SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
A Limited Liability Partnership
Including Professional Corporations
STEPHEN S. KORNICZKY, Cal. Bar No. 135532
skorniczky@sheppardmullin.com
MARTIN R. BADER, Cal. Bar No. 222865
mbader@sheppardmullin.com
MATTHEW W. HOLDER, Cal. Bar No. 217619
mholder@sheppardmullin.com
12275 El Camino Real, Suite 200
San Diego, California 92130-2006
Telephone: 858.720.8900
Facsimile: 858.509.3691

Attorneys for TCL Parties

KELLER/ANDERLE LLP
CHASE A. SCOLNICK, Cal. Bar No. 227631
cscolnick@kelleranderle.com
18300 Von Karman Avenue, Suite 930
Irvine, California 92612
Telephone: 949.476.8700
Facsimile: 949.476.0900

MCKOOL SMITH P.C.
THEODORE STEVENSON, III (Admitted *pro hac vice*)
tstevenson@mckoolsmith.com
NICHOLAS MATHEWS (Admitted *pro hac vice*)
nmathews@mckoolsmith.com
300 Crescent Court, Suite 1500
Dallas, TX 75201
Telephone: 214.978.4000
Facsimile: 214.978.4044

Attorneys for Ericsson Inc. and Telefonaktiebolaget LM Ericsson

UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

TCL COMMUNICATION TECHNOLOGY HOLDINGS, LTD., *et al.*

Plaintiffs,

v.

TELEFONAKTIEBOLAGET LM ERICSSON, *et al.*

Defendants.

TELEFONAKTIEBOLAGET LM ERICSSON *et al.*,

Plaintiffs,

v.

TCL COMMUNICATION TECHNOLOGY HOLDINGS, LTD. et al.,

Defendants.

Case No. SACV14−00341 JVS (DFMx)

Consolidated with CV15-02370

JOINT REPORT OF THE PARTIES RE DECEMBER 14, 2020 STATUS CONFERENCE (DKT. 2063)

Hon. James V. Selna
Hearing Date: December 14, 2020
Time: 8:00 a.m.

Pursuant to the Court's order dated October 22, 2020 (Dkt. 2063), and in anticipation of the parties' status conference set for December 14, 2020, TCL and Ericsson hereby submit the following joint report. The first section of this joint report addresses the status of the case schedule in light of the COVID-19 pandemic and local public health guidance. This section is jointly submitted by both parties. The remainder of the report sets forth the parties' respective positions regarding the matters addressed in the Court's October 22 order, *i.e.*, "any bifurcation of trial and whether the trial will be divided between Court and Jury trial."

I. JOINT STATEMENT RE CASE SCHEDULE

The parties wish to address the status of the case schedule. In particular, the parties believe the trial is very unlikely to start in April 2021 in light of the COVID-19 pandemic and local public health guidance. To the extent the Court agrees, such that the trial date will be delayed until later in 2021, then the parties believe the entire schedule, including all pretrial deadlines *except* the mediation set for January 11, 2021, should also be moved back. The parties request that this issue be taken up now, before substantial additional work must be done in connection with at least one deposition currently scheduled on December 21 and the upcoming January 2021 pretrial deadlines.

At present, the trial is set for April 6, 2021. The parties' disclosures pursuant to Local Rule 16-2 are due no later than January 7, 2021. Motions *in limine* and *Daubert* motions are due January 14, with briefing occurring through February 18, and the hearing set for March 8. Jury instructions and the parties' Memoranda of Contentions of Fact and Law are due March 1, with the pretrial conference order due March 11, and the hearing set for March 22. The parties are also scheduled to mediate with Judge Andrew Guilford on January 11, 2021.[1]

[1] The parties were originally scheduled to mediate on December 17, 2020, but Judge Guilford asked if the parties would be willing to move the mediation to January 11,

Based on the current trajectory of various metrics related to COVID-19, the fact that Orange County moved into the Purple Tier on November 17, 2020, and the Court's prior comments about the logistical issues associated with conducting a civil trial and summoning a jury panel (*e.g.*, that Orange County be well-established in the Orange Tier prior to summoning a jury, which in turn requires 49 days of lead time), the parties believe it is highly unlikely that the trial will begin in April 2021. To the extent the Court agrees and foresees the trial date being continued later into 2021, there remains the question of whether the rest of the pretrial schedule will also be continued a commensurate amount of time, or instead will remain as is.

With the exception of the mediation set for January 11, the parties believe that if the trial date is destined to be continued, then the rest of the pretrial schedule (minus the mediation) should also be moved back, and further that this should be done now given the substantial amount of work that the parties must undertake in December in order to be ready to meet the January 2021 deadlines in the schedule. In particular, both sides foresee filing a large number of *Daubert* motions and other motions *in limine*, especially now that this case will be tried to a jury rather than the Court. Work on these motions has already begun, but will intensify in the second part of December and early January. These motions will consume a substantial volume of resources, both for the parties and the Court. If the trial date is going to be moved—which the parties believe is essentially inevitable at this point—and further given the mediation scheduled for January 11, then the parties believe it makes sense that they be able to defer the burden of complying with the pretrial deadlines until closer to the actual trial date, and after such time as it becomes clear that the case will not be resolved via settlement. If the Court agrees, then the parties have in mind a continuance of at least three to four months, with a corresponding

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2021, to account for a need to reschedule a time-sensitive arbitration wherein one of the parties' lawyers had contracted COVID. The parties agreed to do so.

extension of all other deadlines, excluding only the mediation deadline.

II. RESPONSE TO OCTOBER 22 ORDER RE BIFURCATION, ETC.

On October 22, 2020, the Court ordered the parties to submit a joint report which addresses "any bifurcation of trial and whether the trial will be divided between Court and Jury trial." The parties have met and conferred but were not able to reach agreement on this issue. Their respective positions are set forth below.

A. TCL's Position[2]

1. Overview of TCL's bifurcation proposal and verdict form

TCL believes there needs to be a bifurcation so the jury is not exposed to information regarding TCL's actual sales after May 8, 2015 (the effective date of Option A and B) at the same time the jury is deciding whether Option A or B is FRAND, and otherwise setting the FRAND royalty rates. Such a bifurcation is needed to avoid the "hindsight evidence" issue which TCL previously raised with the Court, *i.e.*, the risk that the jury's assessment of what is FRAND—as well as how the jurors assess the witnesses and their testimony—could be influenced by subsequent changes in TCL's sales trajectory relative to what the parties were envisioning during their negotiations. TCL also separately believes that Ericsson has no right to have a jury decide the amount of royalties TCL owes for its sales after May 8, 2015.

The result of TCL's proposal is a two-phase trial, with 99% of the "action"

[2] In submitting the proposals herein, TCL does not waive its arguments regarding the Federal Circuit's decision, or how the case should be litigated on remand. TCL preserves for later review all of its arguments regarding why the Federal Circuit's decision was in error, as appropriate, as well as its various arguments which the Court has rejected in deciding how the case will be litigated on remand (*e.g.*, that Ericsson is not entitled to legal relief for alleged unlicensed sales absent litigating a patent infringement claim, and also that Ericsson has no right to have a jury set the royalty rate for a forward-looking license). TCL's proposals herein are derivative of (and thus constrained by) the Court's pronouncements regarding how the case will be litigated on remand.

taking place in Phase 1, and Phase 2 being ministerial at best. In particular, Phase 1 would replicate the first trial, in that the jury would decide whether Ericsson's Option A or B offers are FRAND, would set the new FRAND royalty rates if not, and—per the Federal Circuit's decision—would determine what TCL owes as a "release payment" for its sales before May 8, 2015. The only thing left after Phase 1 would be applying the jury's findings regarding the FRAND royalty rates to TCL's sales volumes from May 8, 2015 through May 7, 2020 (*i.e.*, the five-year license term). This is similar to the reporting that parties would do under any license with a running royalty, and what the parties did for sales after the 2017 trial. This step would consist of nothing more than basic arithmetic, likely not subject to any dispute, in that the jury will have already decided the royalty rates, and the sales volumes have already been the subject of reporting by TCL during the term of the Court-adjudicated license, and are not in dispute to the best of TCL's knowledge. TCL believes the parties would likely stipulate to the amounts owed as performance during the post-May 2015 license period, and if not, then the Court would need to address the issue. To the extent any real Phase 2 is needed, presumably it could be addressed in less than one hour—even if the Court ultimately decides that the jury must perform the remaining task of calculating royalties owed for the post-May 2015 license period.

For the Court's convenience, TCL's proposed verdict form for the Phase 1 jury trial is set forth here:

1) Is Option A fair, reasonable, and non-discriminatory?

YES _____

NO _____

Please proceed to Question 2.

2) Is Option B fair, reasonable, and non-discriminatory?

YES _____

NO _____

If you answered YES to either Question 1 or 2, please proceed to Question 4. If you answered NO to both Question 1 and 2, please proceed to Question 3.

3) What are the fair, reasonable, and non-discriminatory royalty rates for TCL's license?

2G/3G _____

4G _____

Please proceed to Question 4.

4) What does TCL owe Ericsson for sales prior to May 8, 2015?

$_____

TCL addresses these issues in more detail below, and also addresses concerns it has with Ericsson's proposed verdict form.

2. The jury should not be exposed to information regarding TCL's actual post-May 2015 sales while deciding the FRAND dispute.

TCL addressed at length its concerns with "hindsight evidence" in the joint report which the parties submitted on June 17, 2020. (*See* Dkt. 2033 at pp. 3-7.) As explained therein, certain of the positions adopted by the parties and their witnesses at the first trial regarding to whom TCL is or is not similarly situated turned on the *anticipated* volume and trend of TCL's sales, especially relative to others in the market. TCL's witnesses also conducted certain analyses based on *projections* of TCL's sales over the course of the license term. Since the 2017 trial, however, there have been changes in TCL's actual sales volume and trend, which are in tension with the future world envisioned at the time of the 2015 offers, and also with certain projections used by the witnesses. In particular, TCL's actual sales turned out to be lower than otherwise anticipated.

In the prior joint report, TCL expressed the serious concern that such later developments would unfairly become an issue at the retrial. For example, there could be witness testimony, or witness questioning, or attorney argument which

addressed these later developments, and sought to cast TCL or its witnesses in a bad light. Indeed, witnesses who otherwise envisioned a better trajectory for TCL, or used projections of higher future sales in their analyses, could be perceived by the jury as incorrect, incompetent, or even dishonest. (Dkt. 2033 at 4.) At the subsequent hearing on June 23, 2020, the Court acknowledged TCL's concerns, explaining as follows:

> I reiterate my view that this is a narrow trial focusing on whether the original A and B were FRAND offers. As I indicated in the last conference call, we're not going to go any farther than the – past the date of the FRAND offers to look at other licenses other than the ones that we looked at in the original trial. I don't envision any what I think TCL calls hindsight evidence. I think the mission is to capture the correctness of the conduct on the part of Ericsson when it offered Offers A and B, and hindsight doesn't really shed any light on that.

(June 23, 2020 Hr'g. Tr. at 4:13-23.)

Given the relatively narrow trial focus dictated by the Court, wherein the parties are essentially playing out the legal fiction of entering into a forward-looking license in 2015, the jury has no need or right to hear about how TCL's actual sales evolved after May 2015 in order to decide whether Options A or B were FRAND, and if not, to set the FRAND rates. Nor does the jury need to receive data regarding TCL's actual post-May 2015 sales in order to calculate the "release payment" TCL would owe for sales pre-May 2015, per the Federal Circuit's decision. Thus, information regarding TCL's actual post-May 2015 sales is simply irrelevant to the jury's task. Exposing the jury to such irrelevant information would only risk confusion, as well as potential misuse by the jury. As a result, TCL has proposed the bifurcation described above.

In response to TCL's proposal, Ericsson has not claimed that it needs to use,

or is entitled to use, information regarding TCL's actual post-May 2015 sales in arguing to the jury about whether Option A or B is FRAND, or what the FRAND rates should be. To the contrary, Ericsson now specifically disclaims any intent to refer to or otherwise use evidence of TCL's actual post-May 2015 sales in arguing to the jury about what is or is not FRAND. Nevertheless, Ericsson still wants such evidence to be admitted during the jury trial, and has rejected TCL's bifurcation proposal, because Ericsson contends the jury should be deciding what TCL owes for the entire period leading up to May 7, 2020 (*i.e.*, the expiration of the proposed five-year license), and thus the jury needs to know the volume of TCL's sales post-May 2015 so it can "do the math" as to what TCL owes. Ericsson says TCL should have no problem with this so long as Ericsson adheres to its promise to not otherwise exploit the post-May 2015 sales information at trial.

The first problem with Ericsson's position is that Ericsson has no right to have a jury calculate amounts owed by TCL for the time period following May 2015, as that is the license period itself, not the "release payment" period. The Federal Circuit held that Ericsson had the "right to a jury trial on the adjudication of the 'release payment' term." *TCL Communication Technology Holdings Ltd. v. Telefonaktiebolaget LM Ericsson*, 943 F.3d 1360, 1364 (Fed. Cir. 2019). As used by the Federal Circuit, the term "release payment" referred to the payment that would cover TCL's "past unlicensed sales" which preceded the Option A and B offers. *See id.* at 1366, 1370. This, of course, is consistent with how the parties and the Court have also used the term "release payment." Nothing in the Federal Circuit's decision says that Ericsson has a right to have a jury decide the amounts owed by TCL for its sales during the subsequent forward-looking license period. Indeed, it is only by virtue of the delay caused by the appeal and remand, as well as the Court's ruling earlier this year that the retrial be confined to the original five-year terms of Options A and B, that the sales implicated by the "forward-looking" term of the license are actually all in the past. Normally, in a true forward-looking

license, such sales would all be in the future and this issue would not even exist because the sales would not yet have occurred. Here, even though the sales have occurred, any payment for such sales still effectively constitutes performance under the forward-looking terms of the license (given the fictional legal construct in which the parties are operating), and thus is not for the jury to calculate.[3]

The second problem is that there is still a risk of jury confusion, as well as the jury misusing the post-May 2015 sales information, if the jury is exposed to the post-May 2015 sales information while deciding the FRAND dispute. This concern requires bifurcation even if the Court ultimately agrees with Ericsson that the jury needs to calculate the amounts owed for the license period, and notwithstanding Ericsson's promise to not exploit the information via how its witnesses testify, how it questions witnesses, and how it otherwise communicates with the jury. The concerns that motivate Federal Rule of Evidence 403 do not simply go away once the opposing party promises to not actively exploit evidence whose probative value is otherwise substantially outweighed by a danger of "unfair prejudice, confusing the issues, misleading the jury," etc. Those concerns continue to be present given that the jurors will be exposed to the evidence in question, and could decide *on their own* to draw inferences and otherwise be persuaded by that evidence, even in the absence of active encouragement by the parties or their counsel. *See, e.g., United States v. Hitt*, 981 F.2d 422, 424 (9th Cir. 1992) (describing various prejudicial inferences a jury could draw on its own if exposed to certain evidence). For

[3] Ericsson argues below that "the past is the past," and everything in the past constitutes legal damages, thus it has the right to a jury under the Federal Circuit's decision. TCL disagrees for the reasons stated herein (because this disregards the fictional legal construct that is fundamental to how the Court has indicated the case will be litigated on remand), but notes that *if* Ericsson is correct, then this only further demonstrates why it is error to permit Ericsson to pursue "damages" for alleged patent infringement in the past without having to actually litigate a claim for patent infringement, or survive TCL's invalidity challenges.

example, a jury in the liability phase of a trial should never be allowed to receive information that would only be relevant to punitive damages (*e.g.*, the defendant's profits) just because the plaintiff and his counsel promise to not "use" that information for an improper purpose in the liability phase. Juries should be shielded from information that can be misused even if the parties and their counsel are on their best behavior.[4]

The need to bifurcate here is especially apparent when the relevant considerations are all viewed together as a whole. TCL has explained the risk of substantial prejudice if the jury is exposed to the post-May 2015 sales data prior to deciding the FRAND dispute. For its part, Ericsson has actively downplayed the relevance of the information, or its intent to use the information, instead confining its use to the single mathematical task of multiplying the FRAND rates by the May 2015 to May 2020 sales. Bifurcation also would be very easy to accomplish, in that the parties simply need to avoid introducing or referencing TCL's actual post-May 2015 sales data during the first phase. And a second phase might not even be necessary if the parties stipulate to the amounts owed once the rates are set by the jury. If a second phase is necessary for some reason, it presumably would be extremely short and simple (even if conducted before the jury), as it would only

[4] TCL emphasizes that here, the concern is *not* merely with how the jury might perceive *TCL's business* vis-à-vis the FRAND question. Instead, the concern is also with how the jury might perceive *witnesses* who—consistent with the fictional legal construct which governs these proceedings—must testify from the perspective of someone in 2015, and thus will testify about their vision of the future as of 2015, and also in some instances use projections of future sales. If the jury is simultaneously given access to contradictory information regarding TCL's actual sales post-2015, the jury could easily conclude on its own that those witnesses are not credible, *e.g.*, because they are supposedly incompetent and/or dishonest, and thus disregard their testimony in a way that prejudices TCL. Ericsson's proposed jury instruction (discussed in Ericsson's section below) does nothing to remedy this substantial concern, and would likely have the effect of further highlighting the issue such that TCL suffers additional prejudice.

consist of applying the adjudicated rates to the sales from May 2015 to May 2020. There is simply no need to take on the various prejudicial risks associated with not bifurcating when the option to bifurcate is so simple and straightforward, even if the second phase uses a jury. *See* 1 Federal Rules of Evidence Manual § 403.02 (2020) ("[I]f the prejudice raised by the evidence could be minimized easily without destroying its probative value, the trial judge should require those less prejudicial alternatives to be used, by excluding the more prejudicial evidence—at least where the balance between probative value and prejudicial effect of the proffered evidence is close."); *Hitt*, 981 F.2d at 424 ("Where the evidence is of very slight (if any) probative value, it's an abuse of discretion to admit it if there's even a modest likelihood of unfair prejudice or a small risk of misleading the jury.").

3. Comments re Ericsson's proposed verdict form

Partially relevant to the above discussion of bifurcation is Ericsson's own proposed verdict form, which is set forth below:

1. Did TCL prove by a preponderance of the evidence that Ericsson's Option A was not FRAND at the time it was made in May 2015? _____

2. Did TCL prove by a preponderance of the evidence that Ericsson's Option B was not FRAND at the time it was made in May 2015? _____

3. What amount of money does TCL owe Ericsson for TCL's sale of unlicensed devices from January 2007 through April 2020? $_____

TCL does not believe the Court needs to or should finalize any verdict form now, and thus does not intend to exhaustively address all concerns it has with Ericsson's proposed verdict form. That said, given that both parties are discussing their proposed verdict forms in the context of the issues addressed in the Court's October 22 order, TCL wishes to note several things for the record.

First, conspicuously missing from Ericsson's proposed verdict form is any question which would have the jury set the FRAND rates if it concludes that neither Options A nor B are FRAND (as is the case with Question 3 in TCL's proposed form). Instead, Ericsson is trying to invisibly collapse that step into the final question wherein the jury addresses the amount of money owed by TCL. TCL objects to this in the strongest possible terms. A determination of "the FRAND rates that TCL is entitled to for each of the 2G, 3G, and 4G standards" is explicitly part of the relief sought in TCL's complaint, and fundamental to why TCL filed this lawsuit. (Dkt. 24 (Second Amended Complaint), p. 34 at lines 17-18.) Indeed, the parties' presentations and advocacy during the retrial will focus heavily on what rates are or are not FRAND, just as that was the focus of the first trial. And if the jury determines that Options A and B are not FRAND, then it will necessarily need to make a rate determination in order to then calculate what TCL owes for the "release payment." As a result, it would be both illogical and improper to not have the jury specifically identify the FRAND rates in its decision, if it concludes that Options A and B are not FRAND. Ericsson presumably wants to avoid such an explicit finding to the extent it could make Ericsson look bad or affect its relationship with other licensees. But what the jury must decide is determined by the contours of the parties' pleadings, not Ericsson's public relations strategy.

Second, Ericsson collapses both the "release payment" period (pre-May 2015) and the period of the actual license term (May 2015 to May 2020) in the question that asks the jury to calculate what TCL owes. TCL has already explained why that approach improperly assumes the right to have a jury calculate the amounts owed for the license term, and also runs afoul of TCL's reasonable bifurcation proposal. But what it also reveals is the same objective that caused Ericsson to delete the question wherein the jury sets the FRAND rates if and when it concludes that neither Option A nor B are FRAND: Ericsson wants to try this case as though TCL is a bad actor that owes Ericsson a ton of money by virtue of patent infringement

spanning 13 years (while also avoiding having to prove infringement of a single patent or survive an invalidity challenge), as opposed to the reality wherein *TCL* filed its lawsuit to remedy *Ericsson's* failure to offer FRAND terms and conditions, and in fact *paid* Ericsson for all of its past sales pursuant to the Court-adjudicated license until *Ericsson* sought to undo that result via its successful appeal. Contrary to Ericsson's wishful thinking, this case does not exist for the primary purpose of tallying what TCL owes Ericsson. TCL filed this case to establish that Ericsson had failed to offer FRAND terms and conditions, and then determine what the FRAND terms and conditions are. The royalty rates to be paid are the most important terms in the FRAND license, and TCL has a right to have those rates specifically determined in this case. What TCL owes is an ancillary byproduct of establishing the FRAND terms and conditions, especially given that Ericsson has sought to avoid actually litigating its claims for patent infringement. Ericsson should not be permitted to use the verdict form to further obscure a determination of what the actual FRAND rates are, or the fact that TCL is the plaintiff in this case.

B. Ericsson's Position

1. Bifurcation Is Not Necessary or Justified

TCL seeks to complicate the trial by requesting that the Court divide up the calculation of unpaid royalties across two trial phases. This request is driven by TCL's preference to shield its post-2015 sales figures from the jury. Prior to 2015, TCL's management deployed a "step-up" strategy, whereby TCL would ascend to the top tier of the smartphone market, alongside Apple and Samsung. This strategy failed. Far from rising to the top of the industry, TCL has remained a relatively minor player in the global smartphone market. That TCL never grew to the stature of Apple or Samsung is problematic for TCL's trial narrative. TCL would like to argue that it was similarly situated to Apple or Samsung so that the jury will award TCL the same percentage rates its experts "unpack" from Ericsson's agreements with those companies. TCL's concern, as expressed to Ericsson during discussion

related to this report, is that its post-2015 actual sales data would reveal to the jury that TCL never came close to the sales volumes of either Apple or Samsung. TCL also is concerned that the failed step-up strategy will be the subject of sharp cross-examination.

In essence, TCL's request for bifurcation amounts to a run-of-the-mill "more prejudicial than probative" objection under Federal Rule of Evidence 403. While TCL concedes that its sales data is both relevant to the lawsuit and necessary to calculate damages, it is concerned that its lackluster sales performance would cause unfair prejudice. But TCL's evidentiary concern does not warrant bifurcation for two independent reasons. ***First***, far from using this hindsight evidence to criticize TCL or support its Option A and B offers, Ericsson is willing to stipulate to a motion *in limine* that expressly prohibits such arguments. The following language should suffice:

> While the parties may use post-2015 sales information to calculate a total royalty amount owed by TCL, they may not otherwise use such sales information to imply, suggest or argue that Options A and/or B were or were not FRAND as of the date they were made.

This approach is far less cumbersome than bifurcation and is specifically envisioned by Federal Rule of Evidence 105, which provides courts the authority to admit evidence for a proper purpose and restrict use of that evidence for any improper purpose. Ericsson's proposed language cures any "unfair prejudice" that TCL fears while allowing the Court, the jury, and the parties to avoid a bifurcated trial.

Second, TCL's bifurcation request hinges on the notion that, in the absence of its actual sales data, the jury would never know that TCL failed to become part of the top-tier smartphone market. But no reasonable jury would be unaware of that fact. The jurors will have shopped for smartphones between 2015 and 2020 and be aware of the major smartphone players. They will know that, as of today, TCL is

simply not in the same ballpark as Apple or Samsung, two of the largest, most-visible technology companies in the world. Apple and Samsung products are literally posted on billboards and draped from buildings from coast to coast. Combined, those two companies sell more smartphones in the United States than every other manufacturer combined.[5] TCL's stature in the smartphone market—both today and in 2015—pales in comparison. Thus, even though Ericsson has agreed it will not use the post-2015 sales data to show that TCL's "step-up" strategy failed, the complicated bifurcation that TCL proposes would do little to shield the jurors from that which they already know: TCL has not become an industry-leading smartphone manufacturer.

2. TCL's Proposal Once Again Flouts the Seventh Amendment

Beyond unnecessarily complicating trial proceedings, TCL's proposal violates Ericsson's Seventh Amendment right to a trial by jury. TCL argues that the Court (not the jury) will be responsible for determining the appropriate amount of damages related to TCL's unlicensed sales from May 8, 2015 through May 7, 2020. According to TCL, any monetary award related to this timeframe is "forward-looking" and "equitable."

TCL's argument fails both in fact and law. First, the facts. TCL's past sales, by definition, are not "forward-looking." Given the passage of time, TCL's unlicensed sales that are the subject of this case are all in the past. Ericsson's Options A and B offers were made in May 2015 with an express five-year term that expired on May 7, 2020. That term has now expired, and the parties agree that any unlicensed TCL sales that post-date May 2020 are not part of this lawsuit. Unlike the first trial (held in 2017), which had both a release payment and forward-looking payment, the upcoming trial will be limited to one release payment dating back to 2007 and running through May 7, 2020.

[5] https://www.counterpointresearch.com/us-market-smartphone-share/.

Now, the law. The Federal Circuit already has rejected TCL's attempt to recast its "past unlicensed sales" as equitable "restitution." *TCL Commun. Tech. Holdings Ltd. v. Telefonaktiebolaget LM Ericsson*, 943 F.3d 1360, 1373 (Fed. Cir. 2019). The Federal Circuit explained, "as payment for TCL's past unlicensed sales, the release payment seeks to estimate the benefits conferred to TCL from selling products that practiced Ericsson's SEPs without a license." *Id.* at 1374. The crux of the Federal Circuit's holding was that payment for "past unlicensed sales" are not "materially different from damages for past infringement." *Id.* At bottom, the Federal Circuit concluded that calculation of a monetary award for TCL's past unlicensed sales is a legal remedy that entitles Ericsson to a jury trial under the Seventh Amendment. *Id.*

On remand, the damages in this case are now limited to the amount TCL owes Ericsson for TCL's past unlicensed sales from 2007 through May 7, 2020. There is no longer a forward-looking aspect to this case. There will be no adjudicated license. There will be no prospective payment obligation. And TCL has offered no cogent explanation for how damages for its ***past*** unlicensed sales amount to equitable relief outside the purview of the Federal Circuit's opinion and Ericsson's Seventh Amendment rights. In sum, TCL's bifurcation proposal, which would deny Ericsson its right to have a jury assess the amount TCL owes for past unlicensed sales through May 7, 2020, invites legal error for the reasons outlined in the Federal Circuit's opinion because TCL cannot plausibly characterize those past unlicensed sales as "forward-looking" equitable relief.

3. Ericsson Proposes a More Straightforward Trial Procedure

Rather than divide the damages calculation between multiple trial phases, Ericsson proposes a one-phase jury trial with this straightforward verdict form:

> **Question 1.** Did TCL prove by a preponderance of the evidence that Ericsson's Option A was not FRAND at the time it was made in May 2015? _____

> **Question 2.** Did TCL prove by a preponderance of the evidence that Ericsson's Option B was not FRAND at the time it was made in May 2015? _____
>
> **Question 3.** What amount of money does TCL owe Ericsson for TCL's sale of unlicensed devices from January 1, 2007 through May 7, 2020? $_____

These three questions will fully resolve the parties' dispute and provide little room for an inconsistent or ambiguous verdict.

TCL's proposed verdict form is problematic for at least two reasons. First, TCL attempts to improperly bifurcate the damage award into a past unlicensed sales question for the jury to answer and a forward-looking royalty question for the Court to resolve. As explained above, all damages in this case fall into the single category of past unlicensed sales. There is no forward-looking or equitable aspect of this case. A single monetary award for all of TCL's past unlicensed sales is the most appropriate way to try the case.

Second, TCL insists that the jury provide its own rate in the event it concludes that neither Option A nor Option B are FRAND. This question is unnecessary and could lead to an ambiguous or inconsistent verdict. If there were a forward-looking aspect of this case, it might make sense for the jury to provide a rate that the parties could incorporate into a forward-looking license. But, again, this case no longer has any forward-looking element. There will be no forward-looking license or other prospective payment obligation for which a specific rate is required. Additionally, the inclusion of a "rate" question is unnecessarily confusing. It is conceivable that the jury could calculate the damages award based on a lump-sum payment, a per-unit royalty, or a combination of the two. Indeed, Ericsson's Option A provides a hybrid rate structure with an annual lump sum payment and four tiers of royalty rates. *See* Dkt. No. 205 at 9-10. But, as written, TCL's verdict form is suggestive of only a simple per-unit royalty. Moreover, if the jury provides a rate that does not

accord with the total damages award, the inconsistent or ambiguous verdict form could compel a new trial, which would further delay resolution of this matter.

These potential issues are all avoided by Ericsson's proposed verdict form, which simply asks the jury to provide the total amount TCL must pay for its past unlicensed sales without the jury explaining its intermediary calculations, or suggesting one payment structure over another. Ericsson's verdict form accords with the approach this Court took in a recent patent-infringement trial, where the Court provided the jury a single damages question without requiring the jury to separately disclose the rate, damages base, or structure it employed to arrive at the final damages calculation. *See Top Lighting Corp. v. Linco Inc.*, Case No. EDCV 15-1589 JVS (KKx), Dkt. No. 237 (C.D. Cal. May 31, 2019).

Dated: December 2, 2020

SHEPPARD MULLIN RICHTER & HAMPTON LLP

/s/ Stephen S. Korniczky
Stephen S. Korniczky

Attorneys for
TCL COMMUNICATION TECHNOLOGY HOLDINGS, LTD., TCT MOBILE LIMITED, AND TCT MOBILE (US) INC.

Dated: December 2, 2020

Respectfully Submitted,

KELLER/ANDERLE LLP

/s/ Chase A. Scolnick
Chase A. Scolnick

Attorneys for
ERICSSON INC. AND TELEFONAKTIEBOLAGET LM ERICSSON

ATTESTATION

Pursuant to Local Rule 5-4.3.4(a)(2)(i), the filer attests that all signatories listed and on whose behalf this filing is submitted concur in this filing's content and have authorized the filing.