2023-1101

United States Court of Appeals for the Federal Circuit

ECOFACTOR, INC.,

Plaintiff-Appellee,

v.

GOOGLE LLC,

Defendant-Appellant.

On Appeal from the United States District Court
for the Western District of Texas
Case No. 6:20-cv-00075-ADA
Hon. Alan D Albright

DEFENDANT-APPELLANT GOOGLE LLC'S CORRECTED NON-CONFIDENTIAL PETITION FOR REHEARING EN BANC

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July 22, 2024

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, counsel for Defendant-Appellant Google LLC certifies the following:

1. Full name of Party Represented by me:

   Google LLC

2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me:

   None

3. Parent corporations and publicly held companies that own 10% or more stock in the party:

   XXVI Holdings Inc. and Alphabet Inc.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case):

   Keker, Van Nest & Peters LLP:
   - Eric B. Hanson

- Jennifer A. Huber (now with the San Francisco City Attorney's Office)
- Matthias Andreas Kamber (now with Paul Hastings LLP)
- Patrick E. Murray (now with Gibson, Dunn & Crutcher LLP)
- Anna Porto (now in-house counsel with Mercury)
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- James P. Gagen
- Eric Lancaster
- James Reed
- Bijal V. Vakil

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5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal:

- *EcoFactor, Inc. v. Google LLC*, 22-1971 (Fed. Cir. June 24, 2022)

- *EcoFactor, Inc. v. Amazon.com, Inc.*, 6:22-cv-00068 (W.D. Tex. Jan. 18, 2022)

- EcoFactor, Inc. v. Resideo Technologies, Inc., 6:22-cv-00069 (W.D. Tex. Jan. 18, 2022)
- *EcoFactor, Inc. v. Pointcentral, LLC et al.*, 6:22-cv-00055 (D. Or. Jan. 10, 2022)
- In re *Ex Parte* Reexamination of U.S. Patent No. 8,412,488, 90/014,916 (U.S. PTO Dec. 3, 2021)
- In re *Ex Parte* Reexamination of U.S. Patent No. 8,738,327, 90/014,915 (U.S. PTO Dec. 3, 2021)
- In re *Ex Parte* Reexamination of U.S. Patent No. 10,534,382, 90/014,679 (U.S. PTO Feb. 12, 2021)
- *ecobee, Inc. v. EcoFactor, Inc.*, IPR2021-01052 (PTAB Jun. 10, 2021)
- *EcoFactor, Inc. v. Vivint, Inc.*, 6:20-cv-00080 (W.D. Tex. Jan. 31, 2020)
- *EcoFactor, Inc. v. ecobee, Inc.*, 6:20-cv-00078 (W.D. Tex. Jan. 31, 2020)

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

None

Date: July 22, 2024

/s/Robert A. Van Nest
Robert A. Van Nest

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CONFIDENTIAL MATERIAL OMITTED

The material omitted on pages 4, 9, 13, 15, and 17-20 consists of a numerical royalty rate ("NRR") that EcoFactor advanced in confidential settlement agreements with third-party licensees, which was presented during sealed testimony at trial. The material omitted on page 20 consists of lump sum settlement amounts ("SUM"), which was presented during sealed testimony at trial.

TABLE OF AUTHORITIES

Page(s)

Federal Cases

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Other Authorities

STATEMENT OF COUNSEL UNDER FEDERAL CIRCUIT RULE 35(b)(2)

Based on my professional judgment, I believe the panel decision is contrary to the following decisions of the Supreme Court of the United States or the precedents of this court: *Garretson v. Clark*, 111 U.S. 120 (1884); *Apple Inc. v. Wi-LAN Inc.*, 25 F.4th 960 (Fed. Cir. 2022); *Omega Pats., LLC v. CalAmp Corp.*, 13 F.4th 1361 (Fed. Cir. 2021); and *MLC Intell. Prop., LLC v. Micron Tech., Inc.*, 10 F.4th 1358 (Fed. Cir. 2021).

Date: July 22, 2024

/s/ *Robert A. Van N*est
Robert A. Van Nest

PRELIMINARY STATEMENT[1]

Upon a finding of infringement, damages should be awarded for no "less than a reasonable royalty for the use made of *the invention* by the infringer." 35 U.S.C. § 284 (emphasis added). The Supreme Court and this Court have consistently interpreted this statute as requiring damages to reflect only the value of the claimed invention. Patent damages must be apportioned between patented and unpatented

[1] Throughout this brief, "Dissent" refers to the dissenting opinion in ECF No. 18 and "Op." refers to the majority opinion in ECF No. 18; "Appx" refers to the Joint Appendix.

features.

When rigorously policed, the use of comparable licenses "may be the most effective method of estimating [an] asserted patent's value." *Commonwealth Sci. & Indus. Rsch. Organisation v. Cisco Sys., Inc.*, 809 F.3d 1295, 1303–04 (Fed. Cir. 2015). Because a comparable license reflects the "market's actual valuation of the patent," it has what this Court has called "built[-]in apportionment." *Id.* at 1303.

This case demonstrates the danger of courts failing to rigorously scrutinize a patentee's reliance on supposedly comparable licenses: an artificially inflated damages award that is divorced from market realities and devoid of connection to the patent's incremental improvement to the art. Indeed, the panel majority finds no error in EcoFactor's scheme, one easily repeatable by future patentees: First, EcoFactor picked and inserted a self-serving, non-agreed royalty rate in a lump-sum settlement via a non-binding provision (*e.g.*, a "whereas" clause), while omitting facts (*e.g.*, total unit sales) that could be used to confirm or rebut that rate; and, second, EcoFactor then had its expert later pseudo-justify the rate to apply in this case by opining that there would be both upward and downward adjustments to the rate at the hypothetical negotiation, but those adjustments would result only in a net zero (or relatively minimal) downward adjustment. EcoFactor's scheme provides a roadmap for patentees to manufacture a royalty rate through portfolio-wide settlement licenses and then present backward-reasoning expert testimony to justify that rate in subsequent cases involving any patent(s) in that portfolio.

The panel decision blows a hole through the Court's efforts to require apportionment. Rehearing en banc is necessary to clarify that this kind of methodology—full of generic sweeping statements of comparability and conclusions untethered from the facts of the case—cannot withstand scrutiny. Judge Prost's dissent highlights this concern:

> In recent years, our court has made some progress in clarifying important questions related to damages for patent infringement. Such clarifications relate to deriving a reasonable royalty from a lump-sum license and requiring the patentee to confine its damages to the value of the patented technology. Unfortunately, the majority opinion here at best muddles our precedent and at worst contradicts it.

Dissent at 1.

BRIEF SUMMARY OF DISTRICT COURT PROCEEDINGS

EcoFactor's contention that Google infringed three claims of two of its patents was tried to a jury in early 2022. At trial, Mr. Kennedy, EcoFactor's damages expert, testified that EcoFactor was entitled to a royalty of NRR per unit. His testimony was primarily based on unilateral "whereas" recitals in three license and settlement agreements between EcoFactor and other companies—Schneider, Daikin, and Johnson. Each license was for a lump sum, not a royalty, to EcoFactor's entire portfolio. The district court denied Google's *Daubert* motion to exclude this testimony. The jury subsequently found infringement of one patent claim and awarded $20,019,300 to EcoFactor. Google moved for a new trial on the ground that the court should have excluded Mr. Kennedy's damages opinion sponsoring the NRR per-unit royalty rate. The court denied the motion; Google then appealed.

SUMMARY OF PANEL DECISION

Google's damages-related appeal centered on the district court's failure to exclude Mr. Kennedy's unreliable testimony based on two fatal flaws: (1) Mr. Kennedy's per-unit royalty rate could not be supported by the lump-sum licenses; and (2) Mr. Kennedy failed to apportion the royalty rate in his comparable-license analysis.[2]

[2] Google's petition for rehearing is limited to the damages issues and does not include the liability issues raised before the panel.

The panel majority upheld the damages verdict. Op. at 14. On the first issue, the panel majority concluded that Mr. Kennedy's opinion purporting to convert the lump-sum license rates into a royalty rate was supported by the "whereas" recitals themselves, the testimony of EcoFactor's CEO about the licenses, and an email introduced at trial regarding one of the three licenses. Op. at 11. On the second issue, the panel majority reasoned that Mr. Kennedy had sufficiently demonstrated economic comparability of the license agreements and apportioned for the value of the only patent claim found infringed, claim 5 of the '327 patent. Op. at 17–18.

The panel dissent disagreed on both points. The dissent first explained that Mr. Kennedy's royalty rate opinion was untethered from the realities reflected in the lump-sum licenses. Dissent at 3. And on the issue of apportionment, the dissent concluded that Mr. Kennedy's royalty rate improperly included the value of other licensed patents. Dissent at 6.

ARGUMENT

I. Apportionment to the Value of the Patented Technology Must be Performed Even When Relying on Supposedly Comparable Licenses.

In *Seymour v. McCormick*, the Supreme Court expounded: "[O]ne who invents some improvement … [cannot] claim that the profits of the whole … should be the measure of damages for the use of his improvement." 57 U.S. 480, 489 (1853). This principle is fundamental to patent law and the patent system. Apportionment ensures the right balance to incentivize innovation. *See* Lee, William and Lemley, Mark A., The Broken Balance: How 'Built-In Apportionment' and the Failure to Apply Daubert Have Distorted Patent Infringement Damages (September 6, 2023).[3]

The same principle underlies this Court's application of the "entire market value rule" or "EMVR." The EMVR is "a narrow exception" to the general rule that a royalty rate should not be calculated based on an entire multi-component product when just small elements of the product are accused of infringement. *LaserDynamics, Inc. v. Quanta Comput.,*

[3] Stanford Law and Economics Olin Working Paper No. 587, available at https://ssrn.com/abstract=4564279.

Inc., 694 F.3d 51, 67 (Fed. Cir. 2012). Patentees may avail themselves of the EMVR only if they can "prove that the patent-related feature is the basis for customer demand" for the broader product. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336 (Fed. Cir. 2009) (internal quotation marks omitted). This exception applies sparingly. *See, e.g.*, *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1320 (Fed. Cir. 2011) ("The Supreme Court and this court's precedents do not allow consideration of the entire market value of accused products for minor patent improvements simply by asserting a low enough royalty rate.").

This Court has applied a similarly exacting standard for patentees advancing damages theories utilizing supposedly comparable licenses as part of a hypothetical negotiation analysis. "[L]icenses relied on by the patentee in proving damages must be sufficiently comparable to the hypothetical license at issue." *Virnetx, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1330 (Fed. Cir. 2014). To demonstrate sufficient comparability, a party must "account for differences in the technologies and economic circumstances of the contracting parties." *Apple*, 25 F.4th at 971. Even if a license is sufficiently comparable, the patentee still needs to account for "distinguishing facts when invoking [a] license[]" to satisfy apportionment. *Omega Pats.*, 13 F.4th at 1380. Only in the circumstance where the license's royalty rate and royalty base combination effectively "embody the value of the asserted patent" can apportionment be "effectively baked into" the licensed rate. *Id.* at 1377.

When apportionment is based solely on the theory that a license is comparable, the validity of the apportionment analysis turns entirely on comparability. It is therefore critical that courts engage in rigorous gatekeeping with respect to comparability. *See, e.g.*, *Commonwealth Sci.*, 809 F.3d at 1303 n.2. If they do not, the risk of improper (or no) apportionment is too high. Until now, this Court has rejected attempts to further expand "baked-in[]" apportionment beyond narrow applications. *See Omega Pats.*, 13 F.4th at 1380; *Apple*, 25 F.4th at 971. But the deference shown by the panel here cannot be reconciled with those decisions. The panel majority has untenably shifted the admissibility line for comparable license apportionment beyond the bounds of accepted precedent—from "sufficiently comparable" to conclusory assertions of comparability.

A. Mr. Kennedy's generalized statements cannot satisfy the requirements of economic comparability.

The panel majority concluded that Mr. Kennedy "relied on sufficiently comparable licenses and his opinion sufficiently apportioned the value of the ’327 patent.” Op. at 18. That was error.

Mr. Kennedy’s comparable license analysis rests on three settlement agreements, executed after this litigation commenced, licensing EcoFactor’s entire portfolio of over thirty patents to each of Schneider, Daikin, and Johnson. Each license settled ongoing patent litigation between EcoFactor and the licensee:

- The Schneider and Daikin settlement agreements specifically listed seven asserted patents, including the ’327 patent. *See* Appx10400-10410, Appx10389-10399.
- The Johnson settlement agreement specifically listed four asserted patents, *none* of which were the ’327 patent. *See* Appx10411-10419.

Mr. Kennedy opined that EcoFactor and Google would have agreed in a hypothetical negotiation to the same NRR per-unit royalty for a license to the *one* infringed patent as the royalty he asserts was agreed upon in these portfolio licenses for more than *thirty* patents.

The majority concludes that Mr. Kennedy’s methodology was sufficiently reliable for admissibility because he “acknowledged that these three licenses also covered patents in EcoFactor's portfolio that were not asserted" and "accounted for such differences." Op. at 16. The majority explained that Mr. Kennedy testified that the presence of the non-asserted patents would simply place "downward pressure on the royalty rate" in the hypothetical negotiation. Op. at 16-17; Appx5765-5768, Appx5771-5772. And the majority credited Mr. Kennedy's testimony that upward pressure would apply to the license royalty rates because the parties assume validity and infringement in the hypothetical negotiation, ending exactly where he began. Op. at 16–17.

This was the extent of Mr. Kennedy's "account[ing]"—nothing more than generic statements that do not address the *specific* non-asserted patents included in the licenses.

If all that is needed to show built-in apportionment are such broad-brush statements, this Court will have shifted the standard for expert admissibility. Previously, "[w]hen relying on licenses to prove a reasonable royalty, alleging a loose or vague comparability between different technologies or licenses d[id] not suffice." *LaserDynamics*, 694 F.3d at 79. Under the majority's reasoning, however, as long as an expert nods toward economic comparability by providing broad statements—

offering an opinion that "the royalty rate would likely be less," for example—the expert's opinion would be admissible under the cloak of built-in apportionment (assuming the license is technically comparable). The majority effectively endorses the admissibility of inflated royalty rates in contravention of blackletter law that the patentee "must in every case give evidence tending to separate or apportion … between the patented feature and the unpatented features." *Garretson v. Clark*, 111 U.S. 120, 121 (1884).

In other words, if it stands, the majority opinion threatens to substantially lower the bar for admissibility of expert opinions based on comparable portfolio licenses. Instead of demanding experts "address the extent to which these other patents contributed to the royalty rate in the [supposedly comparable] license," *Apple*, 25 F.4th at 973, experts' generic assertions as to effects on the royalty rate now suffice. Such "[s]peculation or guesswork" cannot reliably support a damages award. *Wordtech Sys., Inc v. Integrated Networks Sols., Inc.*, 609 F.3d 1308, 1319 (Fed. Cir. 2010).

The majority's error is only compounded by the risk that a large portfolio rate will prejudice the jury towards a high damages number.

This Court's decision in *Uniloc* recognized the problem with placing artificially inflated damages numbers before the jury: it risks "skew[ing] the damages horizon for the jury, regardless of the contribution of the patented component to this [number]." 632 F.3d at 1320. As the Court aptly explained, this "cat [can] never [be] put back into the bag," even with cross-examination. *Id.*

The majority rests its reasoning on a concern that the Court will tread on the role of the jury. But in so doing, the Court entirely side-steps the judge's obligation to ensure the jury weighs only "reliable and relevant" expert testimony. *Kumho Tire Co. Ltd. v. Carmichael*, 526 U.S. 137, 149 (1999). As the dissent aptly observes:

> Our damages law ensures that an expert asks the right questions. Many admissible answers to these questions are possible, and it is those answers that are subject to the crucible of cross-examination. Mr. Kennedy failed to ask the right questions at multiple junctures. The majority's decision to overlook the prejudicial impact of his unreliable testimony abdicates its responsibility as a gatekeeper and contradicts our precedent.

Dissent at 10–11.

B. Mr. Kennedy's one-size-fits-all royalty contravenes settled law on apportionment.

A patent-agnostic royalty rate, like the one Mr. Kennedy offered, is facially unreliable. Under Mr. Kennedy's opinion, each of the supposedly comparable licenses applied a NRR per-unit royalty in exchange for a license to the entire portfolio of asserted and unasserted patents. At trial, Mr. Kennedy testified that the entirety of this NRR per-unit royalty from the licenses was attributable to the two remaining patents asserted against Google—the '327 patent, one claim of which the jury ultimately found infringed, and another patent, two claims of which were found not infringed. Appx5767-5768, Appx5810. This was so, in his opinion, even though EcoFactor's technical expert opined that the two patents cover *different* technologies. *See* Appx5580. Even more remarkably, Mr. Kennedy further opined that this NRR per-unit royalty would apply regardless of the number of patents or claims found infringed. Appx5767-5768, Appx5810. In other words, Mr. Kennedy claimed that in each scenario—a license to 30+ different patents or a license to any subset of the 30 (perhaps seven, two, or even just one patent)—a party would pay the same NRR per-unit rate to EcoFactor. As the dissent recognized, this is exactly the kind of "patent/claim-independent approach" this Court has previously rejected as inadequate for apportionment. *Omega Pats.*, 13 F.4th at 1379 (rejecting expert's opinion that "[Defendant] should pay the same rate no matter how many claims or how many of the patents it infringes.”). Apportionment requires accounting for each patent’s incremental contribution. This Court should clarify that an opinion like Mr. Kennedy’s—where the same royalty rate applies to a license for all or any subset of patents and claims covering different contributions to the art—should be considered as presumptively not apportioned to the value of each specific claimed invention.

Mr. Kennedy’s methodology amounts to a baseline royalty-rate opinion under the guise of a comparable license theory. This is unsurprising—EcoFactor’s CEO testified that it wishes to follow a baseline royalty rate approach in negotiating patent licenses. Appx5671. But setting aside the CEO’s testimony, Mr. Kennedy’s own testimony exposes his bottom-line opinion: On the one hand, Mr. Kennedy testified that “settlements of litigation generally always focus on the asserted patents and don't look at the rest of the portfolio.” Appx5771-5772. So he claimed, for example, that the parties to the Daikin license would have focused on the ’327 patent and the six other asserted patents, and then the other patents in the portfolio, “when the agreement is done,” would be “thrown in usually either for nothing or very little additional value.”

Appx5767-5768. Kennedy then opined that this same reasoning applied to the Johnson license. Appx5772-5773. But under Kennedy's own reasoning, the '327 patent drives the value in the Daikin license as an asserted patent, yet it is simultaneously of little-to-no value in the Johnson license because it was not asserted. That is, Kennedy's methodology results in the same rate regardless of which patents are asserted or what technological improvement is at issue. Until now, this Court has rejected this sort of patent-agnostic approach as insufficient for apportionment. *See Omega*, 13 F.4th at 1379–80.

The majority suggests Mr. Kennedy's failure to apportion is excused by a supposed analysis of Google's per-unit profits. Not so. That method, which EcoFactor has described as part of a "dual approach to apportionment," ECF No. 11 at 20, had *no bearing* on the NRR per-unit rate Mr. Kennedy offered. Instead, Mr. Kennedy started where he ended—with the flawed NRR rate—and compared it against purported per-unit profits as a rough "reasonableness check." Contrary to the majority's view, Mr. Kennedy's failure to apportion cannot be saved when it begins and ends with the same faulty premise. *See Uniloc*, 632 F.3d at 1317 ("Beginning from a fundamentally flawed premise and adjusting it based on legitimate considerations specific to the facts of the case nevertheless results in a fundamentally flawed conclusion.”).

In short, Mr. Kennedy’s choose-your-asserted-patents-to-arrive- at-the-same-royalty methodology cannot survive the scrutiny typically applied by this Court and district courts at the *Daubert*/admissibility stage. Simply put, “there must be a basis in fact to associate the royalty rates used in prior licenses to the particular hypothetical negotiation at issue in the case.” *Uniloc*, 632 F.3d at 1317. Here, Mr. Kennedy’s opinions lack a basis in fact. The Court must ensure the district court does not abdicate its role as gatekeeper; it should exclude unreliable testimony of this kind.

II. Mr. Kennedy’s Opinion Converting Lump-Sum License Rates into a Per-Unit Royalty Rate was Untethered from the Facts of the Case.

The majority also erred for a second, independent reason: Mr. Kennedy cannot reasonably rely on the lump-sum portfolio licenses to support the per-unit royalty rate he advanced. Mr. Kennedy’s per-unit royalty opinion is based solely on self-serving recitals and an understanding that runs contrary to the plain language of the agreements.

Under this Court's precedent, an expert must have some basis in the record to convert a lump-sum license to a per-unit royalty. *See, e.g.*, *MLC Intell. Prop.*, 10 F.4th at 1368 (explaining that an expert must "offer[] testimony as to how those lump-sum payments could be converted to any royalty rate"); *see also Lucent Techs.*, 580 F.3d at 1330 (requiring that "some basis for comparison must exist in the evidence presented to the jury"). This opinion must be "sufficiently tethered to the evidence presented" and compatible with the license agreement as a whole. *MLC Intell. Prop.*, 10 F.4th at 1368. Mr. Kennedy's opinion flouts these requirements. Yet the majority again overlooks these deficiencies.

The record reflects that each of the three license agreements involved a small, one-time, lump-sum payment to settle litigation. *See* Appx10402, Appx10391, Appx10413. So from what did Mr. Kennedy calculate his per-unit royalty opinion? He relies on a "whereas" clause recital in each license that he claims clarifies that each lump-sum amount is *based on* a reasonable royalty of NRR. But Mr. Kennedy (as well as EcoFactor's CEO) had no unit-sales number (to use as a divisor) to actually calculate from any lump sum (dividend) the NRR rate (quotient). In other words, Mr. Kennedy did not perform any calculation whatsoever. Without any unit-sales number, nor could Google challenge the propriety of the self-serving rate. The majority nevertheless blesses this approach, effectively giving patentees a tool to insulate their own preferred rates from scrutiny. Just as the dissent emphasizes: "The self-serving recitals reflect only EcoFactor's transparent attempt to manufacture a royalty rate using its 'belief.'" Dissent at 4–5. This Court should reject that attempt.

The unilateral "whereas" recitals underpinning Mr. Kennedy's opinion cannot suffice to support his view that the licenses employed a NRR per-unit royalty because that understanding is "incompatible with the … agreement[s] as a whole." *MLC Intell. Prop.*, 10 F.4th at 1368. Indeed, as the dissent observes, both the Schneider and Daikin licenses include expressly contradictory provisions reflecting the agreement of *both* parties that the lump-sum payments are "*not based upon sales and do not reflect or constitute a royalty*." Appx10391 (emphasis added), Appx10402. In the face of this evidence, the majority holds that the Johnson agreement—which lacks the same express refutation[4]—can

[4] The '327 patent was not identified as an asserted patent in the Johnson license. *See supra* at 9.

therefore be understood as supporting Mr. Kennedy's per-unit royalty.[5] But if one contract recital in a lump sum license agreement about what one party unilaterally believes is a reasonable royalty is adequate to support an expert's opinion on a per-unit royalty, then this Court has strayed far from the stringent baseline it once applied. *Whitserve, LLC v. Comput. Packages, Inc.*, 694 F.3d 10, 30 (Fed. Cir. 2012) ("[L]ump sum payments similarly should not support running royalty rates without testimony explaining how they apply to the facts of the case."); *see also Wordtech Sys.*, 609 F.3d at 1320 (determining that lump sum licenses could not support the royalty rate because "[n]either license describes how the parties calculated each lump sum, the licensees' intended products, or how many products each licensee expected to produce.").

The "whereas" clauses cannot as a matter of law provide support for Mr. Kennedy's proposition that the lump sum licenses were calculated using the NRR royalty rate. Both EcoFactor's CEO and Mr. Kennedy admitted that they had never seen the licensees' sales numbers. *See*

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[5] Johnson recently sought to enjoin EcoFactor from making misrepresentations about its settlement agreement, including regarding the royalty rate being based on unit sales. *See* ECF 13 at 7 n. 3 (citing Verified Compl., *Johnson Controls, Inc. v. EcoFactor Inc.*, 2023-0442-LWW (Apr. 20, 2023)).

Appx5691, Appx5695, Appx5697-5698, Appx5804, Appx5794, Appx5797, Appx5806. Mr. Kennedy even admitted that it was not possible to calculate a per-unit royalty from the lump-sum licenses "without having that information." Appx5802.[6] If Mr. Kennedy and EcoFactor's CEO lacked the evidence necessary to perform such a calculation, a jury should not be told that is what the licenses amounted to. And while the majority points to an email between EcoFactor and Johnson, even assuming it supports Mr. Kennedy's view, it cannot transform Mr. Kennedy's per-unit royalty opinion into a reliable one, when he did not rely on the email in his testimony.

A straightforward application of this Court's precedent tells us that Mr. Kennedy's royalty rate is unsupported and should have been excluded. Mr. Kennedy provided no basis in the record showing how the settlement lump sums can be converted to a royalty rate. The majority's conclusion to the contrary—that Mr. Kennedy's opinion was sufficiently reliable and tethered to the facts of the case—cannot survive scrutiny.

[6] It would be surprising to learn that [redacted] multiplied by some number of units sold had resulted in each of the three round lump-sum amounts agreed upon in each of the licensees—[redacted], [redacted], and [redacted]. *See* Appx10391, Appx10413, Appx10402.

Admitting this kind of unsupported expert conjecture represents a significant departure from this Court's established standards.

CONCLUSION

For the foregoing reasons, Google requests that the Court vacate the panel opinion and grant en banc review to clarify the standards for admissibility of damages expert opinions involving comparable licenses.

Respectfully submitted,

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