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

CARNEGIE MELLON UNIVERSITY,

Plaintiff,

v.

MARVELL TECHNOLOGY GROUP, LTD. and MARVELL SEMICONDUCTOR, INC.,

Defendants.

Civil Action No. 2:09-cv-00290-NBF

Hon. Nora B. Fischer

MARVELL'S SUR-REPLY IN OPPOSITION TO CMU'S MOTION FOR PERMANENT INJUNCTION, POST-JUDGMENT ROYALTIES, AND SUPPLEMENTAL DAMAGES

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This Court should reject CMU's request for an injunction based on its rampant speculation about how Marvell might try to avoid paying a judgment. With net cash of over $2 billion, including over $200 million in the fourth quarter of 2013 alone, Marvell stands well-funded and ready to satisfy the $1.17 billion damages award in this case. In the wake of *Power Integrations, Inc. v. Fairchild Semiconductor Int'l., Inc.*, 2013 WL 1200270 (Fed. Cir. Mar. 26, 2013), moreover, that award cannot stand (Dkt. 855, at 15), and even under CMU's best case scenario, a remittitur should reduce the damages award to $164.6 million. Nor should CMU be heard to ignore Marvell's CEO's sworn affidavit to this Court committing to pay the judgment if it withstands post-trial scrutiny and appeal constitutes nothing more than an "empty" gesture. (Dkt. 853 at 1.) For these and the other reasons below, the request for a permanent injunction and/or post-judgment royalties should be denied.

I. CMU HAS NO GOOD RESPONSE TO ITS FAILURE TO MEET THE *EBAY* FACTORS FOR A PERMANENT INJUNCTION

Focusing almost entirely on a novel collection risk argument that would apply to countless non-U.S. based companies and all Bermuda-based companies, CMU does not deny the simple fact that in the seven years post-*eBay*, not a single permanent injunction has been granted and affirmed by the Federal Circuit in favor of a non-practicing entity that has a history of willingness to license its patents. (Dkt. 837 at 1-2.) Aside from its implausible arguments about collectability—which do not in any event warrant an injunction—CMU says nothing of any potential harm it might suffer as a result of Marvell's ongoing sales.

Rather, CMU readily admits its own "willingness to license its inventions." (Dkt. 853 at 4.) These are not the words of a patentee who faces any irreparable harm, and certainly not the kind of harm that courts have found to warrant a permanent injunction in favor of a non-practicing entity, such as reputational harm for which there is no evidence here. (Dkt. 837 at 3.)

Instead, this admission proves that monetary compensation is adequate to compensate CMU.

Unable to show any causal nexus between the patented feature and consumer demand for the accused chips, CMU states that it need not satisfy the causal nexus requirement because it is seeking a permanent injunction, not a preliminary injunction. (Dkt. 853 at 4.) Giving no reason for this distinction, CMU ignores precedent that treats permanent and preliminary injunctions alike and requires a *permanent* injunction movant to show a causal nexus between the infringement and the irreparable harm (in this case, the supposed lack of collectability of the judgment). *See, e.g., Apple, Inc. v. Samsung Elecs. Co.,* 2012 WL 6569786, at *2 n.2 (N.D. Cal. Dec. 17, 2012) (noting that "the irreparable harm requirement applies to both preliminary and permanent injunctions" and that nothing in *Apple II* limits its application to preliminary injunctions); *Amoco Prod. Co. v. Village of Gambell, Alaska,* 480 U.S. 531, 546 n.12 (1987) ("The standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that the plaintiff must show a likelihood of success on the merits rather than actual success.").[1]

Finally, CMU offers no support for an injunction under the remaining two factors under *eBay*—the balance of hardships and the public interest. Instead, CMU attempts to side-step its burden on all four factors by suggesting that it is ***Marvell that has requested an injunction*** after two years have passed. (Dkt. 853 at 4-5.) Marvell has obviously made no such request.[2] CMU

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[1] CMU also incorrectly cites a distinction between preliminary and permanent injunctions in refusing to post an injunction bond. (Dkt. 853 at 5 n.8.) The rationales for an injunction bond – "to compensate a wrongfully enjoined party" and "generally to limit the applicant's liability and inform the applicant of the price of a wrongful injunction" – apply equally in either the preliminary or permanent injunction context. *Sprint Commc'ns Co. L.P. v. CAT Commc'ns. Int'l., Inc.*, 335 F.3d 235, 240 n.5 (3d Cir. 2003). Such a bond is even more important here, where the jury's verdict based on CMU's faulty damages theory likely will be reversed.

[2] Marvell only requested that in the event the Court grants injunctive relief (which it should not) any injunction should include a two year sunset provision. Because CMU has not satisfied its

cannot avoid its burden by "accepting" an offer that was never made, and CMU has failed to satisfy ***its*** burden to demonstrate the *eBay* factors.

CMU also offers no defense of the vague and overbroad language of its proposed injunction, which fails to describe in "reasonable detail" the act or acts restrained or required. (Dkt. 837 at 12-13.) This too is fatal to CMU's request for a permanent injunction.

A. CMU Fails To Demonstrate Any "Real Collection Risk"

CMU appears to believe that it does not need to satisfy the four *eBay* factors so long as it can show "the risk that CMU will not be able to collect monetary damages awarded against Marvell." (Dkt. 787 at 2.) But CMU previously contended that "ongoing royalties can be managed by Marvell" and "the cost of the royalty can be managed on an ongoing basis within the normal course of Marvell's business." (Dkt. 787 at 5, 16.) This admission alone rebuts any risk that CMU will be denied any remedy for Marvell's future infringement.

CMU's reply further supports this conclusion. In fact, CMU furnishes the evidence from Marvell's SEC filings that proves that Marvell currently has enough cash—over $2.1 billion accrued over the past two years, including $204.6 million in the most recent quarter of 2013 alone—to cover any potential judgment and ongoing royalties. (Dkt. 853-1, Supp. Ex. C.) Any reduction to CMU's damages after *Power* makes it all the more apparent that Marvell will satisfy the judgment. Moreover, Marvell's strong financial results above analysts' expectations – including its 4% increase in revenue to $775 million and its significant increase in net cash since the previous quarter (*id.*, Supp. Ex. C) – and its rising share price in the first quarter of 2013 further support a sound finding of collectability. While Marvell financial disclosures indicate that judgments in litigation matters *could* adversely affect Marvell's financial condition, those disclosures also make it clear that Marvell intends to pay damages awarded in this litigation.

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burden, no injunction should be granted under any circumstances.

(*Id.*, Supp. Ex. D at 19; Dkt. 853 at 3.)

With Marvell's record of financial performance, CMU cannot credibly argue that there is any hint of the circumstances that other courts have found to support a finding of irreparable harm. (Dkt. 853 at 1 n.1 (e.g., severe financial distress or bankruptcy).)

B. Accusations Of Marvell's Strategic Dissipation of Assets Are Not Credible

CMU says nothing in response to the underlying reasons for Marvell's stock repurchase and dividend programs, nor does CMU deny that such actions can boost the value of the company and encourage company growth, and thereby provide CMU with *more* confidence that the judgment can and will be paid. (*See* Dkt. 837 at 8-9.)

C. Marvell's Status As A Bermuda Corporation Does Not Present A Risk Of Non-Payment

In its opening brief, CMU claimed that any judgment would be unenforceable in Bermuda – without providing any legal support or analysis of Bermuda law. (Dkt. 787 at 7-8.) After learning that the judgment can be enforced in Bermuda, CMU now contends that it would not be "automatically" enforceable, speculates that Marvell would resist enforcement, and lists the potential defenses Marvell would raise in a Bermudan proceeding (Dkt. 853 at 2), demands a certification of Marvell's "commitment to pay in a binding writing wherein it waives all defenses to enforcement under Bermuda law or otherwise." Marvell's CEO has already provided a commitment to pay in a binding writing (a sworn affidavit): "I can assure the Court that if the Court were to rule against Marvell, after exhausting its appellate rights, Marvell could and would pay the significant monetary judgment in this case." (Dkt. 837-3 at ¶ 5). Dr. Sutardja's representation is unequivocal—nothing about Marvell's status as a Bermuda corporation will negate Marvell's commitment to pay a judgment in this case.

II. CMU'S NEW MONITORING REQUEST SHOULD BE REJECTED

For the first time on reply, CMU demands that CMU should be granted "monitoring rights to police compliance" with any permanent injunction. Since CMU has not satisfied its burden to demonstrate its need for injunctive relief in this case, CMU's request for monitoring rights should be rejected as moot. Moreover, by raising this request for the first time in its reply brief, CMU has waived its request. *E.g.*, *Bishop v. Sam's East, Inc.,* 2009 WL 1795316 (E.D. Pa. June 23, 2009). To the extent CMU's failure to raise its request can be excused (which it should not be), any access should be limited to a review of Marvell's final circuit schematics for its next generation chips designed to permanently disable the NLD feature.[3]

CMU's request to monitor the development of future products for potential infringement, including of non-asserted claims, appears to be unprecedented. *See Kemin Foods, L.C. v. Pigmentos Vegetales Del Centro S.A. DE C.V.*, 369 F. Supp. 2d 1075, 1085-87 (S.D. Iowa 2005) *aff'd*, 464 F.3d 1339 (Fed. Cir. 2006) (rejecting request for ongoing monitoring).[4]

CMU's proposed compliance procedures are unreasonable, especially insofar as they would monitor for potential infringement of claims that CMU chose not to assert at trial, claims that the Court found not to be infringed, and even claims that are not related to the patents-in-suit.[5] (Dkt. 853 at 5-6.) It is not within the jurisdiction of this Court to undertake such

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[3] Without explaining how, CMU remarkably suggests that a chip with the accused technology permanently disabled might still infringe the asserted claims.

[4] The cases cited by CMU did not order monitoring of future products for potential infringement. *See Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 776-77 (Fed. Cir. 1993) (vacating injunction as overly broad in monitoring and prohibiting potentially "lawful competitive activities"); *Transocean Offshore Deepwater Drilling Inc. v. GlobalSantaFe Corp.*, No. 4:03-cv-02910, Dkt. 266 (S.D. Tex. Jan. 19, 2007) (requiring defendant to submit monthly reports to patentee on the actual uses of the two devices adjudged to be capable of performing an infringing method); *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 575 n.16 & 591 (E.D. Va. 2007) (denying permanent injunction).

[5] For example, CMU states that it wants to ensure that Marvell is not infringing claim 19 of the '180 patent during its design-around process. (Dkt. 853 at 5-6.) Claim 19 of the '180 patent was not included in CMU's infringement contentions and was never asserted in this lawsuit. (Dkt.

monitoring or enforcement. *See, e.g.*, *Streck, Inc. v. Research & Diagnostic Sys., Inc*., 665 F.3d 1269, 1282-83 (Fed. Cir. 2012). CMU does not explain why periodic reports on Marvell's use or non-use of the accused technologies would not be sufficient either to account for any ongoing royalty or as a compliance mechanism. Instead, CMU seeks a novel set-up whereby the Court will serve as its patent enforcement arm, overseeing a broad array of Marvell's business operations in order to prohibit Marvell from vaguely "infringing." This is precisely the type of broad injunctive relief that the Federal Court has flatly rejected. *Int'l. Rectifier Corp. v. IXYS Corp.*, 383 F.3d 1312 ,1315-18 (Fed. Cir. 2004).

III. AN ONGOING ROYALTY SHOULD NOT BE NEGOTIATED OR OTHERWISE DETERMINED UNTIL FUNDAMENTAL QUESTIONS REGARDING PAST ROYALTIES ARE RESOLVED AND AN EVIDENTIARY HEARING IS HELD

The royalty awarded by the jury in this case—$.50 per Marvell chip used worldwide—is precluded by *Power Integrations*, 2013 WL 1200270 at *18, contrary to Supreme Court precedent and other legal authority, and not supported by the evidence. (Dkts. 807, 855.) With significant questions still outstanding about the viability of both the base and the rate implicated by the award, the parties lack the data necessary to negotiate an ongoing royalty or to submit fully informed arguments about ongoing royalty issues. (Dkt. 837 at 14-16.)

What is more, CMU does not dispute that issues related to an ongoing royalty must be resolved with reference to a ***new*** *Georgia-Pacific* analysis conducted with reference to the ***facts*** as of ***2012***. (Dkt. 853 at 6.) Instead, CMU generally contends—with hardly any analysis or detail—that it ***disputes Marvell's account*** of the circumstances that have changed during the ***11 years*** between 2001 and 2012. (Dkt. 853 at 6-7.) But it is just that type of factual dispute that is routinely and appropriately resolved only after an evidentiary hearing. (Dkt. 837 at 14-16.)

CMU's allegation that Marvell has some unidentified motive to delay (Dkt. 853 at 6) is

56; Milowic Decl. Ex. A.)

unfounded. The issue of an ongoing royalty should simply be resolved in a reasoned way, at the appropriate time, and by the usual means—*i.e.*, after resolution of legal issues related to past royalties and in connection with the resolution of factual disputes regarding ongoing royalties.[6]

IV. ANY ONGOING ROYALTY RATE SHOULD BE WELL LESS THAN $.50

In CMU's own view, ***a single year*** is a "lifetime" in Marvell's industry. (11/28/2012 Tr. 120:4-5.) In fact, a variety of circumstances have changed over the last ***11 years***, and those changed circumstances would drive ***down*** whatever royalty rate would have resulted from a 2001 negotiation (assuming, *arguendo*, a running royalty rate on chips used in the United States would even be appropriate). To begin with, CMU cannot and does not contest (i) that CMU has been unable to get anyone to pay for or use the technology of the patents-in-suit in the 11 years since 2001, (ii) that the ***only*** revenue CMU could hope to generate from the patents is an ongoing royalty from Marvell, and (iii) that CMU has no other options for making use of or monetizing the patents. Also conspicuously absent from CMU's Reply is any response to the undisputed fact that Marvell's margins are generated by an increasing number of features (related to SNR and other chip attributes) over time. In the last 11 years, literally hundreds of advancements have been incorporated into Marvell's chips—making the accused feature responsible for a much smaller portion of Marvell's margins by 2012. These undisputed facts require that any ongoing royalty rate be significantly discounted from any rate that would have resulted from a 2001 hypothetical negotiation. And CMU does not argue otherwise.

Instead CMU contends that, because "Marvell has no present intention of using CMU's technology in future products," "CMU would seek to maximize royalties over th[e] short period" remaining before Marvell disables the NLD feature. (Dkt. 853 at 7.) But in so arguing, CMU

[6] As previously noted, any accounting would be premature and may ultimately be unnecessary in view of the pending motions, and any supplemental damages would be improper given the present dimension of the damages award.

ignores the fundamental premise of the hypothetical negotiation—the willing licensor, willing licensee rule (12/10/2012 Tr. 61:6-9). *E.g.*, *Paice LLC v. Toyota Motor Corp.*, 609 F. Supp. 2d 620, 624 (E.D. Tex. 2009). The assumption must be that any hypothetical negotiation in 2012 would result in a royalty that Marvell would be willing to pay ***to continue to use the infringing technology rather than disable it***. Marvell's ability and willingness to disable the feature demonstrates that it has a non-infringing alternative and that the accused technology is not "must have for Marvell"—factors that, as matter of law, must significantly ***limit*** any ongoing royalty rate here. *See, e.g.*, *ActiveVideo Networks, Inc. v. Verizon Commcn's., Inc.*, 694 F.3d 1312, 1342 (Fed. Cir. 2012) (finding post-verdict assessment that Verizon might be able to implement a design-around operated to reduce ongoing royalties).

All of these circumstances make a 2012 hypothetical negotiation substantially different from CMU's theory of the 2001 hypothetical negotiation (which was adopted by the jury) and thus counsel heavily in favor of setting any ongoing royalty rate significantly lower than $.50 per chip used in the United States. CMU's only remaining argument for a $.50 or greater royalty rate is its assertion that future infringement would be "willful" and thus CMU would have greater bargaining power in 2012 than it would have in 2001. (Dkt. 853 at 7-8.) But courts routinely find that an infringement verdict does ***not*** warrant any increase in the royalty rate otherwise produced by the post-judgment hypothetical negotiation. (Dkt. 837 at 16.) And here, the "changed circumstance" that Marvell is willing and able to proceed without the accused feature (contrary to CMU's theory regarding Marvell's position in 2001) more than blunts any marginal increase in CMU's bargaining power resulting from the infringement finding.

CONCLUSION

For these and previously stated reasons, Marvell respectfully requests denial of CMU's motion for permanent injunction, post-judgment royalties and supplemental damages.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on April 19, 2013, the foregoing was filed electronically on ECF. I also hereby certify that on April 19, 2013, this filing will also be served on counsel for CMU by electronic mail.

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