

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

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ULTRATEC, INC. and CAPTEL, INC.,

Plaintiffs,

v.

SORENSEN COMMUNICATIONS, INC.  
and CAPTIONCALL, LLC,

Defendants.  
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MEMORANDUM

13-cv-346-bbc

Attached for the parties' consideration is a draft of the jury instructions and verdict form on damages. The parties may identify any typographical or similar errors and respond to the instruction on "previous findings by the court" in writing by 1:30 p.m. today. The parties are not to re-argue matters previously raised to the court. Each side will have an opportunity to put their objections on the record.

Entered this 24th day of October, 2014.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge

### III. DAMAGES

#### **General**

On the damages question, plaintiffs have the burden of convincing you, by the preponderance of the evidence, both that they have incurred damages and the amount of the damages.

Determining damages involves the consideration of many different factors that cannot be measured precisely. In determining the damages you must base your answer on evidence that reasonably supports your determination of damages under all of the circumstances of the case.

Do not measure damages by what the lawyers ask for in their arguments. Their opinions as to what damages should be awarded should not influence you unless their opinions are supported by the evidence. It is your job to determine the amount of the damages sustained from the evidence you have seen and heard. Examine that evidence carefully and impartially. Do not add to the damage award or subtract anything from it because of sympathy to one side or because of hostility to one side.

#### **Previous Findings by Court**

*(To be used only if either party is arguing that the royalty rate is dependent on which or how many patent claims were infringed.)*

In addition to the infringement that you have found, the court has determined that defendants directly infringe claim 1 of the '482 patent, claim 1 of the '082 patent and claims 7 and 8 of the '578 patent.

#### **Date Damages Begin**

You are instructed that in connection with the '082, '104 and '314 patents, you may award damages only for any infringement by defendants that occurred after May 17, 2013.

In connection with claims in other asserted patents, you may award damages for any infringement to defendants that occurred on or after January 2010.

### **Reasonable Royalty**

Plaintiffs are asking for a reasonable royalty as damages for defendants' infringement of its patent. You are instructed that plaintiffs are entitled to a reasonable royalty, although it is for you to determine the amount of that reasonable royalty.

A royalty is an amount of money that someone pays a patent owner to be able to make, use, sell or license the patented invention.

A reasonable royalty is the royalty that would be reasonable for the infringer to pay and for the patent owner to accept for use of a patent that they both know is valid and that the infringer wants to use.

You are to decide what a reasonable royalty would be on the basis of the circumstances existing at the time just before defendant began selling or using the infringing product or process. You should assume that plaintiffs were willing to grant defendants a license to sell or use the patented invention and that defendants were willing to pay for that license. In other words, a reasonable royalty is the royalty that would have resulted from a hypothetical negotiation between plaintiffs and a company in the position of defendants taking place just before the infringement began. You should also assume that both parties to that negotiation understood the patents to be valid and infringed.

In determining a reasonable royalty, you may consider the factors that plaintiffs and defendants would consider in setting the amount defendants should pay.

I will list a number of factors you may consider. This is not every possible factor, but it will give you an idea of the kinds of things to consider in setting a reasonable royalty rate.

1. The royalties received by the patentee for the licensing of the patent-in-suit, proving or tending to prove an established royalty.
2. The rates paid by the licensee for the use of other patents comparable to the patent-in-suit.

3. The nature and scope of the license, as exclusive or nonexclusive, or as restricted or nonrestricted in terms of territory or with respect to whom the manufactured product may be sold.
4. The licensor's established policy and marketing program to maintain his or her patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.
5. The commercial relationship between the licensor and licensee, such as whether they are competitors in the same territory in the same line of business, or whether they are inventor and promoter.
6. The effect of selling the patented specialty in promoting sales of other products of the licensee, the existing value of the invention to the licensor as a generator of sales of his nonpatented items, and the extent of such derivative or convoyed sales.
7. The duration of the patent and the term of the license.
8. The established profitability of the product made under the patents, its commercial success, and its current popularity.
9. The utility and advantages of the patented property over the old modes or devices, if any, that had been used for working out similar results.
10. The nature of the patented invention, the character of the commercial embodiment of it as owned and produced by the licensor, and the benefits to those who have used the invention.
11. The extent to which the infringer has made use of the invention and any evidence probative of the value of that use.
12. The portion of the profit or of the selling price that may be customary in the particular business or in comparable business to allow for the use of the invention or analogous inventions.
13. The portion of the realizable profits that should be credited to the invention as distinguished from nonpatented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.

14. The opinion and testimony of qualified experts.
15. The amount that a licensor (such as the patentee) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee—who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention—would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patentee who was willing to grant a license.

No one factor is dispositive. With respect to each factor, you should consider the evidence that has been presented to you in this trial. You may also consider other factors that you think would have increased or decreased the royalty that defendants would have been willing to pay and plaintiffs would have been willing to accept. The final factor establishes the framework which you should use in determining a reasonable royalty, that is, the payment that would have resulted from a negotiation between the patent holder and the infringer taking place at a time prior to when the infringement began. An infringer's anticipated profit from use of the patented invention is a factor to be considered in determining a reasonable royalty, but the royalty rate does not have to allow the infringer to earn a profit.

### **Reasonable Royalty – Timing**

Although the relevant date for the hypothetical reasonable royalty negotiation is just before the infringement began, you may consider in your determination of reasonable royalty damages any actual profits by defendants after that time and any commercial success of the patented invention in the form of sales of the patented or infringing products and facts and evidence that may not have been known or knowable as of the date of the hypothetical

negotiation to the extent such facts and evidence aid in determining what royalty rate would have resulted from a hypothetical negotiation occurring prior to the infringement.

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ULTRATEC, INC. and CAPTEL, INC.,

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SPECIAL VERDICT:

DAMAGES

v.

13-cv-346-bbc

SORENSEN COMMUNICATIONS, INC.  
and CAPTIONCALL, LLC,

Defendants.  
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We, the jury, for our special verdict, find as follows:

Question No. 1: What amount have plaintiffs proven by a preponderance of the  
evidence that defendants should pay as a reasonable royalty for their infringement?

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Presiding Juror

Madison, Wisconsin

Date: \_\_\_\_\_