

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
WACO DIVISION**

CloudofChange, LLC,
Plaintiff

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6:19-CV-00513-ADA

-v-

NCR Corporation,
Defendant

MEMORANDUM OPINION AND ORDER

Before the Court is Plaintiff CloudofChange, LLC’s (“CoC”) Motion for Enhanced Damages for Willful Infringement. Dkt. 166. The Court heard the parties’ arguments on August 2, 2021. After careful considerations of the relevant facts, applicable law, and the parties’ oral arguments, the Court **DENIES** CoC’s Motion.

I. BACKGROUND

This is a patent infringement case involving two patents related to point of sale (“POS”) systems. Plaintiff CoC initiated this action on August 30, 2019, asserting U.S. Patent Nos. 9,400,640 (“the ’640 patent”) and 10,083,012 (“the ’012 patent”) (collectively, the “asserted patents”) against Defendant NCR Corporation (“NCR”).

Jury trial commenced on May 17, 2021. Dkt. 48. At the conclusion of a four-day trial, the jury returned a verdict finding that all asserted claims are valid and infringed by NCR and that NCR’s infringement was willful. Dkt. 159 (Jury Verdict Form). The jury awarded CoC \$13.2 million in damages. *Id.* On June 9, 2021, CoC filed its Motion for Enhanced Damages under 35 U.S.C. § 284. Dkt. 166. Subsequently, NCR filed its Response (Dkt. 177), and CoC filed its Reply (Dkt. 182).

II. LEGAL STANDARD

When patent infringement is found, “the court may increase the damages up to three times the amount found or assessed.” 35 U.S.C. § 284. “Section 284 gives district courts the discretion to award enhanced damages against those guilty of patent infringement.” *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 579 U.S. 93, 110 (2016). However, enhanced damages are “designed as a ‘punitive’ or ‘vindictive’ sanction for egregious infringement behavior” and are reserved for cases in which the defendant’s conduct is “willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.” *Id.* at 103–04. Thus, enhanced damages should not be awarded in “garden-variety cases.” *Id.* at 109. Further, “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). “Discretion remains with the court to determine whether the conduct is sufficiently egregious to warrant enhanced damages.” *Id.*

In exercising this discretion to award enhanced damages for willfulness, courts frequently look to the factors articulated in *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 827 (Fed. Cir. 1992). The nine *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) the defendant’s size and financial condition; (5) closeness of the case; (6) duration of the defendant’s misconduct; (7) remedial action by the defendant; (8) the defendant’s motivation for harm; and (9) whether the defendant attempted to conceal the misconduct. *Read*, 970 F.2d at 827. While these factors are designed to guide the analysis, “[t]he paramount determination in deciding [whether] to grant enhancement damages for patent infringement and the amount thereof is the egregiousness of the defendant’s conduct based on all the facts and circumstances.” *Id.* at 826. However, a district court is not required to discuss

the *Read* factors in determining whether to award enhanced damages. *Presidio*, 875 F.3d at 1382. Instead, the touchstone is whether there was egregious infringement behavior, rather than a more rigid, mechanical assessment. *Wapp Tech Ltd. P’ship v. Seattle SpinCo, Inc.*, No. 4:18-CV-469, 2021 WL 1574714, at *2 (E.D. Tex. Apr. 22, 2021).

III. DISCUSSION

A. No Egregious Conduct

CoC’s arguments for enhanced damages are mainly based on (1) NCR’s failure to investigate whether it actually received a 2018 notice letter from CoC, (2) the unreasonableness of NCR’s invalidity and non-infringement positions, and (3) NCR’s litigation behavior. Dkt. 166. After considering the totality of the circumstances, including the *Read* factors, the Court finds that CoC has not offered sufficient evidence showing that NCR’s conduct in this case is “willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed—characteristic of a pirate.” *See Halo*, 579 U.S. at 109. Therefore, the Court finds that an award of enhanced damages is not appropriate in this case.

1. CoC’s 2018 Notice Letter

CoC states that it sent a certified letter to NCR’s general counsel, Edward Gallagher, in January 2018, notifying NCR of its infringement of one of the asserted patents, where the letter was signed for by someone named “R. Brees.” Dkt. 166 at 4. CoC contends that NCR has “a policy of willful and deliberate blindness to the notice letter,” because NCR either deliberately never investigated whether R. Brees was an employee in 2018 or chose to not reveal the outcome of any investigation, and that NCR “offered no evidence of any investigation into the identity of R. Brees.” *Id.* at 3–4. However, CoC does not provide any evidence showing that NCR actually received the notice letter, nor does CoC allege that it sent any follow-up letters to NCR after

receiving no response. Even if NCR did receive the alleged notice letter, it does not justify an award of enhanced damages without any other egregious or malicious conducts on the part of NCR. *See, e.g., Fortinet, Inc. v. Forescout Techs. Inc.*, 2021 WL 2412995, at *19 (N.D. Cal. 2021) (Alleged knowledge of a patent during period of alleged infringement is not sufficient to establish egregious conduct); *Erfindergemeinschaft UroPep GbR v. Eli Lilly & Co.*, 2017 WL 2190055, at *2 (E.D. Tex. 2017) (A defendant’s “failure to respond” to a “single, one-page letter” identifying a patent is no basis to enhance damages.); *Green Mountain Glass LLC v. Saint Gobain Containers, Inc.*, 300 F. Supp. 3d 610, 630 (D. Del. 2018) (denying enhanced damages despite patentee providing notice of patents years earlier). Indeed, evidence produced by NCR shows that NCR did not receive the letter in January 2018, which was addressed neither to the location of NCR’s headquarters nor Mr. Gallagher’s office, and that NCR was not aware of the letter until this lawsuit was filed in August 2019. Dkt. 177 at 2. Further, NCR represents that during discovery, it exhaustively searched its records, but never located the letter at issue and did not find an employee named “R. Brees.” *Id.* at 2–3.

2. *NCR’s invalidity positions*

CoC contends that NCR’s invalidity positions are not based on good faith belief because (1) NCR maintained ten total obviousness combinations up to trial but presented less than half of those combinations, (2) Dr. Chatterjee did not offer any obviousness opinions at trial about motivation to combine or reasonable expectation of success, and (3) Dr. Chatterjee offered two anticipation references that fail to expressly disclose certain claim elements but instead relied on inherency for those elements. Dkt. 166 at 6. As the Court noted in its Order denying CoC’s Motion for Exceptional Case and Attorney Fees (Dkt. 206, “Attorney Fees Order”), it is fairly common for parties to further narrow their presentations before a jury given the time constraints of a trial.

NCR reduced its prior art reference combinations for its invalidity position, and CoC itself also reduced the number of asserted claims. There is nothing “egregious” here. Second, when a modification is well-known and obvious, there need not be independent evidence of a “motivation to combine” or “reasonable expectation of success.” *See Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1367 (Fed. Cir. 2008). Finally, anticipation by inherency is a well-recognized doctrine and there is nothing wrong for Dr. Chatterjee to rely on it. *See In re Napier*, 55 F.3d 610, 613, 34 USPQ2d 1782, 1784 (Fed. Cir. 1995).

3. *NCR’s non-infringement positions and alleged design around*

NCR’s technical expert Dr. Chatterjee testified that NCR does not infringe because NCR’s software is pre-built and further because the accused NCR Silver is on an application server rather than on a web server as required by the asserted claims. CoC contends that (1) these opinions are not based on NCR’s documents, any produced documents, or on Dr. Chatterjee’s investigation, (2) Chatterjee has never used the accused software from a blank slate, and (3) the diagram that NCR used at trial to support its non-infringement positions “is not an NCR document” but was produced from Chatterjee’s report. Dkt. 166 at 6–7. However, CoC provides no basis to support its contention that only “NCR document” can be used during trial to support NCR’s non-infringement position, or that using the accused software “from a blank slate” is a necessary condition for NCR’s technical expert to offer reliable non-infringement opinions. As NCR explains, Chatterjee opined that a “pre-built” system does not meet the “point of sale builder software” claim limitation because “building” requires programming the software as opposed to mere data entry. Dkt. 177 at 7. This position is consistent with the Court’s claim construction of that term, which is “software that builds the POS terminals” (Dkt. 44 at 3) and reasonably based on Chatterjee’s own understanding of the relevant art and interpretation of the Court’s construction.

Second, CoC contends that Chatterjee’s non-infringement opinion that there was no web server in the accused product directly contradicts his design-around opinion which calls for removing the web server from the accused products. Dkt. 166 at 5, 7. NCR explained that there is no inconsistency because the asserted claims require that the POS builder software be either installed on or run on a web server and Chatterjee testified that the accused NCR silver did not have builder software installed on or run on a web server, but he does not deny the presence of a web server. Dkt. 177 at 4. Thus, the Court does not see any inconsistency in NCR’s design-around and non-infringement positions.

Finally, CoC contends that on the one hand NCR denied that the accused product is a “system,” as required in the asserted claims, but on the other hand said NCR benefits from charging its customers for the accused NCR Silver system. Dkt. 166 at 7. Again, the Court does not see any inconsistency or unreasonableness in NCR’s position. As NCR explains, it argues that it does not provide the *entire* claimed “system” since it must provide the entire claimed “system” for it to infringe. Dkt. 177 at 7–8.

4. *NCR’s litigation conduct*

CoC contends that (1) NCR’s counsel and witnesses were rebuked by the clerk and the Court during discovery and trial, (2) NCR unilaterally canceled noticed depositions and refused to follow the Court’s dispute resolution mechanism. As the Court noted in its Attorney Fees Order, the alleged “rebuke” from the law clerk involved only one instance where the clerk instructed the parties to meet and confer on certain discovery issues, which the parties later resolved amongst themselves. Dkt. 206 at 3. Similarly, the alleged NCR’s unilateral cancelation of depositions was due to the unavailability of NCR’s witness, which was clearly communicated by NCR to CoC’s counsel. *Id.* at 3–4.

B. Jury’s Finding of Willfulness

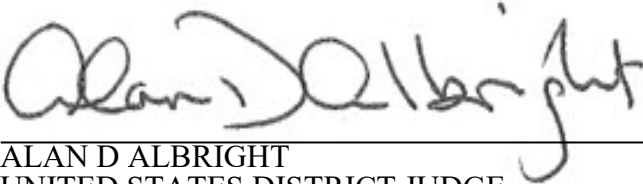
The jury found that NCR’s infringement was willful. Dkt. 159 (Jury Verdict Form). However, “an award of enhanced damages does not necessarily flow from a willfulness finding.” *Presidio*, 875 F.3d at 1382. Indeed, it is commonplace for district courts to exercise their discretion to deny enhanced damages notwithstanding a willfulness finding by the jury. *See, e.g., Wapp Tech Ltd. P’ship v. Seattle SpinCo, Inc.*, 2021 WL 1574714, at *2 (E.D. Tex. 2021) (denying enhanced damages despite willfulness finding); *Ironburg Inventions Ltd. v. Valve Corp.*, 2021 WL 2137868, at *4 (W.D. Wash. 2021) (same); *Green Mountain Glass LLC v. Saint Gobain Containers, Inc.*, 300 F. Supp. 3d 610, 630-31 (D. Del. 2018) (same); *Idenix Pharms. LLC v. Gilead Scis., Inc.*, 271 F. Supp. 3d 694, 700 (D. Del. 2017) (same); *Saint Lawrence Comm’ns LLC v. Motorola Mobility LLC*, 2017 WL 6268735, at *2 (E.D. Tex. 2017) (same).

The Court finds that none of the litigation conducts that CoC alleged above is “sufficiently egregious to warrant enhanced damages.” *See Presidio*, 875 F.3d at 1382. Rather, it is a hard-fought case based on NCR’s good-faith defenses. It is one of the “garden-variety” cases where enhanced damages should not be awarded. *See Halo., Inc.*, 579 U.S. at 103–04.

IV. CONCLUSION

For the foregoing reasons, the Court **AFFIRMS** the jury’s finding that defendant NCR’s infringement was willful and **DENIES** Plaintiff CoC’s Motion for Enhanced Damages (Dkt. 166).

SIGNED this 6th day of December, 2021.


ALAN D ALBRIGHT
UNITED STATES DISTRICT JUDGE