2) (“The party filing the opening brief shall not reserve material for the reply brief which should have been included in a full and fair opening brief.”). Furthermore, there is no indication that the district court was apprised of this argument, especially as the district court (1) addressed Sunoco’s first post-hearing letter about an improper claim construction argument, *see Infringement Order*

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As to Sunoco's argument on the merits, while it may be true that only Sunoco's expert testified as to these limitations, review of the record shows that Sunoco's expert's testimony on these limitations is limited. *See* J.A. 22347-48 (Trial Tr. 579:16-580:25); J.A. 22358-62 (Trial Tr. 590:25-594:7). He testified that the accused products perform (1) the "receiving" step "by virtue of programming in or inputting into the equation the vapor pressure of the butane," which was the baked-in number of 52 psi, J.A. 22347-48 (Trial Tr. 579:16-580:5), and (2) the "transmitting" step because "the equation utilizes the butane vapor pressure," J.A. 22359-60 (Trial Tr. 591:24-592:5). This testimony does not explain to the jury how an equation that uses a known, baked-in butane vapor pressure receives or transmits that butane vapor pressure in accordance with the claimed limitation. Sunoco's expert merely relied on the knowledge requirement that met other claim limitations. Such conclusory testimony on the "receiving" and "transmitting" limitations was not sufficient to support a jury verdict of infringement. Thus, we see no error in the district court's JMOL of no infringement.

CONCLUSION

We have considered the parties' remaining arguments and find them unpersuasive. For the foregoing reasons, we affirm the district court's decision on each damages issue in the direct- and cross-appeal. We also affirm the district

at 479 n.3, and (2) addressed a different forfeiture argument in the same order, *id.* at 480. We will not fault the district court when a party has been this delinquent in raising an argument.

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court's decision granting judgment as a matter of law of no infringement as to claims 16 and 17 of the '302 patent and claims 18 and 22 of the '629 patent. As for the district court's order under Rule 52(c) on eligibility, we affirm the court's holding that claims 3, 16, and 17 of the '302 patent and claim 3 of the '686 patent are eligible under § 101 and reverse the court's holding that claims 18, 22, 31 and 32 of the '629 patent are eligible under § 101.

AFFIRMED-IN-PART, REVERSED-IN-PART

COSTS

No costs.

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**APPENDIX B — MEMORANDUM ORDER
IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE,
FILED JUNE 9, 2020**

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SUNOCO PARTNERS MARKETING
& TERMINALS L.P.,

Plaintiff,

v.

POWDER SPRINGS LOGISTICS, LLC, AND
MAGELLAN MIDSTREAM PARTNERS, L.P.,

Defendants.

C.A. No. 17-1390-LPS-CJB

MEMORANDUM ORDER

WHEREAS, on January 16, 2020, Magistrate Judge Burke issued a Report and Recommendation (“January Report” or “Jan. Rep.”) (D.I. 447), recommending that the Court grant-in-part and deny-in-part Plaintiff Sunoco Partners Marketing & Terminals L.P.’s (“Sunoco”) motion for partial summary judgment (D.I. 372);

WHEREAS, on January 28, 2020, Sunoco filed objections to the January Report (“Sunoco January

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Objections”) (D.I. 461), specifically objecting that Judge Burke erred in recommending denying summary judgment that Defendants Powder Stream Logistics, LLC (“Powder Stream”) and Magellan Midstream Partners, L.P.’s (“Magellan” and, together with Powder Stream, “Defendants”) accused systems infringe claims 3 and 8 of United States Patent No. 9,606,548 (the “548 patent”);

WHEREAS, on February 10, 2020, Defendants filed a response to Sunoco’s January Objections (“Defendants January Response”) (“D.I. 484”);

WHEREAS, on January 28, 2020, Magellan filed objections to the Jan. 16 Report (“Magellan January Objections”) (D.I. 460), specifically objecting that Judge Burke erred in recommending granting Sunoco’s motion for partial summary judgment that accused Magellan systems infringe claim 3 of United States Patent No. 6,679,302 (the “302 patent”);

WHEREAS, on February 10, 2020, Sunoco filed a response to Magellan’s January Objections (“Sunoco January Response”);

WHEREAS, on February 6, 2020, Judge Burke issued a Report & Recommendation (“February Report” or “Feb. Rep.”) (D.I. 477), recommending that the Court grant-in-part and deny-in-part Sunoco’s motion for summary judgment that certain references do not qualify as prior art (D.I. 377);

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WHEREAS, on February 20, 2020, Defendants filed objections to the February Report (“Defendants February Objections”) (D.I. 499), specifically objecting that a fact dispute existed as to whether the TransMontaigne system (“TransMontaigne”) was publicly accessible;

WHEREAS, on March 5, 2020, Sunoco filed a response to Defendants February Objections (“Sunoco February Response”) (D.I. 511);

WHEREAS, on February 20, 2020, Sunoco filed objections to the February Report (“Sunoco February Objections”) (D.I. 500), specifically objecting that there was no evidence that Williams took steps to make the automated system publicly known;

WHEREAS, on March 5, 2020, Defendants filed a response to Sunoco’s February Objections (“Defendants February Response”) (D.I. 510);

WHEREAS, on February 19, 2020, Judge Burke issued a Report and Recommendation (“February Report II” or “Feb. Rep. II”) (D.I. 495), recommending that the Court deny Defendants’ motion for summary judgment of noninfringement (D.I. 381);

WHEREAS, on March 4, 2020, Defendants filed objections to February Report II (“Defendants Objections to February Report II”) (D.I. 509), specifically objecting that that Defendants’ systems could not infringe the asserted claims as a matter of law;

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WHEREAS, on March 18, 2020, Sunoco filed a response to Defendants Objections to February Report II (“Sunoco Response to February Report II Objections”) (D.I. 518);

WHEREAS, on February 27, 2020, Judge Burke issued a Report and Recommendation (“February Report III” or “Feb. Rep. III”) (D.I. 506), recommending that the Court deny Defendants’ motion for summary judgment (D.I. 381) that certain patent claims asserted by Sunoco are invalid as anticipated and/or obvious;

WHEREAS, on March 12, 2020, Defendants filed objections to February Report III (“Defendants Objections to February Report III”) (D.I. 516), specifically objecting that certain of Judge Burke’s conclusions were incorrect under the proper construction of certain claim terms;

WHEREAS, on March 26, 2020, Sunoco filed a response to Defendants Objections to February Report III (“Sunoco Response to February Report III Objections”) (D.I. 521);

WHEREAS, on March 13, 2020, Judge Burke issued a Report and Recommendation (“March Report” or “Mar. Rep.”) (D.I. 517), recommending that the Court deny Defendants’ motion for summary judgment that certain Sunoco patents are not entitled to the priority date of the ’302 patent (D.I. 381);

WHEREAS, on March 27, 2020, Defendants filed objections to the March Report (“Defendants March

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Objections”) (D.I. 522), specifically objecting that Judge Burke applied the wrong legal test and ignored the ’302 patent’s disclosures;

WHEREAS, on April 10, 2020, Sunoco filed a response to Defendants March Objections (“Sunoco March Response”) (D.I. 527);

WHEREAS, on January 3, 2020, Judge Burke issued a memorandum order granting Defendants’ motion to exclude the damages opinions of Dr. Keith R. Ugone with leave to file a supplemental report (D.I. 442) (“January Ugone Order” or “Jan Ord.”);

WHEREAS, on January 17, 2020, Sunoco filed objections to the January Ugone Order (“Sunoco Ugone Objections”) (D.I. 448), specifically objecting that Judge Burke applied the wrong legal standard;

WHEREAS, on January 30, 2020, Defendants filed a response to Sunoco’s Ugone Objections (“Defendants Ugone Response”) (D.I. 465);

WHEREAS, on January 17, 2020, Defendants filed objections to the January Ugone Order (“Defendants Ugone Objections”) (D.I. 449), specifically objecting that Judge Burke erred in granting Sunoco leave to file a supplemental report;

WHEREAS, on January 30, 2020, Sunoco filed a response to Defendants Ugone Objections (“Sunoco Ugone Response”);

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WHEREAS, on January 27, 2020, Defendants filed a motion to exclude Dr. Ugone's supplemental damages report ("Motion to Exclude") (D.I. 459), which has been fully briefed (*see, e.g.*, D.I. 459 Ex. 2; D.I. 476; D.I. 478);

WHEREAS, on January 24, 2020, Sunoco filed a motion to strike certain of Defendants' pretrial disclosures ("Motion to Strike") (D.I. 457), which has been fully briefed (*see, e.g.*, D.I. 458, 464, 471);

WHEREAS, on April 17, 2020, Defendants filed a motion to stay the litigation with respect to U.S. Patent Nos. 9,494,948 (the "948 patent") and 9,606,548 (the "548 patent") ("Motion to Stay") (D.I. 530), which has been fully briefed (*see, e.g.*, D.I. 531, 534, 540);

WHEREAS, on May 13, 2020, the Court held a hearing by teleconference to hear oral argument on the many motions and matters addressed in this Memorandum Order (*see* Transcript ("Tr.") (D.I. 545));

WHEREAS, the Court has reviewed *de novo* the portions of Judge Burke's Reports addressing dispositive issues,¹ *see Brown v. Astrue*, 649 F.3d 193, 195 (3d Cir. 2011); 28 U.S.C. § 636(b)(1); Fed. R. Civ. P. 72(b)(3);

1. January Report, February Report, February Report II, February Report III, and March Report. The Court adopts by reference the legal standards applicable to summary judgment motions articulated in *Wasica Fin. GmbH v. Schrader Int'l, Inc.*, 2020 U.S. Dist. LEXIS 9699, 2020 WL 1150135, at *1 n.1 (D. Del. Jan. 14, 2020).

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WHEREAS, the Court has reviewed Judge Burke's January Ugone Order, which resolves a nondispositive issue, under a "clearly erroneous and contrary to law" standard of review, *see* 28 U.S.C. § 636(b)(1); Fed. R. Civ. P. 72(a); *see also Magnetar Techs. Corp. v. Six Flags Theme Parks, Inc.*, 61 F. Supp. 3d 437, 441 (D. Del. 2014);

WHEREAS, expert testimony is admissible only if "the testimony is based on sufficient facts or data," "the testimony is the product of reliable principles and methods," and "the expert has reliably applied the principles and methods to the facts of the case," Fed. R. Evid. 702(b)-(d);²

NOW, THEREFORE, IT IS HEREBY ORDERED that, as more fully described below, (i) the January Report (D.I. 447) is ADOPTED in part and REJECTED in part; (ii) the February Report (D.I. 477) is ADOPTED in part and REJECTED in part; (iii) February Report II (D.I. 495) is ADOPTED; (iv) February Report III (D.I. 506) is ADOPTED; (v) the March Report (D.I. 517) is ADOPTED; (vi) Sunoco's motion for summary judgment of patent infringement (D.I. 372) is DENIED; (vii) Sunoco's motion for summary judgment regarding certain prior art (D.I. 377) is DENIED; (viii) Magellan's motion for summary judgment of non-infringement and invalidity (D.I. 381) is DENIED; (ix) Defendants' original motion to exclude Dr. Ugone (D.I. 375) remains GRANTED, as does leave to Sunoco to have filed a supplemental

2. The Court adopts by reference the legal standards applicable to motions to exclude expert testimony articulated in *Wasica*, 2020 U.S. Dist. LEXIS 9699, 2020 WL 1150135, at *1 n.2.

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report — the Sunoco Ugone Objections and Defendants Ugone Objections are DISMISSED AS MOOT; (x) Defendants’ Motion to Exclude (D.I. 459) is GRANTED and Dr. Ugone’s supplemental report is STRICKEN; (xi) Defendants’ Motion to Strike (D.I. 457) is DENIED; and (xii) Defendants’ Motion to Stay (D.I. 530) is DENIED.

January Report

The Sunoco January Objections are OVERRULED.

Sunoco argues there is no genuine dispute of fact that Defendants’ accused systems practice the “processor” limitation of the ’548 patent, as the accused systems use “PLCs” that perform every limitation of the claimed “processor.” (D.I. 461 at 2) Like Judge Burke, however, the Court concludes that a reasonable juror could find that the accused systems’ PLCs do not practice at least one of these limitations: “output[ting] a signal representative of the adjustment to the injection device.” ’548 pat. at 17:19-28, 48-56. Sunoco’s expert, Dr. Kytomaa, stated multiple opinions that a reasonable jury could find to be inconsistent and noncredible, resulting in a record that does not justify a grant of summary judgment of infringement. (*See* D.I. 400 at 12; D.I. 447 at 16; *see also* Jan. Rep. at 17 (citing D.I. 401 Ex. 3 at ¶¶ 765, 770, 779)) Also, Defendants’ expert, Dr. Nikolaou, provided opinions a jury could credit and, from them, find noninfringement. (*See, e.g.*, D.I. 402 Ex. A at ¶¶ 224, 248-49) Thus, the Court denies Sunoco’s motion for summary judgment that the accused systems infringe claims 3 and 8 of the ’548 patent.

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The Magellan January Objections are SUSTAINED.

Defendants' expert, Dr. Nikolaou, did not improperly reconstrue the claim term "fluid connection." Instead, he permissibly applied the Court's construction of this term. There is a genuine dispute of material fact as to whether the accused systems practice the "dispensing unit . . . in fluid connection with blending unit" and "rack" limitations of claim 3 of the '302 patent, given the existence of a tank between the blending system and the rack. (*See* D.I. 460 at 2-4; *see also* D.I. 402 Ex. A at ¶¶ 38-43) Thus, the Court denies Sunoco's motion for summary judgment that the accused systems infringe claim 3 of the '302 patent.

February Report

Defendants February Objections are SUSTAINED.

The opinions of Defendants' experts Dr. Nikolaou — that a person of ordinary skill in the art ("POSA") who viewed the publicly-accessible TransMontaigne equipment would "have understood how the blending system operated at the level required by the claims of the asserted patents" — and Dr. Mongold — that "most people in the industry would be able to tell" how the system worked — are sufficient, if credited by the jury (as it will be free reasonably to do), to create a genuine dispute of material fact. (*See* D.I. 499 at 4-6 (citing D.I. 399 Ex. B at ¶ 106; D.I. 398 Ex. 36 at 250); *see also Kennametal, Inc. v. Ingersoll Cutting Tool Co.*, 780 F.3d 1376, 1381 (Fed. Cir. 2015) ("[A] reference can anticipate a claim even if it d[oes] not expressly spell out all the limitations arranged

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or combined as in the claim, if a person of skill in the art, reading the reference, would at once envisage the claimed arrangement or combination.”) (internal quotation marks omitted)) Thus, the Court denies Sunoco’s motion for summary judgment that TransMontaigne is not prior art.

Sunoco’s February Objections are OVERRULED.

The record reveals a genuine dispute of material fact as to whether Defendants suppressed or concealed the OKC-Reno system. A reasonable juror could find that the inventors of OKC-Reno did not intentionally suppress or conceal OKC-Reno, based on evidence including that (1) the inventor of the Sunoco patents sent his contractor to visit the Tulsa system, that was similar in all material respects to OKC-Reno; (2) Magellan’s predecessor allowed the contractor to tour the Tulsa facility; and (3) the contractor’s visit led to the creation of Sunoco’s rack system. (D.I. 510 at 3-4) (citing D.I. 397 at 22; D.I. 398 Ex. 28 at 136-42, 144-45, 150-52; D.I. 398 Ex. 26 at 429-30; D.I. 398 Ex. 29 at 47-48) Viewed in the light most favorable to Defendants, a reasonable juror could find from this evidence that Magellan’s predecessor did not conceal the Tulsa system’s blending system and, therefore, likewise did not conceal the materially-similar OKC-Reno blending system. This same evidence, viewed in the same most favorable light to Defendants, could likewise lead a reasonable juror to find that Magellan’s predecessor made the OKC-Reno blending system publicly accessible. Thus, the Court denies Sunoco’s motion for summary judgment that OKC-Reno is not prior art.

*Appendix B***February Report II**

Defendants Objections to February Report II are OVERRULED.

Defendants argue their systems are configured in either a “non-blending” or “blending” mode and that neither mode practices all of the asserted claim limitations. (D.I. 509 at 7) But a reasonable juror, taking the evidence in the light most favorable to Sunoco, could find there is only one configuration for Defendants’ accused systems: a “normal operation mode” that practices all the limitations of the asserted claims. (D.I. 518 at 2-3) (citing D.I. 382 at 8-9) Further, while Defendants fault February Report II for “constru[ing] the claim language to determine the claim scope” (D.I. 509 at 9), they do not identify any claim terms that Judge Burke purportedly construed (nor persuade the Court that he did so incorrectly). Thus, the Court denies Defendants’ motion for summary judgment of noninfringement.

February Report III

Defendants Objections to February Report III are OVERRULED.

The record reveals a genuine dispute of material fact as to whether Haas anticipates claims 3 and 8 of the ’548 patent under the construction of “gasoline” adopted by the Court. (*See* D.I. 539 at 7-8) The Court agrees with Judge Burke’s explanation as to how a reasonable juror, taking the evidence in the light most favorable to Sunoco,

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could fail to agree with Defendants that Haas satisfies the claim limitation “a volatility measurement device in communication with the gasoline stream.” (Feb. Rep. III at 8) Defendants’ expert, Dr. Nikolaou, opined (in the context of a related patent) that (1) the term “gasoline stream” referred to “unblended gasoline” and (2) Haas’s “vapor-liquid analyzer . . . does not receive or use a measurement of the vapor pressure of the **gasoline to be blended.**” (D.I. 406 Ex. B at ¶ 617) (emphasis added) While Defendants argue these opinions do not apply to the ’548 patent claims, the law permits the type of reasoning proffered by Sunoco, because “where multiple patents derive from the same parent application and share many common terms, we must interpret the claims consistently across all asserted patents.” *Trustees of Columbia Univ. in City of New York v. Symantec Corp.*, 811 F.3d 1359, 1369 (Fed. Cir. 2016). Moreover, Defendants’ obviousness contentions regarding claims 3 and 7 of the ’948 patent and claim 3 of the ’302 patent depend on a construction of “vapor pressure” which the Court has rejected. (*See* D.I. 539 at 6-7) Thus, the Court denies Defendants’ motion for summary judgment of invalidity.

March Report

Defendants March Objections are OVERRULED.

Defendants contend that Judge Burke applied the “wrong test” for determining the priority date of the continuation-in-part patents (“CIP patents”) by “focus[ing] on whether the ’302 patent **excludes** pipeline blending.” (D.I. 522 at 5) The Court disagrees. Judge

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Burke cited sections of the '302 patent specification from which a reasonable juror could find that the '302 patent explicitly discloses pipeline blending. (Mar. Rep. at 5) (citing '302 pat. at 2:10-12, 5:35-38) While Defendants argue that the '302 patent does not disclose what they call “feedback blending” — “where the blending is **controlled** by a downstream analyzer” (D.I. 522 at 8) — a reasonable juror could find that the '302 patent provides a “system” that “can be modified to periodically sample the RVP of the **resultant blend** for quality control.” '302 pat. at 7:11-14 (emphasis added). Defendants insist this language does not show that the system “use[s] that measurement to adjust the blend ratio or control blending” (D.I. 422 at 9), but a reasonable juror, relying on the testimony of Sunoco expert Dr. Kytomaa, could reasonably find otherwise (see Mar. Rep. at 10). Thus, the Court denies Defendants’ motion for summary judgment.

Dr. Ugone’s Damages Opinions

The Court will strike Dr. Ugone’s damages opinions.³

The entire market value analysis in Dr. Ugone’s supplemental report is unreliable because he does not identify reliable evidence to allow Sunoco to “meet

3. In doing so, the Court adopts and incorporates by reference Judge Burke’s analysis in his January Ugone Order. The Court also finds persuasive the analysis in *Sunoco P’ship Mktg. & Terminals L.P. v. U.S. Venture, Inc.*, No. 15 C 8178, 2020 U.S. Dist. LEXIS 14994 (N.D. Ill. Jan. 29, 2020), a case in which Judge Pallmeyer criticized a similar damages analysis offered by Sunoco through the same Dr. Ugone. (See D.I. 482 Ex. 1 at 35-38)

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its burden to show that the patented feature was the **sole driver** of consumer demand, i.e., that it alone motivated consumers to buy the accused the products or substantially creates the value of the component parts.” *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 904 F.3d 965, 979 (Fed. Cir. 2018) (emphasis added). Rather, Dr. Ugone simply speculates that, for instance, Sunoco’s patents led Magellan and Philips 66 to become Sunoco customers. (See D.I. 476 at 13-16) This is insufficient. See generally *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012) (“[T]he patentee . . . must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features, and **such evidence must be reliable and tangible, and not conjectural or speculative.**”) (internal quotation marks omitted; emphasis added). The Court agrees with the following characterization by Defendants:

Despite conceding that the non-patented services enable Sunoco’s licensees to not only operate the system at all, but to maximize blending, Dr. Ugone ascribes the **entire value** of the Butane Supply Agreements to only one of the many components — the royalty-free patent license. And while he opines, based on hearsay and speculation, that the patents were a factor for some customers, he fails to show that the patents **alone** are what motivated consumers to enter into the Butane Supply Agreements.

(D.I. 459 at 2)

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The Federal Circuit has rejected Sunoco’s contention that just because the non-patented features at issue here are not sold separately from the patented features it follows that the “sole driver” requirement is satisfied. *See LaserDynamics*, 694 F.3d at 68 (“It is not enough to merely show that the [patented] method is viewed as valuable, important, or even essential to the use of the [accused product]. Nor is it enough to show that [the accused product] without [the patented] method would be commercially unviable . . .”). Sunoco’s evidence of an established licensing program, and insistence that all of the non-patented features of its services have no value outside of the patented invention, do not render Dr. Ugone’s analysis consistent with governing law. *See id.* (“[P]roof that consumers would not want a laptop computer without such features is not tantamount to proof that any one of those features alone drives the market for laptop computers.”). The purported lack of evidence that any entity took a license from Sunoco due even in part to the non-patented features (*see* Tr. at 15-16)⁴ does not (even if true) help Sunoco satisfy *its* burden.

Nor has Sunoco adduced evidence to meet its burden to demonstrate that the patented features “substantially create[] the value of the component parts,” especially given the undisputed evidence that Sunoco’s services

4. *See also generally* D.I. 476 at 8 (Sunoco suggesting “if there was a demand for the services offered by Sunoco separate and apart from the demand for the patents-in-suit, then one would expect Sunoco to have executed some number of butane supply agreements relating to non-patented systems (e.g., manual blending systems or services a la carte”).

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are valued for their non-patented features, such as their expertise and algorithm. (*See, e.g.*, D.I. 380 Ex. 9 (Colella Tr.) at 536-37 (“[W]e have the supply and the logistics and the know-how, to enable us to be the supplier [of butane]. And most of our blend partners recognize our expertise in this area and choose to use us as their supplier.”); D.I. 380 Ex. 12 (Myers Tr.) at 140-41 (stating belief that Sunoco’s proprietary blend equation had role in delivering results to customers and “the results of the blending of those algorithms, I think was the selling point”)) In addition to the fact evidence showing there is value to Sunoco’s non-patented features, Dr. Ugone also recognized in formulating his expert opinions that Sunoco’s algorithm and software are necessary and valuable components to what Sunoco includes in its Butane Supply Agreements (“BSAs”) which form the basis for his opinions. (*See, e.g.*, D.I. 459-2 Ex. 1 at ¶¶ 5(b), 32(b))

Dr. Ugone’s apportionment analysis is also unreliable. *See Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011) (“[T]he patentee . . . must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features”) (internal quotation marks omitted). While Sunoco emphasizes that Dr. Ugone analyzed the value of supplying butane and hedging (D.I. 476 at 18-19), he did not analyze the value of other non-patented features of the BSAs, including Sunoco’s blending algorithm — a feature a Sunoco witness described (as noted above) as the “selling point” for Sunoco’s products. (D.I. 459 Ex. 2 at 13-14) Sunoco attempts to justify this omission by arguing that

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the algorithm is “part of the patented system” (D.I. 476 at 17-18), but this is contradicted by Dr. Ugone’s testimony that the algorithm is “proprietary and a Sunoco trade secret” (that is, **not** disclosed in a patent) (D.I. 459 Ex. 2 Ex. 1 at ¶ 5(b)(ii)).⁵

Finally, even assuming *arguendo* that Dr. Ugone is offering what Sunoco calls a “lost opportunity cost opinion,” it, too, is unreliable because Dr. Ugone failed to apportion the value lost due to non-infringing manual blending (and, thus, failed to identify the value lost to infringing automated blending). (*See* D.I. 478 at 5) Further, for all the reasons already given, the Court is not persuaded by Sunoco’s contention that Defendants’ challenge to Dr. Ugone’s purported explanation for why he concluded Sunoco’s patents drive demand for the BSAs goes to the weight to be given to Dr. Ugone’s analysis, as opposed to its admissibility under binding precedent.

The Court will not permit Sunoco to file yet another report from Dr. Ugone, attempting once again to overcome the deficiencies contained in two successive reports from Dr. Ugone. (*See, e.g.*, D.I. 459 at 14 (Defendants: “Again, despite the Court’s warning in its prior order, Dr. Ugone simply did not undertake the necessary apportionment analysis.”); *id.* at 15 (Defendants arguing that Sunoco’s “continued refusal, without any justifiable, analytical basis, to account for the undisputed value of the non-

5. Further demonstrating that the algorithm is not part of the patent claims is Sunoco’s counsel’s refusal to agree that Sunoco would have to prove an accused infringer practices the algorithm in order to prove infringement. (*See* Tr. at 11-12)

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patented features . . . shows that this strategy is not the result of inadvertence”))

Because the Court is striking Dr. Ugone’s supplemental report, it is not necessary to resolve the parties’ now-moot objections to the January Ugone Order.

Defendants’ Pretrial Disclosures

Sunoco’s Motion to Strike certain of Defendants’ pretrial disclosures is denied. Instead, the parties are directed to meet and confer, particularly in light of today’s rulings, and thereafter Defendants shall provide Sunoco with a reduced set of deposition designations, after which Sunoco shall identify its deposition counter-designations. In the joint status report the parties are being ordered to provide they shall (among other things) provide the Court with their proposed deadlines for the exchange of these updated disclosures.

Defendants’ Motion to Stay

Defendants’ Motion to Stay is based on the Patent Trial and Appeals Board’s (“PTAB”) Final Written Decision finding that the asserted claims of Sunoco’s ’948 and ’548 patents are invalid. Defendants seek to stay all further proceedings with respect to the ’948 and ’548 patents until after completion of Sunoco’s anticipated appeal of the PTAB’s decision (such further proceedings being necessary only if the Court of Appeals at least partially modifies or reverses the PTAB). Defendants’ Motion to Stay is denied.

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In determining whether to stay litigation, courts typically consider (1) whether a stay will simplify the issues and trial of the case, (2) whether discovery is complete and a trial date has been set, and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party. *See St. Clair Intellectual Prop. Consultants, Inc. v. Sony Corp.*, 2003 U.S. Dist. LEXIS 27397, 2003 WL 25283239, at *1 (D. Del. Jan. 30, 2003).

The Court is not persuaded that a stay will simplify the litigation, particularly given the overlapping issues between the claims with respect to which Defendants do not seek a stay and those of the '948 and '548 patents (issues of infringement and invalidity, for instance). (*See* Tr. at 58, 62-63) Other purported simplifications are now moot (because the Court has resolved all of the parties' claim construction and summary judgment disputes, including those that may have been avoided had the requested stay been granted). The Court's strong desire to avoid a second trial is a related consideration, as the risk of a second trial is reduced by trying all patents-in-suit at the forthcoming trial.

The status of the litigation weighs heavily against the requested stay, as fact and expert discovery were completed months ago, all motions have been resolved, and trial is scheduled to begin in approximately six weeks.

Finally, Sunoco would suffer undue prejudice from a stay, which might eliminate Sunoco's opportunity to seek injunctive relief with respect to the '948 and '548

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patents (which expire in February 2022). (D.I. 534 at 13-14) Additionally, Sunoco and Defendants appear to compete to some extent. (*See id.* at 15-16)

Moving Forward

A jury trial in this matter is currently scheduled to begin on July 20. Due to the coronavirus pandemic, no jury trial has been held in this District since March 19 and no new jury has been selected since March 9. Jury trials here are currently suspended through at least June 30. The District may yet make a decision to suspend jury trials for some or all of July or even later; of course, it also may decide not to do so.

As of today, the jury trial in this matter remains on the Court's calendar, and it remains the Court's hope that it may proceed as scheduled. But the Court will only move forward with a jury trial on July 20 if it can be done in a manner that protects the health and safety of all involved, including the jury, the larger community, and Court personnel, as well as the parties, their witnesses, and their attorneys.

The Court requires further input from the parties to determine how to proceed.

Therefore, the parties shall meet and confer and, no later than **June 11**, submit a joint status report, advising the Court of their views on, among other things: (i) whether they believe trial can and should proceed on July 20; (ii) whether they believe they have a right to a

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jury trial and, if so, whether they are willing to waive that right in favor of a bench trial; and (iii) whether, if the trial proceeds on July 20, any witnesses might request to appear by video or other remote technology rather than travel to the courtroom.

The Court will hold a status teleconference on **June 12 at 11:30 a.m.** Participants (and any observers) shall dial in to 877-336-1829 and use the access code 1408971.

June 9, 2020
Wilmington, Delaware

/s/ Leonard P. Stark
HONORABLE LEONARD P. STARK
UNITED STATES DISTRICT
JUDGE

**APPENDIX C — REPORT AND
RECOMMENDATION IN THE UNITED STATES
DISTRICT COURT FOR THE DISTRICT OF
DELAWARE, FILED MARCH 13, 2020**

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SUNOCO PARTNERS MARKETING
& TERMINALS L.P.,

Plaintiff,

v.

POWDER SPRINGS LOGISTICS, LLC, AND
MAGELLAN MIDSTREAM PARTNERS, L.P.,

Defendants.

Civil Action No. 17-1390-LPS-CJB

REPORT AND RECOMMENDATION

Pending before the Court in this patent infringement case is Defendants Powder Springs Logistics, LLC (“Powder Springs”) and Magellan Midstream Partners, L.P.’s (“Magellan,” and collectively with Powder Springs, “Defendants”) Motion for Summary Judgment of Non-Infringement and Invalidity (the “Motion”). (D.I. 381) Defendants make a number of different arguments in support of this Motion; this Report and Recommendation will address the Motion only as it relates to Defendants’

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argument that certain later-filed patents asserted by Plaintiff Sunoco Partners Marketing & Terminals L.P. (“Sunoco” or “Plaintiff”) are not entitled to the priority date of the earliest-filed asserted patent.¹ For the reasons that follow, the Court recommends that the Motion be DENIED in that respect.

I. BACKGROUND

Plaintiff alleges that Defendants infringe five of Plaintiff’s patents. Those patents are United States Patent Nos. 9,494,948 (the “’948 patent”), 9,606,548 (the “’548 patent”), 9,207,686 (the ‘686 patent”), ‘6,679,302 (the “’302 patent”) and 7,032,629 (the “’629 patent”) (collectively, “the asserted patents” or “the patents-in-suit”). The patents-in-suit relate to systems and methods for the automated blending of butane and gasoline. Defendants’ Motion relates specifically to the following asserted claims of certain of the asserted patents that are continuation-in-part patents (“CIP patents”) to the ‘302 patent: claim 3 of the ‘686 patent, claims 3 and 7 of the ‘948 patent, and claims 3 and 8 of the ‘548 patent (the “challenged claims” or “CIP claims”). (D.I. 440 at 2)

The Court hereby incorporates its summary of the technology at issue set out in its January 8, 2018 Report and Recommendation, (D.I. 68 at 1-8); further information about these subjects relevant to the pending Motion will be set out in Section III below. The Court also

1. The Court has addressed the remaining portions of the Motion in other Reports and Recommendations.

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incorporates its summary of the procedural background of this matter, as set out in its January 16, 2020 Report and Recommendation. (D.I. 447 at 2)

II. STANDARD OF REVIEW

This portion of the instant Motion asserts that summary judgment should be granted, in that there is no genuine dispute as to any material fact that the challenged claims of the CIP patents are not entitled to the priority date of the '302 patent.

A. Summary Judgment

The Court hereby incorporates its prior discussion of the legal standards for resolving summary judgment motions, which was set forth in its January 16, 2020 Report and Recommendation. (D.I. 447 at 2-4)

B. Priority/Written Description

With regard to priority, “[i]t is elementary patent law that a patent application is entitled to the benefit of the filing date of an earlier filed application only if the disclosure of the earlier application provides support for the claims of the later application, as required by 35 U.S.C. § 112.” *PowerOasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 1306 (Fed. Cir. 2008) (quoting *In re Chu*, 66 F.3d 292, 297 (Fed. Cir. 1995)); *see also* 35 U.S.C. § 120. To satisfy this written description requirement, the disclosure of the prior application must “convey with reasonable clarity to those skilled in the art that, as of the filing date sought,

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[the inventor] was in possession of *the invention.*” *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563-64 (Fed. Cir. 1991) (emphasis in original). “Compliance with the written description requirement is a question of fact but is amenable to summary judgment in cases where no reasonable fact finder could return a verdict for the non-moving party.” *PowerOasis*, 522 F.3d at 1307.

III. DISCUSSION

Defendants seek summary judgment that the challenged claims of the CIP patents are not entitled to the filing date of the ’302 patent because, according to Defendants, the ’302 patent fails to provide written description support for two aspects of the CIP patents’ claims—“pipeline blending” and “feedback control.” (See D.I. 382 at 11-12, 18-23) The Court will discuss these independent bases for summary judgment in turn below.

A. “Pipeline Blending”

First, Defendants argue that the CIP claims are not entitled to the priority date of the ’302 patent because the ’302 patent does not provide written description support for “pipeline blending.” Below, the Court first assesses the meaning of the term “pipeline blending”; thereafter, it addresses whether the ’302 patent contains sufficient written description support for such a concept.

1. What Does “Pipeline Blending” Require?

Both parties use the term “pipeline blending” in arguing that the CIP claims are (or are not) entitled to

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the priority date of the '302 patent. (*See, e.g.*, D.I. 382 at 18; D.I. 405 at 21) The parties disagree, however, as to what exactly is encompassed by the term. Defendants consider “pipeline blending” to describe blending at a location *other than* the tank farm, and argue that the '302 patent only “repeatedly and consistently describes its invention as blending *at tank farms* immediately before distribution.” (D.I. 382 at 19 (emphasis added); *see also id.* at 18-21) Plaintiff, however, reads “pipeline blending” as a term that describes blending that can be performed at a tank farm (so long as it happens in a pipeline). (D.I. 405 at 21 (“blending at a ‘tank farm’ does not exclude, but rather encompasses, pipeline blending”))

In understanding what sort of “pipeline blending” must be sufficiently disclosed in the '302 patent, the Court must turn to the CIP claims themselves. In doing so, it notes that none of those claims use the term “pipeline” or “pipeline blending.” ('548 patent, cols. 17:11-28, 32-35 (claim 3); *id.*, cols. 17:40-18:3, 18:7-10 (claim 8); '948 patent, col. 17:9-32, 35-36 (claim 3); *id.*, col. 18:12-35 (claim 7); '686 patent, cols. 15:62-16:13, 16:16-23 (claim 3)) And only the challenged claims of the '948 patent use the term “pipe.” ('948 patent, col. 17:9-32, 35-36 (claim 3) (“[a] system for blending butane with gasoline in a pipe” and “a vapor pressure analyzer connected to said pipe”), *id.*, col. 18:12-35 (claim 7) (same)) Instead, the majority of the CIP claims refer to “in-line blending” and/or the blending of butane in a “gasoline stream.” ('548 patent, cols. 17:11-28, 32-35 (claim 3); *id.*, cols. 17:40-18:3, 18:7-10 (claim 8); '686 patent, cols. 15:62-16:13, 16:16-23 (claim 3))

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Thus, it appears from the actual limitations of the challenged CIP claims that written description support must be found in the '302 patent simply for “blending butane with gasoline in a pipe,” ('948 patent claims) and “in-line blending” of butane with a “gasoline stream,” ('686 and '548 patent claims). *Cf. Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1333 (Fed. Cir. 2003) (“the patentee need only describe the invention *as claimed*, and need not describe an unclaimed method of making the claimed product” (emphasis added)); *see also* Robert A. Matthews, Jr., Annotated Patent Digest § 22:34 (2020) (“The written-description requirement generally does not require a description of unclaimed aspects of the invention, unless those aspects are critical to the claimed invention.”). Relatedly, the Court sees no indication that this concept of pipeline blending, captured in the CIP claims at issue, excludes blending in a “pipeline” at a tank farm.

2. Is “Pipeline Blending” Supported by the '302 Patent?

Next, the Court considers whether, as Defendants argue, there is no genuine dispute as to any material fact that the '302 patent does not contain a “pipeline blending” disclosure (as that term is understood in the manner set forth above). For the following reasons, the Court concludes there *is* a genuine dispute of material fact here.

For one thing, pipeline blending is explicitly discussed in the '302 patent specification. In the “Background of the Invention” section, the '302 patent teaches that “[b]utane

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is also added to gasoline while it is transported in the pipeline, after consolidation of various trunk lines from refineries.” (’302 patent, col. 2:10-12; *see also id.*, col. 5:35-38 (“The ratio at which the gasoline and butane streams are blended can be controlled *at a variety of points along the path of travel for the gasoline and butane*, using a variety of methods.”) (emphasis added); D.I. 406, ex. A at ¶¶ 688-89)² To be sure, as Defendants note, (D.I. 382 at 19, 21), the specification does also describe some “difficult[ies]” in performing blending in a pipeline (i.e., the challenges in blending with precision in a pipeline due to varying rates of flow and vapor pressure, and the difficulty in physically breaching a pipeline to accomplish the blend), (’302 patent, col. 2:14-23). But as Plaintiff points out, in this part of the specification, the patent seems to be describing mere “difficulties—not disadvantages” to pipeline blending. (D.I. 405 at 23 (emphasis omitted)) And just a few lines later, the patent also describes similar “complications” with achieving precise blending at a tank farm (i.e., the very type of blending Defendants say that the patent is directed to). (*Id.* at 23 n.21 (emphasis omitted); *see also* D.I. 406, ex. A at ¶ 688; Tr. at 190-91) In sum, the patent’s

2. There are also some portions of the specification that could be read to describe blending operations that relate to gasoline transported in pipelines. (*See, e.g.*, ’302 patent, col. 7:20-26 (“Because of the variability in-vapor pressure of gasoline (*due to the varying composition of gasoline delivered through pipelines*) and butane . . . the vapor pressure is preferably measured directly[.]”) (emphasis added); *id.*, col. 8:50-54 (noting the “substantial variability in the gasoline received from *commercial pipelines*, and this variability can be taken into consideration, based upon the timing of gasoline deliveries to the tank farm”) (emphasis added); *see also* D.I. 406, ex. A at ¶ 689)

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discussion of certain challenges inherent to pipeline blending does not clearly amount to an indication that the claimed inventions are unusable in the pipeline context (including via pipeline blending that may occur at a tank farm). *See ScriptPro LLC v. Innovation Assocs., Inc.*, 833 F.3d 1336, 1341 (Fed. Cir. 2016) (“[M]ere recognition in the specification that an aspect of a prior art system is ‘inconvenient’ does not constitute ‘disparagement’ sufficient to limit the described invention—especially where the same specification expressly contemplates that some embodiments of the described invention incorporate the ‘inconvenient’ aspect.”); *cf. Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 653 F.3d 1296, 1306 (Fed. Cir. 2011) (“In general, statements about the difficulties and failures in the prior art, without more, do not act to disclaim claim scope.”).

Moreover, while it is certainly true that the ’302 patent states that the “present invention is a system and method for blending butane with gasoline *at the tank farm*, immediately before the gasoline is dispensed to a tanker truck[,]” (’302 patent, col. 3:14-16 (emphasis added); *see also id.*, col. 1:13-14), the Court does not see why, even if the ’302 patent claims were all in some way related to tank farm blending,³ that would necessarily exclude the concept of blending in a pipeline. Indeed, the CIP patents indicate that it is possible for butane to be “physically added to the pipeline” at the “tank farm[.]” (’948 patent, col. 5:1-8)

3. As Plaintiff notes, there are claims of the ’302 patent (like claim 27) that, on their face, do not seem to explicitly require blending gasoline from a tank or distributing blended gasoline from a rack. (D.I. 405 at 22; *see also* D.I. 406, ex. A at ¶ 686)

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Additionally, the prosecution history of a related patent—United States Patent No. 7,631,671 (the “’671 patent”), the first CIP patent—provides further support to Plaintiff’s argument. (DI 405 at 19)⁴ Specifically, the ’671 patent underwent supplemental examination (initiated by Plaintiff) in order to examine a butane blending system (“the Macungie system”) that the inventors were “involved with” and that bore on the validity of the ’671 patent. (*Id.* at 19; *see also* Tr. at 187-88) According to Plaintiff, the Macungie system “blended butane into a pipeline as gasoline flowed past the facility.” (D.I. 405 at 19 (citing D.I. 406, ex. I at 44526-27)) The Examiner considered the Macungie system, and determined that it “disclose[d] the claimed limitations of claims 1, 2, 4, 5, 7-9, 12, 13, 42-47, 52 and 53” of the ’671 patent (claims to, *inter alia*, methods and systems for “in-line blending”⁵), but “[d]id not qualify as prior art . . . due to the showing that the ’302 priority patent disclosed the claimed features of these claims[.]” (D.I. 406, ex. I at 44572) (emphasis added)) That this Examiner considered the ’302 patent to disclose pipeline blending, while certainly not dispositive here, helps further articulate why there is at least a genuine

4. Plaintiff actually points for support not only to the prosecution history of the ’671 patent, but also to the prosecution history of other CIP patents. (D.I. 405 at 19-20) Because the Court finds that the prosecution history of the ’671 patent is sufficient to help explain why a genuine issue of material fact exists here, the Court need not discuss the other prosecution histories cited by Plaintiff.

5. (*See, e.g.*, ’671 patent, cols. 15:56-16:7 (claim 1 reciting “in-line blending of gasoline and butane”), 20:25-51 (same for claim 42), 22:23-39 (claim 53 reciting “in-line blending of petroleum and butane”))

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issue of material issue of fact as to this dispute.⁶ (*See also* D.I. 406, ex. A at ¶ 690)

For all of the reasons set out above—which are also cited by Plaintiff’s expert, Dr. Harri Kytomaa, in support of Plaintiff’s position on this issue, (*Id.* at ¶¶ 685-93)—the Court concludes that there is a genuine issue of material fact as to whether the ’302 patent provides sufficient written description support for the concept of “pipeline blending” (as that term is defined above). Therefore, the Court cannot recommend granting summary judgment on this basis.

B. “Feedback Control”

Defendants alternatively argue that the challenged CIP claims are not entitled to the priority date of the

6. Defendants do not dispute the content of the above-described prosecution history of the ’671 patent. Instead, they argue that the Examiner there “simply got it wrong[.]” in part because the Examiner “relied on [Plaintiff]’s statements without the benefit of the evidence presented here[.]” (D.I. 414 at 12-13) But, regarding Defendants’ “pipeline blending” argument, Defendants rely principally on material that was in front of the Examiner at the time of the supplemental examination: the ’302 patent specification, the prosecution histories of the ’302 patent and the ’629 patent, and the specification of the ’671 patent. (D.I. 382 at 18-21; D.I. 414 at 12-15) Defendants also argue that because the ’671 patent is an unasserted patent, any findings made during proceedings regarding that patent are “irrelevant.” (D.I. 414 at 13) Yet Defendants themselves cite to the ’671 patent in making other arguments as to the “pipeline blending” issue. (D.I. 382 at 20) It is hard to see why, if the ’671 patent is relevant to one side’s case here on summary judgment, it could not also be relevant to other side’s case too.

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'302 patent because the '302 patent fails to sufficiently disclose “feedback control.” (D.I. 382 at 21-23; D.I. 414 at 15-16) Defendants describe a “feedback system” as being disclosed in the '671 patent; Defendants refer to this system as one that “automatically adjust[s] the amount of butane added to a gasoline stream at a petroleum refinery, based on continuous measurements of the Reid vapor pressure [or “RVP”] of the gasoline downstream from the point of blending.’ (D.I. 382 at 22 (quoting '671 patent, col. 2:22-26) (certain emphasis omitted)) Defendants argue that the '671 patent “distinguished [feedback systems] from feedforward systems, explaining that the prior art ‘does not include measuring the Reid vapor pressure upstream of the blending operation, or calculating the blend ratio based on the Reid vapor pressure upstream from the blending operation[.]’” (*Id.* (quoting '671 patent, col. 2:27-32) (certain emphasis omitted)) Thus, the key points for Defendants seem to be that, in a so-called “feedback system” utilizing “feedback control,” the amount of butane blended into the gasoline is adjusted based on a “downstream” measurement of the vapor pressure of the blended gasoline and butane.⁷

For the reasons set forth below—and even assuming that the meaning Defendants ascribe to the term “feedback control” is correct, and that all of the CIP claims actually require the level of feedback control that Defendants

7. (*See* Tr. at 183 (Defendants’ counsel arguing that “feedback would require” “measuring the blended gasoline and using that to calculate the blend ratio and control the blending”))

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assert⁸—the Court recommends that summary judgment be denied on this ground too. It so concludes for three primary reasons.

First, a portion of the '302 patent specification explicitly refers to how the “system of the present invention can be modified to periodically sample the RVP of the resultant blend [of butane and gasoline] for quality control[.]” ('302 patent, col. 7:10-14) Defendants do not dispute that this is an explicit teaching of measuring the vapor pressure of blended gasoline and butane. (D.I. 382 at 22) Instead, they argue that this is “not a disclosure of a feedback system” because the measurement is merely used ‘for quality control’—and not to adjust the amount of butane blended into gasoline. (*Id.*)

Yet Plaintiff’s expert, Dr. Kytomaa, has testified that a person of ordinary skill in the art *would have* understood the term “quality control” (as recited in the '302 patent specification) to encompass using the vapor pressure measurement of the blended butane and gasoline to adjust the blend ratio. (D.I. 406, ex. Q at 155-56 (Dr. Kytomaa explaining that while this “quality control check” is “primarily [not about] continual active control[.]” there is nevertheless “an overlap between what this quality control concept provides . . . and the concept of feedback or controlling in such a way as to measure the blended gasoline RVP to then continually adjust the RVP to the target RVP”); *see also id* at 154) Moreover, the

8. The Court does not actually see why at least some of the CIP claims require the type of feedback control described by Defendants.

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positioning of this “quality control” disclosure in the ’302 patent specification supports Dr. Kytomaa’s opinion. That disclosure occurs at the end of the paragraph discussing “[m]ethods for *determining* blend ratios”—and not in the immediately preceding or immediately following paragraphs regarding “*measuring* vapor pressure[.]” (’302 patent, cols. 6:53-7:27 (emphasis added)) This also provides a clue that the inventor considered the “quality control” measurement of the blended vapor pressure to encompass the “determin[ation of] blend ratios[.]”

Second, claim 17 of the ’302 patent supports Plaintiff’s written description argument. *See Mentor Graphics Corp. v. EVE-USA, Inc.*, 851 F.3d 1275, 1297 (Fed. Cir. 2017) (“Original claims are part of the original specification and in many cases will satisfy the written description requirement.”); *ScriptPro*, 833 F.3d at 1341. Claim 16, from which claim 17 depends, recites that the blend ratio is first determined by, *inter alia*, “transmitting the gasoline vapor pressure . . . to the processing unit[.]” and then using the “gasoline vapor pressure” to “calculat[e] the blend ratio[.]” (’302 patent, col. 14:33-44) Claim 17 adds the steps of “transmitting a signal that corresponds to the *vapor pressure of the blend* from the processing unit *to a programmable logic control*” and “*adjusting the ratio of butane and gasoline blended* in the blending unit *with the programmable logic control.*” (*Id.*, col. 14:45-50 (emphasis added)) This certainly reads to the Court like a disclosure allowing for the adjustment of the ratio of butane and gasoline based on the vapor pressure of the blend.

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Third, the prosecution history of the '686 patent also helps support Plaintiff's position. At least one allowed claim of the '686 patent (claim 16) explicitly recites "measuring [the] vapor pressure of the blended petroleum stream" and "calculating a blend ratio based upon a blended petroleum vapor pressure"—i.e., feedback control. ('686 patent, col. 18:21-36) And the '686 patent Examiner stated that a "thorough examination of the claims has been conducted to determine the filing date of each claim[,]" concluding that, as to issued claim 16 (application claim 70), the claim should benefit from the filing date of the '302 patent. (D.I. 406, ex. N at 1344-45; *see also id.*, ex. A at ¶ 705) For similar reasons as set out above in the prosecution history discussion regarding "pipeline blending," this is an additional data point supporting the idea that a genuine fact dispute exists here.

For these reasons, the Court recommends that Defendants' Motion should also be denied due to the existence of a genuine issue of material fact as to whether the '302 patent disclosed "feedback control."

IV. CONCLUSION

For all of the above reasons, the Court recommends that Defendants' Motion for Summary Judgment be DENIED as it relates to the priority date of the challenged CIP claims.

This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1), and

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D. Del. LR 72.1. The parties may serve and file specific written objections within fourteen (14) days after being served with a copy of this Report and Recommendation. Fed. R. Civ. P. 72(b)(2). The failure of a party to object to legal conclusions may result in the loss of the right to de novo review in the district court. *See Sincavage v. Barnhart*, 171 F. App'x 924, 925 n.1 (3d Cir. 2006); *Henderson v. Carlson*, 812 F.2d 874, 878-79 (3d Cir. 1987).

The parties are directed to the Court's Standing Order for Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the District Court's website, located at <http://www.ded.uscourts.gov>.

Dated: March 13, 2020

/s/ Christopher J. Burke
Christopher J. Burke
UNITED STATES
MAGISTRATE JUDGE

**APPENDIX D — REPORT AND
RECOMMENDATION IN THE UNITED STATES
DISTRICT COURT FOR THE DISTRICT OF
DELAWARE, FILED FEBRUARY 27, 2020**

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 17-1390-LPS-CJB

SUNOCO PARTNERS MARKETING
& TERMINALS L.P.,

Plaintiff,

v.

POWDER SPRINGS LOGISTICS, LLC, AND
MAGELLAN MIDSTREAM PARTNERS, L.P.,

Defendants.

February 27, 2020, Decided;
February 27, 2020, Filed

REPORT AND RECOMMENDATION

Pending before the Court in this patent infringement case is Defendants Powder Springs Logistics, LLC and Magellan Midstream Partners, L.P.'s ("Defendants") Motion for Summary Judgment of Non-Infringement and Invalidity (the "Motion"). (D.I. 381) Defendants make a number of different arguments in support of this Motion; this Report and Recommendation will address the Motion

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only as it relates to Defendants' argument that certain patent claims asserted by Plaintiff Sunoco Partners Marketing & Terminals L.P. ("Plaintiff") are invalid as anticipated or obvious over certain prior art references.¹ For the reasons that follow, the Court recommends that the Motion be DENIED in that respect.

I. BACKGROUND

Plaintiff alleges that Defendants infringe five of Plaintiff's patents. Those patents are United States Patent Nos. 9,494,948 (the "948 patent"), 9,606,548 (the "548 patent"), 9,207,686 (the "686 patent"), 6,679,302 (the "302 patent") and 7,032,629 (the "629 patent") (collectively, "the asserted patents" or "the patents-in-suit"). The asserted patents relate to systems and methods for the automated blending of butane and gasoline. The instant Motion puts the following patent claims at issue: claims 3 and 8 of the '548 patent, claims 3 and 7 of the '948 patent, and claim 3 of the '302 patent.

The Court hereby incorporates its summary of the technology at issue set out in its January 8, 2018 Report and Recommendation, (D.I. 68 at 1-8); further information about these subjects relevant to the pending Motion will be set out in Section III below. The Court also incorporates its summary of the procedural background of this matter, as set out in its January 16, 2020 Report and Recommendation. (D.I. 447 at 2)

1. The Court will address (or has addressed, (*see* D.I. 453; D.I. 495)) the remaining portions of the Motion in other Reports and Recommendations.

*Appendix D***II. STANDARD OF REVIEW****A. Summary Judgment**

The Court hereby incorporates its prior discussion of the legal standards for resolving summary judgment motions, which was set forth in its January 16, 2020 Report and Recommendation. (*Id.* at 2-4) And because the Court’s decision on this summary judgment motion also implicates principles relevant to claim construction, the Court also hereby incorporates its discussion of the legal standards for claim construction found in its July 26, 2019 Report and Recommendation. (D.I. 321 at 2-5)

B. Invalidity

A patent granted by the United States Patent and Trademark Office (“PTO”) is presumed to be valid. 35 U.S.C. § 282(a); *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 100-03, 131 S. Ct. 2238, 180 L. Ed. 2d 131 (2011). The rationale underlying this presumption of validity is that “the PTO, in its expertise, has approved the claim[.]” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426, 127 S. Ct. 1727, 167 L. Ed. 2d 705 (2007). The burden of proving invalidity rests with the patent challenger at all times, who must establish a patent’s invalidity by clear and convincing evidence in order to prevail. *Microsoft Corp.*, 564 U.S. at 100-14. Clear and convincing evidence places within the mind of the fact finder “an abiding conviction that the truth of [the] factual contentions are highly probable.” *Procter & Gamble Co. v. Teva Pharms. USA, Inc.*, 566 F.3d 989, 994 (Fed. Cir. 2009) (quoting *Colorado v. New Mexico*, 467 U.S. 310, 316, 104 S. Ct. 2433, 81 L. Ed. 2d 247 (1984)).

*Appendix D***1. Anticipation**

A patent claim is anticipated under 35 U.S.C. § 102(a) or (b) if:

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States

35 U.S.C. § 102.² To anticipate, a “reference must disclose each and every element of the claimed invention, whether it does so explicitly or inherently.” *In re Gleave*, 560 F.3d 1331, 1334 (Fed. Cir. 2009). This test mirrors, to some extent, the test for infringement, and “it is axiomatic that that which would literally infringe if later anticipates if earlier.” *Bristol-Myers Squibb Co. v. Ben Venue Labs., Inc.*, 246 F.3d 1368, 1378 (Fed. Cir. 2001). In order to anticipate, however, a reference must enable one of skill in the art to make and use the invention without undue experimentation, *In re Gleave*, 560 F.3d at 1334, and must

2. The Court herein refers to the versions of 35 U.S.C. §§ 102-03 that were in force prior to the enactment of the Leahy-Smith America Invents Act, and which are applicable here. *See, e.g., Solvay S.A. v. Honeywell Int’l Inc.*, 742 F.3d 998, 1000 n.1 (Fed. Cir. 2014).

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also “show all of the limitations of the claims arranged or combined in the same way as recited in the claims[.]” *Net MoneyLN, Inc. v. VeriSign, Inc.*, 545 F.3d 1359, 1370 (Fed. Cir. 2008).

2. Obviousness

A patent claim is invalid as obvious under 35 U.S.C. § 103 “if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” 35 U.S.C. § 103(a). “Obviousness is a question of law based on underlying factual findings: (1) the scope and content of the prior art; (2) the differences between the claims and the prior art; (3) the level of ordinary skill in the art; and (4) objective indicia of nonobviousness.” *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1360 (Fed. Cir. 2012) (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17-18, 86 S. Ct. 684, 15 L. Ed. 2d 545 (1966)). A party seeking to invalidate a patent on the basis of obviousness must establish (by clear and convincing evidence) that a person of ordinary skill in the art (a “POSITA”) would have been motivated to combine the teachings of the prior art references to achieve the claimed invention, and that the POSITA would have had a reasonable expectation of success in doing so. *Id.*³

3. In determining what would have been obvious to a POSITA, the use of hindsight is not permitted. *See KSR*, 550 U.S. at 421 (cautioning the trier of fact against “the distortion caused by hindsight bias” and “arguments reliant upon *ex post* reasoning” in

*Appendix D***III. DISCUSSION**

Defendants seek summary judgment that U.S. Patent No. 3,530,867, issued on September 27, 1970 to Robert Hass (“Hass”), anticipates claims 3 and 8 of the ’548 patent and renders obvious claims 3 and 7 of the ’948 patent. (D.I. 382 at 23-31) Defendants also argue that Hass, in view of a 1985 *Oil & Gas Journal* article written by Curt Benefield and Robert Broadway (“Benefield”) renders obvious claim 3 of the ’302 patent. (D.I. 382 at 31-32) The Court will discuss each of these arguments in turn.

A.’548 Patent: Anticipation By Hass

Defendants first challenge claims 3 and 8 of the ’548 patent as being anticipated by Hass. (D.I. 382 at 23-27) Those challenged claims, and the claims from which they depend, are shown below (with emphasis added on the key disputed limitations):

1. A system for blending butane with a gasoline stream having a gasoline flow rate, comprising[:]

assessing obviousness); *see also Pfizer Inc. v. Teva Pharms. U.S.A., Inc.*, 882 F. Supp. 2d 643, 664 (D. Del. 2012). Put another way, the task of determining whether a patent is invalid requires a court to “step back in time to before the moment of actual invention, and out of the actual inventor’s shoes into those of a hypothetical, ordinary skilled person who has never seen the invention.” *Eisai Co., Ltd. v. Teva Pharms. USA, Inc.*, No. 03 Civ. 9223(GEL), 2006 U.S. Dist. LEXIS 73516, 2006 WL 2872615, at *2 (S.D.N.Y. Oct. 6, 2006) (citing *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983)).

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an injection device injecting the butane into the gasoline stream at a butane flow rate;

a volatility measurement device *in communication with the gasoline stream*, the volatility measurement device configured to output data representative of a volatility measurement; and a processor in connection with the injection device and the volatility measurement device, the processor configured to: receive the volatility measurement; receive a target volatility value; determine an adjustment to the butane flow rate based on the volatility measurement and the target volatility value; and output a signal representative of the adjustment to the injection device.

('548 patent, col. 17:11-28 (emphasis added))

3. The system of claim 1, further comprising a plurality of gasoline streams each associated with a different type of gasoline, at least one gasoline stream being selectable for blending with the butane.

(*Id.*, col. 17:32-35)

6. A system for blending butane with a gasoline stream having a gasoline flow rate, comprising:

an injection device injecting the butane into the gasoline stream at a butane flow rate;

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a volatility measurement device *in communication with the gasoline stream*, the volatility measurement device configured to output data representative of a volatility measurement; and a processor in connection with the injection device and the volatility measurement device, the processor configured to: receive the volatility measurement; receive a target volatility value; and

determine an adjustment to the butane flow rate based on the volatility measurement and the target volatility value; and output a signal representative of the adjustment to the injection device, wherein the volatility measurement device is *in communication with the gasoline stream at a location downstream of the injection device*.

(*Id.*, cols. 17:40-18:3 (emphasis added))

8. The system of claim 6, wherein the adjustment includes a blend ratio, and the processor calculates the blend ratio based on the volatility measurement and the target volatility value.

(*Id.*, col. 18:7-10)

The key dispute as to these claims is whether the term “in communication with the gasoline stream” (italicized above) requires that the volatility measurement device must be in communication with an *unblended* gasoline

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stream (as Plaintiff argues) or whether it can allow for the device to be in communication with a *blended* gasoline stream (as Defendant argues). (D.I. 382 at 26) More specifically, Plaintiff argues that “Hass does not disclose ‘a volatility measurement device in communication *with the gasoline stream,*’ as recited by claims 1 and 6[,]” because the term “gasoline stream,” as used in this limitation, refers to an *unblended* gasoline stream, and it is undisputed that “Hass only discloses ‘measuring the vapor-liquid ratio *of a blended product.*’” (D.I. 405 at 27-28 (certain emphasis in original); *see also* D.I. 382 at 26 (Defendants stating that “[t]here is no dispute between the parties that Hass discloses a volatility measurement device in communication with the blended gasoline stream”); D.I. 385, ex. 24, col. 2:20-22; D.I. 406, ex. A at ¶ 353; *id.*, ex. B at ¶ 132)

Does the phrase “gasoline stream” in the claim term “in communication with the gasoline stream” refer only to an *unblended* gasoline stream? Plaintiff points to a number of pieces of evidence that show that it does.

For example, Plaintiff notes that in claims of certain of the other, related patents-in-suit, the patentee appears to have used terms like “the blend” or “the blended gasoline stream” when referring to gasoline mixed with butane—and to have simply used the term “gasoline” or “gasoline stream” to refer to an unblended gasoline stream. (D.I. 405 at 5-6) In the ’302 patent (an ancestor of the ’548 patent), for example, claim 16 refers to transmitting and calculating “the gasoline vapor pressure[,]” but claim 17 refers to transmitting a signal that corresponds to “the

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vapor pressure of the blend[.]” (’302 patent, col. 14:39, 45-46) Claim 31 of the ’629 patent (another ancestor of the ’548 patent) recites “receiving a first measurement indicating a vapor pressure of the gasoline stream” and also “receiving a second measurement indicating a vapor pressure of the blended gasoline stream and butane stream.” (’629 patent, col. 16:10-11, 19-20) And claim 1 of the ’948 patent (a sibling of the ’548 patent, as both are continuations of the ’686 patent) recites a vapor pressure analyzer “configured to determine the vapor pressure of the gasoline” and transmit it to a processor, while claim 3 adds that “said processor receives the vapor pressure of a blend of gasoline and butane.” (’948 patent, col. 17:15-18, 35-36) So clearly, when the patentee wanted to denote that a substance was a blend of gasoline and butane, it knew how to do so and did so by using terms other than “gasoline” or “gasoline stream.” *See Trs. of Columbia Univ. in City of New York v. Symantec Corp.*, 811 F.3d 1359, 1369 (Fed. Cir. 2016) (“[W]here multiple patents derive from the same parent application and share many common terms, we must interpret the claims consistently across all asserted patents.”) (internal quotation marks and citation omitted).⁴

Plaintiff also points to the opinion of Defendants’ expert, Dr. Michael Nikolaou, wherein Dr. Nikolaou was

4. *See also NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1293 (Fed. Cir. 2005), *abrogation on other grounds recognized by IRIS Corp. v. Japan Airlines Corp.*, 769 F.3d 1359, 1361 n.1 (Fed. Cir. 2014); *Bioverativ Inc. v. CSL Behring LLC*, Civil Action No. 1:17-cv-00914-RGA, 2019 U.S. Dist. LEXIS 45456, 2019 WL 1276030, at *3-4 (D. Del. Mar. 20, 2019) (noting that a court may construe similar language in related patents in a consistent fashion).

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assessing claims 14 and 16 of the '302 patent. (D.I. 405 at 6-7 & nn.6-7) There, Dr. Nikolaou considered the claim term “vapor pressure of the gasoline stream[,]” found in claim 14 of the '302 patent, and opined that it referred to “unblended gasoline[,]” (D.I. 406, ex. B at ¶¶ 306-07) Moreover, Dr. Nikolaou opined that “Hass does not disclose [the] limitation” in claim 14 of the '302 patent that “the blend ratio is determined from a vapor pressure of the gasoline stream” because “Hass describes a vapor-liquid analyzer in communication with the *blended gasoline stream*” and thus “does not receive or use a measurement of the vapor pressure of the *gasoline to be blended*.” (D.I. 406, ex. B at ¶ 617 (emphasis added); *see also* '302 patent, col. 14:18-20) In other words, in assessing related questions of claim construction and invalidity as to the '302 patent, even Defendants' expert seems to agree with Plaintiff's position here. It is hard to see how Defendants can now assert that Hass indisputably discloses “a volatility measurement device in communication with the gasoline stream” with regard to a limitation in the '548 patent, when its expert argued the opposite result for a similar claim term in a related patent.⁵

5. In attempting to address this apparent inconsistency, Defendants argue (in a footnote in their reply brief) that the reason Dr. Nikolaou interpreted the claims of the '302 patent in this way was that “[t]he '302 and '629 patents only disclose systems with an upstream analyzer to control the blend and thus measure the unblended gasoline[,]” whereas the '548 patent “added new matter” and “broadened the scope of [Plaintiff s] claims to cover the use of upstream analyzers, downstream analyzers, and/or either upstream or downstream analyzers to control the blending.” (D.I. 414 at 8 n.9) Yet the Court does not see why this is so. The '302 patent and '629 patent both mention measurements corresponding to the vapor

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In response, Defendants argue that Plaintiff's reading of "gasoline stream" in these claim terms would "lead[] to a technically impossible claim." (D.I. 414 at 7) Here, Defendants note that in claim 6 of the '548 patent, which is a claim to a system for "blending butane with gasoline[,] the "volatility measurement device" (or "analyzer") is "at a location downstream of the" butane injection device. ('548 patent, cols. 17:40-18:3; *see also* D.I. 414 at 7) Defendants then argue that if "the analyzer is downstream of the injection point, it will sample a gasoline stream into which butane has already been injected, e.g., the blended stream." (D.I. 414 at 7) But this argument assumes that such a "downstream" analyzer can only ever take a sample of a blended gasoline stream (and can never take a sample of an unblended gasoline stream). As the Court discussed in a recent Report and Recommendation, that is not necessarily so. Instead, there could be scenarios where, at a point when the claimed system is not yet blending butane with the gasoline, the downstream analyzer called for in claim 6 is simply sampling unblended gasoline (and thus would read on this claim limitation). (D.I. 495 at 4-8; *see also* D.I. 405 at 28 (Plaintiff arguing that "when *downstream*, [the analyzer] can be in communication [with the unblended gasoline stream] *if configured* to sample the

pressure of the "blend." ('302 patent, col. 14:46-48; '629 patent, col. 16:19-20 ("receiving a second measurement indicating a vapor pressure of the blended gasoline stream and butane stream")) Moreover, such an argument fails to credibly explain why the same "gasoline stream" term in the '548 patent should be construed differently than the "gasoline stream" term in the '302 patent—even assuming that the '548 patent's claims "broadened the scope" of the invention, as Defendants assert.

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unblended gasoline prior to butane blending, such as with the accused systems”) (certain emphasis in original); D.I. 406, ex. A at ¶¶ 352-53)

Thus, the Court recommends that the District Court deny Defendants’ Motion as it relates to anticipation of claims 3 and 8 of the ’548 patent by Hass.⁶

B. ’948 Patent: Obviousness Over Hass

Defendants challenge claims 3 and 7 of the ’948 patent as being rendered obvious by Hass. (D.I. 382 at 27-31) Those challenged claims, and the claims from which they depend, are shown below:

1. A system for blending butane with gasoline in a pipe, wherein the gasoline has a vapor pressure, comprising:
 - a) a butane reservoir in fluid connection with said
 - b) an injector valve for discharging butane into said gasoline;
 - c) a vapor pressure analyzer connected to said pipe, said analyzer configured to determine the vapor pressure of the

6. Because the Court concludes that Defendants’ Motion is not well taken here in light of Plaintiffs arguments described above, it need not discuss Plaintiff’s alternative arguments for denial of the Motion in this regard. (D.I. 405 at 28-29)

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gasoline and to transmit said vapor pressure to a processor;

- d) a programmable logic controller governing the flow of butane through said injector valve; and
- e) a processor programmed to receive the vapor pressure from the analyzer, calculate an amount of butane to inject into the gasoline based on seasonal and/or regional data and a maximum preprogrammed volatility limit, and provide a control signal to said programmable logic controller according to said seasonal and/or regional data and maximum preprogrammed volatility limit;

wherein the programmable logic controller is configured to adjust the injector valve to govern the flow of butane through said injector valve into said gasoline based on the signal from the processor.

('948 patent, col. 17:9-32)

3. The system of claim 1 wherein said processor receives the vapor pressure of a blend of gasoline and butane.

(*Id.*, col. 17:35-36)

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7. A system for blending butane with gasoline in a pipe to form a blend of butane and gasoline, wherein the gasoline and the blend of gasoline and butane each have a vapor pressure, comprising:

- a) a butane reservoir in fluid connection with said gasoline;
- b) an injector valve for discharging butane into said gasoline;
- c) a vapor pressure analyzer connected to said pipe, said analyzer configured to determine the vapor pressure of the blend of gasoline and butane, and to transmit said vapor pressure to a processor;
- d) a programmable logic controller governing the flow of butane through said injector valve; and
- e) a processor programmed to receive the vapor pressure from the analyzer, calculate an amount of butane to inject into the gasoline based on a maximum preprogrammed volatility limit, and provide a control signal to said programmable logic controller according to said maximum preprogrammed volatility limit;

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wherein the programmable logic controller is configured to adjust the injector valve to govern the flow of butane through said injector valve into said gasoline based on the signal from the processor.

(Id., col. 18:12-35)

Defendants' argument that the '948 patent is rendered obvious by Hass is dependent on Defendants' construction of the claim term "vapor pressure," (D.I. 382 at 28; D.I. 405 at 30; D.I. 414 at 9 (arguing "Hass renders obvious the '948 patent claims under Defendants' construction of 'vapor pressure' (emphasis omitted)), which the Court has rejected, (D.I. 331).⁷ For this reason alone, the Court recommends denying Defendants' Motion as to claims 3 and 7 of the '948 patent.⁸

7. Defendants filed objections to the Court's construction, (D.I. 338), which are currently pending.

8. The Court also notes that claim 3 of the '948 patent (which is dependent on claim 1) requires that the system at issue contain an analyzer that is configured to determine and transmit the "vapor pressure of the gasoline"—i.e., it includes the same type of "gasoline" term as was at issue above with regard to claims 3 and 8 of the '548 patent. (D.I. 405 at 30) Thus, for the reasons discussed above in Section III.A., the Court also recommends denying Defendants' Motion as it relates to obviousness of claim 3 of the '948 patent over Hass. Moreover, in light of its decision above as to this issue, the Court need not reach Plaintiff's additional arguments for denial of this portion of the Motion. (*Id.* at 30-31, 33-35)

*Appendix D***C. '302 Patent: Obviousness Over Hass in View of Benefield**

Defendants challenge claim 3 of the '302 patent as being rendered obvious by Hass in view of Benefield. (D.I. 382 at 31-32) Claim 3, and the claims from which it depends, are shown below:

1. A system for blending gasoline and butane at a tank farm comprising:

- a) a tank of gasoline;
- b) a tank of butane;
- c) a blending unit, at the tank farm, downstream of and in fluid connection with the tank of gasoline and the tank of butane;
- d) a dispensing unit downstream of and in fluid connection with the blending unit; and
- e) a rack, wherein the dispensing unit is located at the rack and is adapted to dispense gasoline to gasoline transport vehicles.

('302 patent, col. 13:12-24)

2. The system of claim 1 further comprising a process control unit, wherein the process

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control unit generates a ratio input signal that controls the ratio of butane and gasoline blended by the blending unit.

(Id., col. 13:25-28)

3. The system of claim 2 wherein the ratio input signal is derived from a calculation of the ratio of butane and gasoline that will yield a desired vapor pressure.

(Id., col. 13:29-31)

As with Defendants' argument regarding the '948 patent, Defendants' argument that claim 3 of the '302 patent is rendered obvious by Hass in view of Benefield is dependent on Defendants' currently-rejected construction of the claim term "vapor pressure." (D.I. 382 at 31-32 ("[a]pplying Defendants' construction of 'vapor pressure'"); D.I. 405 at 31) For this reason, the Court recommends denying Defendants' Motion as to claim 3 of the '302 patent, and need not address any other arguments for denial raised by Plaintiff, (D.I. 405 at 31-35).

IV. CONCLUSION

For all of the above reasons, the Court recommends that the District Court DENY Defendants' Motion for Summary Judgment as it relates to Defendants' argument that certain patent claims asserted by Plaintiff are invalid as anticipated or obvious over certain prior art references.

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This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1), and D. Del. LR 72.1. The parties may serve and file specific written objections within fourteen (14) days after being served with a copy of this Report and Recommendation. Fed. R. Civ. P. 72(b)(2). The failure of a party to object to legal conclusions may result in the loss of the right to de novo review in the district court. *See Sincavage v. Barnhart*, 171 F. App'x 924, 925 n.1 (3d Cir. 2006); *Henderson v. Carlson*, 812 F.2d 874, 878-79 (3d Cir. 1987).

The parties are directed to the Court's Standing Order for Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the District Court's website, located at <http://www.ded.uscourts.gov>.

Dated: February 27, 2020

/s/ Christopher J. Burke
Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE

**APPENDIX E — REPORT AND
RECOMMENDATION IN THE UNITED STATES
DISTRICT COURT FOR THE DISTRICT OF
DELAWARE, FILED FEBRUARY 19, 2020**

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SUNOCO PARTNERS MARKETING
& TERMINALS L.P.,

Plaintiff,

v.

POWDER SPRINGS LOGISTICS, LLC AND
MAGELLAN MIDSTREAM PARTNERS, L.P.,

Defendants.

Civil Action No. 17-1390-LPS-CJB

REPORT AND RECOMMENDATION

In this action filed by Plaintiff Sunoco Partners Marketing & Terminals, L.P. (“Sunoco”) against Defendants Powder Springs Logistics, LLC (“PSL”) and Magellan Midstream Partners, L.P.’s (“Magellan” and collectively with Powder Springs, “Defendants”), Sunoco alleges infringement of United States Patent Nos. 6,679,302 (the “302 patent”), 7,032,629 (the “1629 patent”), 9,207,686 (the “686 patent”), 9,494,948 (the “948 patent”) and 9,606,548 (the “548 patent” and collectively with the

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other patents, “the asserted patents”). Presently before the Court is Defendants’ Motion for Summary Judgment of Noninfringement and Invalidity (the “Motion”). (D.I. 381) Defendants make a number of different arguments in support of this Motion; this Report and Recommendation will address the Motion only as it relates to Defendants’ argument that summary judgment of noninfringement should be granted with respect to certain asserted claims.¹ For the reasons that follow, the Court recommends that the Motion be DENIED in that respect.²

I. BACKGROUND**A. Factual Background**

In this case, Sunoco alleges that Defendants’ butane blending system, which allows Defendants to inject butane into gasoline product flowing through an interstate pipeline maintained by Colonial Pipeline Company at the PSL facility, and Defendants’ related butane blending activities, infringe claim 30 of the ’302 patent, claim 3 of the ’686 patent, claims 3 and 7 of the ’948 patent and claims 3 and 8 of the ’548 patent. (D.I. 149 at ¶¶ 2, 19-25;

1. The Court has addressed one portion of the Motion in a prior Report and Recommendation, (D.I. 453), and will address the remaining portions in subsequent Reports and Recommendations.

2. Defendants filed the instant Motion on October 11, 2019, (D.I. 381), and briefing was completed on November 1, 2019, (D.I. 414). The Court heard oral argument on the Motion (as well as other summary judgment and *Daubert* motions) on November 13, 2019. (D.I. 441 (hereinafter, “Tr.”))

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D.I. 404, ex. 5 at ¶¶ 52, 67; D.I. 440 at 1) Sunoco further alleges that Magellan’s blending systems and butane blending activities at nine other locations infringe claims 3, 16, 17, 23 and 24 of the ’302 patent, and claims 18, 22, 31 and 32 of the ’629 patent. (D.I. 149 at ¶¶ 26-33; D.I. 404, ex. 5 at ¶¶ 52, 67; D.I. 440 at 1) The asserted patents relate to systems and methods for the blending of butane into gasoline. (*See* D.I. 171 at 1; D.I. 176 at 1)

Any additional facts relevant to this Report and Recommendation will be discussed in Section III below.

B. Procedural History

The Court incorporates by reference its summary of the procedural history of this case set out in its January 16, 2020 Report and Recommendation (“January 16 R&R”). (D.I. 447 at 2)

II. STANDARD OF REVIEW

The Court incorporates by reference its prior discussion of the legal standards for resolving summary judgment motions and for establishing patent infringement, which were also found in its January 16 R&R. (*Id.* at 3-5)

III. DISCUSSION

With their Motion, Defendants seek summary judgment of noninfringement of 14 of the 15 currently-asserted claims (directed to both systems and methods) (the “relevant claims”): claims 16, 17, 23, 24 and 30 of the

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'302 patent;³ claims 18, 22, 31 and 32 of the '629 patent; claim 3 of the '686 patent; claims 3 and 7 of the '948 patent; and claims 3 and 8 of the '548 patent.⁴ (D.I. 382 at 3, 13) For purposes of Defendants' Motion, it is not disputed that Defendants' accused systems, in normal operating mode, operate as follows: (1) before injecting butane, the systems take one or two samples of gasoline downstream of the butane injection point; (2) an analyzer measures the vapor pressure of the samples; (3) a processor compares the vapor pressure of the samples of gasoline with the target, and calculates a blend ratio to determine the change in butane flow required to reach the target;⁵ (4) the systems adjust the injector valves to the desired blend ratio and inject butane; (5) the processor compares the blended gasoline vapor pressure to the target and calculates an adjustment to the blend ratio if necessary. (D.I. 385, ex. 28 at ¶ 224; D.I. 382 at 8-9; D.I. 405 at 8; Tr. at 158-59, 161) Defendants characterize their accused systems as using "feedback control" since: (1) the analyzer is downstream of the butane injection point; and (2) it generally measures the vapor pressure of the blended gasoline to determine whether the blend ratio must be adjusted. (D.I. 382 at 7-9; D.I. 414 at 5; Tr. at 157-58)

3. The Court notes that it recently recommended that claims 23, 24 and 30 of the '302 patent be found to be directed to patent-ineligible subject matter pursuant to 35 U.S.C. § 101. (D.I. 453 at 16)

4. Claims 3 and 7 of the '948 patent and claims 3 and 8 of the '548 patent are system claims; claims 16, 17, 23, 24 and 30 of the '302 patent, claims 18, 22, 31 and 32 of the '629 patent and claim 3 of the '686 patent are method claims. (*See* D.I. 405 at 12, 14 & n.12)

5. Defendants refer to the first three steps as the "initiation step" or the "initiation phase." (D.I. 414 at 3, 5 n.7)

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In contrast, Defendants characterize the relevant claims as being directed to “feedforward control.” (*See, e.g.*, D.I. 382 at 1, 6-7, 14; D.I. 414 at 1-2 & n.1) And they describe feedforward control systems and methods as ones where the analyzer is placed upstream of the butane injection point, where the analyzer takes vapor pressure measurements of the unblended gasoline, and then it uses such measurements to calculate a blend ratio at which to blend butane. (D.I. 382 at 1, 6-7; Tr. at 157)

It is also undisputed, for purposes of this Motion, that Defendants’ systems: (1) only take a measurement representative of the unblended gasoline stream when the systems are not blending butane, and, therefore, (2) do not measure the vapor pressure of the unblended gasoline stream while the systems are blending butane into gasoline. (D.I. 382 at 3)⁶ Defendants argue that their accused systems do not infringe the relevant claims because such claims recite a “feedforward system [in which] the analyzer continuously samples and measures the unblended gasoline *and* injects butane into gasoline *at*

6. While Defendants do in fact dispute that they ever actually take a measurement of the “unblended” gasoline—since their analyzer is downstream of the injection device (and thus, according to Defendants, it is always measuring the blended gasoline)—for purposes of their Motion, Defendants accept Sunoco’s premise that they do in fact at times measure unblended gasoline. (D.I. 382 at 14 n.6; D.I. 414 at 2 n.2; Tr. at 162-63) In light of this, they note that even if the Court disagrees with Defendants’ position in this Motion, “it is not as if [the Court] could grant summary judgment against [Defendants] that [they] do infringe because [Defendants] have accepted one of [Sunoco’s] premises.” (Tr. at 163)

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the same time”—but “[t]hat is not possible in Defendants’ feedback systems” (since those systems measure the unblended gasoline only at a time when the systems are not injecting butane). (D.I. 382 at 17 (certain emphasis in original, certain emphasis added); *see also* Tr. at 161-62 (Defendants’ counsel asserting that Defendants’ systems do not infringe the relevant claims as a matter of law because “we cannot blend the butane while we are taking a measurement of the gasoline stream”))

The problem with Defendants’ argument, however, is that it is premised on the assumption that the relevant claims require *simultaneous* (1) measurement of the unblended gasoline and (2) injection of butane into gasoline. (D.I. 405 at 3, 12; Tr. at 168, 171-73)⁷ Yet (as will

7. Defendants argue in their reply brief that “[t]his is [] not a question of whether Defendants’ systems and methods *simultaneously* measure the unblended gasoline and blend butane into gasoline . . . [t]he question is whether Defendants’ systems and methods satisfy each and every limitation of the claims.” (D.I. 414 at 4-5 (certain emphasis in original, certain emphasis omitted); Tr. at 159) But that is exactly what they are arguing—that their systems and methods cannot infringe as a matter of law because it is not possible for their systems to “continuously sample[] and measure[] the unblended gasoline *and* inject[] butane into gasoline *at the same time*.” (D.I. 382 at 17 (certain emphasis in original, certain emphasis added); *see also, e.g.*, Tr. at 161-62 (Defendants’ counsel asserting that their systems cannot infringe because “we cannot blend the butane *while we are taking a measurement of the gasoline stream*”) (emphasis added); *id.* at 164 (“[W]e physically cannot measure the vapor pressure of the gasoline *while we are blending butane*.”) (emphasis added); *id.* at 175 (Defendants’ counsel asserting that the Motion should be granted because “we cannot physically do one

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be shown in more detail below) the relevant claims recite no such limitation. (D.I. 405 at 12, 14, 15; Tr. at 168, 171-72) Nor do the claims (or the patent specifications) recite the terms “feedforward” or “feedback”. (D.I. 405 at 1, 5)

With respect to the system claims, for example, claim 1 of the '948 patent (from which asserted claim 3 depends) recites:

1. A system for blending butane with gasoline in a pipe, wherein the gasoline has a vapor pressure, comprising:

a) a butane reservoir in fluid connection with said gasoline;

b) *an injector valve for discharging butane into said gasoline;*

c) *a vapor pressure analyzer connected to said pipe, said analyzer configured to determine the vapor pressure of the gasoline and to transmit said vapor pressure to a processor;*

d) a programmable logic controller governing the flow of butane through said injector valve;
and

step *while we are doing the other*”) (emphasis added); D.I. 414 at 1-2 (“There is no dispute that Defendants’ systems in normal operation mode *do not meet* the limitation requiring measuring the ‘*unblended*’ gasoline stream . . . *when they blend butane into gasoline*”) (certain emphasis in original, certain emphasis added))

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e) a processor programmed to receive the vapor pressure from the analyzer, calculate an amount of butane to inject into the gasoline based on seasonal and/or regional data and a maximum preprogrammed volatility limit, and provide a control signal to said programmable logic controller according to said seasonal and/or regional data and maximum preprogrammed volatility limit; wherein the programmable logic controller is configured to adjust the injector valve to govern the flow of butane through said injector valve into said gasoline based on the signal from the processor.

(’948 patent, col. 17:9-32 (emphasis added))⁸ Claim 3 adds that “said processor receives the vapor pressure of a blend of gasoline and butane.” (*Id.*, col. 17:35-36)

Defendants assert that their systems do not infringe claim 3 of the ’948 patent as a matter of law because: (1) the analyzer used in their systems is configured to determine the vapor pressure of unblended gasoline and transmit said vapor pressure to a processor only “during the initiation step and periods of no blending” and (2) their systems are configured to satisfy other claim elements (i.e., those requiring an injector valve for discharging butane into gasoline and that the processor receives the vapor pressure of a blend of gasoline and butane) only

8. Claim 7 of the ’948 patent also recites a system comprising, *inter alia*, a vapor pressure analyzer that is “configured to determine the vapor pressure of the blend of gasoline and butane[.]” (’948 patent, col. 18:20-22 (emphasis added))

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“when they are blending.” (D.I. 414 at 3) Although it is not always made explicit in their briefing, Defendants’ argument seems to be that because the claims are directed to systems “for blending butane with gasoline[,]” then for an accused system to infringe, every claim element must be capable of being performed *only while the system is actually blending butane with gasoline*. (See, e.g., D.I. 382 at 3 (“Sunoco accuses Defendants of infringing claims directed to blending butane into gasoline *only when Defendants are not blending butane into gasoline*.”) (certain emphasis in original); D.I. 414 at 1 (“When Defendants blend—which *is the only time they could possibly infringe Sunoco’s claims for blending butane into gasoline*—the analyzer measures the vapor pressure of the blended gasoline and not the unblended gasoline.”) (certain emphasis omitted; certain emphasis added)) And Defendants assert that since Sunoco’s theory of infringement “pieces” the “initiation phase ‘prior to blending’ . . . together with the system once it begins blending[,]” (D.I. 414 at 5-6), Sunoco’s infringement read must fail as a matter of law.

Yet claim 3 of the ’948 patent (and the other relevant system claims) contains no requirement that the system must be configured such that the analyzer can *only* determine the vapor pressure of the gasoline *while the injector valve is actually discharging butane into gasoline* (i.e., blending). Just because the claims recite systems “for blending butane with gasoline” does not mean that, in order to infringe, every piece of equipment making up such a system (or every piece of equipment referred to in the claim limitations) must be capable of operating

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only while actual blending is occurring. Defendants never expressly explain—e.g., by way of a detailed analysis of the claim language—why the asserted system claims would actually require this. Nor do they point the Court to any caselaw that stands for such a proposition.

Perhaps Defendants' position would be more persuasive if, for example, certain components of Defendants' systems that Sunoco identifies as reading on particular claim limitations had absolutely nothing to do with blending butane into gasoline. But that is not the case here. The parts of Defendants' systems that are said by Sunoco to perform the "initiation phase" articulated in the claims are necessary in order for Defendants' systems to actually blend butane. (*See* D.I. 382 at 8-9; Tr. at 169 ("How did [Defendants' systems] start to blend if they weren't figuring out what is the amount [of butane] we need to add in by testing the gasoline?"); Tr. at 171) Indeed, Defendants' own documents describe this phase as part of the "[b]lending [p]rocess" and the "[b]lending [m]ethod[.]" (D.I. 385, ex. 19 at MAG-SUN_00040630 (cited in D.I. 382 at 9))

With Defendants' arguments thus based on claim limitations that do not exist in the relevant system claims, the Court cannot recommend grant of summary judgment of noninfringement with respect to those claims.

The same is true with respect to the relevant method claims. The claims recite a method for blending gasoline and butane that includes, in part: (1) receiving a vapor pressure of unblended gasoline at a processor; (2) using

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that processor to calculate a blend ratio; (3) blending at the blend ratio; and (4) (for some claims) receiving a vapor pressure of the blended gasoline and butane at the processor. (D.I. 405 at 14; D.I. 414 at 3-4 & n.4) “Infringement of a method claim occurs when a party performs all of the steps of the process.” *Ricoh Co., Ltd. v. Quanta Comput. Inc.*, 550 F.3d 1325, 1333 (Fed. Cir. 2008) (internal quotation marks and citation omitted); *see also Smith & Nephew, Inc. v. Ethicon, Inc.*, 276 F.3d 1304, 1311 (Fed. Cir. 2001). Defendants’ systems perform steps (1) and (2) during the “initiation” phase or when they are not injecting butane, and they additionally perform steps (3) and (4) when they are injecting butane. (D.I. 414 at 4) Defendants assert that, in light of this, their systems do not infringe these claims as a matter of law because:

Never do Defendants perform *every step* of the method: either they perform a method to initiate the system where they measure the “unblended” gasoline vapor pressure and calculate a blend ratio (but do not blend butane and/or receive a vapor pressure of the blend) *or* they perform a method of blending in which they blend butane into gasoline and measure the blended gasoline vapor pressure (but do not receive the vapor pressure of the unblended gasoline and/or calculate a blend ratio).

(D.I. 414 at 4 (certain emphasis in original); *see also* D.I. 382 at 16)

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But here again, Defendants do not point to any steps that actually require blending *simultaneously* as the vapor pressure of unblended gasoline is being measured. (D.I. 405 at 15) Instead, “measuring the gasoline vapor pressure and calculating a blend ratio from the measurement are part of the method for blending[,]” but that does not mean that these steps have to occur at the same time as actual blending. (*Id.* at 8; *see also id.* at 9 (“[R]eceiving a gasoline vapor pressure, calculating a blend ratio, and blending at the blend ratio are all steps in the blending method.”))⁹ Therefore, in the absence of such a claim limitation, Defendants’ position—i.e., that that they cannot perform all steps of the claimed methods since their systems sample the unblended gasoline before (and thus not at the same time as) the systems are actually blending—is fundamentally flawed.¹⁰

9. This understanding of the claims is supported by the ’302 patent specification, as Sunoco points out, (D.I. 405 at 15), in that the specification explains that “No calculate the blend ratio one must first *have knowledge* of the respective vapor pressures of the gasoline and butane streams” and “the vapor pressures of the gasoline and butane streams are preferably measured *in order to generate the data used in the blending ratio calculation*[,]” (’302 patent, col. 7:15-19 (emphasis added)). Thus, the patent explains that a method for blending butane and gasoline would first entail determining the vapor pressure of gasoline, for example, in order to determine the blend ratio that will *subsequently* be used for actual blending. (D.I. 405 at 16)

10. Defendants acknowledge that there are no cases “directly on this point” but contend that the “closest case” is *Ricoh Co., Ltd. v. Quanta Comput. Inc.*, 550 F.3d 1325 (Fed. Cir. 2008). (Tr. at 175) In that case, however, the relevant claims required the step of “starting a formatting process for said optical disc as a background

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The Court thus recommends that Defendants' Motion be denied with respect to the relevant method claims.

IV. CONCLUSION

For all of the above reasons, the Court recommends that the District Court DENY Defendants' Motion for Summary Judgment as it relates to noninfringement.

This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1), and D. Del. LR 72.1. The parties may serve and file specific written objections within fourteen (14) days after being served with a copy of this Report and Recommendation. The failure of a party to object to legal conclusions may result in the loss of the right to de novo review in the district court. *See Sincavage v. Barnhart*, 171 F. App'x 924, 925 n.1 (3d Cir. 2006); *Henderson v. Carlson*, 812 F.2d 874, 878-79 (3d Cir. 1987).

process,” and the United States Court of Appeals for the Federal Circuit affirmed the district court's grant of summary judgment of noninfringement of these claims where the plaintiff “presented no evidence that any process started as a background process.” 550 F.3d at 1333-34. Here, however, for purposes of their Motion, Defendants are not arguing that their systems simply do not practice at all a step of the claimed methods. Rather, for purposes of the Motion, they accept that their systems individually practice all of the recited steps, but they assert that they nevertheless do not infringe because certain steps have to be performed at the same time (and their systems are not configured to perform such steps simultaneously). Yet the claims do not require that the system has “to be able to do everything at the same time.” (Tr. at 173-74)

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The parties are directed to the Court's Standing Order for Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the District Court's website, located at <http://www.ded.uscourts.gov>.

Because this Report and Recommendation may contain confidential information, it has been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version (if necessary) of the Report and Recommendation. Any such redacted version shall be submitted no later than **February 24, 2020** for review by the Court, along with a motion for redaction that includes a clear, factually detailed explanation as to why disclosure of any proposed redacted material would "work a clearly defined and serious injury to the party seeking closure." *Pansy v. Borough of Stroudsburg*, 23 F.3d 772, 786 (3d Cir. 1994) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Report and Recommendation.

Dated: February 19, 2020 /s/ Christopher J. Burke
Christopher J. Burke
UNITED STATES
MAGISTRATE JUDGE

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**APPENDIX F — REPORT AND
RECOMMENDATION IN THE UNITED STATES
DISTRICT COURT FOR THE DISTRICT
OF DELAWARE, FILED JANUARY 16, 2020**

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 17-1390-LPS-CJB

SUNOCO PARTNERS MARKETING
& TERMINALS L.P.,

Plaintiff,

v.

POWDER SPRINGS LOGISTICS, LLC AND
MAGELLAN MIDSTREAM PARTNERS, L.P.,

Defendants.

January 16, 2020, Decided;
January 16, 2020, Filed

REPORT AND RECOMMENDATION

In this action filed by Plaintiff Sunoco Partners Marketing & Terminals, L.P. (“Sunoco”) against Defendants Powder Springs Logistics, LLC (“PSL” or “Powder Springs”) and Magellan Midstream Partners, L.P.’s (“Magellan” and collectively with Powder Springs, “Defendants”), Sunoco alleges infringement of United States Patent Nos. 6,679,302 (the “302 patent”), 7,032,629

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(the “629 patent”), 9,207,686 (the “686 patent”), 9,494,948 (the “948 patent”) and 9,606,548 (the “548 patent” and collectively with the other patents, “the asserted patents”). Presently before the Court is Sunoco’s “Motion for Partial Summary Judgment of Patent Infringement[,]” filed pursuant to Federal Rule of Civil Procedure 56 (“the Motion”). (D.I. 372) For the reasons that follow, the Court recommends that Sunoco’s Motion be GRANTED-IN-PART and DENIED-IN-PART.

I. BACKGROUND**A. Factual Background**

In this case, Sunoco alleges that Defendants’ butane blending system, which allows Defendants to inject butane into gasoline product flowing through an interstate pipeline maintained by Colonial Pipeline Company (“Colonial”) at the Powder Springs facility, and Defendants’ related butane blending activities, infringe claim 30 of the ’302 patent, claim 3 of the ’686 patent, claims 3 and 7 of the ’948 patent, and claims 3 and 8 of the ’548 patent. (D.I. 149 at ¶¶ 2, 19-25; D.I. 404, ex. 5 at ¶¶ 52, 67; D.I. 440 at 1) Sunoco further alleges that Magellan’s blending systems and butane blending activities at nine other locations infringe claims 3, 16, 17, 23 and 24 of the ’302 patent, and claims 18, 22, 31 and 32 of the ’629 patent. (D.I. 149 at ¶¶ 2633; D.I. 404, ex. 5 at ¶¶ 52, 67; D.I. 440 at 1) The asserted patents relate to systems and methods for the blending of butane into gasoline. (*See* D.I. 171 at 1; D.I. 176 at 1)

*Appendix F***B. Procedural History**

Sunoco filed the instant case on October 4, 2017. (D.I. 1) The case was thereafter referred to the Court to hear and resolve all pretrial matters, up to and including case-dispositive motions. (D.I. 15)

Briefing on the instant Motion was completed on November 1, 2019, (D.I. 411), and the Court held oral argument on the Motion (as well as other summary judgment and *Daubert* motions) on November 13, 2019, (D.I. 441 (“Tr.”)). A 7-day trial is set to begin on March 9, 2020. (D.I. 83 at 13)

II. STANDARD OF REVIEW**A. Summary Judgment**

A grant of summary judgment is appropriate where “the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a). The moving party bears the burden of demonstrating the absence of a genuine issue of material fact. *See Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 585-86 n.10, 106 S. Ct. 1348, 89 L. Ed. 2d 538 (1986). If the moving party meets this burden, the nonmovant must then “come forward with specific facts showing that there is a *genuine issue for trial*.” *Id.* at 587 (emphasis in original) (internal quotation marks and citation omitted). If the nonmoving party fails to make a sufficient showing on an essential element of its case with respect to which it

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has the burden of proof, the moving party is entitled to judgment as a matter of law. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322-23, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986). During this process, the Court will “draw all reasonable inferences in favor of the nonmoving party, and it may not make credibility determinations or weigh the evidence.” *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150, 120 S. Ct. 2097, 147 L. Ed. 2d 105 (2000).

However, in order to defeat a motion for summary judgment, the nonmoving party must “do more than simply show that there is some metaphysical doubt as to the material facts.” *Matsushita*, 475 U.S. at 586. The “mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no *genuine* issue of *material* fact.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986) (emphasis in original). Facts that could alter the outcome are “material,” and a factual dispute is “genuine” only where “the evidence is such that a reasonable jury could return a verdict for the nonmoving party.” *Id.* at 248. “If the evidence is merely colorable . . . or is not significantly probative . . . summary judgment may be granted.” *Id.* at 249-50 (internal citations omitted).

A party asserting that a fact cannot be or, alternatively, is—genuinely disputed must support the assertion either by citing to “particular parts of materials in the record, including depositions, documents, electronically stored information, affidavits or declarations, stipulations (including those made for purposes of the motion only),

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admissions, interrogatory answers, or other materials”; or by “showing that the materials cited do not establish the absence or presence of a genuine dispute, or that an adverse party cannot produce admissible evidence to support the fact.” Fed. R. Civ. P. 56(c)(1)(A) & (B).

B. Patent Infringement

The patent infringement analysis consists of two steps. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995). First, the court must determine the meaning and scope of the patent claims asserted to be infringed. *Id.* Claim construction is generally a question of law, although subsidiary fact finding is sometimes necessary. *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 574 U.S. 318, 135 S. Ct. 831, 837-38, 190 L. Ed. 2d 719 (2015). Second, the trier of fact must compare the properly construed claims to the allegedly infringing device. *Markman*, 52 F.3d at 976. This second step is a question of fact. *Active Video Networks, Inc. v. Verizon Commc ‘ns, Inc.*, 694 F.3d 1312, 1319 (Fed. Cir. 2012).

“Literal infringement of a claim exists when every limitation recited in the claim is found in the accused device.” *Kahn v. Gen. Motors Corp.*, 135 F.3d 1472, 1477 (Fed. Cir. 1998). If any claim limitation is absent from the accused product, there is no literal infringement as a matter of law. *Amgen Inc. v. F. Hoffmann-La Roche, Ltd.*, 580 F.3d 1340, 1374 (Fed. Cir. 2009).¹ The patent owner has the burden of

1. A product that does not literally infringe a patent claim may still infringe under the doctrine of equivalents if any differences between the claimed invention and the accused product are

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proving infringement, and must do so by a preponderance of the evidence. *SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 859 F.2d 878, 889 (Fed. Cir. 1988). A court may enter judgment of infringement if there is no factual dispute that the accused device contains every element in an asserted claim. *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563 F.3d 1358, 1369-70 (Fed. Cir. 2009).

III. DISCUSSION

In its Motion, Sunoco seeks summary judgment of literal infringement for three asserted claims. According to Sunoco, the undisputed facts show that two of Magellan's Accused Systems (the West Tulsa and Kansas City systems) infringe claim 3 of the '302 patent, and that all of Defendants' Accused Systems infringe claims 3 and 8 of the '548 patent. (D.I. 373 at 1) The Court will first take up the parties' arguments with respect to the '302 patent, and will then turn to the '548 patent.

A. Infringement of Claim 3 of the '302 Patent

Claim 3 of the '302 patent depends from claim 2, which depends from claim 1. Therefore, claims 1-3 are recited below:

1. A system for blending gasoline and butane at a tank farm comprising:

insubstantial. *See VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1322 (Fed. Cir. 2014). However, Sunoco notes that its Motion will not require an analysis of the doctrine of equivalents because its infringement arguments are based on a literal infringement theory. (D.I. 373 at 4 n.3)

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- a) a tank of gasoline;
- b) a tank of butane;
- c) a blending unit, at the tank farm, downstream of and in fluid connection with the tank of gasoline and the tank of butane;
- d) a dispensing unit downstream of and in fluid connection with the blending unit; and
- e) a rack, wherein the dispensing unit is located at the rack and is adapted to dispense gasoline to gasoline transport vehicles.

('302 patent, col. 13:12-23)

2. The system of claim **1** further comprising a process control unit, wherein the process control unit generates a ratio input signal that controls the ratio of butane and gasoline blended by the blending unit.

(*Id.*, col. 13:25-27)

3. The system of claim **2** wherein the ratio input signal is derived from a calculation of the ratio of butane and gasoline that will yield a desired vapor pressure.

(*Id.*, col. 13:28-30)

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Magellan’s West Tulsa and Kansas City Accused Systems (the two systems implicated by this portion of Sunoco’s Motion) generally operate as follows: (1) gasoline is drawn from a gasoline tank; (2) butane is drawn from a butane tank; (3) the gasoline and butane are blended together by the blending unit; (4) the blended gasoline is sent to an intermediate tank; and (5) the blended gasoline is dispensed to transport trucks using a dispensing unit at a truck rack. (D.I. 374, ex. 1 at ¶¶ 95-96; *see also id.*, ex. 2 at ¶ 98; *id.*, ex. 4 at 148, 166; D.I. 400 at 9-10)² Accordingly, Sunoco asserts that these systems include all limitations of claim 3 of the ’302 patent; they have a tank of gasoline, a tank of butane, a blending unit at the tank farm that is downstream of and in fluid connection with the tanks of gasoline and butane, a dispensing unit downstream of and in fluid connection with the blending unit, and a rack to dispense the gasoline. (D.I. 373 at 3-8; D.I. 411 at 4-6; *see also* D.I. 401, ex. 3 at ¶ 142; Tr. at 6)

Magellan, for its part, asserts that genuine issues of material fact exist as to whether the West Tulsa and Kansas City systems meet claim 3’s “dispensing unit” and “rack” limitations. (D.I. 400 at 1, 4; Tr. at 39) Pointing to the tank that sits between the blending unit and the truck rack at these two systems, Magellan asserts that the blending systems at issue “end” there at that tank—and that the subsequent rack (and the dispensing unit located at the rack) is not considered to be a part of

2. There are times when, after the blended gasoline is sent to the intermediate tank, the gasoline is dispensed to other destinations, instead of to trucks at the rack. (D.I. 374, ex. 2 at ¶ 98; D.I. 401, ex. 2 at 141-42)

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Magellan's blending systems.³ (D.I. 400 at 7-8; D.I. 402, ex. A at ¶¶ 39, 105, 108; Tr. at 27, 30-31, 40; Defendants' Summary Judgment and Daubert Hearing Presentation, Slide DDX 104)

To this, Sunoco responds that Magellan cannot avoid infringement simply by adding a tank between the blending unit and the truck rack in the two systems at issue. And even taking into account the added tank, Sunoco asserts that the systems still meet each of the claim elements; that is, the tank's addition does not materially change Magellan's systems such that they no longer satisfy the claim elements. (D.I. 411 at 5; Tr. at 6-7)

With regard to this dispute, a good legal starting point is the United States Court of Appeals for the Federal Circuit's admonition that "[i]t is fundamental that one cannot avoid infringement merely by adding elements if each element recited in the claims is found in the accused device." *SunTiger, Inc. v. Sci. Research Funding Grp.*, 189 F.3d 1327, 1336 (Fed. Cir. 1999) (internal quotation marks and citations omitted).⁴ To hold otherwise "would

3. As Magellan's assertion that the Accused Systems do not include a "dispensing unit" (at the "rack") flows from their assertion that the "rack" is not part of the Accused Systems, the Court below will focus on the question of whether the Accused Systems can be said to include a "rack."

4. See also, e.g., *Free Motion Fitness, Inc. v. Cybex Int'l, Inc.*, 423 F.3d 1343, 1347 (Fed. Cir. 2005) ("The addition of unclaimed elements does not typically defeat infringement when a patent uses an open transitional phrase such as 'comprising.'") (citation omitted); *ICM Controls Corp. v. Honeywell Int'l, Inc.*, 256 F. Supp. 3d 173, 198

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allow an infringer to avoid infringement merely by adding additional elements to an infringing device.” *Id.* However, the Federal Circuit has also emphasized that where the addition of elements changes the structure of an accused device, such that a claim element is no longer present, then the product will not infringe. *Tate Access Floors, Inc. v. Maxcess Techs., Inc.*, 222 F.3d 958, 970 (Fed. Cir. 2000) (suggesting that if the addition of an element would “eliminate a limitation or inherent feature of the claim[,]” infringement could be avoided); *see also, e.g., Outside the Box Innovations, LLC v. Travel Caddy, Inc.*, 695 F.3d 1285, 1305 (Fed. Cir. 2012) (finding that the addition of plywood to fabric panels changed the structure of the accused device, such that the device did not have the required “flexible fabric front panel,” because the addition of the plywood to the fabric panels removed the flexibility of the fabric).

With that precedent firmly in mind, the key question here as to infringement of claim 3 is “what is the system” that exists at West Tulsa and Kansas City, (Tr. at 35-36)—and can those sites be said to host “system[s] for blending gasoline and butane” that include a “rack”?

In answering this question, in the Court’s view, it is important to note that there can be no ambiguity as

(N.D.N.Y. 2017) (“[A]n accused device cannot escape infringement by merely adding features, if it otherwise has adopted the basic features of the patent.”) (internal quotation marks and citations omitted); *Douglas Dynamics, LLC v. Buyers Prods. Co.*, 747 F. Supp. 2d 1063, 1108 (W.D. Wis. 2010) (“All Buyers has done is include in its assemblies an additional element on top of those required by the claim language and such an action does not avoid infringement.”).

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to what type of system actually infringes claim 3. On that score, the body of claim 3 tells us *exactly what an infringing system is* (and is not).⁵ *SRI Int'l v. Matsushita Elec. Corp.*, 775 F.2d 1107, 1121 (Fed. Cir. 1985) (noting that “[i]nfringement . . . is determined by comparing an accused product . . . with the properly and previously construed claims in suit[,]” as “[i]t is the *claims* that measure the invention”) (emphasis in original). The claim explains that if an entity makes or uses/controls (1) a “tank of gasoline” and a “tank of butane” and (2) a “blending unit, at the tank farm” that is “downstream of and in fluid connection with the tank of gasoline and the tank of butane” and (3) a “dispensing unit” that is “downstream of and in fluid connection with the blending unit; and (4) a “rack” wherein the dispensing unit is “located at the rack and is adapted to dispense gasoline to gasoline transport vehicles[,]” then (assuming the other elements of claim 2 and 3 are met, which is not disputed here), that entity made or uses an infringing system. (’302 patent, col. 13:14-23; *see also* Tr. at 54, 59) In other words, because the body of the claim lays out the physical components that an infringing system must have, and describes how those components must be interconnected in order for infringement to occur—then so long as an accused infringer makes or uses/controls such components (that are connected together in the way set out in the claim), that accused infringer is guilty of infringement.

5. Magellan did not argue that, even if the preamble of claim 3 is limiting, the words “[a] system for blending” in that preamble add any material limitations regarding what constitutes an infringing system beyond what is called out in the body of the claim.

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And in this case, the record demonstrates that as a literal, physical matter, the West Tulsa and Kansas City Accused Systems do include a series of interconnected physical components that meet all of the requirements of claim 3, including having a “rack.” To be sure, that record also shows that: (1) the two Accused Systems at issue blend butane and gasoline in a pipeline; (2) the blended gasoline is then distributed into a *tank*; and (3) this tank is an additional element that is not expressly recited by the claim. But it is also not disputed that a *rack* exists onsite at the two Accused Systems. And it is not disputed that from the tank, “the blended gasoline can be sent . . . over the truck rack [located at each of the accused facilities] to the customer.” (D.I. 400 at 3; *see also id.* at 10; D.I. 411 at 4)

Indeed, Magellan’s non-infringement expert, Michael Nikolaou, Ph.D., acknowledges that the two Accused Systems can have “fluid flowing from the blending system to the rack. [.]” (D.I. 374, ex. 4 at 166; *see also id.* at 148) Moreover, Magellan’s internal documents support the premise that the rack is a physical part of these interconnected blending systems. (D.I. 413, ex. 13 at MAG-SUN 00077543 (depicting a Magellan chart of 10 locations, which identifies racks as blend lines at the Kansas City and West Tulsa sites, and states that tankage should be managed “to ensure maximum blending opportunity while supporting *rack* and mainline *operations*”) (emphasis added); *id.*, ex. 14 at MAG-SUN_00055587 (Magellan Butane Blending Operations Process Safety Management procedure for West Tulsa that describes step 1 as requiring “IDENTIFY line to be blended[,]” and listing several choices, include pipelines and “Loading

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Rack Gasoline Blending” and “Loading Rack A-Grade Blending”); *see also* D.I. 401, ex. 4 at MAG-SUN 00078741 (Magellan document setting out procedure for “Rack/Tank Release and 3rd Party Custody Transfer Oversight” and stating that if test results are off-specification for a second time, the operator should “shut down the grade *at the rack* or the mainline pump to the 3rd party and notify Quality Control immediately”) (emphasis added))⁶ The fact that the two Accused Systems *also* include a tank does not impact the conclusion that the systems include the required components of claim 3.

Magellan’s arguments to the contrary—i.e., that in its view, the two Accused Systems “are complete at the tank” (and thus do not include the rack that is onsite at both locations)—are insufficient to raise a genuine dispute of material fact with respect to infringement. (*See* Tr. at 27)

For example, Magellan repeatedly points to testimony of one of the inventors of the ’302 patent, Larry Mattingly. Magellan argues that this testimony supports its assertion that blending systems that include a storage tank before the rack are very different from blending systems that

6. In attempting to refute Plaintiffs’ argument that summary judgment was warranted here, Magellan did not argue in the alternative that, even if the Accused Systems included a “rack,” Magellan nevertheless did not infringe because those Accused Systems did not include a dispensing unit downstream of and “in fluid connection” with the blending unit. That is, Court does not understand the parties to be raising any separate claim construction dispute that needs to be resolved regarding the meaning of the term “in fluid connection.” (Tr. at 40-41, 60-61; D.I. 400 at 8)

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do not include such a tank (and that there is therefore a genuine dispute of fact as to whether its systems meet the “rack” limitation). (*Id.* at 27-28, 30, 38; D.I. 400 at 5-6, 8) But nothing about Mr. Mattingly’s testimony alters the Court’s infringement analysis here. That an inventor distinguished his claimed automated blending system from a manual system that required the operator to ‘sample the tank to certify that tank being on’ specification, (D.I. 411 at 2 (quoting D.I. 413, ex. 9 at 151); *see also id.* (citing D.I. 413, ex. 9 at 79-80; D.I. 413, ex. 10 at 428-29, 431-33, 456-57)), does not affect whether the accused systems are constructed in the manner called out in claim 3. Moreover, additional testimony of Mr. Mattingly demonstrates that his invention could indeed blend to a storage “tank” before the “rack” and then be distributed to a loading rack. (D.I. 413, ex. 9 at 101 (“[Y]ou can blend our automated system, our patent system, you can blend going into the storage tank, and then that can be distributed to a loading rack.”); *id.* at 243-44; *see also* Tr. at 59-60)

In further support of its argument that the two Accused Systems are “complete at the tank,” Magellan points to portions of the record suggesting that because of the “superior quality control and error correction features of tank blending systems[,]” such systems are fundamentally different from systems that blend directly into a rack. (D.I. 400 at 2 (citing D.I. 402, ex. A at ¶ 42); *see also* D.I. 402, ex. A at ¶ 41; Tr. at 27, 31-35, 39) These record citations could indeed support the conclusion that a system that includes blending into a tank is superior to (or different than) a system that does not. But as Sunoco retorts, Magellan’s reasons for *why* it blends into

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a tank before the blended gasoline may be sent to the rack (including the alleged superiority of such a process) cannot serve to alter what the body of claim 3 defines as an infringing “system.” (D.I. 411 at 3-5) Put differently, these reasons do not change the fact that Magellan’s two Accused Systems include a series of components, including a rack, that are interconnected in the manner described in claim 3. And therefore, the addition of the tank to that system (and the benefits flowing therefrom) does not allow Magellan to avoid infringement here.⁷

For the foregoing reasons, there is no genuine issue of material fact that the West Tulsa and Kansas City Accused Systems include all of the elements of claim 3 of the ’302 patent. Therefore, the Court recommends that summary judgment of infringement be entered with respect to this claim.

B. Infringement of Claims 3 and 8 of the ’548 Patent

Claim 3 of the ’548 patent depends from claim 1, and claim 8 of the ’548 patent depends from claim 6. Therefore, claims 1, 3, 6 and 8 are recited below:

1. A system for blending butane with a gasoline stream having a gasoline flow rate, comprising:

⁷ See, e.g., *Tate Access Floors, Inc.*, 222 F.3d at 970 (rejecting the defendant’s argument that a component of its accused product did not satisfy the claim because that component had to be painted, as “the addition of paint does not eliminate a limitation or inherent feature of the claim”).

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an injection device injecting the butane into the gasoline stream at a butane flow rate;

a volatility measurement device in communication with the gasoline stream, the volatility measurement device configured to output data representative of a volatility measurement; and

a processor in connection with the injection device and the volatility measurement device, the processor configured to:

receive the volatility measurement, receive a target volatility value;

determine an adjustment to the butane flow rate based on the volatility measurement and the target volatility value; and

output a signal representative of the adjustment to the injection device.

('548 patent, col. 17:11-28)

3. The system of claim 1, further comprising a plurality of gasoline streams each associated with a different type of gasoline, at least one gasoline stream being selectable for blending with the butane.

(*Id.*, col. 17:32-35)

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6. A system for blending butane with a gasoline stream having a gasoline flow rate, comprising:

an injection device injecting the butane into the gasoline stream at a butane flow rate;

a volatility measurement device in communication with the gasoline stream, the volatility measurement device configured to output data representative of a volatility measurement; and

a processor in connection with the injection device and the volatility measurement device, the processor configured to:

receive the volatility measurement; receive a target volatility value; and

determine an adjustment to the butane flow rate based on the volatility measurement and the target volatility value; and output a signal representative of the adjustment to the injection device, wherein the volatility measurement device is in communication with the gasoline stream at a location downstream of the injection device.

(Id., cols. 17:40-18:3)

8. The system of claim **6**, wherein the adjustment includes a blend ratio, and the processor

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calculates the blend ratio based on the volatility measurement and the target volatility value.

(*Id.*, col. 18:7-10)

Sunoco asserts that there is no genuine dispute that all Accused Systems meet all limitations recited in claims 3 and 8 of the '548 patent. (D.I. 373 at 10) Defendants, however, contest whether the Accused Systems meet the “processor” limitation of claims 3 and 8. (D.I. 400 at 12-13)⁸ The Court finds that there is a genuine dispute of material fact with respect to this limitation, rendering summary judgment of infringement unwarranted.

As demonstrated by the claim language set out above, the “processor” required by these claims is configured to “receive the volatility measurement; receive a target volatility value; determine an adjustment to the butane flow rate based on the volatility measurement and the

8. Defendants also argue that the Court cannot grant Sunoco’s Motion with respect for two additional reasons. 400 at 10-11; Tr. at 43) First, Defendants note that they have a pending summary judgment motion with respect to the priority date of the '548 patent, (*see* D.I. 382 at 18-23), and that the outcome of that motion (whether it be a grant or denial) precludes summary judgment of infringement of claims 3 and 8 of the '548 patent, (D.I. 400 at 10). Second, Defendants also moved for summary judgment that the Accused Systems cannot infringe claims 3 and 8 of the '548 patent as a matter of law (because their systems are “feedback” systems and claims 3 and 8 are “feedforward” claims). (D.I. 400 at 11; D.I. 382 at 13-18) The Court’s discussion here, however, focuses solely on the parties’ arguments with respect to Sunoco’s Motion; it will address Defendants’ motions for summary judgment in subsequent opinion(s).

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target volatility value; and *output a signal representative of the adjustment to the injection device[.]*” (’548 patent, col. 17:19-28, 48-56 (emphasis added)) Sunoco’s infringement expert, Dr. Harri K. Kytomaa, opined in his expert report that Defendants’ Accused Systems meet the “processor” limitation of claims 3 and 8—again, that they contain a processor that, *inter alia*, outputs a signal representative of the adjustment to the injection device. In making this case, however, Dr. Kytomaa simply referred back to his analysis regarding infringement of claim 1 of the ’948 patent:

As discussed above with respect to claim 1.5 of the ’948 patent, the above-identified accused systems include a processor in connection with the injection device and the volatility measurement device

As discussed above with respect to claim 1.5 and claim 1.6 of the ’948 patent, the above-identified accused systems include a processor configured to output a signal representative of the adjustment to the injection device.

(D.I. 401, ex. 3 at ¶¶ 822, 826, 828; *see also id.* at ¶¶ 846, 849)

Yet in contrast to claims 3 and 8 of the ’548 patent, claim 1 of the ’948 patent discloses a system for blending butane with gasoline that includes both a “processor” *and* another component called a “programmable logic controller” (“PLC”):

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1. A system for blending butane with gasoline in a pipe, wherein the gasoline has a vapor pressure, comprising:

a) a butane reservoir in fluid connection with said gasoline;

b) an injector valve for discharging butane into said gasoline;

c) a vapor pressure analyzer connected to said pipe, said analyzer configured to determine the vapor pressure of the gasoline and to transmit said vapor pressure to a processor;

d) *a programmable logic controller governing the flow of butane through said injector valve;*

e) *a processor programmed to receive the vapor pressure from the analyzer, calculate an amount of butane to inject into the gasoline based on seasonal and/or regional data and a maximum preprogrammed volatility limit, and provide a control signal to said programmable logic controller according to said seasonal and/or regional data and maximum preprogrammed volatility limit;*

wherein the programmable logic controller is configured to adjust the injector valve to govern the flow of butane through said injector valve into said gasoline based on the signal from the processor.

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('948 patent, col. 17:9-32 (emphasis added)) Thus, while in claims 3 and 8 of the '548 patent, it is the "processor" that outputs a signal to the injection device, in claim 1 of the '948 patent, it is the "PLC" (not the "processor") that is configured to "adjust the injector valve to govern the flow of butane through said injector valve." (*See* D.I. 400 at 12; Tr. at 47, 49)

In the infringement analysis in his opening expert report with respect to claim 1 of the '948 patent, Dr. Kytomaa opined as follows with respect to the processor and PLC limitations:

Based on my review of the documents and testimony in this case, it is my opinion that the above-identified accused systems include a processor programmed to receive the vapor pressure from the analyzer, calculate an amount of butane to inject into the gasoline based on seasonal and/or regional data and a maximum preprogrammed volatility limit, and provide a control signal to the programmable logic controller according to the seasonal and/or regional data and maximum preprogrammed volatility limit

Based on my review of the documents and testimony in this case, it is my opinion that above-identified accused systems include a PLC that is configured to adjust the injector valve to govern the flow of butane through the injector valve into the gasoline based on the signal from the processor.

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(D.I. 401, ex. 3 at ¶¶ 765, 779) Thus, in this analysis, Dr. Kytomaa appears to treat the relevant “PLC” and “processor” as two separate components that work together with each other (as does claim 1 of the ’948 patent). Indeed, in other portions of his opening expert report, Dr. Kytomaa similarly appears to consider the “PLC” and “processor” as two separate things, such as when he describes documents regarding an accused system as “showing butane lines with control valves, *PLCs*, *processors* and flow meters for injecting butane into gasoline[.]” (*Id.* at ¶ 770 (emphasis added))

In light of all of the above, it is evident that when Dr. Kytomaa is explaining in his opening expert report why Defendants’ Accused Systems read on the “processor” limitations of claims 3 and 8 of the ’548 patent, he has to do more than simply (and vaguely) refer back to his infringement analysis for claim 1 of the ’948 patent. At present, when one (at Dr. Kytomaa’s direction) *does* look back at his infringement analysis for claim 1 of the ’948 patent, one would not understand (without more explanation) why it is that the claims of the ’548 patent have a “processor” that outputs a signal to the injection device, since it is the PLC (and not the processor) that is configured to adjust the injector valve in the claims of the ’948 patent. Instead, after reading Dr. Kytomaa’s ’948 patent infringement analysis, one would expect that *a PLC*, not a processor, would do that work as to infringement of the ’548 patent claims. Yet since the claims of the ’548 patent do not reference a PLC, the reader of Dr. Kytomaa’s opening report comes away unsure of how it is that the claims-at-issue of the ’548 patent are actually

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infringed in this respect. (See D.I. 400 at 12-13; Tr. at 48-50) ⁹ And this all underscores that there remains a genuine dispute of material fact as to whether the Accused Systems meet the processor requirement. See, e.g., *Insight Tech., Inc. v. Surefire, LLC*, 618 F. Supp. 2d 114, 118 (D.N.H. 2009) (expert's bare statement in his declaration that the accused devices included the required spring-biased mechanism was insufficient to support summary judgment of infringement, as the expert provided no factual basis for his conclusion).

Sunoco responds by asserting that the lack of clarity in Dr. Kytomaa's opinion is irrelevant. They argue that this is so in light of certain deposition testimony of *Defendants' expert*, Dr. Nikolaou, which purportedly

9. In his reply report, in response to Defendants' expert's assertion that Dr. Kytomaa failed to identify the "processor" in the Accused Systems, Dr. Kytomaa seems to assert that the PLC in the Accused Systems satisfies *both* the processor and PLC limitations. (D.I. 401, ex. 16 at ¶¶ 128, 130, 210, 214, 216) However, this explanation does not appear consistent with Dr. Kytomaa's prior opinions set out in his opening report with respect to these limitations in the '548 patent and the '948 patent. As described above, Dr. Kytomaa's analysis of infringement of the '548 patent claims at issue was sparse and confusing, particularly with regard to the presence of the necessary "processor" in the Accused Systems. In light of the confusion produced by his opening report, his later reply report does not suffice to make it clear that there is no genuine issue of material fact with respect to whether the Accused Systems contain the "processor" required by claims 3 and 8 of the '548 patents. In this way, "[w]hether [Dr. Kytomaa] laid [the infringement analysis] out in a way that [Defendants and the Court] were happy [with] and could understand [] well enough" is the issue for summary judgment here. (Tr. at 23; see also *id.* at 2425)

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establishes that “all limitations are met, and summary judgment [of infringement] is [therefore] appropriate.” (D.I. 411 at 7; *see also* D.I. 373 at 10; Tr. at 19, 23, 63-64) Specifically, Dr. Nikolaou answered “[y]es” when asked at his deposition if the “PLCs in the accused systems include a central processing unit or a processor[.]” (D.I. 374, ex. 4 at 124) Sunoco converts these few general lines of testimony into an argument that “by saying they have a PLC, [Defendants] have admitted they have the processor that is required by [] these claims . . . all they have to have is a processor [for these claims, not a processor *and* a separate PLC], and they have it.” (Tr. at 19)

However, the Court agrees with Defendants that this deposition testimony of Dr. Nikolaou is certainly not the equivalent of a clear admission that the Accused Systems have *the processor required by claims 3 and 8 of the '548 patent*. (*Id.* at 50, 52); *see also Mfg. Resources Int'l, Inc. v. Civiq Smartscapes, LLC*, 397 F. Supp. 3d 560, 572 n.3 (D. Del. 2019) (“While Plaintiff characterizes portions of [defendant’s expert’s] testimony as an admission that the ribbed heat sink is capable of thermal communication with the plate . . ., I do not believe that Plaintiff has presented affirmative evidence at this stage to warrant a grant of summary judgment.”). Indeed, in his rebuttal expert report regarding non-infringement, Dr. Nikolaou opined that Dr. Kytomaa failed to specifically identify what component of the Accused Systems amounts to the “processor” required by the claims. (D.I. 402, ex. A at ¶¶ 221-45, 249, 254)

On this record, then, there is a genuine dispute of material fact as to whether the Accused Systems meet

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the “processor” limitation of claims 3 and 8 of the ’548 patent. Thus, the Court recommends that Sunoco’s motion for summary judgment of infringement of these claims be denied.

IV. CONCLUSION

For the foregoing reasons, the Court recommends that Sunoco’s Motion be GRANTED-IN-PART and DENIED-IN-PART. Specifically, the Court recommends that Sunoco’s Motion be GRANTED with respect to claim 3 of the ’302 patent and DENIED with respect to claims 3 and 8 of the ’548 patent.

This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1), and D. Del. LR 72.1. The parties may serve and file specific written objections by no later than **January 28, 2020**. Responses to those objections are due no later than **February 10, 2020**. The failure of a party to object to legal conclusions may result in the loss of the right to de novo review in the district court. *See Henderson v. Carlson*, 812 F.2d 874, 878-79 (3d Cir. 1987); *Sincavage v. Barnhart*, 171 F. App’x 924, 925 n.1 (3d Cir. 2006).

The parties are directed to the Court’s Standing Order for Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the District Court’s website, located at <http://www.ded.uscourts.gov>.

Because this Report and Recommendation may contain confidential information, it has been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version

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(if necessary) of the Report and Recommendation. Any such redacted version shall be submitted no later than **January 22, 2020** for review by the Court, along with a motion for redaction that includes a clear, factually detailed explanation as to why disclosure of any proposed redacted material would “work a clearly defined and serious injury to the party seeking closure.” *Pansy v. Borough of Stroudsburg*, 23 F.3d 772, 786 (3d Cir. 1994) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Report and Recommendation.

Dated: January 16, 2020

/s/ Christopher J. Burke
Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE

**APPENDIX G — CONSTITUTIONAL PROVISION,
STATUTE AND RULE INVOLVED**

U.S. Const. amend. VII

In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any court of the United States, than according to the rules of the common law.

35 U.S.C. § 284—Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d).

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

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Fed. R. Evid. 702

Rule 702. Testimony by Expert Witnesses

A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if the proponent demonstrates to the court that it is more likely than not that:

- (a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
- (b) the testimony is based on sufficient facts or data;
- (c) the testimony is the product of reliable principles and methods; and
- (d) the expert's opinion reflects a reliable application of the principles and methods to the facts of the case.

**APPENDIX H — REPORT AND
RECOMMENDATION OF THE UNITED STATES
DISTRICT COURT FOR THE DISTRICT OF
DELAWARE, FILED FEBRUARY 6, 2020**

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 17-1390-LPS-CJB

SUNOCO PARTNERS MARKETING &
TERMINALS L.P.,

Plaintiff,

v.

POWDER SPRINGS LOGISTICS, LLC AND
MAGELLAN MIDSTREAM PARTNERS, L.P.,

Defendants.

Filed February 6, 2020

REPORT AND RECOMMENDATION

In this action filed by Plaintiff Sunoco Partners Marketing & Terminals, L.P. (“Sunoco”) against Defendants Powder Springs Logistics, LLC (“PSL”) and Magellan Midstream Partners, L.P.’s (“Magellan” and collectively with Powder Springs, “Defendants”), Sunoco alleges infringement of United States Patent Nos. 6,679,302 (the “302 patent”), 7,032,629 (the “629 patent”), 9,207,686 (the ‘686 patent”), 9,494,948 (the “948 patent”)

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and 9,606,548 (the “548 patent” and collectively with the other patents, “the asserted patents”). Presently before the Court is Sunoco’s “Motion for Summary Judgment that Certain References Do Not Quality As Prior Art Under 35 U.S.C. § 102[.]” filed pursuant to Federal Rule of Civil Procedure 56 (“the Motion”). (D.I. 377) For the reasons that follow, the Court recommends that Sunoco’s Motion be GRANTED-IN-PART and DENIED-IN-PART.

I. BACKGROUND**A. Factual Background**

In this case, Sunoco alleges that Defendants’ butane blending system, which allows Defendants to inject butane into gasoline product flowing through an interstate pipeline maintained by Colonial Pipeline Company at the Powder Springs facility, and Defendants’ related butane blending activities, infringe claim 30 of the ’302 patent, claim 3 of the ’686 patent, claims 3 and 7 of the ’948 patent and claims 3 and 8 of the ’548 patent. (D.I. 149 at ¶¶ 2, 19-25; D.I. 404, ex. 5 at ¶¶ 52, 67; D.I. 440 at 1) Sunoco further alleges that Magellan’s blending systems and butane blending activities at nine other locations infringe claims 3, 16, 17, 23 and 24 of the ’302 patent, and claims 18, 22, 31 and 32 of the ’629 patent. (D.I. 149 at ¶¶ 26-33; D.I. 404, ex. 5 at ¶¶ 52, 67; D.I. 440 at 1) The asserted patents relate to systems and methods for the blending of butane into gasoline. (*See* D.I. 171 at 1; D.I. 176 at 1)

*Appendix H***B. Procedural History**

The Court incorporates by reference its summary of the procedural history of this case set out in its January 16, 2020 Report and Recommendation (“January 16 R&R”). (D.I. 447 at 2)

II. STANDARD OF REVIEW**A. Summary Judgment**

The Court incorporates by reference its summary of the standard of review for summary judgment set out in the January 16 R&R. (*Id.* at 2-4)

B. Qualifying as Prior Art Under 35 U.S.C. § 102

A patent should not be granted “whose effects are to remove existent knowledge from the public domain[.]” *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966); *see also Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1453 (Fed. Cir. 1984). 35 U.S.C. § 102 (“Section 102”) identifies the circumstances in which a patent can be invalidated based on “prior art” references or systems. 35 U.S.C. § 102; *see also Sunoco Partners Mktg. & Terminals L.P. v. US. Venture, Inc.*, 339 F. Supp. 3d 803, 835 (N.D. Ill. 2018).¹ Patent law has generally not

1. The activities at issue occurred before the enactment of the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, § 3, 125 Stat. 284, 285-93 (2011). Therefore, all references to Section 102 are to the earlier version of the statute which governed the activities at issue in this case. *See* AIA § 3(n)(1), 125 Stat. at

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recognized as prior art “that which is not accessible to the public.” *OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1402 (Fed. Cir. 1997). To that end, the United States Court of Appeals for the Federal Circuit has explained that “[e]arly public disclosure is a linchpin of the patent system.” *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1550 (Fed. Cir. 1983). Thus, “[a]s between a prior inventor who benefits from a process by selling its product but suppresses, conceals, or otherwise keeps the process from the public, and a later inventor who promptly files a patent application from which the public will gain a disclosure of the process, the law favors the latter.” *Id.*

Whether a particular reference or system qualifies as prior art under Section 102 is a question of law based on underlying factual determinations. *ATEN Int’l Co. v. Uniclass Tech. Co.*, 932 F.3d 1364, 1367 (Fed. Cir. 2019); *Int’l Bus. Mach. Corp. v. Priceline Grp. Inc.*, 271 F. Supp. 3d 667, 676 (D. Del. 2017). Patents are presumed to be valid under 35 U.S.C. § 282, and Defendants accordingly bear the burden of proving by clear and convincing evidence that an asserted reference or system is prior art under Section 102. *Sandt Tech. Ltd. v. Resco Metal & Plastics Corp.*, 264 F.3d 1344, 1350 (Fed. Cir. 2001); *Sunoco Partners Mktg & Terminals L.P.*, 339 F. Supp. 3d at 836.

293 (providing that the relevant AIA amendments apply only to applications and patents with an effective filing date of March 16, 2013, or later); *see also, e.g., U.S. Water Servs., Inc. v. Novozymes A/S*, 767 F. App’x 950, 954 n.9 (Fed. Cir. 2019); *Alexsam, Inc. v. Gap, Inc.*, 621 F. App’x 983, 988 n.1 (Fed. Cir. 2015).

*Appendix H***1. Qualifying as Prior Art Under 35 U.S.C. §§ 102(a) and (b)**

Section 102(a) establishes that a person cannot patent what is already known to others. *Woodland Tr. v. Flowertree Nursery, Inc.*, 148 F.3d 1368, 1370 (Fed. Cir. 1998). To qualify as prior art under Section 102(a), a reference or system must be “known or used by others . . . before the invention thereof by the applicant for patent[.]” 35 U.S.C. § 102(a). The prior knowledge or use by others must be “accessible to the public.” *Woodland Tr.*, 148 F.3d at 1370. For prior art to be “known[.]” it must be “sufficient to enable one with ordinary skill in the art to practice the invention[.]” *Minnesota Mining & Mfg. Co. v. Chemque, Inc.*, 303 F.3d 1294, 1301 (Fed. Cir. 2002) (citation omitted).

To qualify as prior art under Section 102(b), a reference or system must be “in public use or on sale . . . more than one year prior to the date of the application for patent[.]” 35 U.S.C. § 102(b). This section is primarily concerned with a policy that encourages inventors to enter the patent system promptly. *Woodland Trust*, 148 F.3d at 1370. An inventor’s own prior commercial use, even if kept secret, may constitute a public use or sale under Section 102(b), barring him from obtaining a patent. *Id.* However, when an asserted prior use is by a third party rather than the inventor (as is the case here), Section 102(b) is not a bar to obtaining a patent when that prior use or knowledge is not available to the public. *Id.* at 1371; *Dey, L.P. v. Sunovion Pharms., Inc.*, 715 F.3d 1351, 1355 (Fed. Cir. 2013) (“[E]ven in the case of third-party uses, being

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‘accessible to the public’ still requires public availability; secret or confidential third-party uses do not invalidate later-filed patents.”) (citations omitted).

2. Qualifying as Prior Art Under 35 U.S.C. § 102(g)(2)

Section 102(g)(2) operates to “ensure that a patent is awarded only to the first inventor in law.” *Fox Grp., Inc. v. Cree, Inc.*, 700 F.3d 1300, 1304 (Fed. Cir. 2012) (internal quotation marks and citation omitted). To qualify as prior art under Section 102(g)(2), a system must be: (1) “made . . . by another inventor[.]” (2) before the claimed invention, and (3) such prior system must not have been “abandoned, suppressed, or concealed[.]” 35 U.S.C. § 102(g)(2). The prior inventor must have: (1) reduced its invention to practice first; or (2) conceived of the invention first and then exercised reasonable diligence in reducing that invention to practice. *Fox Grp.*, 700 F.3d at 1304. Reduction to practice requires a showing that the inventor: (1) constructed an embodiment or performed a process that met all the limitations; and (2) determined that the invention would work for its intended purpose. *Barry v. Medtronic, Inc.*, 914 F.3d 1310, 1332 (Fed. Cir. 2019).

Suppression or concealment is a legal question that is supported by underlying facts. *Flex-Rest, LLC v. Steelcase, Inc.*, 455 F.3d 1351, 1357 (Fed. Cir. 2006). There are two types of suppression or concealment. *Id.* at 1358. First, there are cases in which the inventor intentionally suppresses or conceals his invention. *Id.*; *see also, e.g., Fleming v. Escort Inc.*, 774 F.3d 1371, 1378 (Fed. Cir.

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2014); *Fox Grp.*, 700 F.3d at 1305. Second, there are cases in which suppression or concealment may be inferred based on the prior inventor’s unreasonable delay in making the invention publicly known. *Flex-Rest, LLC*, 455 F.3d at 1358; *see also Fleming*, 774 F.3d at 1378.

III. DISCUSSION

With its Motion, Sunoco seeks summary judgment that two systems that Defendants have asserted as prior art in this case—the “TransMontaigne system” and the “OKC-Reno system”—do not qualify as prior art under 35 U.S.C. § 102. The Court considers these systems in turn.

A. TransMontaigne System

Defendants assert that a system that was built and used in 1997 at TransMontaigne Terminaling Inc.’s (“TransMontaigne”) terminal in Little Rock, Arkansas qualifies as prior art under Sections 102(a), 102(b), and 102(g)(2). (D.I. 384, ex. 1 at ¶ 186) Sunoco, meanwhile, argues that the undisputed evidence demonstrates that the TransMontaigne system was not “available to the public” (and therefore is not prior art under Sections 102(a) and 102(b)) and was suppressed and concealed (and therefore is not prior art under Section 102(g)(2)). (D.I. 379 at 5)² For the reasons discussed below, the Court

2. Sunoco disputes that Defendants have established by clear and convincing evidence that a system reading on the claims was actually built and operated at the TransMontaigne terminal, but for purposes of this Motion, it assumes that some such system was made and used there at the relevant time. (D.I. 379 at 5 & n.1)

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finds that the undisputed facts demonstrate that the TransMontaigne system was not accessible to the public, and was suppressed and concealed. Therefore, the system cannot qualify as prior art under Section 102.

As an initial matter, the evidence of record clearly demonstrates that individuals with knowledge of the TransMontaigne system were under confidentiality obligations. (D.I. 379 at 68; D.I. 409 at 1-4) For example, TransMontaigne's contractor entered into a Construction Contract, formed to [REDACTED] [REDACTED] (D.I. 384, ex. 7 at TPSL 449) That Contract included the following confidentiality provision:

[REDACTED]

(*Id.* at TPSL 458 (emphasis added); *see also id.* at TPSL 449) The Construction Contract incorporated by reference, *inter alia*, [REDACTED]. (*Id.* at TPSL 449) And pursuant to the Construction Contract, TransMontaigne agreed to [REDACTED] [REDACTED]. (*Id.* at TPSL 477-78)³

3. Another undated document that appears to have been related to the Contract, entitled simply "Trade Secrets" (the "Trade

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Mr. Shawn Mongold, a Project Manager/Staff Engineer for TransMontaigne, [REDACTED]. (*Id.* at TPSL 460) Mr. Mongold testified that it was [REDACTED]. (*Id.*, ex. 8 at 151) He explained that TransMontaigne was an “operating company” that tended to keep their operations private, and that he considered the operation of the TransMontaigne system to be a trade secret. (*Id.* at 114) Mr. Mongold also testified that as far as he knew, the contractors obeyed the confidentiality provision and kept information confidential. (*Id.* at 152)⁴

Secrets document”), states that [REDACTED]

[REDACTED] (D.I. 384, ex. 10 at TPSL 1039-40; *see also id.*, ex. 8 at 147, 171)

4. Defendants argue that this evidence does not demonstrate that all individuals with knowledge of the TransMontaigne system were under confidentiality obligations. (D.I. 397 at 26) In making this argument, however, they do not point to the terms of the Construction Contract; instead, they point to the different, separate Trade Secrets document. That document as noted above, does state that [REDACTED]

[REDACTED] (D.I. 384, ex. 10 at TPSL 1040 (emphasis added)) Defendants latch on to this wording, and claim that it shows that only some (not all) TransMontaigne contractors are bound by confidentiality obligations. Yet the Trade Secrets document seems simply to be stating that when it comes to the [REDACTED]

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There is yet additional evidence indicating that details regarding the TransMontaigne system were kept confidential. For example, Brian Moore, a Staff Engineer at TransMontaigne, sent a letter to the North Little Rock City Planning Director on May 30, 1997, which described the TransMontaigne system only at a high level. (*Id.*, ex. 11 at TPSL 113-14 [REDACTED] [REDACTED]) The letter was marked “CONFIDENTIAL” by TransMontaigne. (*Id.* at TPSL 113)⁵

[REDACTED]. And in any event, the Trade Secrets document does not create a fact dispute as to whether TransMontaigne’s contractor had confidentiality obligations regarding the TransMontaigne system; pursuant to the terms of the Construction Contract, it clearly did. (*See* D.I. 409 at 1 n.1; Tr. at 69-70)

Defendants also suggest that a jury is free to find that the confidentiality provision in the Construction Contract would only cover “information provided” about TransMontaigne’s blending system, as opposed to what one might learn simply from viewing the “butane blending equipment” itself. (D.I. 397 at 26-27) Yet the Construction Contract’s broad confidentiality provision covered [REDACTED] —a contract that, again, included reference to [REDACTED]. (D.I. 384, ex. 7 at TPSL 477-78) It strains credulity to think that this contractual language would not also cover what the contractor would learn or observe from *actually viewing the butane blending system at issue*. (D.I. 409 at 2; *see also* Tr. at 72)

5. Defendants’ response with respect to this letter is that Sunoco admits it “provid[es] only minimal information” and a ‘few

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In June 2001 (several months after Sunoco's asserted February 2001 priority date), the TransMontaigne terminals in Little Rock were sold to Williams Pipeline ("Williams"), (D.I. 379 at 2), Magellan's predecessor. The "Facilities Sale Agreement" ("FSA") between TransMontaigne and Williams also contained a confidentiality provision:

8.4 Confidentiality. All information provided by one Party to the other Party up to the Effective Date [June 30, 2001] in connection with and as a result of this Agreement shall be deemed "Information", as such term is defined in the Nondisclosure Agreement between Williams Energy Services, LLC and TTI dated February 6, 2001, and shall be governed by the terms and provisions thereof, which agreement

high-level statements." (D.I. 397 at 27 n.16) But in the Court's view, that fact is *helpful* to Plaintiff; had the letter itself described the TransMontaigne system in great detail, it could have been argued that this suggested that information regarding the system was *not* confidential.

Defendants also point to testimony from Mr. Mongold that he would not have expected that a letter like this (that is, a letter sent to a city government) could actually be kept confidential. (D.I. 398, ex. 36 at 156) Yet Mr. Mongold also testified that he would expect a recipient of a letter marked "confidential" to keep it confidential. (*Id.* at 155) And more importantly, this does not change the fact that the letter (sent by another person, Mr. Moore) was in fact marked "Confidential" when sent, (D.I. 409 at 2-3; Tr. at 65-68), and that there is no record evidence that the letter was actually shared with anyone other than the City Planning Director.

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Buyer and Seller both agreed and ratified as applying to this transaction under the Letter of Intent between them dated May 17, 2001 and which they both agree and ratify as applying to them under this Agreement.

(D.I. 384, ex. 12 at ¶ 8.4; *see also id.* at ¶ 7.6 (“All information pertaining to the Assets and Facilities shall be subject to the terms of the Nondisclosure Agreement between Seller and Williams Energy Services LLC dated February 6, 2001.”)) Defendants’ retort is that a jury is free to find that the reference to “information” in these portions of the FSA referred to “things like financials,” and not to the blending system itself. (D.I. 397 at 27) But a jury could not reasonably come to such a conclusion here, as it would be contrary to the plain language of the contract. That document makes clear that the “information” at issue includes information about “Assets” (which are defined in the FSA as including equipment for the blending system) and “Facilities” (which are defined as the “terminals” in Little Rock). (D.I. 384, ex. 12 at ¶ 7.6; *see also id.* at 5/55, 7/55, 9/55-10/55; D.I. 409 at 3)

Despite this uncontroverted evidence showing that the only individuals who knew of the TransMontaigne system were under confidentiality obligations, Defendants assert that the system was nevertheless publicly accessible as to Sections 102(a) and (b). (*See* D.I. 384, ex. 3 at (¶¶ 105-09) On the question of public accessibility, the Federal Circuit instructs that “a court still must decide whether the *claimed features* of the patents [were placed] in the public’s possession” and “if members of the public are

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not informed of, and cannot readily discern, the *claimed features* of the invention in the allegedly invalidating prior art, the public has not been put in possession of those features.” *Dey*, 715 F.3d at 1359 (internal quotation marks and citation omitted) (emphasis added). For the reasons discussed below, Defendants’ evidence of purported “public accessibility” does not create a genuine dispute of fact on this issue.

First, Defendants suggest that the TransMontaigne system was publicly accessible since it was utilized to blend butane into gasoline that thereafter was transported “for distribution to the public.” (D.I. 397 at 24; D.I. 399, ex. A at ¶ 97) But Defendants do not attempt to explain how the public would possess the claimed features of the inventions (which relate to systems and methods for blending butane with gasoline) merely by purchasing the blended gasoline that was eventually distributed from the TransMontaigne system. (See D.I. 379 at 12; D.I. 409 at 4)⁶

Second, Defendants point to the fact that certain relevant components of the TransMontaigne system were above ground and therefore were visible to the public from outside a fence that surrounded the facility, or from the truck rack area. (D.I. 397 at 24; D.I. 399, ex. A at ¶ 97) More specifically, Mr. Mongold testified that someone located on a nearby highway could look through the chain-

6. See, e.g., *W.L. Gore & Assoc.*, 721 F.2d at 1550 (finding that a third party’s sale of tape was not a bar to the grant of a patent to the plaintiff on a process used to produce tape, where there was no evidence “that the public could learn the claimed process by examining the tape”).

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link fence that surrounded the TransMontaigne system and see the system's butane and gasoline tanks, as well as certain piping that rose above ground. (D.I. 398, ex. 36 at 235) Mr. Mongold also stated that if someone had gotten into a helicopter and flew above the TransMontaigne facility, he or she could have seen tank trucks stopping at the system's truck racks. (*Id.* at 235-36)

However, as was noted above, the applicable inquiry here is whether the TransMontaigne system placed in the public's possession the "claimed features" of the patents. *Dey*, 715 F.3d at 1359; *see also, e.g., Delano Farms Co. v. Ca. Table Grape Comm'n*, 778 F.3d 1243, 1249-50 (Fed. Cir. 2015). And it is undisputed that other portions of the TransMontaigne system were not in public view, such as "most of the piping" (which was underground) and computers/PLCs (located inside buildings). (D.I. 379 at 9 (citing D.I. 384, ex. 8 at 38-39, 119-20, 140, 231-32)) Accordingly, Mr. Mongold testified that "a fair part of the connections [between components] and how the system worked was not even visible" to one standing "*inside the fence*" of the facility. (D.I. 384, ex. 8 at 140 (emphasis added); *see also id.* at 250-52 (Mr. Mongold stating that one could not tell how the assets of the system were operating from outside of the facility))⁷

7. Sunoco rightly points out that in light of the components of the TransMontaigne system that were not visible to the public, it is not disputed that, at a minimum, "connections between the components, how the valves were controlled, and how blend ratios were calculated (manually/automatically)" could not be determined by the public. (D.I. 409 at 4) And therefore, Sunoco states, the public could not tell whether the TransMontaigne system, for

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Despite the undisputed evidence that only a portion of the claimed features were visible to the public, Defendants assert that a person of ordinary skill in the art (“POSITA”) observing such features would nevertheless understand how the TransMontaigne system operated at the level required by the relevant claims. For this, Defendants point to a portion of the report of their invalidity expert, Michael Nikolaou, Ph.D. (D.I. 397 at 24 (citing D.I. 399, ex. B at ¶¶ 105-07)) But all that Dr. Nikolaou states on this topic in the cited paragraphs is that a POSITA, “observing equipment at TransMontaigne that was unquestionably in public view, would have understood how the blending system operated at the level required by the claims of the asserted patents.” (D.I. 399, ex. B at ¶ 106) Dr. Nikolaou does not go on to explain *how* this is so. And without any further explanation from their expert about how the entirety of an only partially-visible system would be recognized and understood by a POSITA, Defendants’ argument here is wholly conclusory. (D.I. 409 at 5); *Regents of Univ. of Minn. v. AGA Med. Corp.*, 717 F.3d 929, 941 (Fed. Cir. 2013) (“Conclusory expert assertions cannot raise triable issues of material fact on summary judgement.”) (internal quotation marks and citations omitted). Thus, Defendants’ evidence on this point does not create a genuine dispute of material fact as to public accessibility. *See, e.g., Parallel Networks Licensing,*

example: “involved blending from a gasoline tank” as required by certain claims recited by the ’302 patent, “or a pipeline” as required by the asserted claims of the ’686 patent; or “us[ed] a processor to govern the butane flow” and to “automatically calculate blend ratios” as required by all asserted claims. (*Id.* at 4-5)

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LLC v. Int'l Bus. Machs. Corp., Civil Action No. 13-2072 (KAJ), 2017 WL 1045912, at *9 (D. Del. Feb. 22, 2017) (concluding that defendant's use of server technology did not constitute a public use, where the defendant obscured the inner workings of the server and thus the public did not know about how the invention—i.e., claims to methods for managing a dynamic Web page generation request to a Web server—actually worked).

Third, Defendants highlight the fact that TransMontaigne invited visitors to a grand opening of its facility, arguing that this creates a dispute of fact as to public accessibility. (D.I. 397 at 25; D.I. 384, ex. 3 at ¶ 109) Mr. Mongold testified that grand opening visitors were given “access to non-secure areas of the terminals for [] barbeque and food” and “*may* have gotten tours” of the butane blending system. (D.I. 398, ex. 36 at 231 (emphasis added)) When questioned further, Mr. Mongold could not recall the date of the grand opening, though he did remember that its focus was upon new bays and facility improvements that came before the facility began to blend butane. (*Id.* at 232-33) And even to the extent that butane blending was occurring during the time of the grand opening: (1) the grand opening was held at the south terminal of the TransMontaigne facility, while most of the blending equipment was located at the north terminal, (D.I. 384, ex. 8 at 36, 50, 109; *id.*, ex. 17; *id.*, ex. 13 at 623-24); and (2) visitors could not see the piping underground, or what valves were controlling butane versus other components, (*id.*, ex. 8 at 231-32). With it undisputed that the visitors at the grand opening were not viewing all relevant components of a complete, fully

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operational blending system, Defendants' evidence with respect to this event falls short of creating a fact issue here.

Even added together, Defendants' evidence—i.e., that: (1) blended gasoline produced by the TransMontaigne system was sold to the public; (2) certain features of the TransMontaigne system were in public view (while other key features were not); and (3) there was a grand opening at the terminal at some point in time (perhaps before the blending system was even fully operational)—is not sufficient to create a material dispute of fact about whether the TransMontaigne system was accessible to the public. Section 102 has been applied to invalidate a patent based on third-party use when the third party “made no attempt to maintain confidentiality or to deliberately evade disclosure . . . made no discernible effort to maintain the [invention] as confidential . . . or made no efforts to conceal the device or keep anything about it secret[.]” *Dey*, 715 F.3d at 1355 (internal quotation marks and citations omitted). The facts here are clearly contrary to such scenarios, and “secret or confidential third-party uses do not invalidate later-filed patents.” *Id.*

Next the Court turns to Defendants' assertion that the TransMontaigne system is prior art under Section 102(g)(2). Here, the Court also agrees with Sunoco that the undisputed facts show that the TransMontaigne system was suppressed and concealed. (D.I. 379 at 12-13)

With regard to the first type of suppression or concealment—i.e., whether the operators of the

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TransMontaigne system intentionally suppressed or concealed their invention—here the evidence clearly indicates that they did. As described above, the undisputed facts show that TransMontaigne actively concealed the details of that invention through confidentiality agreements and other measures. (*Id.* at 13)

As to the second type of suppression or concealment—i.e., whether suppression or concealment may be inferred based on TransMontaigne’s unreasonable delay in making the invention publicly known—here, such a finding can be made on the undisputed facts. Defendants point to no evidence that TransMontaigne otherwise ever made efforts to make the system (or details about it) publicly known. In fact, the evidence shows the opposite. TransMontaigne did not file any patent applications or publish any documents describing how the system worked. (D.I. 384, ex. 8 at 112-14) And it is undisputed that TransMontaigne was a secure facility; it was surrounded by a fence (covered with barbed wire), and to enter, a person either had to have obtained card access or be invited by a TransMontaigne employee. (*Id.* at 116-17, 248-49; *id.*, ex. 3 at ¶ 109); *TQP Dev., LLC v. 1-800-Flowers.com, Inc.*, 120 F. Supp. 3d 600, 610-14 (E.D. Tex. 2015) (upholding a jury verdict of no Section 102(g) prior art where the third party “deliberately chose to keep key, claimed aspects of the [prior art system] a trade secret, chose to keep the underlying [system] confidential between the parties, chose to avoid disclosing the full functionality to the public, and chose to avoid disclosure through a patent application”).⁸

8. In their brief, Defendants argue that the correct legal standard for whether an inventor abandoned, suppressed or

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For the above reasons, the Court recommends that Sunoco's motion be granted with respect to the TransMontaigne system.

concealed its invention is found in a 1987 case from this District, *Friction Div. Prods., Inc. v. E.I. DuPont de Nemours & Co., Inc.*, 658 F. Supp. 998 (D. Del. 1987). (D.I. 397 at 21-22) In that case, the Court stated that “[m]aking the invention publicly known requires only that the public enjoy the *benefits* or the use of the prior invention” and that “[p]ublic use of the invention, without disclosing the details of it, is sufficient to negate any intention to abandon, suppress or conceal.” 658 F. Supp. at 1013-14 (emphasis in original). However, other courts have criticized this articulation of the law, explaining that “[t]he Federal Circuit . . . has not drawn that distinction” and has instead “made clear that a finding of suppression or concealment requires evidence of the inventor’s unreasonable delay in making ‘the invention’ publicly known” and where the “‘inner workings’ are the essence of the invention, it is those ‘inner workings’ that must not be suppressed or concealed in order for the invention to be prior art under section 102(g).” *TQP Dev., LLC v. Intuit Inc.*, CASE NO. 2:12- CV-180-WCB, 2014 WL 2809841, at *6 (E.D. Tex. June 20, 2014) (Bryson, J., sitting by designation); *see also TQP Dev., LLC v. 1-800-Flowers.com, Inc.*, 120 F. Supp. 3d 600, 611 (E.D. Tex. 2015). This criticism is, in fact, in line with Federal Circuit precedent. *See, e.g., Apotex USA, Inc. v. Merck & Co., Inc.*, 254 F.3d 1031, 1039 (Fed. Cir. 2001) (concluding that the selling of tablets did not defeat an inference of suppression and concealment, where the public could not learn of the invention from simply inspecting the product); *Palmer v. Dudzik*, 481 F.2d 1377, 1387 (C.C.P.A. 1973). Indeed, during oral argument, Defendants’ counsel seemed to concede that such Federal Circuit precedent provides the correct lens through which suppression and concealment should be assessed. (Tr. at 94) For all of these reasons, it is that precedent (not the holding in *Friction Div. Prods.*) that the Court applies here.

*Appendix H***B. OKC-Reno System**

Defendants assert that an automated butane blending system was built and used at the Oklahoma City-Reno (“OKC-Reno”) terminal owned by Williams in October 2001, and that this system qualifies as prior art under Section 102(g)(2). (*See* D.I. 379 at 13) Specifically, Defendants assert that Williams employees were the first to conceive of the automated butane blending system (i.e., they did so before Sunoco’s inventors), but were second to reduce the invention to practice (i.e., they did so after Sunoco’s inventors). (*See id.* at 14; D.I. 397 at 1-2) Under these circumstances, Defendants must show that Williams exercised reasonable diligence to reduce the claimed invention to practice. *Brown v. Barbacid*, 436 F.3d 1376, 1378-79 (Fed. Cir. 2006). Reasonable diligence must be shown “from a date just prior to the other party’s conception to . . . [the date of] reduction to practice [by the party first to conceive].” *Monsanto Co. v. Mycogen Plant Sci., Inc.*, 261 F.3d 1356, 1363 (Fed. Cir. 2001) (internal quotation marks and citation omitted). Defendants need not demonstrate that Williams worked on reducing its invention to practice every day during the critical period; all that is required is that there was reasonably continuous diligence. *Perfect Surgical Techniques, Inc. v. Olympus Am., Inc.*, 841 F.3d 1004, 1009 (Fed. Cir. 2016). Whether an inventor exercised diligence is a question of fact. *Brown*, 436 F.3d at 1379.

Sunoco argues that it is entitled to summary judgment that the OKC-Reno system does not qualify as prior art, because no reasonable jury could find by clear and

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convincing evidence that: (1) an automated system was actually reduced to practice at OKC-Reno in October 2001; (2) Williams was diligent in reducing the invention to practice during the critical period; and (3) the OKC-Reno system was not suppressed and concealed. (D.I. 379 at 13-30) For the reasons discussed below, the Court finds there to be genuine disputes of fact with respect to all three of Sunoco's grounds.

1. Reduction to Practice

The Court first assesses whether there is a genuine dispute of fact as to whether Williams reduced its fully automated blending system to practice at OKC-Reno by October 2001. On this record, the Court finds that there is.

In February 1999, Williams engineer Steve Smith circulated a memo describing the proposed automated system to be installed at OKC-Reno. (D.I. 398, ex. 5 at MAG-SUN_ 00000608-11; *see also* D.I. 399, ex. A at ¶ 115) A year later in February 2000, Williams ordered a Grabner analyzer to be installed at OKC-Reno. (D.I. 398, ex. 13 at MAG-SUN_ 00000570; *id.*, ex. 2 at 27, 80)

Additionally, Williams employee Troy Hill testified that he recalled an analyzer being at OKC-Reno in 2001, and that in September 2001 he “changed the wiring on the central controllers” and “rewired analog input blocks” so that Williams “could use the inputs, outputs, and analog levels coming back from the Grabner.” (*Id.*, ex. 19 at 42-49) Mr. Hill's calendar notes from this time period reflect that he performed this work at OKC-Reno. (*Id.*, ex. 20 at

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MAG-SUN_00002785, MAG-SUN_00002792-94, MAG-SUN_00002799) He further testified that his “general memory” was that the online analyzer worked “right away” and that if it had not, he “would have been back in Oklahoma City helping them get it up and going, because . . . all that construction was high priority, and my notes show that I went on to other projects after that.” (*Id.*, ex. 19 at 63-64)⁹ Mr. Hill recalled that OKC-Reno first began blending butane “shortly after” his work there in September 2001. (*Id.* at 12)

Other witnesses testified similarly. Alan Moyer, a former Manager of Commodities for Magellan, stated that the analyzer was installed and connected at OKC-Reno in September 2001, and that he believed that the butane blending system there was operational by mid-October 2001. (D.I. 398, ex. 2 at 6, 27, 33) Mr. Moyer recalled touring OKC-Reno in the fall of 2001 and seeing screens relating to automated blending. (*Id.* at 42-43) Another Magellan employee, Andy Howerton, testified that he recalled that the fully automated system at OKC-Reno began operation in the fall of 2001; he remembered working there during that time. (*Id.*, ex. 4 at 23, 27, 71, 85)

In addition to this testimony and the above-referenced supporting documents, blending logs from OKC-Reno also

9. Indeed, Dr. Nikolaou opined that electrical schematics and wiring diagrams provided to him by Mr. Hill show: (1) the Grabner being located at OKC-Reno as of July 30, 2001; and (2) how the Grabner was wired to the central controller and PLC as of August 1, 2001 and January 28, 2002. (D.I. 399, ex. A at ¶ 118; D.I. 398, ex. 21 at MAG-SUN_00078640; *id.*, ex. 22 at MAG-SUN_00078641-42; *id.*, ex. 23 at MAG-SUN_00078643-45)

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suggest that, around October 2001, Williams phased out manual blending from truck to tank and began in-line blending. (*Id.*, ex. 2 at 34; *id.*, ex. 24 at MAGSUN_00000781; *id.*, ex. 25 at MAG-SUN_00023452; D.I. 399, ex. A at ¶¶ 119-20) The logs also show that butane bullet tanks were first filled in September 2001 and were in service every month thereafter. (D.I. 398, ex. 24 at MAG-SUN_00000781; *id.*, ex. 25 at MAG-SUN_00023452; D.I. 399, ex. A at ¶ 121) Mr. Moyer testified that the butane bullet tanks were installed as part of the same project as the Grabner installation, and that the tanks were not used in a manual blending process. (D.I. 398, ex. 2 at 37-38)

Despite all of the evidence above, Sunoco asserts that there is no genuine dispute of fact as to reduction to practice. It provides two arguments in support, but neither is persuasive.

First, Sunoco asserts that summary judgment is appropriate here because “there are no documents corroborating” that an “automated system” was used at OKC-Reno in October 2001. (D.I. 409 at 10-11) It is true that “[c]orroboration is required of any witness whose testimony alone is asserted to invalidate a patent[.]” *Nobel Biocare Servs. AG v. Intradent USA, Inc.*, 903 F.3d 1365, 1377-78 (Fed. Cir. 2018); *see also Dana-Farber Cancer Inst., Inc. v. Ono Pharm. Co., Ltd.*, 379 F. Supp. 3d 53, 84 (D. Mass. 2019) (“Oral testimony of one putative joint inventor is not enough on its own to corroborate the oral testimony of another [joint inventor]. . . . But such testimony can help to corroborate along with other evidence.”). Yet the sufficiency of corroborating evidence

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must be evaluated under a “rule of reason” analysis, which involves “an assessment of the totality of the circumstances including an evaluation of all pertinent evidence[.]” *Id.* (internal quotation marks and citation omitted). And the Federal Circuit has also instructed that assessing the sufficiency of corroborating evidence “is a jury question.” *Adenta GmbH v. OrthoArm, Inc.*, 501 F.3d 1364, 1372 (Fed. Cir. 2007)

Here three witnesses (Mr. Moyer, Mr. Hill and Mr. Howerton) testified—based on their memories of their own firsthand experience at the site and based on related documents—that the OKC-Reno system was automatically blending butane into gasoline around October 2001. (D.I. 397 at 13-16) Further, Defendants point to other documents that support this conclusion. (*Id.*) While it is true that Defendants have not pointed to any “operating instructions” with regard to an automated blending system at OKC-Reno, (*see* D.I. 409 at 10), they *have* pointed to plenty of other evidence that, taken together, is sufficient to establish a genuine dispute of fact as to reduction to practice.¹⁰

Second, Sunoco contends that the above-referenced witnesses’ speculation that the automated system was

10. *See, e.g., Adenta GmbH*, 501 F.3d at 1371 (concluding that substantial evidence existed in the record to support the jury’s verdict that a prior art device invalidated the asserted patent where “this is not a case where one person makes a naked, unsupported assertion years after the fact that he made an invention before a patentee” but instead “there were a number of statements made by different witnesses, all corroborating each other, accompanied by various supportive and consistent documents”).

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operational by late 2001 is in conflict with evidence demonstrating that the Grabner analyzer was not fully functional in 2002-2003. (D.I. 379 at 18; D.I. 409 at 10-11) But as Defendants point out, to demonstrate reduction to practice, they are required to make “only a showing that the system ‘work[ed] for its intended purpose,’ not that it worked perfectly or for 100% of the time.” (D.I. 397 at 15 (citation omitted); Tr. at 91)

In light of that, the evidence that Sunoco points to is by no means dispositive—indeed, it could even be seen as “helpful” to Defendants’ argument that OKC-Reno was “fully automated and operating” by late 2001. (D.I. 397 at 14) For example, Sunoco cites to a 2002 “Variance Summary” document that describes OKC-Reno’s blending program as “progressing nicely” and reports that “the online grabner is reaching full operational status.” (D.I. 384, ex. 32 at MAG-SUN_00073468) Meanwhile, this same document reports that at another site, Tulsa, the Grabner was “non-operational.” (*Id.* at MAG-SUN_00073467) Likewise, a “Process Analyst Elimination/Transition Plan” describes that for OKC-Reno, a team was being formed by Rob Lawrence “to resolve outstanding mechanical/technical issues with a goal of having the online analyzer declared fully operational and handed off to location technicians by August 1, 2003.” (*Id.*, ex. 33 at MAG-SUN_00022417) For Tulsa, in comparison, this plan indicated that the goal was to have the online analyzer declared “operational.” (*Id.*) Mr. Lawrence himself testified that both analyzers “had been used” and the one at Tulsa was “not as reliable and encountering more difficulties” than the one at OKC-Reno. (D.I. 398, ex. 38

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at 12-13) For his part, Mr. Moyer recalled that the system may have been “fully operational” as of “October 2001” but then later may have encountered some “issues with reliability or calibration” that “constantly required them to bring in the field chemist to resolve[.]” (*Id.*, ex. 2 at 124-25) Similarly, Mr. Howerton surmised that the reference to “fully operational” in the documents cited by Sunoco may be to “improvements that [Rod Lawrence] wanted made[.]” (*Id.*, ex. 4 at 136) A jury should be free to weigh all of this evidence, including witness testimony, and reach its own conclusion as to whether Williams reduced its automated blending system to practice by October 2001.

2. Diligence

Next, in order to survive summary judgment on Sunoco’s Motion regarding OKC-Reno, Defendants must demonstrate a genuine dispute of fact as to whether Williams exercised reasonable diligence from the time just prior to August 1999 (the purported conception date for the Sunoco inventors)¹¹ until October 2001 (the date that Defendants contend that Williams reduced an automated blending system to practice). (D.I. 379 at 15,

11. Defendants assert that there is a genuine dispute as to when the critical period starts, arguing that the evidence cited by Sunoco in support of its August 1999 conception date is wanting. (D.I. 397 at 16 n.7) However, because the Court finds that the record demonstrates a genuine dispute of fact as to whether Williams exercised diligence in reducing its automated blending system to practice during the August 1999 to October 2001 time period, it need not resolve this dispute in order to recommend denial of Sunoco’s Motion in this regard.

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21) The Federal Circuit has explained that “determining whether the required ‘reasonable diligence’ . . . has been satisfied is a case specific inquiry” and a “standard task for juries[.]” *Monsanto*, 261 F.3d at 1367, 1369 (citation omitted).

Sunoco points to two reasons why Defendants assertedly cannot establish diligence during the critical period. The Court, however, finds a genuine dispute of fact regarding diligence as to both grounds.

First, Sunoco argues that Defendants cannot show diligence because: (1) Williams could have installed an automated system by December 2000 at Tulsa (2) but it did not because it thought that an automated system would be more useful at OKC-Reno (3) where it delayed installing such a system until October 2001. (D.I. 379 at 21-25; D.I. 409 at 12) The Court does not agree that the record could only support such a conclusion.

As explained above, in February 1999 a Williams engineer circulated an internal memo detailing a proposed fully automated system to be installed at OKC-Reno. (D.I. 398, ex. 5 at MAG-SUN_00000608) OKC-Reno did not have an existing blending butane system at this time, so extensive (and expensive) construction and renovation at the site was required. (D.I. 399, ex. A at ¶¶ 114-18; *id.*, ex. B at ¶¶ 78-79; D.I. 398, ex. 7 at MAG-SUN_00001164-67, MAG-SUN_00001218-19) While the pipeline system at OKC-Reno was under construction, Williams acquired and installed a Grabner on a pipeline at another site—Tulsa—by the fall of 1999 for testing (because Williams

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had not used a Grabner before). (D.I. 398, ex. 3 at MAG-SUN_00001137, MAG-SUN_00001147; *id.*, ex. 2 at 21-22, 243-46; *id.*, ex. 4 at 14-15, 22-24) By December 2000, the testing at Tulsa had proved successful, with the PLC able to calculate the blend ratio based on RVP measurements received from the Grabner. (D.I. 399, ex. A at ¶ 113) According to Sunoco, these facts show that “Williams *could have* reduced an automated system to practice in December 2000 at Tulsa, but did not until October 2001 after the ‘complete overhaul’ of OKC-Reno.” (D.I. 409 at 11 (emphasis in original))

“[T]he point of the diligence analysis . . . is to assure that, in light of the evidence as a whole, the invention was not abandoned or *unreasonably delayed*.” *Perfect Surgical Techniques, Inc.*, 841 F.3d at 1009 (internal quotation marks and citation omitted) (emphasis added). Diligence does not require an inventor to “take the most expeditious course.” *Stamicarbon BV v. Sepracor, Inc.*, No. Civ.A. 97-8-GMS, 2001 WL 253118, at *7 (D. Del. Mar. 12, 2001) (citation omitted). The Court agrees with Defendants that a jury could find Williams’ testing of the Grabner at Tulsa to be “one in a series of steps (that each took time and effort to accomplish) that went into bringing a fully automated butane blending system online *at OKCReno*” (and thus to not find it to be evidence of a *lack* of diligence of reducing the invention to practice *at Tulsa*). (D.I. 397 at 19 (emphasis added)) After all, the Grabner does not constitute the whole of the asserted claims; therefore, testing it was simply “one piece of the blending system[,]”—i.e., one piece of Williams’ goal to “build an entire blending system designed in the first

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instance to be automated.” (*Id.* at 21; *see also, e.g.*, D.I. 398, ex. 5 at MAG-SUN_0000609-11 (describing proposed automated blending system at OKC-Reno))¹² And in this vein, a jury could further find that Williams’ additional work to get the OKC-Reno system up and running did not constitute unreasonable delay. Therefore, summary judgment is inappropriate on this ground.¹³

Second, Sunoco asserts that Defendants fail to present any evidence for activity occurring during two separate

12. In contrast, in *Fageol v. Midboe*, 56 F.2d 867 (C.C.P.A. 1932), which Sunoco incorrectly identifies as “exactly like” the facts here, (D.I. 409 at 12), the court found that the inventor was not diligent in reducing the invention (relating to a dual drive for motor vehicles) to practice where the inventor spent time building a bus “which might or might not include the invention in issue[,]” 56 F.2d at 1121-22.

13. *Cf. Scott v. Koyama*, 281 F.3d 1243, 1247-48 (Fed. Cir. 2002) (finding that the Board of Patent Appeals and Inferences of the United States Patent and Trademark Office improperly excluded as evidence of diligence to reduction to practice activity performed for the purpose of building a manufacturing plant to practice the process of the count, as while “these preparations for manufacture were not of themselves an actual reduction to practice of the claimed process, the preparations were all directly aimed at achieving actual practice of the process on a large scale in the United States”); *Watkins v. Wakefield*, 443 F.2d 1207, 1209-10 (C.C.P.A. 1971) (finding that the first inventor was amply justified for foregoing possible earlier tests on a simulated wellhead “in favor of the far more meaningful procedure of testing the assembly under actual operating conditions” where “the involved device was conceived and designed to be used in a rather unique environment as an element of a large and complex installation”).

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timeframes in the critical period (1) February 2000 to August 2000; and (2) December 2000 to June 2001—and that its motion may be granted for this alternative reason. (D.I. 379 at 25-26) The Federal Circuit, however, has explained that Williams is “not required to corroborate every day” it worked on reducing the automated system to practice at OKC-Reno, particularly when “the record indisputably shows that activities must have occurred within the relevant timeframe.” *Perfect Surgical Techniques, Inc.*, 841 F.3d at 1010. And a jury assessing this record could indeed conclude as much.

With respect to the first period (February 2000 to August 2000), Williams ordered a second Grabner to install at OKC-Reno on February 14, 2000. (D.I. 398, ex. 13 at MAG-SUN_00000570; *id.*, ex. 2 at 27, 80-81) Additional documents demonstrate that Williams was waiting for components of the blending system to be built and shipped in this time period. (*See id.*, ex. 14 at MAG-SUN_00006142; *id.*, ex. 15 at MAG-SUN_00006253) E-mails from March 2000 reflect a “[R]eno blending meeting” with various vendors to review vendor schedules, hydraulics, electrical connections and process control of the systems. (*Id.*, ex. 6) And Williams’ Daily Inspection Reports reflect that its contractor, OCE, worked on various parts of the OKCReno system on a near daily basis from early July 2000 through at least September 1, 2000. (*Id.*, ex. 10)¹⁴

As for the second period (December 2000 to June 2001), Williams certified design data relating to the butane

14. In light of this evidence, the Court does not understand Sunoco’s assertion that “Defendants still do not identify any work being performed in the first period[.]” (D.I. 409 at 13 n.15)

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bullet tanks in March 2001. (D.I. 398, ex. 8 at MAG-SUN_00000509) And Williams' contractor sent Williams an invoice for work performed in April 2001. (*Id.*, ex. 7 at MAG-SUN_00001240)

To be sure, there do seem to be time gaps in the evidentiary record during these periods. And it certainly seems possible that a jury could ultimately conclude that Defendants have not shown, by clear and convincing evidence, that Williams was continuously diligent in reducing its invention to practice at OKC-Reno. But the Federal Circuit has also cautioned that the “point of the diligence analysis is not to scour the [asserted first inventor’s] corroborating evidence in search of intervals of time where the [asserted first inventor] has failed to substantiate some sort of activity.” *Perfect Surgical Techniques, Inc.*, 841 F.3d at 1009; *see also, e.g., Stamicarbon BV*, 2001 WL 253118, at *7 (“[E]vidence of constant effort is not required to establish reasonable diligence.”). And so the Court agrees with Defendants that taking the evidence as a whole, there is a genuine dispute of material fact on this question. (D.I. 397 at 19)

3. Abandonment, Suppression or Concealment

The third issue relating to this part of the Motion involves an assessment of whether Williams abandoned, suppressed or concealed its invention at OKC-Reno. That determination is a fact-intensive inquiry. *See Checkpoint Sys., Inc. v. U.S. Int’l Trade Comm’n*, 54 F.3d 756, 761 (Fed. Cir. 1995). Public use of an invention that confers knowledge of the invention to the public can demonstrate

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public disclosure sufficient to avoid the inference of suppression or concealment. *Apotex USA, Inc. v. Merck & Co.*, 254 F.3d 1031, 1040 (Fed. Cir. 2001); *see also, e.g., Infosint, S.A. v. H Lundbeck A/S*, 612 F. Supp. 2d 405, 417-20 (S.D.N.Y. 2009).

Sunoco argues that suppression and concealment may be inferred at OKC-Reno based on Williams' unreasonable delay in making the invention publicly known after October 2001. (D.I. 379 at 26; D.I. 397 at 21 n.10; Tr. at 107-08)¹⁵ While the issue is a close one, the Court concludes that Defendants have done just enough to avoid summary judgment on this ground.

Here, Defendants point to evidence that Sunoco's inventor Larry Mattingly learned that Williams had a Grabner through Wheatland (Mr. Mattingly's contractor), who

[REDACTED] (D.I. 398, ex. 28 at 136-42; *see also id.*, ex. 29 at 47-48) [REDACTED]

[REDACTED] (*Id.*, ex. 28 at 13941, 147)

[REDACTED]. (*Id.* at 137)

In light of this and other evidence of record, a jury could reasonably conclude that "Williams did not restrict access to its systems"—not just its systems at Tulsa, but

15. Sunoco does not argue the other type of suppression or concealment with respect to OKC-Reno (i.e., that Williams intentionally suppressed or concealed the system). (*See* D.I. 379 at 26)

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also to its systems at its other blending locations, such as at OKC-Reno--and that it “did not require any confidentiality agreements with contractors or visitors, and . . . [that it] did not protect its blending systems as trade secrets.” (D.I. 397 at 22-23; *see also* Tr. at 95-99; D.I. 399, ex. A at 123; *id.*, ex. B at ¶¶ 88-94) Indeed, certain documents relating to other sites further demonstrate that Williams generally did not protect its blending systems as trade secrets. (D.I. 398, ex. 31 at MAG-SUN_00004711 (noting that the Tulsa site did not contain “Trade Secrets”); *id.*, ex. 32 at MAG-SUN_00006678 (same, as to Williams’ Allen site) Moreover, Mr. Mattingly appears to describe the Williams blending systems (including the system at OKC-Reno) in the ’686 patent, (Tr. at 100-01, 107; D.I. 397 at 23), which a jury could view as constituting further evidence that details of the Williams systems had been previously made publicly available, (D.I. 385, ex. 3 at 2:60-65 (“These systems continuously monitor the Reid vapor pressure of gasoline that is introduced to a storage tank, and blend butane with the gasoline based upon the vapor pressure measurements. These systems do not continuously monitor the Reid vapor pressure downstream of the blending operation as an integrity check.”); D.I. 399, ex. B at ¶ 92; Tr. at 99-101). Defendants’ evidence thus demonstrates a material dispute of fact with respect to suppression and concealment.¹⁶

16. The Court emphasizes again that the summary judgment issue here regarding suppression and concealment was a difficult one. On its side, Sunoco points out, for example, that: (1) there is no direct evidence that a contractor (or anyone else) actually gained access to *OKC-Reno* (as opposed to Tulsa) and viewed all aspects of the blending system there; and (2) the disclosure in the

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For the above reasons, the Court recommends that Sunoco's motion be denied with respect to the OKC-Reno system.

IV. CONCLUSION

For the foregoing reasons, the Court recommends that Sunoco's Motion be GRANTED-IN-PART and DENIED-IN-PART. Specifically, the Court recommends that Sunoco's Motion be GRANTED with respect to the TransMontaigne system and DENIED with respect to the OKC-Reno system.

This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1), and D. Del. LR 72.1. The parties may serve and file specific written objections within fourteen (14) days after being served with a copy of this Report and Recommendation. Fed. R. Civ. P. 72(b)(2). The failure of a party to object to legal conclusions may result in the loss of the right to de novo review in the district court. *See Henderson v. Carlson*, 812 F.2d 874, 878-79 (3d Cir. 1987); *Sincavage v. Barnhart*, 171 F. App'x 924, 925 n.1 (3d Cir. 2006).

'686 patent was added in 2006, not 2001. (D.I. 409 at 9-10) And Defendants' ultimate evidentiary burden is a high one. That said, viewing the evidence in the light most favorable to Defendants and drawing all reasonable inferences in Defendants' favor (as the Court must at this stage), the Court finds that a reasonable jury weighing the evidence could determine that Williams did not suppress and conceal the OKC-Reno system.

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The parties are directed to the Court's Standing Order for Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the District Court's website, located at <http://www.ded.uscourts.gov>.

Because this Report and Recommendation may contain confidential information, it has been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version (if necessary) of the Report and Recommendation. Any such redacted version shall be submitted no later than **February 11, 2020** for review by the Court, along with a motion for redaction that includes a clear, factually detailed explanation as to why disclosure of any proposed redacted material would "work a clearly defined and serious injury to the party seeking closure." *Pansy v. Borough of Stroudsburg*, 23 F.3d 772, 786 (3d Cir. 1994) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Report and Recommendation.

Dated: February 6, 2020

/s/ Christopher J. Burke
Christopher J. Burke
United States Magistrate Judge

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**APPENDIX I — MEMORANDUM ORDER OF
THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE,
FILED JANUARY 3, 2020**

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Civil Action No. 17-1390-LPS-CJB

SUNOCO PARTNERS MARKETING &
TERMINALS L.P.,

Plaintiff,

v.

POWDER SPRINGS LOGISTICS, LLC AND
MAGELLAN MIDSTREAM PARTNERS, L.P.,

Defendants.

Filed February 6, 2020

MEMORANDUM ORDER

Presently before the Court in this patent infringement action is Defendants Powder Springs Logistics, LLC (“PSL” or “Powder Springs”) and Magellan Midstream Partners, L.P.’s (“Magellan” and collectively with PSL, “Defendants”) *Daubert* motion, filed pursuant to Federal Rule of Evidence 702, which seeks to exclude the damages opinions of Plaintiff Sunoco Partners Marketing & Terminals L.P.’s (“Plaintiff” or “Sunoco”) expert Dr. Keith

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R. Ugone (the “Motion”). (D.I. 375) For the reasons that follow, the Court GRANTS Defendants’ Motion.¹

I. BACKGROUND**A. Procedural Background**

Sunoco filed the instant patent case on October 4, 2017. (D.I. 1) The case was thereafter referred to the Court to hear and resolve all pretrial matters, up to and including case-dispositive motions. (D.I. 15)

Briefing on the instant Motion was completed on November 1, 2019, (D.I. 407), and the Court held oral argument on the Motion (as well as other motions) on November 13, 2019, (D.I. 441 (“Tr.")). A 7-day trial is set to begin on March 9, 2020. (D.I. 83 at 13)

B. Factual Background**1. Overview**

In this case, Sunoco alleges that Defendants’ butane blending system, which allows Defendants to

1. Under these circumstances, where the Court grants Defendants’ Motion but will provide Sunoco an opportunity to submit a supplemental damages report, its ruling on this *Daubert* motion is a non-dispositive ruling. See *Integra LifeScis. Corp. v. HyperBranch Med. Tech., Inc.*, C.A. No. 15-819-LPS-CJB, 2018 WL 2551053, at *1 (D. Del. May 8, 2018); see also *Insight Equity v. Transitions Optical, Inc.*, No. 10-cv-635 (RGA), 2016 WL 7031281, at *1 (D. Del. Nov. 30, 2016) (“A decision granting Defendant’s *Daubert* motion and denying Plaintiff an opportunity to submit a revised damages theory would be diapositive.”).

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inject butane into gasoline product flowing through an interstate pipeline maintained by Colonial Pipeline Company (“Colonial”) at the Powder Springs facility, and Defendants’ related butane blending activities, infringe claims of United States Patent Nos. 6,679,302 (the “’302 patent”), 7,032,629 (the “’629 patent”), 9,207,686 (the ’686 patent”), 9,494,948 (the “’948 patent”) and 9,606,548 (the “’548 patent” and collectively with the other patents, “the asserted patents”). (D.I. 149 at ¶¶ 1-2, 19-25; D.I. 404, ex. 5 at ¶¶ 52, 67) Sunoco further alleges that Magellan’s blending systems and butane blending activities at nine other locations infringe claims of the asserted patents. (D.I. 149 at ¶¶ 26-33; D.I. 404, ex. 5 at ¶¶ 52, 67) The asserted patents relate to systems and methods for the blending of butane into gasoline. (*See* D.I. 171 at 1; D.I. 176 at 1)

2. Sunoco’s Acquisition of Texon Distributing L.P.’s Patents and Butane Blending Business

In 2010, Sunoco paid approximately \$140 million to acquire two of the asserted patents (the ’302 and ’629 patents)² and nearly all of the interest in Texon Distributing L.P.’s (“Texon”) butane blending business, including (but not limited to) employees, trade secrets, equipment and existing blending contracts. (D.I. 380, ex. 1 at SUN_MAG_00291109, SUN_MAG_0029115_16; D.I. 404, ex. 5 at ¶¶ 42, 46(a), 148) In a June 2010 presentation to investors relating to the acquisition, Sunoco discussed

2. Following this acquisition, Sunoco filed continuation patent applications that resulted in the ’686, ’548 and ’948 patents. (*See* D.I. 176 at 3 n.3; D.I. 376 at 3 n.3)

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the \$140 million price in connection with Texon’s “patented blend technology for sophisticated butane blending into gasoline to capture margin spread between gasoline and butane” and “turnkey, full service offering to customers.” (D.I. 404, ex. 5 at ¶ 148 (internal quotation marks and citation omitted))³

3. Sunoco’s Butane Supply Agreements

Following the 2010 acquisition of Texon, Sunoco entered into contracts called “butane supply agreements” with third party terminal operators. (*See id.* at ¶ 104) Pursuant to these agreements, Sunoco provides [REDACTED]. (*Id.*; *see also* D.I. 378, ex. A at ex. 3) That is not all that Sunoco provides. Pursuant to

3. At the time of the acquisition, the ’302 and ’629 patents (as well as a third patent not asserted in this case) were held by MCE Blending, LLC (“MCE Blending”), [REDACTED]. (D.I. 380, ex. 1 at SUN_MAG_0029300; *id.*, ex. 2 at 30-31; D.I. 404, ex. 5 at ¶ 45(b)(c)) [REDACTED]. (DI 380, ex. 2 at 30-31; D.I. 404, ex. 5 at ¶ 45(b)) As part of the \$140 million acquisition of Texon, [REDACTED]. (D.I. 380, ex. 1 at SUN_MAG_0029298; *see also* D.I. 404, ex. 5 at ¶ 42) MCEC and Texon were also parties to a [REDACTED] and as a result of the [REDACTED] in accordance with the [REDACTED]. (D.I. 380, ex. 1 at SUN_MAG_0029298; D.I. 404, ex. 1 at ¶ 37(b)(ii); D.I. 404, ex. 3 at 296; D.I. 404, ex. 15 at 215-16)

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these agreements, Sunoco additionally constructs and installs the butane blending system, supplies butane to the terminal and provides various maintenance and support services. (D.I. 404, ex. 5 at ¶ 104; *see also* D.I. 380, ex. 5 at SUN_MAG_0026822) Sunoco’s former Vice President of Refined Products, James Myers, testified with respect to these agreements that Sunoco provides its butane blending customers “a basket of services to make it as easy as possible” on them; to that end, Sunoco does “all the design, the engineering, the construction . . . all the maintenance of the systems. We . . . supply the butane. We do some regulatory over[.]sight support. . . . [W]e do hedging.” (D.I. 380, ex. 6 at 53-54; *see also id.*, ex. 7 at SUN_MAG_0039252) In exchange, Sunoco receives a percentage of the profits from blending butane. (D.I. 404, ex. 5 at ¶ 106) Sunoco’s “general objective” is to share evenly in the profits derived from butane blending with the terminal operator. (*Id.*; *see also id.* at ¶ 80; D.I. 378, ex. A at ex. 3)

4. Defendants’ Accused Blending Systems

Magellan designed and installed its own butane blending systems at the ten terminals that are accused by Sunoco of infringement in this case. (D.I. 149 at ¶ 26; D.I. 271 at ¶ 26; D.I. 404, ex. 5 at ¶¶ 52, 176) In 2012 and 2013, Magellan and Sunoco competed for the installation of an automated butane blending system on Colonial’s pipeline. (D.I. 404, ex. 5 at ¶ 176; *id.*, ex. 12 at 149; *id.*, ex. 21 at 24)⁴ Colonial ultimately awarded the contract to

4. In the course of this bidding process, Sunoco touted to Colonial its “Turn-Key Butane Blending Offering” which

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Magellan. (*Id.*, ex. 5 at ¶ 176; *id.*, ex. 21 at 94-95) During the negotiations, Magellan had projected that the overall net present value of the project was greater than ██████████. (*Id.*, ex. 5 at ¶¶ 173, 176)

Pursuant to the contract, Magellan and Colonial formed PSL, which became operational in 2017. (D.I. 271 at ¶ 20; D.I. 404, ex. 5 at ¶ 49) PSL has blended approximately ██████████ barrels of butane into gasoline and earned approximately ██████████. (D.I. 404, ex. 5 at ¶ 173 (Table 30); *see also* D.I. 403 at 6) At the other nine terminals accused of infringement, Magellan has blended ██████████ gallons of butane into gasoline and earned profits of approximately ██████████ from 2011 through 2018. (D.I. 404, ex. 5 at ¶¶ 110, 114 (Tables 19 and 20); *see also* D.I. 403 at 6)

II. DISCUSSION

A. Legal Standard

Rule 702 of the Federal Rules of Evidence governs the admissibility of qualified expert testimony, providing that an expert witness may testify if: “(a) the expert’s scientific, technical, or other specialized knowledge will

includes: (1) proprietary blending systems including technology, patents and design and construction; (2) customized design and engineering; (3) financial options such as butane/gasoline hedges and capital investment; (4) butane certification and distribution; (5) regulatory compliance; and (6) customer service. (D.I. 380, ex. 8 at SUN_MAG_0044058)

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help the trier of fact to understand the evidence or to determine a fact in issue; (b) the testimony is based on sufficient facts or data; (c) the testimony is the product of reliable principles and methods; and (d) the expert has reliably applied the principles and methods to the facts of the case.” Fed. R. Evid. 702. Rule 702’s requirements were examined in detail in *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579 (1993), and have been said to embody “three distinct substantive restrictions on the admission of expert testimony: qualifications, reliability, and fit.” *Elcock v. Kmart Corp.*, 233 F.3d 734, 741 (3d Cir. 2000); see also *B. Braun Melsungen AG v. Terumo Med. Corp.*, 749 F. Supp. 2d 210, 222 (D. Del. 2010).

As to this Motion, at issue is the reliability and “fit” of the proposed expert testimony. With regard to the requirement of reliability, Rule 702 mandates that the relevant expert testimony “must be supported by appropriate validation—i.e., ‘good grounds,’ based on what is known.” *Daubert*, 509 U.S. at 590; see also *Schneider ex rel. Estate of Schneider v. Fried*, 320 F.3d 396, 404 (3d Cir. 2003). Such testimony should amount to “more than subjective belief or unsupported speculation[,]” and a court’s focus in examining this factor must be on “principles and methodology” rather than on the expert’s conclusions. *Daubert*, 509 U.S. at 590, 595; see also *Daddio v. Nemours Found.*, 399 F. App’x 711, 713 (3d Cir. 2010). As to the “fit” requirement, it “goes primarily to relevance” as the testimony must “assist the trier of fact to understand the evidence or to determine a fact in issue” and have “a valid . . . connection to the pertinent inquiry as a precondition to admissibility.” *Daubert*, 509 U.S. at

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591-92 (internal quotation marks and citations omitted); *see also Schneider*, 320 F.3d at 404. The standard for fit, however, is “not high; it is met when there is a clear ‘fit’ connecting the issue in the case with the expert’s opinion that will aid the jury in determining an issue in the case.” *Meadows v. Anchor Longwall & Rebuild, Inc.*, 306 F. App’x 781, 790 (3d Cir. 2009) (citations omitted).⁵

B. Analysis

Defendants’ challenge relates to the issue of apportionment in the damages context. Thus, the Court will first summarize the relevant law in this area. Thereafter, it will go on to assess Dr. Ugone’s damages opinion and address the underlying merit of Defendants’ Motion.

1. Relevant Law Regarding Damages and Apportionment

Upon a finding of infringement of a valid patent, a patentee is entitled to damages “adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer[.]”

5. The Court has fairly wide discretion in determining whether to admit or exclude expert testimony. *See Pineda v. Ford Motor Co.*, 520 F.3d 237, 243 (3d Cir. 2008). Overall, “Rule 702 embodies a ‘liberal policy of admissibility.’” *B. Braun*, 749 F. Supp. 2d at 222 (quoting *Pineda*, 520 F.3d at 243). The burden is placed on the party offering expert testimony (here, Sunoco) to show that it meets each of the standards for admissibility. *Id.* (citing *Daubert*, 509 U.S. at 592 n.10).

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35 U.S.C. § 284. The purpose of compensatory damages in patent cases is “not to punish the infringer, but to make the patentee whole.” *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1223 (Fed. Cir. 1995). To that end, under 35 U.S.C. § 284 (“Section 284”), damages awarded for patent infringement “must reflect the value attributable to the infringing features of the product, and no more.” *Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys., Inc.*, 809 F.3d 1295, 1301 (Fed. Cir. 2015) (internal quotation marks and citation omitted).

Generally, there are two alternative types of compensatory damages that may be recovered in a patent case: (1) the patentee’s lost profits; or (2) the “reasonable royalty [the patentee] would have received through arms-length bargaining.” *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009). The United States Court of Appeals for the Federal Circuit has explained that “apportionment is an important component of damages law generally, and . . . it is necessary in both reasonable royalty and lost profits analysis.” *Mentor Graphics Corp. v. EVE-USA, Inc.*, 851 F.3d 1275, 1287 (Fed. Cir. 2017); *see also Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1226 (Fed. Cir. 2014) (“Indeed, apportionment is required even for non-royalty forms of damages[.]”).

More specifically, with regard to reasonable royalty damages, “[a] patentee is only entitled to a reasonable royalty attributable to the infringing features” and therefore “[t]he patentee ‘must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature

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and the unpatented features.” *Power Integrations, Inc. v. Fairchild Semiconductor Intl, Inc.*, 904 F.3d 965, 977 (Fed. Cir. 2018) (quoting *Garretson v. Clark*, 111 U.S. 120, 121 (1884)); *see also Elbit Sys. Land and C4I Ltd. v. Hughes Network Sys., LLC*, 927 F.3d 1292, 1301 (Fed. Cir. 2019) (“[T]he apportionment requirement [dictates] that a royalty should reflect the value of patented technology.”); *Ericsson*, 773 F.3d at 1226 (“As a substantive matter, it is the ‘value of what was taken’ that measures a ‘reasonable royalty’ under [Section] 284.”) (internal quotation marks and citation omitted). And as for lost profits damages, a patentee generally applies a four-factor test articulated in *Panduit Corp. v. Stahlin Brothers Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978) (the “Panduit factors”) to demonstrate its entitlement to such damages. The Federal Circuit has explained that “[i]f the application of the *Panduit* factors does not result in the separation of profits attributable to the patented device and the profits attributable to [non-patented features], it appears that apportionment is necessary.” *WesternGeco L.L.C. v. ION Geophysical Corp.*, 913 F.3d 1067, 1073 (Fed. Cir. 2019).

A narrow exception to the general rule requiring apportionment is the entire market value rule. *LaserDynamics, Inc. v. Quanta Comput., Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012). The entire market value rule “permits recovery of damages based on the value of a patentee’s entire apparatus containing several features when the patent related feature is the basis for customer demand.” *Zimmer Surgical, Inc. v. Stryker Corp.*, 365 F. Supp. 3d 466, 491 (D. Del. 2019) (applying entire market value rule to lost profits damages analysis); *see also LaserDynamics,*

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694 F.3d at 67 (“In effect, the entire market value rule acts as a check to ensure that [reasonable] royalty damages being sought under [Section] 284 are in fact ‘reasonable’ in light of the technology at issue.”). In order to satisfy the entire market value rule, a patentee must “present evidence showing that the [patented feature] drove demand for the [entire apparatus] [;] [i]t is not enough to merely show that the [patented feature] is viewed as valuable, important, or even essential to the use of the [entire apparatus].” *Id.* at 68.

2. Dr. Ugone’s Damages Opinion

In this case, Sunoco seeks lost profits damages, and alternatively, reasonable royalty damages. (D.I. 404, ex. 5 at ¶¶ 71, 72, 117) To calculate both lost profits damages and reasonable royalty damages, Sunoco’s damages expert, Dr. Ugone, relied upon Sunoco’s butane supply agreements. (*Id.* at ¶¶ 71, 195) In connection with lost profits damages, Dr. Ugone explained that “Sunoco is seeking lost profits damages *associated with its lost butane supply agreements* with Magellan and Colonial.” (*Id.* at ¶ 71 (emphasis added)) Dr. Ugone assumed that absent Defendants’ alleged infringement, Defendants and Sunoco would have agreed to enter into a similar butane supply agreement; he then applied the profit-sharing arrangements from Sunoco’s other butane supply agreements to the profits Defendants made using the accused systems. (*Id.* at ¶¶ 103, 110) And similarly with respect to reasonable royalty damages, Dr. Ugone opined that Sunoco’s lost opportunity cost was equal to a lost butane supply agreement; he concluded that Sunoco

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would not accept a royalty for anything less than it would have received from such an agreement. Accordingly, he concluded that Sunoco would have sought a [REDACTED] profit-sharing arrangement and he opined that the proper royalty rate is at least [REDACTED]. (*Id.* at ¶¶ 137-42, 193-200; D.I. 380, ex. 13 at 135, 142, 148-149)

As described above, it is undisputed that under Sunoco's butane supply agreements, Sunoco not only licenses its patents but also provides its customers with "a basket of services" beyond those licenses with respect to butane blending. (D.I. 380, ex. 6 at 53-54; D.I. 408, ex. 2 at 121-22; Tr. at 133) Dr. Ugone's report acknowledges this. (D.I. 380, ex. 4 at ¶ 104; Tr. at 119) And Dr. Ugone also acknowledges that the non-patented services provided under the butane supply agreements "lead to increased total profits earned from butane blending." (D.I. 380, ex. 4 at ¶ 22(e); D.I. 408, ex. 2 at 125-26 (Dr. Ugone agreeing that the provision of a butane supply source provided advantages to customers)) Dr. Ugone opined that in the hypothetical negotiation between Sunoco and Defendants, Defendants would negotiate for a bare license to the patents (and not for the additional services provided by the butane supply agreements). (D.I. 380, ex. 4 at ¶¶ 21(e), 22(f) n.16, 128(f); Defendants' Summary Judgment and Daubert Hearing Presentation, Slide DDX-149) Nevertheless, he concluded that Defendants "would be willing to pay the same royalty as Sunoco's" customers with a butane supply agreement. (D.I. 380, ex. 13 at 142-43)

*Appendix I***3. Dr. Ugone’s Opinion Fails to Apportion the Value of the Patents From the Remainder of the Services Provided Pursuant to the Butane Supply Agreements**

With their Motion, Defendants assert that Dr. Ugone’s opinions are unreliable (and therefore must be excluded under *Daubert*) because he ignored “blackletter damages law that, *in every case*, the patentee must apportion damages so it only receives damages tied to its claimed invention.” (D.I. 376 at 1-2 (certain emphasis in original)) According to Defendants, while Dr. Ugone looked to Sunoco’s butane supply agreements to set the royalty rate for the parties’ hypothetical negotiation and to calculate lost profits, he failed to calculate the value of the patents alone—as compared to the value of the remainder of the “basket of services” undisputedly provided by Sunoco pursuant to these butane supply agreements—in arriving at that rate. (D.I. 376 at 1-2, 9-13; D.I. 407 at 1-2, 5-6) Nor did Dr. Ugone demonstrate that the patents drive the demand for the butane supply agreements, which (according to Defendants) he must do in order for this failure of apportionment to be excused here. (D.I. 376 at 1, 12-13)⁶

6. Defendants further argue that Dr. Ugone’s opinions should be excluded because he failed to “fit” his damages analysis to the facts of the case. That is, because Dr. Ugone opines that Defendants would be willing to pay the same rate as Sunoco’s other butane supply agreement customers—despite the fact that Defendants would only be negotiating for a bare license to the patents-in-suit (and not for other services typically provided in those agreements)—Defendants argue that Dr. Ugone’s damages

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Sunoco makes a few arguments in response. None are persuasive.

First, Sunoco briefly suggests that the facts of this case are different from the “typical case that requires apportionment[.]” such that apportionment of the kind called for by Defendants is not required here. (Tr. at 127, 149-50; *see also* D.I. 403 at 8) Those “typical case[s]” involve accused products made up of multiple components, where not every such component reads on the patent claims being asserted in the case. (Tr. at 127-28; D.I. 403 at 8) For example, in *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011), the asserted claim recited a software registration system to deter copying of software, and the accused product was Microsoft’s Product Activation feature, which acted as a gatekeeper to Microsoft’s Word XP, Word 2003, and Windows XP software programs. *Id.* at 1296-97. The Federal Circuit held that the district court did not abuse its discretion in granting a new trial on damages, where the plaintiff’s damages expert applied a royalty rate to the total revenue of Microsoft Office and Windows products as a “check” to determine whether his damages calculation was appropriate, despite the fact that the asserted patent only covered one component of that software. *Id.* at 1311. It was undisputed that the claimed component of the Microsoft Office and Windows products (the Product Activation feature) did not create the basis for customer demand for those products. *Id.* at 1319. Thus,

analysis does not “match the facts of the case[.]” (D.I. 376 at 13) Because the Court agrees with Defendants’ first basis for exclusion (i.e., lack of a reliable methodology), it need not further assess this independent ground for exclusion.

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the *Uniloc* Court concluded that it was improper to award damages based on Microsoft's entire revenue from all the accused products in the case. *Id.* at 1319-21.

Here, Sunoco notes that, in contrast to the facts of cases like *Uniloc*, Defendants' accused product does not constitute "a small, distinct feature" of a larger product. (Tr. at 128) Instead, Sunoco is asserting that "each [of Defendants'] accused butane blending system as a whole infringes the patents in suit[.]" (*Id.*) It thus argues that Dr. Ugone need not concern himself with an "apportionment" requirement under these circumstances. (*Id.* at 128, 150)

It is true that the present facts are not the same as those in cases like *Uniloc*. However, the Court is not persuaded that an expert needs to "apportion" damages only in situations where a defendant's accused product is made up of multiple components, only some of which infringe. After all, the concept of apportionment is meant to ensure that a patentee is awarded damages adequate to compensate for the defendant's *infringement*, such that damages are tied to the scope of the claimed invention. *Cf. ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010) ("At all times, the damages inquiry must concentrate on compensation for the economic harm caused by infringement of the claimed invention."); *Trell v. Marlee Elecs. Corp.*, 912 F.2d 1443, 1447 (Fed. Cir. 1990) ("[A] particular fee is not the correct measure of damages unless that which is provided by the patentee to its licensees for that fee is commensurate with that which the defendant has appropriated.") (internal quotation marks and citation omitted). Dr. Ugone relies on Sunoco's

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butane supply agreements as the basis for his suggested rates, and he applies a rate equal to the *entire value* of the agreements. Yet because the agreements indisputably do not cover the patents alone, and instead also provide Sunoco's customers with a host of additional services that also have value, Dr. Ugone was required to analyze those agreements and apportion: (a) the value attributable to the patent license rights from (b) the value attributable to the additional "basket of services" provided by the agreements. In only that way could one ensure that Dr. Ugone's ultimate damages calculations are tied to the actual scope of the claimed invention.⁷

7. See, e.g., *Mondis Tech. Ltd. v. LG Elecs., Inc.*, — F. Supp. 3d —, 2019 WL 4894363, at *5, *8 (D.N.J. Sept. 24, 2019) (vacating a jury's compensatory damages award where plaintiff's damages expert based its damages case on a set of license agreements but "[n]one of these licenses can be said to have apportionment built in" as none of them "reflects the value attributable to the features of the product which infringe claims 14 and 15 of the '180 patent, and no more"); *VirnetX Inc. v. Apple Inc.*, 324 F. Supp. 3d 836, 849-52 (E.D. Tex. 2017) (rejecting defendant's argument that plaintiff's expert's damages model, which relied on the plaintiff's licensing policy, failed to apportion the incremental value that the patented invention added to the end product, where the evidence demonstrated that companies paid an apportioned value to plaintiffs under the licenses for the patented technology such that the real-world market had already done the required apportionment analysis); *In re Maxim Integrated Prods., Inc. MDL No. 2354*, Master Docket Misc. No. 12-244, 2015 WL 5311264, at *7 (W.D. Pa. Sept. 11, 2015) (rejecting the defendant's argument that plaintiff's opinion failed to apportion damages for unpatented features and features already licensed to defendant through other licenses, where the plaintiff's licenses that formed the basis of the expert's damages opinion inherently allocated

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Second, Sunoco asserts that even assuming that it is required to apportion the value of the patents from the value provided by the remainder of the butane supply agreements, Dr. Ugone *did* perform such apportionment throughout his opinion. (D.I. 403 at 9-10) According to Sunoco, Dr. Ugone “apportioned the Patents” in connection with his analyses of the Panduit factors for lost profits damages) and the factors set out in *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (for reasonable royalty damages). (D.I. 403 at 9 (citing D.I. 404, ex. 5 at ¶¶ 79-80, 82-88, 90-91, 132-36, 143-47, 161-63, 172-74, 189-90); Sunoco’s Response to Defendants’ Motion To Exclude Hearing Presentation, Slides 12, 15) The problem with this argument, however,

value to plaintiff’s patented technology); *Skyhook Wireless, Inc. v. Google, Inc.*, CIVIL ACTION NO. 10-11571-RWZ, 2015 WL 13620764, at *9 (D. Mass. Feb. 18, 2015) (rejecting defendant’s argument that plaintiff’s damages expert failed to apportion his royalty rate to isolate the value of the asserted patents from other things included in the product licenses that formed the basis for the expert’s opinions, because the expert expressly stated that the average-per-unit rate from the licenses needed to be further apportioned to reflect the value of the asserted patents within the plaintiff’s technology/product license fee, and where the expert made discounts for the value of the services included with the product licenses and the relative importance of the patents to the product licenses); *cf. Ultratec, Inc. v. Sorenson Commc’ns Inc.*, No. 13-cv-346-bbc, 2014 WL 5080411, at *1-3 (W.D. Wis. Oct. 9, 2014) (finding that plaintiff’s damages expert’s reliance on supply agreements that included much more than patent licenses was not unreliable, where the expert made adjustments to the overall royalty rate in light of the portions of the agreements that covered components beyond the asserted patents; thus, the expert appropriately considered the differences between the agreements and the more basic hypothetical patent licenses).

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is that while Dr. Ugone's report may attempt to value the patents generally, or explain why there was demand for the patented product in general, he never engages in an apportionment analysis in which he assesses the *value of the patents in relation to the other many aspects of the butane supply agreements* on which his damages calculation rates are based. (D.I. 407 at 5-6)

It is true that an expert's analysis of the *Panduit* factors relating to lost profits can incorporate the value attributable to a patented feature, (*id.* at 5), when those factors have been applied to assess demand for a patented system itself, *see Mentor Graphics Corp.*, 870 F.3d at 1300 (finding that further apportionment beyond consideration of the *Panduit* factors was not required, where it was "undisputed" that the patented features were what imbued the combined features that made up the emulator with marketable value). But here, Sunoco seeks "lost profits damages associated with *its lost butane supply agreements*" with Defendants. (D.I. 404, ex. 5 at 1171 (emphasis added)) Therefore, the apportionment requirement cannot be satisfied without Dr. Ugone having assessed the value of the rate attributable solely to the patent license that makes up but one portion of such agreements. (D.I. 407 at 5-6); *cf. WesternGeco L.L.C.*, 913 F.3d at 1073 ("If the application of the *Panduit* factors does not result in the separation of profits attributable to the patented device and the profits attributable to [non-patented features], it appears that apportionment is necessary.").

With respect to Dr. Ugone's *Georgia-Pacific* analysis relating to reasonable royalty, the analysis is similar.

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Again, Sunoco does not point to any portion of Dr. Ugone’s report where he “assesses the value of the patented system as compared to the value of the remaining aspects of the butane supply agreements.” (D.I. 407 at 6; *see also* Sunoco’s Response to Defendants’ Motion To Exclude Hearing Presentation, Slide 15; Tr. at 154)

And third, Sunoco argues that Dr. Ugone’s damages analysis is appropriate because he concluded “that the Patents formed the basis of the butane supply agreements[.]” (D.I. 403 at 8; *see also* Tr. at 136, 149, 152) If Dr. Ugone *could* sufficiently demonstrate that the patent licenses provided in these butane supply agreements were the key driver motivating third parties to enter into these butane supply agreements—i.e., if he were to demonstrate why the entire market value rule-equivalent applies here in the rate context—then there would not be a need to apportion the value of the patents from the butane supply agreements. (*See* D.I. 376 at 13) But Sunoco’s answering brief cites to nothing that actually supports the assertion that Dr. Ugone engaged in this analysis. (*See* D.I. 407 at 3; Tr. at 154) Instead, in claiming that Dr. Ugone conducted this type of analysis, Sunoco’s brief simply cites to deposition testimony regarding the extent to which “the [p]atents drove the \$140 million valuation for Sunoco” with regard to the Texon acquisition. (D.I. 403 at 8 (citing *id.* at 4)) But this is an entirely separate issue from a conclusion that the patents drive demand *for the butane supply agreements* that Sunoco enters into with its customers. (*See* D.I. 407 at 3 & n.3)⁸

8. In support of its assertion that the patents drive the entire value of the butane supply agreements, Sunoco points to

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The reason why Sunoco's brief is wanting in this regard is that Dr. Ugone, in fact, did not conduct any such analysis.⁹ Indeed, Dr. Ugone opines in his report that in a hypothetical negotiation, Sunoco itself would be emphasizing non-patented benefits (such as reduced

the circumstances relating to Magellan's own purchase of the Perimeter terminal. (D.I. 403 at 5; Tr. at 148) The Perimeter terminal utilized a patented blending system. (D.I. 404, ex. 5 at ¶ 106 n.230; *id.*, exs. 18-19) Despite already possessing butane supply and logistics and having no need for construction, maintenance, operations or other services provided by Sunoco's butane supply agreements, Magellan assumed Perimeter's butane supply agreement with Sunoco. (*Id.*, exs. 18-19) However, this fact does not remedy Dr. Ugone's failure to apportion. That is because Dr. Ugone does not use Magellan's acquisition of the existing Perimeter butane supply agreement as part of any apportionment analysis; indeed, Dr. Ugone's report makes only a passing mention (in a footnote) of the fact that this Perimeter agreement even existed. (D.I. 407 at 5 (citing D.I. 404, ex. 5 at ¶ 106 n.230))

9. In a slide presentation Sunoco handed up during oral argument, Sunoco points to a portion of Dr. Ugone's report in which he opines that during the hypothetical negotiation, Sunoco would assert (and Defendants would accept) that "the patented technology is the principal driver of demand for Sunoco's butane supply agreements, which encompass a wide array of convoyed sales, such as maintenance and support services for the licensed blending services." (Sunoco's Response to Defendants' Motion To Exclude Hearing Presentation, Slide 19 (citing Ugone Appendix A at 7); Tr. at 138-39) Sunoco did not cite to this portion of Dr. Ugone's report in its answering brief, nor did it include this portion of the report as an exhibit in support of its brief. (D.I. 403; D.I. 404) And this conclusory statement, without more, does nothing to persuasively demonstrate that the patents indeed drove demand for the butane supply agreements at issue.

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supply costs and increased efficiency) that arise from a “broader supply agreement commercial relationship” which lead to increased total profits. (D.I. 404, ex. 5 at ¶ 22(e); Tr. at 153) Thus, Sunoco has not pointed to any portion of Dr. Ugone’s expert report in which he clearly articulates why the value of the licensed patents drive demand for Sunoco’s customers to enter into these butane supply agreements.¹⁰

III. CONCLUSION

In sum, the Court agrees that Dr. Ugone’s opinion is unreliable because: (1) he failed to apportion the value of the patents from the value of the remainder of the “basket of services” provided by the butane supply agreements that underpin his damage calculations; and (2) he failed to otherwise demonstrate that no such apportionment is required, because the patented technology is the driver for customers to enter into those agreements. Accordingly, the Court excludes Dr. Ugone’s damages report.

10. In its answering brief, Sunoco points to certain deposition testimony as indicating that the patents do drive demand in this way. (D.I. 403 at 5 (citing D.I. 404, ex. 7 at 114, 220-21; *id.*, ex. 10 at 163-64)) But Sunoco does not include any citation to a portion of Dr. Ugone’s report in which Dr. Ugone actually referenced this testimony. Similarly, during oral argument, Sunoco’s counsel contended that all of the other services beyond the patent licenses provided by the butane supply agreements simply allow the terminal operators to use the accused system and maximize their blending opportunity. (Tr. at 143) Whatever the merit of this argument, it is just that—attorney argument. Again, Sunoco points the Court to no portion of *Dr. Ugone’s report* wherein its expert himself makes this point.

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The Court further orders that Sunoco be provided an opportunity to present a supplemental expert damages report to address the deficiencies in Dr. Ugone's analysis, based on facts currently in the record. If Sunoco serves such a report, Sunoco shall make Dr. Ugone available for a short deposition. Defendants may also file a rebuttal damages report addressing Dr. Ugone's supplemental report.

For the foregoing reasons, the Court GRANTS Defendants' Motion. To the extent that Sunoco wishes to serve a supplemental expert damages report, it shall do so by no later than **January 20, 2020**. The parties shall meet and confer to agree on a schedule for any related deposition and rebuttal damages report.

Because this Memorandum Order may contain confidential information, it has been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version (if necessary) of the Memorandum Order. Any such redacted version shall be submitted no later than **January 8, 2020**, for review by the Court, along with a motion for redaction that includes a clear, factually detailed explanation as to why disclosure of any proposed redacted material would "work a clearly defined and serious injury to the party seeking closure." *Pansy v. Borough of Stroudsburg*, 23 F.3d 772, 786 (3d Cir. 1994) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Memorandum Order.

Dated: January 3, 2020

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/s/ Christopher J. Burke
Christopher J. Burke
United States Magistrate Judge