

# United States Court of Appeals for the Federal Circuit

---

COMMONWEALTH SCIENTIFIC AND INDUSTRIAL  
RESEARCH ORGANISATION,  
*Plaintiff-Appellee*

v.

CISCO SYSTEMS, INC.,  
*Defendant-Appellant*

---

2015-1066

---

Appeal from the United States District Court for the  
Eastern District of Texas in No. 6:11-cv-00343-LED, Chief  
Judge Leonard Davis.

---

Decided: December 3, 2015

---

MICHAEL NG, Kobre & Kim LLP, San Francisco, CA,  
argued for plaintiff-appellee. Also represented by DANIEL  
AMON ZAHEER; BENJAMIN JEFFREY AARON SAUTER, New  
York, NY; MICHAEL F. HEIM, MIRANDA Y. JONES, Heim,  
Payne & Chorush, LLP, Houston, TX; FREDERICK  
MICHAUD, Capshaw DeRieux LLP, Washington, DC;  
JAMES WAGSTAFFE, MICHAEL JOHN VON LOEWENFELDT,  
Kerr & Wagstaffe, LLP, San Francisco, CA.

JOHN C. O'QUINN, Kirkland & Ellis LLP, Washington,  
DC, argued for defendant-appellant. Also represented by

JASON M. WILCOX; L. NORWOOD JAMESON, JENNIFER H. FORTE, ALISON HADDOCK HUTTON, MATTHEW YUNGWIRTH, Duane Morris LLP, Atlanta, GA.

MARK S. DAVIES, Orrick, Herrington & Sutcliffe LLP, Washington, DC, for amicus curiae Apple Inc. Also represented by BRIAN PHILIP GOLDMAN, San Francisco, CA.

LAUREN B. FLETCHER, Wilmer Cutler Pickering Hale and Dorr LLP, Boston, MA, for amici curiae Intel Corporation, Dell Inc., Hewlett-Packard Company. Also represented by REBECCA A. BACT, WILLIAM F. LEE, JOSEPH J. MUELLER; KENNETH HUGH MERBER, Washington, DC.

MIKE MCKOOL, McKool Smith, P.C., Dallas, TX, for amicus curiae Ericsson Inc. Also represented by THEODORE STEVENSON III; JOHN BRUCE CAMPBELL, JOEL LANCE THOLLANDER, Austin, TX.

DEMETRIUS TENNELL LOCKETT, Townsend & Lockett, LLC, Atlanta, GA, for amici curiae Nokia Corporation, Nokia USA, Inc.

ROGER BROOKS, Cravath Swaine & Moore LLP, New York, NY, for amicus curiae Qualcomm Incorporated.

ALEXANDRA MCTAGUE, Winston & Strawn LLP, Menlo Park, CA, for amicus curiae Aruba Networks, Inc. Also represented by DAVID SPENCER BLOCH, San Francisco, CA.

---

Before PROST, *Chief Judge*, DYK and HUGHES, *Circuit Judges*.

PROST, *Chief Judge*.

Following a bench trial on damages, the district court awarded Commonwealth Scientific and Industrial Research Organisation (“CSIRO”) \$16,243,067 for Cisco

Systems, Inc.’s (“Cisco”) infringement of CSIRO’s U.S. Patent No. 5,487,069 (“’069 patent”). On appeal, Cisco challenges the district court’s damages award. We conclude that the district court’s methodology in this case—insofar as it relied on the parties’ actual licensing discussions—is not contrary to damages law. However, we also hold that the district court erred in not accounting for the ’069 patent’s standard-essential status and in its reasons for discounting a relevant license agreement. We therefore vacate the district court’s judgment and remand for the district court to revise its damages award.

### I. BACKGROUND

CSIRO is the principal research arm of the Australian federal government and conducts research in countless scientific fields. One such field is wireless communications. In the early 1990s, CSIRO, among many other organizations, set out to devise faster and more reliable wireless local area network technology. CSIRO’s research resulted in the ’069 patent, which was filed on November 23, 1993, and issued to CSIRO on January 23, 1996. The ’069 patent discloses techniques directed to solving issues from wireless signals reflecting off objects and interfering with each other, commonly referred to as the “multipath problem.”

In 1997, the Institute of Electrical and Electronics Engineers (“IEEE”) released the original 802.11 wireless standard, which provides the specifications for products using the Wi-Fi brand. The first revision of 802.11, called 802.11a, was ratified in 1999, and it included the ’069 patent’s technology. In connection with 802.11a, CSIRO submitted a letter of assurance to the IEEE pledging to license the ’069 patent on reasonable and non-discriminatory (“RAND”) terms. The ’069 patent is also essential to various later iterations of 802.11 (802.11g, n, and ac). However, despite the IEEE’s repeated requests to CSIRO that it submit a letter of assurance for the ’069

patent for these revisions of 802.11, CSIRO refused to encumber the '069 patent with a RAND commitment for these revisions.

When the '069 patent issued in 1996—the early days of 802.11—a group of individuals involved in the '069 patent's research attempted to commercialize the technology. Along with David Skellern and Neil Weste, both professors at Macquarie University in Australia, Terry Percival, a CSIRO scientist and named inventor on the '069 patent, founded a company called Radiata, Inc. to sell wireless chips in at least the United States. Consequently, Radiata and CSIRO entered into a license agreement—the Technology License Agreement (“TLA”)—for the '069 patent. Under the TLA, Radiata agreed to pay CSIRO tiered royalties for each chip sold according to the following table:

<u>Sales Volume</u>	<u>Standard Chip Royalty</u>	<u>Derivative Chip Royalty</u>
1–100,000	5.0%	5.0%
100,001–400,000	4.0%	4.0%
400,001–1,000,000	3.0%	3.0%
1,000,001–3,000,000	2.0%	2.0%
> 3,000,001	1.0%	0.5%

In November 2000, Cisco publicly announced its plans to acquire Radiata. The acquisition was completed in early 2001. As part of the acquisition, Cisco, Radiata, and CSIRO amended the TLA in February 2001, largely to allow Cisco to take Radiata's place in the TLA. Cisco and CSIRO amended the TLA again in September 2003. Cisco paid royalties to CSIRO under the TLA until 2007, when

Cisco ceased using Radiata-based chips in its products. Over the course of the TLA, Cisco paid CSIRO over \$900,000 in royalties.

Around 2003, CSIRO decided to offer a license to the '069 patent to other Wi-Fi industry participants. Eventually, it developed a form license offer, called the "Rate Card," which it began offering to potential licensees in 2004. The Rate Card was structured as follows:

	<b><u>Royalty per product sold</u></b>				
Days from offer to acceptance:	< 90	< 120	< 150	< 180	> 180
<b><u>Sales Volume</u></b>					
0–1 million	\$1.90	\$2.38	\$2.85	\$3.33	\$3.80
1–2 million	\$1.80	\$2.25	\$2.70	\$3.15	\$3.60
2–5 million	\$1.70	\$2.13	\$2.55	\$2.98	\$3.40
5–10 million	\$1.60	\$2.00	\$2.40	\$2.80	\$3.20
10–20 million	\$1.50	\$1.88	\$2.25	\$2.63	\$3.00
> 20 million	\$1.40	\$1.75	\$2.10	\$2.45	\$2.80

The lowest Rate Card rates, corresponding to acceptance of CSIRO's offer within ninety days, were \$1.40–\$1.90 per unit. CSIRO did not execute any licenses under the Rate Card terms.

In 2004, CSIRO approached Cisco and offered Cisco a license to the '069 patent on the Rate Card rates. Cisco did not accept CSIRO's offer. However, the district court found that in subsequent discussions in 2005, Dan Lang,

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

## FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.