

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

CARNEGIE MELLON UNIVERSITY,)	
)	
Plaintiff,)	
v.)	Civil Action No. 2:09-cv-00290-NBF
)	
MARVELL TECHNOLOGY GROUP, LTD.,)	
and MARVELL SEMICONDUCTOR, INC.,)	
)	
Defendants.)	

**PLAINTIFF CARNEGIE MELLON UNIVERSITY’S REPLY BRIEF IN SUPPORT OF
ITS MOTION FOR PREJUDGMENT AND POST-JUDGMENT INTEREST**

I. INTRODUCTION

“[P]rejudgment interest should ordinarily be awarded. In the typical case [it]... is necessary to ensure that the patent owner is placed in as good a position as he would have been had the infringer entered into a reasonable royalty agreement.” *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655-56 (1983). CMU’s request for compound prejudgment interest is supported by the facts of this case and ample legal authority, much of it controlling. In response, Marvell misstates or ignores critical facts; ignores applicable cases from this district; and proffers a laundry list of cases from other jurisdictions awarding the lowest possible rate of prejudgment interest without even attempting to show that those cases are factually analogous. Marvell’s arguments do not justify denying CMU prejudgment interest based on the Pennsylvania statutory rate, CMU’s rate of investment return, or the prime rate, compounded quarterly.

II. ARGUMENT

A. The Court Should Award Prejudgment Interest Because Any “Delay” Did Not Prejudice Marvell and Was Due to Marvell’s Secrecy

In addition to misstating the facts by asserting that CMU “was silent” regarding its infringement allegations “for a *decade*” before bringing suit,¹ Marvell overstates both Supreme Court and Federal Circuit precedent in arguing that mere delay alone can justify denial of prejudgment interest. *See* Dkt. 836 at 2 (“Undue delay in bringing suit is a recognized justification for declining to award prejudgment interest”) (citing *Gen. Motors*, 461 U.S. at 657). Marvell not only overstates the holding of *General Motors*,² but it also ignores several more

¹ Dkt. 836 at 3 (emphasis in original). As set forth in CMU’s briefing on laches, Dkt. 823 at 9-15, CMU did not unreasonably delay filing this lawsuit. Moreover, the facts contradict Marvell’s allegation regarding delay. *See, e.g., id.* at 1-3.

² *General Motors* suggested that under some circumstances it *might* be appropriate to limit or deny prejudgment interest on grounds of, *e.g.*, delay, but left to future cases to articulate those circumstances. *Gen. Motors*, 461 U.S. at 657 (emphasis added) (stating that “for example, it *may* be appropriate to limit prejudgment interest, or perhaps even deny it altogether, where the patent owner has been responsible for undue delay.... [but] we need not delineate” the circumstances in which it might be appropriate) (emphasis added). As set forth below, the Federal Circuit has since delineated those circumstances and requires prejudice in addition to

recent Federal Circuit decisions holding that a plaintiff's delay *cannot* justify withholding or limiting prejudgment interest unless that delay caused prejudice to the defendant. *See, e.g., Crystal Semiconductor Corp. v. TriTech Microelects. Int'l, Inc.*, 246 F.3d 1336, 1361-62 (Fed. Cir. 2001) (“[A]bsent prejudice to the defendants, *any* delay by [the patentee] does not support the denial of prejudgment interest”) (emphasis added); *Lummus Indus., Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 274-75 (Fed. Cir. 1988) (vacating and remanding denial of prejudgment interest despite the fact that the patentee “waited ‘a substantial period from the time it learned its patent was being infringed until it filed this action,’” where the record did not show that such delay had actually prejudiced the defendant).

Ignoring the Federal Circuit's teachings on this issue, Marvell relies on selective quotations from case law and on a district court opinion that is no longer good law because it *predates* several Federal Circuit cases on prejudice and the requirement of wrongdoing by the plaintiff. *See* Dkt. 836 at 2-3. As Marvell well knows, having cited both *Lummus* and *Crystal Semiconductor*, the Federal Circuit has long since rejected any suggestion that delay alone suffices as a basis to deny prejudgment interest. *Compare Mainland Indus, Inc. v. Standal's Patents Ltd.*, No. Civ. 81-928-BE, 1985 WL 6021 (D. Or. Oct. 15, 1985),³ with *Lummus*, 862 F.2d at 275 (requiring prejudice); *Crystal Semiconductor*, 246 F.3d at 1361-62 (noting that prejudice is required and finding that the evidence showed that the patentee's delay was a “self-serving” “litigation tactic” that did, in fact, prejudice the defendants in that case); *see also Radio Steel & Mfg. Co. v. MTD Prods., Inc.*, 788 F.2d 1554, 1558 (Fed. Cir. 1986) (affirming award of prejudgment interest one year after *Mainland Industries* because the defendant “has not shown it suffered” as a result of the patentee's actions and the “award... does not reward [the patentee] for any *wrongful activity on its part* during the” relevant pre-suit time period) (emphasis added).

As the evidence shows, any alleged “delay” by CMU was not the result of a litigation

delay.

³ *Mainland* is the 28-year-old district court case on which Marvell relies. *See* Dkt. 836 at 2-3.

tactic but instead was the product of (1) Marvell's policy of secrecy and (2) the impossibility of determining whether Marvell's chips practiced the CMU invention absent access to Marvell's internal documents and engineers. *See* Dkt. 823 at 6-8 and n.7. As such, Marvell is unlike the defendants in *Crystal Semiconductor* because Marvell does not even claim, much less point to "sufficient evidence," to show that CMU's "delay was self-serving" or constituted a "litigation tactic" and has *no basis* to argue that an award of prejudgment interest would "reward [CMU] for any wrongful activity" at all. *See Crystal Semiconductor*, 246 F.3d at 1362 (patentee "sent letters to 30 or 40 companies... informing [them] of its patents" but, to avoid jeopardizing a business deal, purposely "did not send any such letter to" defendants); *Radio Steel*, 788 F.2d at 1558; *Lummus*, 862 F.2d at 274-75.

Moreover, Marvell's only argument on prejudice is a citation to its laches briefing and to case law on the general principle that if the delay caused prejudice to the defendant, prejudgment interest may be reduced or eliminated. *See* Dkt. 836 at 3 (citing Dkt. 804 at 16-20; *Gen. Motors*, 461 U.S. at 657; *Crystal Semiconductor*, 246 F.3d at 1361-62). As set forth in CMU's responsive brief on laches, Marvell cannot show that it suffered any prejudice as a result of CMU's alleged delay. *See* Dkt. 823 (CMU's laches brief) at 15-21. In particular, Marvell did not change its position "because of and as a result of" CMU's alleged delay. *See id.* at 15-17 (citing, *inter alia*, *State Contracting & Eng'g Corp. v. Condotte Am., Inc.*, 346 F.3d 1057, 1066 (Fed. Cir. 2003)). To the contrary, the evidence shows that Marvell knew of CMU's patents no later than 2002 and yet still developed and sold several generations of chips containing the infringing technology, including during the more than four years since this suit was filed. *See, e.g., id.* at 16-17. An infringer *cannot show prejudice* where it "knew about the patents in suit long before suit was filed" and "would not have acted differently if it had been sued earlier." *Hearing Components, Inc. v. Shure, Inc.*, 600 F.3d 1357, 1376 (Fed. Cir. 2010). Marvell's conclusory assertions of evidentiary prejudice are similarly unavailing. *See* Dkt. 823 at 19-21. This utter lack of prejudice is, by itself, fatal to Marvell's argument. *See Lummus*, 862 F.2d at

275 (citing *Radio Steel*, 788 F.2d at 1558).

In sum, the “actual holding in *General Motors* was that ‘prejudgment interest should be awarded under § 284 absent some justification for withholding’” it. *Radio Steel*, 788 F.2d at 1558. Marvell has failed to show any cognizable justification to deny CMU an award of prejudgment interest.⁴

B. Marvell’s Arguments Against CMU’s Proposed Interest Rates Are Contrary to Controlling Law

All of Marvell’s arguments against CMU’s proposed prejudgment interest rates are fundamentally flawed because Marvell ignores the cases cited by CMU and/or because Marvell fails to support its arguments. For instance:

- Marvell *ignores* three key cases cited by CMU—specifically, two recent Western District of Pennsylvania patent cases and a Federal Circuit patent case appealed from the Eastern District of Pennsylvania—holding that the *Pennsylvania statutory rate of 6%* should be applied and compounded:
 - In *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1520 (Fed. Cir. 1984), the Federal Circuit affirmed a District Court for the Eastern District of Pennsylvania’s award of the 6% Pennsylvania statutory rate compounded annually.
 - In *University of Pittsburgh v. Varian Medical Systems, Inc.*, No. 08-cv-1307, 2012 WL 1436569 at *9-10 (April 25, 2012), the court awarded the patentee the Pennsylvania statutory rate of 6%, compounded quarterly. Marvell’s decision to ignore *Varian* is particularly telling, since that very recent case was, like this one, a patent infringement action brought in this district by a university to enforce a patent it held on an invention by its faculty members and associates, and the defendant, like Marvell, had asserted laches (a defense the court rejected).
 - In *Air Vent, Inc. v. Vent Right Corp.*, No. 08-cv-00146, 2011 WL 2117014 at *2 (W.D. Pa. May 24, 2011), the court awarded the patentee the Pennsylvania statutory rate of 6%, compounded monthly.

Rather than addressing this authority, Marvell just baldly asserts that “there is no justification for using the state statutory rate” and that even if that rate is used, it should not be compounded. Dkt. 836 at 4-7. Marvell cannot muster any competent authority for that proposition, relying on state court decisions and opinions from other circuits while it ignores the three cases above.

⁴ In any event, Marvell offers no reason to deny CMU prejudgment interest starting to run as of the date that CMU commenced suit.

- Marvell *ignores* Third Circuit precedent holding that, where a plaintiff presents uncontradicted evidence that its *rate of return on investment* was “substantially above” a given rate (which in *Arco* was the state statutory rate), it is “clearly erroneous” for a district court to disregard that evidence and award a lower rate of prejudgment interest. Compare CMU’s Opening Br. (Dkt. 789) at 9 (citing *Arco Pipeline Co. v. SS Trade Star*, 693 F.2d 280, 281 (3d Cir. 1982), because it reversed and remanded “to set a rate of prejudgment interest consistent with the record” and noted that the “purpose of prejudgment interest is to reimburse the claimant for the loss of the use of its investment or its funds”); with Marvell’s Opp. (Dkt. 836) (nowhere discussing *Arco Pipeline*). Notably, the “Federal Circuit has held that because the amount of prejudgment interest is not unique to patent law, the law of the appropriate regional circuit is applicable.” *Varian*, 2012 WL 1436569 at *9 (citing *Tronzo v. Biomet, Inc.*, 318 F.3d 1378, 1381 (Fed. Cir. 2003)).
- Marvell *fails to support* its argument regarding a possible supersedeas bond. In response to appellate authority counseling courts to consider the risk of nonpayment when determining the appropriate interest rate, see Dkt. 789 at 8-9, Marvell proposes that “if the Court requires, Marvell will post a bond to stay execution of any monetary judgment pending appeal, thereby rendering any default or collection risk zero.” Dkt. 836 at 11. Marvell cites *no authority* for its position that a litigant’s willingness to comply with Rule 62(d), as every federal defendant must to obtain a stay pending appeal, has any bearing on the calculation of prejudgment interest. See *id.* Rather, Marvell simply asserts illogically that because Marvell (like any other litigant) might post a bond, neither the state statutory rate nor the prime rate should be used here. *Id.* at 5, 11.
- Marvell *ignores* abundant authority supporting an award of prejudgment interest at the prime rate. While Marvell concedes that courts often use the prime rate, Dkt. 836 at 9, Marvell simply asserts that the much lower T-bill rate should be used here, without even addressing (much less attempting to distinguish) the numerous cases using the prime rate. See *id.* at 9-12. Indeed, in the face of contrary precedent, Marvell asserts that the prime rate should not be used because “CMU has offered no evidence that it ‘borrowed any money because it was deprived of the damages award.’” *Id.* at 11-12. The Federal Circuit, however, has specifically held that “*it is not necessary that a patentee demonstrate that it borrowed at the prime rate* in order to be *entitled* to prejudgment interest at that rate.” *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 939 F.2d 1540, 1545 (Fed. Cir. 1991) (emphasis added).⁵

⁵ In any event, contrary to Marvell’s assertion, CMU did offer evidence that it borrowed money during the damages period, and did so at a rate of 3.18%. Dkt. 789-1 at 9, ¶ 17. Marvell has not pointed to any case law requiring a patentee to take the further step of presenting evidence that it would not have borrowed the money if the defendant had timely paid royalties.

Marvell has offered no reason why this Court should turn its back on these precedents and exercise its discretion to benefit a willful infringer that knew of—and benefitted from—CMU’s patents since 2002.

C. Prejudgment Interest Should Be Compounded (As Marvell Concedes), and the Frequency of Compounding Should Be Quarterly

Marvell largely concedes that prejudgment interest should be compounded. *See, e.g.*, Dkt. 836 at 3 (“To the extent prejudgment interest is granted, it should be... compounded annually”).⁶ Ignoring the evidence and case law cited by CMU, however, Marvell argues that prejudgment interest should be compounded annually rather than quarterly. *Id.* at 12. Marvell’s sole cited authority for annual compounding is a California district court case in which the court granted *the patentee’s request* for annual compounding over the infringer’s objection that there should be no compounding at all. *Id.* (citing *Apple, Inc. v. Samsung Elecs. Co.*, No. 11-CV-0186, 2013 WL 772525 at *5 (N.D. Cal. March 1, 2013)). Marvell has failed to provide the Court with *any* case law supporting an award of annual compounding where, as here, the plaintiff seeks more frequent compounding.

In contrast, CMU supported its argument for quarterly compounding with both legal authority and the facts of this case. *See* Dkt. 789 at 6-7 (citing three cases from this circuit

⁶ Marvell’s only argument against compounding is that if the Pennsylvania statutory rate is used, this Court should not compound. Dkt. 836 at 5-7 (citing state cases and federal cases from other circuits, but ignoring the three patent cases in Pennsylvania district courts that CMU cited as examples of federal courts awarding monthly, quarterly or annual *compound* interest at the Pennsylvania statutory rate). Marvell also misstates the holding of the federal case that it claims supports a conclusion that only simple interest is appropriate. *Id.* at 6 (citing *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 556-57 (Fed. Cir. 1984)). *Gyromat* does not stand for the proposition asserted by Marvell—namely, that compound interest should not be awarded when a state statutory rate is used. To the contrary, *Gyromat* merely affirmed the lower court’s award of simple interest at the Connecticut statutory rate, which was based on the lower court’s reasoning that at that time—the mid-1980s—“there seems to be little case support” for awarding compound interest. *Gyromat*, 735 F.2d at 551, 557. What Marvell pointedly ignores is that not only are there now many more recent opinions awarding compound interest, but even in *Gyromat* the Federal Circuit specifically noted that “in *Railroad Dynamics* we upheld [an award of]... 6 percent *compound interest*” based on the very rate Marvell is attacking here: the *Pennsylvania statutory rate*. *Gyromat*, 735 F.2d at 557 (emphasis added); *cf. R.R. Dynamics*, 727 F.2d at 1520.

explaining that interest should be compounded quarterly either because the infringer likely would have made quarterly payments to the patentee under a license, or in one case “because this method ‘reflects the standard business practice of fiscal quarters that courts have frequently adopted’”). As CMU explained, the frequency of compounding is chosen to reflect either standard business practices or the record evidence of the royalty payment schedule to which the parties would likely have agreed. *Id.* (citing, *inter alia*, *Boeing Co. v. United States*, 86 Fed. Cl. 303, 324 (Fed. Cl. 2009)). As Marvell’s licenses with ARM, DSP and Hitachi all show, Marvell has repeatedly agreed to quarterly payments for running royalty licenses. Dkt. 789 at 6-7. Thus, in this case, quarterly compounding is supported by both the facts and the law.

III. CONCLUSION

For the foregoing reasons, CMU respectfully requests that the Court award prejudgment interest as set forth in CMU’s Brief and Order at Dkt. Nos. 788-1 and 789.

Respectfully submitted,

Dated: April 12, 2013

/s/ Christopher M. Verdini

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CERTIFICATE OF SERVICE

I hereby certify that on April 12, 2013 the foregoing was filed electronically. Notice of this filing will be sent to all parties by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

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