

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

**CHRIMAR HOLDING COMPANY, LLC, CHRIMAR
SYSTEMS, INC., DBA CMS TECHNOLOGIES, INC.,**
Plaintiffs-Cross-Appellants

v.

**ALE USA INC., FKA ALCATEL-LUCENT
ENTERPRISE USA, INC.,**
Defendant-Appellant

2017-1848, 2017-1911

Appeals from the United States District Court for the
Eastern District of Texas in No. 6:15-cv-00163-JDL,
Magistrate Judge John D. Love.

Decided: May 8, 2018

JUSTIN S. COHEN, Thompson & Knight LLP, Dallas,
TX, argued for plaintiffs-cross-appellants. Also repre-
sented by ADRIENNE E. DOMINGUEZ, J. MICHAEL HEINLEN,
RICHARD L. WYNNE, JR.; RICHARD W. HOFFMANN, Reising
Ethington PC, Troy, MI.

CHRISTOPHER N. CRAVEY, Jackson Walker LLP, Hou-
ston, TX, argued for defendant-appellant. Also represent-

ed by BRIAN K. BUSS, LEISA T. PESCHEL, DAVID K. WOOTEN.

Before PROST, *Chief Judge*, WALLACH and TARANTO,
Circuit Judges.

TARANTO, *Circuit Judge*.

Chrimar Systems, Inc., filed a patent infringement suit against ALE USA Inc. (formerly known as Alcatel-Lucent Enterprise USA Inc.). In response, ALE asserted numerous defenses and counterclaims, including a claim of fraud under Texas law. As relevant here, a jury found infringement by ALE and awarded damages to Chrimar, and it rejected ALE's fraud claim. The court entered judgment in favor of Chrimar on those issues. The court also denied Chrimar's post-trial motion for attorney fees under 35 U.S.C. § 285. Both parties appeal. We reject one of the claim constructions adopted by the district court, but we affirm the damages award, the judgment on ALE's fraud claim, and the denial of fees.

I

A

Chrimar owns four related patents—U.S. Patent Nos. 8,155,012; 8,942,107; 8,902,760; and 9,019,838—whose specifications are materially the same for present purposes. We treat the '012 patent's specification as representative. The specification describes the use of devices that connect to a wired network, such as Ethernet, and that manage or track remote electronic equipment, such as a personal computer, on that network. '012 patent, col. 1, lines 23–26, 37–39. In the arrangement described, such equipment, called an “asset,” has a tracking device, called a “remote module,” attached internally or externally to it. *Id.*, col. 1, line 66 through col. 2, line 2. The asset can be managed, tracked, or identified by using the remote

module to communicate a unique identification number, port identification, or wall jack location to the network monitoring equipment, or “central module.” *Id.*, col. 3, lines 22–27; *see id.*, col. 8, line 58 through col. 9, line 23; *see also id.*, col. 6, lines 48–67 & Fig. 4. Asset identification may be done without using existing network bandwidth, because the remote module can convey information about the asset to the central module through the same wiring or cables that convey the high-frequency data on the network, without adversely affecting the high-frequency data. *See id.*, col. 3, lines 10–12; *id.*, col. 11, line 64 through col. 12, line 1 (“The system transmits a signal over preexisting network wiring or cables without disturbing network communications by coupling a signal that does not have substantial frequency components within the frequency band of network communications.”). And asset identification does not require that the asset be powered on. *Id.*, col. 4, lines 65–67; *id.*, col. 12, lines 48–50.

According to Chrimar, all four patents are standard-essential patents in that they cover features required by the Institute of Electrical and Electronics Engineers (IEEE) Power over Ethernet (PoE) 802.3af standard (ratified in 2003) and 802.3at amendments to the IEEE PoE 802.3 standard (ratified in 2009). Those standards address detection, classification, power-on, operating power, and removal of power. Chrimar’s patents cover the first three features (detection, classification, and power-on).

A Power over Ethernet controller chip controls the activities addressed in the standard relevant here. Products with such a controller chip interact with other products to enable the safe delivery of power from power-sourcing equipment (*e.g.*, switches) to powered devices (*e.g.*, wireless access points and voice over internet protocol (VoIP) phones). ALE sells VoIP phones, wireless access points,

and switches that implement the IEEE PoE 802.3af/at standard.

B

The IEEE ratified the PoE 802.3af standard in 2003. That ratification followed a series of meetings convened by the IEEE regarding adoption of the standard. John Austermann, Chrimar's Chief Executive Officer and listed inventor on the patents, participated in several such meetings in 2000.

Under the then-applicable bylaws of the IEEE Standards Association Board (2000)—which have since been changed—if the IEEE knew of an essential patent, the IEEE could adopt a standard that includes the known use of that patent or patent application “if there is technical justification in the opinion of the standards-developing committee and provided the IEEE receives assurance from the patent holder that it will license under reasonable terms and conditions for the purpose of implementing the standard.” J.A. 10548. The bylaws also stated that the letter of assurance “shall be provided without coercion,” J.A. 10548; and the IEEE Standards Association operations manual required that the working group “shall request that known patent holders submit statements” but that the working group refrain from coercing the patent holders to do so, J.A. 6711. According to Chrimar's expert Clyde Camp, who served as Chair of the IEEE Patent Committee, the IEEE's patent policy at the time was one of “request and encourage,” J.A. 6706, consisting of sending letters to owners of patents that may be essential and requesting (without requiring) that the patent owner return a “Letter of Assurance,” J.A. 6705–09; *see also* J.A. 6713–14 (IEEE 2002 statement submitted to FTC: “Disclosure of patents is based on the willingness of the individual participants to disclose any known patents whose use would be required in the practice of the standard.”). Mr. Camp also testified that patent holders did not

always provide a letter of assurance in response to such requests. J.A. 6712.¹

In October 2001, while the relevant IEEE component was considering the adoption of the PoE 802.3af standard, Chromar expressed its belief to the IEEE that the Chromar-owned U.S. Patent No. 5,406,260—not asserted in this case—was an essential patent for that standard. Chromar submitted a “letter of assurance” agreeing to license the ’260 patent upon request “to all applicants at royalty rates that [Chromar] deems reasonable in light of the specific circumstances of this particular situation.” J.A. 10559. The IEEE never requested, and Chromar did not submit, any similar letter regarding the four patents asserted in this case.

C

In 2015, Chromar sued ALE in the Eastern District of Texas for direct and indirect infringement of the ’012, ’107, ’838, and ’760 patents under 35 U.S.C. §§ 271(a), (b). ALE asserted defenses of, *inter alia*, noninfringement, invalidity (including anticipation, obviousness, lack of enablement, lack of sufficient written description, and lack of proper inventorship), unenforceability based on unclean hands and inequitable conduct, prosecution laches, equitable estoppel, waiver, and implied license. ALE also asserted counterclaims of, *inter alia*, breach of contract with the IEEE (with ALE as a third-party beneficiary), fraud, and violation of section 2 of the Sherman Act, as well as declaratory judgment counterclaims corresponding to several of ALE’s affirmative defenses.

The court issued a claim construction order in late March 2016. *Chrimar Sys., Inc. v. Alcatel-Lucent USA, Inc.*, No. 6:15-cv-163, 2016 WL 1228767 (E.D. Tex. Mar.

¹ In 2004, the IEEE changed its policy to require the submission of letters of assurance.

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