

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

PAVO SOLUTIONS LLC V. KINGSTON  
TECHNOLOGY COMPANY, INC.

CASE NO. 8:14-cv-01352-JLS-KES

**ORDER GRANTING IN PART  
PLAINTIFF'S MOTION FOR  
ENHANCED DAMAGES (Doc. 394)**

Before the Court is a Motion for Enhanced Damages filed by Plaintiff Pavo Solutions, LLC (“Pavo”). (Mot., Doc. 394.) Defendant Kingston Technology Company, Inc (“Kingston”) opposed and Pavo responded. (Opp., Doc. 401; Reply, Doc. 403.) Having considered the parties’ briefs and held oral argument, for the reasons stated below, the Court GRANTS IN PART Pavo’s Motion.

## I. BACKGROUND

This case involves a patent infringement action initiated by Pavo’s predecessor-in-interest, CATR Co. LTD., on August 22, 2014, regarding Defendant Kingston Technology Company, Inc.’s alleged infringement of U.S. Patent No. 6,926,544 (“‘544 Patent”), entitled “Flash Memory Apparatus Having Single Body Type Rotary Cover.” (Complaint ¶ 6, Doc. 1.) On November 7, 2014 the Court stayed the matter pending the completion of *inter partes* review (“IPR”) of the ‘544 Patent before the United States Patent and Trademark Office, Patent Trial and Appeal Board (“PTAB”). (Order Staying Case, Doc. 29.) On May 18, 2015, the Court extended the stay to allow for any appeals of the PTAB’s final written decision. (Order Extending Stay, Doc. 34.) During the operation of that stay, on September 22, 2015, CATR assigned the ‘544 Patent to Pavo. (*See* Unopposed Motion to Substitute Parties, Doc. 35.) Accordingly, as the ‘544 Patent’s owner, the Court permitted Pavo to substitute itself as Plaintiff in this matter, in place of CATR. (Order Granting Unopposed Motion to Substitute Parties, Doc. 39.) Thereafter, Pavo and Kingston each appealed, to the Federal Circuit, portions of the PTAB’s final written decision concerning IPR of the ‘544 Patent. (*See* Federal Circuit Decision Re: *Inter Partes* Review at 2, Doc. 42-1.) Upon review of the PTAB decision, the Federal Circuit held that claims 8, 9, and 16–23 of the ‘544 Patent were invalid, but that the remaining claims evaluated by the PTAB—claims 1, 2, 4, 5, 7, 11, 12, 14 and 24—were valid. (*Id.* at 15–16.) The Court lifted the stay on November 27, 2017 and litigation resumed. (Order Lifting Stay, Doc. 44.)

From the inception of this case, Plaintiff has asserted a single claim for Kingston’s alleged willful, direct infringement of the ‘544 Patent. (*Id.* ¶¶ 28–31.) This Court held a jury trial in March 2020, and the jury found in Pavo’s favor on that sole claim. Specifically, the jury found that (1) Kingston, via its DataTraveler 101G2 (the “Accused Product”), infringed Claims 1, 4, and 24 of the ‘544 Patent; (2) Kingston’s infringement was willful; and (3) Pavo was entitled to a twenty-cent royalty on each of the 37,576,637 ‘544 Patent-infringing units of Kingston goods sold, totaling \$7,515,327.40. (Special Verdict Form, Doc. 389.)

The parties submitted three post-trial motions in this case. The Court granted Pavo’s unopposed Rule 50(b) motion seeking judgment as a matter of law that Claims 1, 4, and 24 of the ‘544 Patent are not invalid. (Order Re: Rule 50(b) Mot., Doc. 410 at 6–7.) Conversely, the Court denied Kingston’s Rule 50(b) motion, holding that Kingston failed to demonstrate that it was entitled to judgment as a matter of law with respect to: (1) whether it infringed the asserted claims of the ‘544 Patent; (2) whether that infringement was willful; and (3) the amount of damages awarded by the jury. (*Id.* at 7–22.) That was because Kingston established neither that the jury’s conclusion that Kingston willfully infringed the ‘544 Patent was unreasonable, nor that the jury’s damages award was “grossly excessive or monstrous, clearly not supported by the evidence, or based only on speculation or guesswork.” (*Id.* at 5–22.)

In light of the jury’s finding that Kingston’s infringement was willful, Pavo filed the instant Motion for Enhanced Damages. (Mot., Doc. 394.)

## II. LEGAL STANDARD

Under 35 U.S.C. § 284, following an award of compensatory damages, the Court “may increase the damages up to three times.” The Supreme Court has instructed that such enhanced damages are available “in a case of willful or bad-faith infringement.” *Polara Eng’g Inc v. Campbell Co.*, 894 F.3d 1339, 1353 (Fed. Cir. 2018) (discussing *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1930 (2016)). They “are not to be meted out in a

typical infringement case, but are instead designed as a ‘punitive’ or ‘vindictive’ sanction for egregious infringement behavior.” *Halo*, 136 S. Ct. at 1932. Nevertheless “[a] finding of willful infringement does not require the district court to award enhanced damages.” *Polara*, 894 F.3d at 1353. Rather, “[t]he district court . . . retains ‘the discretion to decide whether the case is sufficiently egregious to warrant enhancing damages and to decide the amount of enhancement that is warranted (up to the statutory limit of treble damages).’” *Id.* (quoting *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1342 (Fed. Cir. 2016)); *see also Halo*, 136 S. Ct. at 1932 (“District courts enjoy discretion in deciding whether to award enhanced damages, and in what amount.”).

“Section 284 allows district courts to punish the full range of culpable behavior.” *Halo*, 136 S. Ct. at 1933. “The subjective willfulness of a patent infringer, intentional or knowing, may [alone] warrant enhanced damages.” *Id.*; *see also WBIP*, 829 F.3d at 1340 (discussing *Halo* and explaining the import of “an infringer’s subjective bad faith”). But “[a]s with any exercise of discretion, courts should . . . take into account the particular circumstances of each case in deciding whether to award damages, and in what amount.” *Halo*, 136 S. Ct. at 1933; *see also Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996) (noting that district courts are to account for the “totality of the circumstances”).

“To determine whether a court should exercise its discretion to award enhanced damages, courts consider nine factors described in *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992), *abrogated on other grounds by Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc).” *Apple Inc. v. Samsung Elecs. Co.*, 258 F. Supp. 3d 1013, 1022 (N.D. Cal. 2017). Following the Supreme Court’s statement that it “eschew[s] any rigid formula for awarding enhanced damages,” *Halo*, 136 S. Ct. at 1934, the *Read* factors, while no longer the sole criteria that may be considered, remain particularly “useful guideposts in determining the egregiousness of the defendant’s conduct[,]” helping to structure the Court’s accounting for all relevant facts of the case. *Finjan, Inc. v. Blue Coat Sys., Inc.*, No. 13-CV-03999-BLF, 2016 WL 3880774, at \*16

(N.D. Cal. July 18, 2016), *aff'd in part, rev'd in part on other grounds*, 879 F.3d 1299 (Fed. Cir. 2018). These factors are: (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) the closeness of the case; (6) the 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 its misconduct. *Read*, 970 F.2d at 827.

### **III. DISCUSSION**

The Court first addresses several threshold arguments submitted by Kingston: (1) whether many of Pavo's arguments in its Motion should be stricken due to Pavo's insufficient interrogatory response on willfulness; (2) whether the jury's willfulness determination, and therefore applicability of enhanced damages, is "limited in time;" and (3) whether Kingston engaged in any "egregious misconduct." The Court will then examine each of the *Read* factors, explaining how they individually and collectively inform the enhancement of the compensatory damages assessed by the jury.

#### **A. Kingston's Threshold Arguments**

##### **1. Pavo's Interrogatory Response on Willfulness**

Kingston first argues that many of Pavo's arguments in support of enhanced damages should be stricken from Pavo's Motion and not considered, because Pavo failed to sufficiently respond to Kingston's interrogatory on willfulness. (*See Opp.* at 1–2.)

During discovery, Kingston propounded an interrogatory asking Pavo to "[d]escribe in detail [Pavo's] contention that damages should be trebled under 35 U.S.C. § 284." (Pavo Response to Kingston Interrogatories Set One at 11–12, *Opp. Ex. 1, Doc. 401-2.*) In relevant part, Pavo responded that "Defendant has been aware of the '544 Patent and of its infringement since at least the date it was sent a letter from CATR's legal counsel," and

that despite this notice of infringement, “Kingston failed to investigate and remedy its infringement of the patent-in-suit and thus willfully and egregiously infringed and continues to infringe the ’544 Patent.” (*Id.* at 12–13.) Kingston argues that Pavo never amended this interrogatory response to include any of the other arguments included in its instant Motion, and thus Pavo should not “be permitted to exceed the scope of its discovery” and offer any arguments not incorporated in its interrogatory response. (Opp. at 1–2.) Kingston also notes that the Court previously excluded Kingston defenses owing to Kingston’s failure to properly disclose them. (*Id.* at 1.) Pavo responds that to the extent its Motion exceeds the scope of its interrogatory response and relies on any asserted litigation misconduct by Kingston, either (1) the wrongful conduct and its import did not come into focus until the trial or (2) Pavo has already expressly objected to, or otherwise notified Kingston of, the misconduct. (Reply at 6–7.)

The Court is unconvinced by Kingston’s arguments. First, Kingston cites no legal authority in support of its assertion that much of Pavo’s Motion should be stricken. (*See* Opp. at 1–2.) Second, Kingston does not specify the portions of Pavo’s Motion that supposedly “exceed the scope” of Pavo’s interrogatory response, instead offering only the blanket proposition that anything found in the Motion and not explicitly mentioned in the response must be excluded. (*See id.*)

Under Federal Rule of Civil Procedure 26(e), a party that has responded to an interrogatory “must supplement or correct its . . . response . . . in a timely manner if the party learns that in some material respect the disclosure or response is incomplete or incorrect, and if the additional or corrective information has not otherwise been made known to the other parties during the discovery process or in writing.” Fed. R. Civ. P. 26(e)(1). If a party fails to provide or update information in accordance with Rule 26(e), that party is precluded from using “that information . . . to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless.” Fed. R. Civ. P. 37(c)(1). Here, the interrogatory response clearly communicates the theory

underlying Pavo’s Motion—that despite being placed on notice of its potential infringement of the ‘544 Patent in 2012, Kingston, for years, continued producing and selling the Accused Product without conducting an adequate investigation into its alleged infringement or taking any remedial action. Although some of Pavo’s arguments are not expressly included in the interrogatory response (*See Mot.* at 8–17), Kingston fails to demonstrate that *any* particular argument found in Pavo’s Motion was not otherwise “made known to [Kingston] during the discovery process or in writing.” (*See Opp.* at 1–2.)

Further, at the close of trial, the parties agreed to a briefing schedule that required Pavo to file the instant Motion within the following seven days. (*See Minutes for Trial Day 5, Doc. 385.*) In light of (1) this abbreviated timeline; (2) the inherent connection between the evidence introduced and developed during trial and a motion for enhanced damages under 35 U.S.C. § 284; and (3) Kingston’s failure to explain how, within the meaning of the Federal Rules, it was not placed on notice of Pavo’s arguments, the Court is unpersuaded that any aspect of Pavo’s Motion should be disregarded based on a purported failure to issue a post-trial amendment to the interrogatory response. This is especially true where, as here, the Court is obligated to account for all relevant facts of the case in determining the appropriateness of enhanced damages.

To the extent Kingston references the Court’s prior exclusion of Kingston’s defenses, it draws a false equivalency between those instances and the present circumstances. For example, the Court precluded Kingston from contesting infringement on the basis that the Accused Product lacked certain electrical and operative connections within the USB device. (*See ‘544 Patent at 7–8, Claims 1, 4, 24, Compl. Ex. A, Doc. 1 at 11.*) The Court did so because Kingston had expressly conceded infringement of these “connected” limitations until abruptly changing course with eleven days remaining in fact discovery via a supplement to its interrogatory responses. (*See Order Re: Exclusionary Motions at 13–16, Doc. 301.*) By suddenly and belatedly contesting infringement, the Court found that Kingston engaged in the sort of last-minute gamesmanship meant to be

prevented by the N.D. Cal. Patent Local Rules.<sup>1</sup> (*Id.* at 14–15). In contrast, Pavo’s willfulness theory has remained unchanged; the Motion simply attempts to address all relevant facts and account for the totality of the circumstances, as any analysis of the *Read* factors must.

Accordingly, the Court declines to strike any portion of Pavo’s Motion.

## **2. Whether the Jury’s Willfulness Determination is “Limited in Time”**

As an initial matter, knowledge of a patent is a prerequisite to a finding of willful infringement and any subsequent award of enhanced damages. *See Gustafson, Inc. v. Intersystems Indus. Prod., Inc.*, 897 F.2d 508, 510–11 (Fed. Cir. 1990); *WBIP*, 829 F.3d at 1341. And “culpability is generally measured against the knowledge of the actor at the time of the challenged conduct.” *Halo*, 136 S. Ct. at 1933. Accordingly, the parties do not dispute that a finding of willfulness is effective after Kingston was made aware of the ‘544 Patent in 2012.<sup>2</sup> Rather, they disagree principally as to how far forward in time the jury’s willfulness verdict extends beyond that date.

Kingston asserts that the jury’s willfulness verdict is “limited in time” because Pavo “never disclosed post-suit willfulness, in its Complaint or otherwise, to Kingston.” (Opp. at 14.) As Kingston also contends that it cannot be deemed to have had knowledge of the ‘544 Patent until it received the August 17, 2012 pre-suit letter from CATR notifying Kingston of its potential infringement, (CATR Pre-Suit Infringement Notice Letter (“CATR Letter”), Mot. Ex. A, Doc. 394-2), Kingston further asserts that “any finding of willfulness in this case is . . . limited to the period between the CATR notice letter and the [August 22, 2014] filing of the suit—a period of two years.” (*Id.* at 14–15.)

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<sup>1</sup> These rules are used by this Court in patent cases. (*See* Order Setting Scheduling Conference at 5, Doc. 45).

<sup>2</sup> As discussed below, the parties dispute whether Kingston became aware of the ‘544 Patent on June 22, 2012 or August 20, 2012. But because Kingston waived any objection regarding the timeline of willfulness, that dispute is irrelevant to this issue.



Pavo responds—and the Court agrees—that Kingston’s characterization of the Complaint and Pavo’s additional disclosures is factually incorrect as each explicitly references Kingston’s wrongful conduct continuing past the initiation of this action. (Reply at 19–20.) The Complaint and Pavo’s interrogatory response regarding willfulness both contend that infringement is ongoing or “continued.” (See Compl. ¶ 31; Pavo Response to Kingston Interrogatories Set One at 11–12.) Thus, each document clearly implicates willful infringement of the ‘544 Patent by Kingston following the initiation of this lawsuit, and Kingston can make no colorable argument that this case has concerned only pre-suit willfulness.

Pavo further argues that Kingston has already waived its argument on this point because Kingston previously claimed that the jury should assess willfulness based on three time periods: (1) the period between the receipt of the CATR letter and the initiation of suit; (2) the period between the initiation of suit and November 6, 2017; and (3) the period between November 6, 2017 and the date of the trial. (Reply at 19.) Kingston included in its original proposed special verdict form questions on willfulness in each of these periods. (See Kingston Proposed Special Verdict Form, Reply Ex. 22, Doc. 403–23.) Despite reserving the right to raise this issue at trial, Kingston never did so and the Court ultimately adopted a later iteration of Kingston’s proposed special verdict form—one that included no questions on willfulness in distinct time periods. (Compare Kingston Revised Proposed Special Verdict Form, Doc. 370-2, with Special Verdict Form.)

Kingston has clearly waived any argument that the jury’s determination on willfulness is “limited in time.” By failing to object to the format of a jury verdict form at trial, a defendant waives that objection post-trial. See *Polara Eng’g Inc. v. Campbell Co.*, 894 F.3d 1339, 1354–55 (Fed. Cir. 2018) (“[The defendant] waived its argument that the district court erred by presenting the jury with a verdict form that required a simple ‘yes’ or ‘no’ answer on the question of willfulness, rather than requiring the jury to specify the time period during which [the defendant’s] conduct was willful.”); *United States v.*

*Parsons Corp.*, 1 F.3d 944, 945 (9th Cir. 1993). Here, Kingston did not simply fail to object to the jury verdict form at trial, *but provided the very form used*—a form that “required a simple ‘yes’ or ‘no’ answer on the question of willfulness, rather than requiring the jury to specify the time period during which [Kingston’s] conduct was willful.” Kingston thus waived any objection it presently seeks to raise at this post-trial stage.

The Court therefore rejects Kingston’s argument that the jury’s verdict as to willfulness is “limited in time.” Instead, any enhancement of the damages in this matter will be applied to the full amount of compensatory damages assessed by the jury.

### **3. Whether Kingston Engaged in Any “Egregious Misconduct”**

In its Opposition, Kingston precedes its analysis of the *Read* factors with a discussion in which it asserts that enhanced damages are inappropriate because it has “not engaged in any egregious misconduct.” (Opp. at 3–13.) While it is true that “the touchstone for awarding enhanced damages after *Halo* is egregiousness,” *Trustees of Bos. Univ. v. Everlight Elecs. Co.*, 212 F. Supp. 3d 254, 257 (D. Mass. 2016), “egregiousness” is not a threshold matter independent of a holistic review of all relevant facts. Kingston’s contentions with respect to (1) its investigation of, and defenses to, the infringement claim and (2) its litigation conduct are each subsumed within the second and third *Read* factors, respectively. Accordingly, the Court considers these arguments only within the *Read* framework, as set forth below, and declines to analyze them as a prerequisite to reaching that analysis.

#### **B. The *Read* Factors**

The Court next addresses each of the nine *Read* factors.

##### **1. Deliberate Copying of the ‘544 Patent**

Evidence of deliberate copying weighs in favor of enhanced damages. *Apple*, 258 F. Supp. 3d at 1022. The parties concur that the record in this case lacks evidence that Kingston deliberately copied the innovation disclosed in the ‘544 Patent. (See Mot. at 20; Opp. at 15). Pavo argues that this factor is therefore “neutral.” (Mot. at 20.) While the

distinction may be semantics, the Court finds it more appropriate to hold that the absence of any evidence of copying weighs against enhanced damages.

## **2. Investigation into Scope of ‘544 Patent and Good Faith Belief in Invalidity and Non-Infringement**

The second *Read* factor examines “whether the infringer, when [it] 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.” *Read*, 970 F.2d at 827. Kingston argues that it acted in a prudent manner in developing a good faith belief of non-infringement.

Pavo asserts that Kingston was first notified of the ‘544 Patent as early as June 22, 2012, and again on August 20, 2012 through CATR. (Mot. at 5). Pavo argues that the evidence adduced at trial demonstrated that Kingston’s claimed investigation into the ‘544 Patent, conducted *after* receiving notice of the Patent, was effectively non-existent. (*Id.* at 6–7.) In Pavo’s view, Kingston’s internal policies and lack of a rigorous investigation into the ‘544 Patent evince a lack of respect for the intellectual property of others and show that Kingston lacked any good faith belief as to non-infringement. (*Id.*) According to Pavo, that lack of good faith is underscored by Kingston’s “minimal and weak non-infringement contentions [raised] at trial” and Kingston’s abandonment of its challenge to the validity of the ‘544 Patent on the third day of trial. (*Id.* at 7.)

The Court agrees and is unpersuaded by Kingston’s arguments to the contrary. First, Kingston relies heavily on its argument that it “immediately forwarded the issue [of alleged infringement of the ‘544 Patent] to outside counsel to investigate the allegations and develop defenses.” (*See Opp.* at 15–16.) Kingston argues that even though it was not permitted to present to the jury evidence and argument regarding the involvement of outside counsel, the Court should account for such evidence in resolving the instant Motion. (*Id.* at 4; 15–16). However, the Court recently rejected this argument in its Order resolving the parties’ Rule 50(b) Motions. (*See Order Re: Rule 50(b) Motions* at 13 n.7.)

Kingston made a “strategic choice” and elected not to rely on an “advice of outside counsel” defense in this matter. (March 10, 2020 Trial Transcript Vol. 1 at 15:2–3, Mot. Ex. G, Doc. 394-8.) As the Court explained to Kingston at trial, having opted to forego an advice of counsel defense, Kingston “must live with [the consequences of] that choice.” (*Id.* at 15:2–3.) Kingston has not demonstrated why it should be allowed to rely on a defense and associated evidence that were already disallowed at trial due to a lack of disclosure. Rather, the Court looks to the “evidence [properly] in the record about the nature, scope, and adequacy” of the investigation conducted. *Apple*, 258 F. Supp. 3d at 1032.

And the record evidence suggests a cursory and legally deficient internal investigation into the validity of, and Kingston’s infringement on, the ‘544 Patent. (*See* Order Re: Rule 50(b) Motions at 12–13.) Notably, Kingston engineer John Terpening and Kingston Director of Legal Department Calvin Leong were unable to provide even basic details of an internal investigation into the ‘544 patent. (*See* Terpening Testimony, March 10, 2020 Trial Transcript Vol. 1 at 25:11–30:6; Leong Testimony, March 10, 2020 Trial Transcript Vol. 1 at 50:6–11.) And as Pavo notes, Terpening’s testimony, both in his deposition and at trial, indicate that Kingston’s invalidity analysis would have investigated whether the ‘544 Patent was obvious at the time of Kingston’s August 2012 receipt of the CATR Letter, and not as of the ‘544 Patent’s 2002 priority date, the relevant date for an invalidity analysis. *Id.* at 30:7–33:2; *see, e.g. Cummins-Allison Corp. v. SBM Co.*, 484 F. App’x 499, 504 (Fed. Cir. 2012) (analyzing validity based upon patent’s priority date).

This testimony about the specific investigation into the ‘544 Patent is consistent with testimony describing Kingston’s general IP policies. Terpening testified that he was unaware of any Kingston policy for seeking authorization to use another party’s patents. (Terpening Testimony, March 10, 2020 Trial Transcript Vol. 1 at 35:13–25.) Leong testified that he did not remember any instance in which Kingston had licensed another party’s patent outside the context of litigation. (Leong Testimony, March 10, 2020 Trial

Transcript Vol. 1 at 49:9–50:5.) And Steven Chien, Kingston’s Director of Operations of the “HyperX business unit,” testified that he was unaware of any policy to conduct an infringement analysis upon learning of another party’s patent; he “had never heard of anything like that occurring at Kingston.” (Chien Depo. at 66:19–67:16, Mot. Ex. AD, Doc. 403-16.)<sup>3</sup>

Despite Kingston’s contentions that corporate IP policies are irrelevant to determinations of reasonableness or willful infringement (*see* Opp. at 17), the above-quoted testimony is relevant and bears on whether Kingston investigated the ‘544 Patent and held a good faith belief regarding invalidity and non-infringement. *See WCM Indus., Inc. v. IPS Corp.*, 721 F. App’x 959, 971 (Fed. Cir. 2018) (acknowledging the relevance to the *Read* factors of a defendant’s corporate “culture” as well as its treatment of patents other than the patents-in-suit).

Kingston further argues that, following its investigation, Kingston filed for IPR of the ‘544 Patent and that, via IPR, it was successful in invalidating the sole claim referenced in the CATR Letter, Claim 8. (Opp. at 4–5). Kingston also contends that it presented three meritorious and good-faith non-infringement arguments at trial. (*Id.* at 5–6). But the merits of Kingston’s arguments raised during IPR and while litigating this case carry limited weight. “Culpability is generally measured against the knowledge of the actor at the time of the challenged conduct.” *Halo*, 136 S. Ct. at 1933; *see also WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1341 (Fed. Cir. 2016). Thus, here, the defenses put forth by Kingston in either proceeding, constructed years after learning of the ‘544 Patent

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<sup>3</sup> Without explanation, Kingston refers to the testimony of Terpening, Chien, and Leong as that of “unknowledgeable witnesses,” noting in particular that Leong is the “administrative head of the legal department” and not a lawyer. (Opp. at 17.) But Kingston provides no persuasive reason why the testimony of these high-level employees should be disregarded. And specifically as to Leong, the fact that he is not a lawyer is irrelevant. There would seem to be no better person to testify as to corporate policies and investigations involving the legal department than the department’s administrative head.

in 2012, cannot remedy its initial oversight and do little to demonstrate its good faith belief in invalidity or non-infringement. *See Milwaukee Elec.*, 288 F. Supp. 3d at 901.

Finally, Kingston may not rest on its supposed “legitimate reliance” on the original language of the ‘544 Patent as it existed prior to the Court’s judicial correction. (*See Opp.* at 5–6). In its Order resolving the parties’ Rule 50(b) Motions, the Court rejected a similar argument, stating:

The Court explained in its Claim Construction Order that the judicial correction was done to “correct an obvious error . . . evident from the face of the patent,” which is “not subject to reasonable debate based on consideration of the claim language[.]” (Claim Construction Order at 4–7.) All of the relevant evidence, including the ‘544 Patent’s prosecution history and illustrations found in the Patent itself, demonstrated that use of the word “case” instead of “cover” was a clear and obvious clerical error. (*Id.* at 7–8.) Kingston provides no explanation as to how, and indeed cites no legal authority suggesting that, the correction of a clerical error which is “obvious” to the reader might operate as a bar to any finding of willful infringement prior to the date of correction. The Court concludes it does not.

(Order Re: Rule 50(b) Motions at 14.) Similarly, the pre-correction presence of an obvious error “evident from the face of the patent” undermines Kingston’s assertion that it had a “good faith belief in the non-infringement of claims 1, 4, and 24 based on their original wording.” (*See Opp.* at 3–4).

In sum, Kingston has neither presented persuasive evidence of an adequate investigation into the ‘544 Patent nor convincing grounds for its asserted good faith belief that the Patent was invalid or that Kingston did not infringe. Accordingly, this factor weighs in favor of enhancement. *See Milwaukee Elec.*, 288 F. Supp. 3d at 901 (“The absence of evidence of an adequate investigation’ means that [the defendant] likely did not hold a reasonable belief that the patents were invalid.”); *Apple*, 258 F. Supp. 3d at 1032 (citing *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, No. 09-CV-05235-MMC, 2017 WL 130236, at \*4 (N.D. Cal. Jan. 13, 2017)) (explaining that lack of evidence as to “nature, scope, and adequacy” of investigation and good faith beliefs weighed in favor of enhancement).

### **3. Kingston’s Behavior as a Party to this Litigation**

“Typically, ‘litigation misconduct’ refers to bringing vexatious or unjustified suits, discovery abuses, failure to obey orders of the court, or acts that unnecessarily prolong litigation.” *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 859 (Fed. Cir. 2010), *aff’d*, 564 U.S. 91 (2011). It is only true misconduct and not mere “zealous and aggressive advocacy” of counsel engaging in “hard-fought battles” which properly weighs in favor of enhancement. *See Milwaukee Elec.*, 288 F. Supp. 3d at 902 (citing *Polara Eng’g, Inc. v. Campbell Co.*, 237 F. Supp. 3d 956, 993 (C.D. Cal. 2017), *aff’d in part, vacated in part, remanded sub nom. Polara*, 894 F.3d 1339 (Fed. Cir. 2018); *Barry v. Medtronic, Inc.*, 250 F. Supp. 3d 107, 117 (E.D. Tex. 2017)).

Pavo paints an extreme picture of Kingston’s litigation conduct, identifying what Pavo views as an “alarming” “number of wrongs.” (Reply at 1.) It is unnecessary to examine each of Pavo’s allegations, many of which, upon review, do not rise to the level of actual misconduct. Instead, what follows is a discussion of only those instances in which it may be fairly stated that the line between zealous advocacy and litigation misconduct was crossed. Those are (1) Kingston’s gamesmanship with respect its non-infringement arguments and (2) its production of cost data on the Accused Product.

**i. Non-Infringement Arguments**

In a patent dispute, the parties’ theories of infringement and non-infringement are critical to the course of the litigation. For that reason, the Northern District of California Patent Local Rules serve to “require parties to crystallize their theories of the case early in the litigation and to adhere to those theories once they have been disclosed.” *Nova Measuring*, 417 F. Supp. 2d at 1123. As discussed in Section III.A.I, *supra*, with eleven days remaining in fact discovery, via a supplement to its interrogatory responses, Kingston attempted to effect a crucial change to its theory of the case. Kingston suddenly announced that it was contesting infringement on the basis that the Accused Product lacked certain electrical and operative connections within the USB device. (Order Re: Exclusionary Motions at 13–16.) As this change in position “came so late in the pre-trial

proceedings as to prejudice Pavo,” the Court disallowed Kingston evidence and argument on non-infringement of the “connected” limitations.<sup>4</sup> (*Id.*)

Then at trial, Kingston for the first time attempted to contest whether the Accused Product employed “a cover including a *pair* of parallel plate members facing each other and spaced by an interval corresponding to the thickness of the case,” something which was “never a non-infringement contention.” (*See* March 9, 2020 Trial Transcript Vol. I at 7:23–9:13.) The line of questioning pursued by Kingston’s counsel, *after* the Court had already preliminarily ruled on the matter, clearly sought to demonstrate to the jury that the Accused Product lacked a “pair” of parallel plate members because the device’s cover is constructed from “a single piece of metal that’s been stamped or bent into a U-Shape.” (March 5, 2020 Trial Transcript Vol. II at 85:2–92:10; *see id.* at 130:4–16.) The Court ultimately found it necessary to issue a curative instruction at the close of trial to make clear to the jury that there was “no contention in this litigation that the limitation of a pair of parallel plate members is not met if the pair of parallel plate members is formed by a single piece of metal.” (March 11, 2020 Trial Transcript at 68:13–18, Mot. Ex. T, Doc. 394-20.)

#### ii. **Accused Product Cost Data**

Both Kingston’s damages expert, Shelly Irvine, and Pavo’s damages expert, Jim Bergman, calculated reasonable running royalties in approximating Pavo’s damages, as is common practice in patent disputes. *See Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1324 (Fed. Cir. 2009). Irvine ultimately concluded that Pavo was entitled to a reasonable royalty of one and a half cents per unit of the Accused Product, while Bergman

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<sup>4</sup> Pavo also argues that Kingston engaged in misconduct by attempting to elicit testimony from its fact witnesses to the effect that the Accused Product does not practice the “connected” limitations because, as Kingston put it, the testimony went to the willfulness issue of “whether or not Kingston reasonably believed it infringed.” (Mot. at 10; *see* March 9, 2020 Trial Transcript Vol. I at 11:16–12:9, Mot. Ex. D, Doc. 394-5.) While the Court was not convinced by Kingston’s justification and did not allow the testimony, Kingston’s counsel represented that he intended to seek the Court’s guidance before proceeding with that line of questioning. (March 9, 2020 Trial Transcript Vol. I at 11:16–14:19.) This does not constitute litigation misconduct.



arrived at a figure of forty cents per unit. (Order Re: Rule 50(b) Motions at 15.) In determining the per-unit profit of the Accused Product, both Irvine and Bergman relied on a document known as the “Bill of Materials,” which was the only Accused Product cost data produced by Kingston in this litigation. (Bill of Materials, Mot. Ex. U, Doc. 394-21; see Ewing Testimony, March 10, 2020 Trial Transcript Vol. 1 at 101:7–102:7 (Kingston’s 30(b)(6) designee on the issue of damages acknowledging that this document was the “only bill of materials [there was] to go on”).)

A point of contention between the parties was the “Ext Cost” column in the Bill of Materials. Bergman relied on the “Ext Cost” column to calculate costs of certain Accused Product components because (1) Kingston stated that it did not track profitability at the product level and provided no other relevant cost information for Accused Product components, and (2) Kingston 30(b)(6) deponent Andrew Ewing testified that the Bill of Materials contained the prices paid by Kingston for the listed components. (Bergman Testimony, March 9, 2020 Trial Transcript Vol. 1 at 65:20–66:7, 66:21–67:18.). Kingston disagreed with Bergman’s use of the “Ext Cost” column because “that data was from some point after 2010 and a downward trend in the cost of flash memory over time therefore depressed Bergman’s calculated costs and inflated his final profit figure.” (Order Re: Rule 50(b) Motions at 21–22.) But, as Bergman noted at trial, when deposed in connection with this document, Ewing, on Kingston’s behalf, had little insight to offer, stating simply that the Bill of Materials was populated with “the price that [Kingston] paid for [each] particular component.” (Ewing Testimony, March 10, 2020 Trial Transcript Vol. 1 at 102:23–103:13; see also *id.* at 95:16–99:12.)

However, while researching the issue after his deposition, Ewing claims he determined that the flash memory cost listed in the “Ext Cost” column was from “around 2016-2017.” (*Id.* at 92:24–93:1.) Ewing then admitted that despite uncovering information specifically responsive to the topics covered in his deposition and issuing a Rule 30(e) errata in which he altered other portions of his deposition, he declined to notify

Pavo, or anyone else, of these highly relevant findings, until trial. (*Id.* at 95:15–96:7.) Kingston attempts to shift the blame to Pavo for (1) failing to “make further attempt[s] . . . to determine the date for the memory costs” at the deposition or afterwards and (2) making what Kingston characterizes as a “knowingly false” assumption that “Ext Cost” figures could be relied upon to same degree as “2010 Cost” figures. (Opp. at 9–10.) But the record demonstrates that in light of the communications made by and on behalf of Kingston, it was Pavo and not Kingston that acted reasonably with respect to the Bill of Materials.

As Pavo notes, the Bill of Materials saga was not the first instance in which the parties skirmished over Ewing’s apparent failure to disclose information to Pavo upon request. (Mot. at 9–10.) When asked at his deposition about Kingston’s ability to produce cost information beyond the Bill of Materials, Ewing stated: “That’s not my expertise. I don’t know.” (Ewing Depo. Testimony at 114:8–11.) However, Ewing provided additional cost information to Kingston expert Irvine, including: (1) his endorsement for calculating profit margins based on Kingston’s overall company costs; (2) his impression that margins on commodity drives can range from a loss of 10% to a gain of 10%; and (3) a “price list” containing product-specific information. (Order Re: Exclusionary Motions at 11, 22–24; *see also* Price List, Doc. 145-35.) Pavo was ultimately served with this Price List, which was never mentioned in Ewing’s deposition, shortly after receiving the Rule 30(e) errata referenced above, approximately two months after the deposition. (Order Re: Exclusionary Motions at 23.) However, the version of the Price List that Pavo received “was not labeled in a complete manner explaining what the figures in each column represented or containing all of the relevant date information that Irvine had access to in her Kingston-provided native files.” (*Id.*)

Irvine proceeded to derive “profit figures [] based on ‘allocated costs’ from Kingston’s companywide financials” and similarly relied in her expert report on both the margin range described to her by Ewing as well as the insights contained in the “price list”

he provided. (*Id.* at 12, 24–25.) The Court excluded Irvine’s testimony to the extent that it relied on the companywide data, explaining that the data was either “factually incorrect” or suggested that Kingston “failed to properly disclose” the information during discovery. (*Id.* at 12–13.) The Court similarly struck portions of Ms. Irvine’s expert report—which relied on Ewing’s margin impressions and the Price List data—because it “would be inequitable to allow Irvine to opine on this data when Pavo was led to believe for months (until almost the very end of fact discovery) that the information was not available.” (*Id.* at 25.)

iii. **Conclusion as to the third *Read* factor**

In short, Kingston’s general conduct is not as culpable as Pavo suggests. Put simply, much of what Pavo points to as misconduct were actions that even if “not well received, by the jury or the court, did not cross the line from zealous advocacy into gamesmanship.” *Barry*, 250 F. Supp. 3d at 117.

Nevertheless, Kingston’s conduct in connection with its ever-changing, non-infringement contentions and withheld Accused Product cost data has clearly posed obstacles to the orderly conduct of this litigation. The practical effect of improper late-stage modifications to non-infringement arguments and incomplete disclosure of cost information during discovery is clear—it sandbags the opposition, obfuscates the relevant facts, and poses risk of significant prejudice. As “[c]ourts no longer countenance trial by ambush,” *Milwaukee Elec.*, 288 F. Supp. 3d at 902, such inequitable conduct carries weight in this analysis.

Accordingly, while not to the extent asserted by Pavo, this factor does weigh in favor of enhancement. *See Alfred E. Mann Found. for Sci. Research v. Cochlear Corp.*, No. CV 07-8108 FMO (SHX), 2018 WL 6190604, at \*27–28 (C.D. Cal. Nov. 4, 2018), *aff’d*, 798 F. App’x 643 (Fed. Cir. 2020) (finding that in light of two instances of unjustified misconduct, this factor weighed in favor of enhancement).

**4. Kingston’s Size and Financial Condition**

“The fourth [*Read*] factor is used to ensure that any damages enhancement is not out of proportion with the defendant's size and the scope of its infringing versus non-infringing sales.” *Milwaukee Elec.*, 288 F. Supp. 3d at 902. It additionally accounts for calibration of such an award to allow for the proper deterrence effect. *Smith & Nephew, Inc. v. Arthrex, Inc.*, No. CV 04-29-MO, 2008 WL 11389143, at \*2 (D. Or. Oct. 23, 2008); *Johns Hopkins Univ. v. CellPro*, 978 F. Supp. 184, 195 (D. Del. 1997), *aff'd sub nom. Johns Hopkins Univ. v. CellPro, Inc.*, 152 F.3d 1342 (Fed. Cir. 1998) (“Punishing a larger company in a stronger financial condition may call for higher damages, where a lower number may be equally effective in punishing a smaller company.”).

The evidence at trial reflected that Kingston is “one of the world’s largest manufacturers of all kinds of memory products” and by one authority was “ranked . . . as the No. 1 USB manufacturer in the world” from 2008 through 2012. (Bergman Testimony, March 9, 2020 Trial Transcript Vol. 1I at 7:24–8:2, 9:10–19, Mot. Ex. E, Doc. 394-6.) From the sale of the 37,576,637 units of the accused product, Kingston received approximately \$233 million in revenue. (Bergman, Testimony, March 9, 2020 Trial Transcript Vol. 1I at 54:10–17.) Pavo’s damages expert estimated that this translated to approximately \$94 million in profit. (*Id.*) Kingston’s large size, industry prominence, and financial success with the Accused Product all suggest that enhanced damages would not be disproportionate and that such damages may be necessary in order to bring about the appropriate deterrence effect. *See i4i Ltd. P’ship*, 598 F.3d at 858 (affirming award of enhanced damages where this factor weighed in favor of enhancement because the defendant, Microsoft, “was ‘undisputedly’ the world leader in software for business and personal computing” and the jury’s award was “only a small fraction of Microsoft’s profits from the sale of [the accused] products”); *Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1371 (Fed. Cir. 2004) (same where defendant “LabCorp [was] a large company with extensive financial means”); *Apple*, 258 F. Supp. 3d at 1033 (explaining that defendant Samsung’s large size supported enhancement because that “size

could have been leveraged to implement a non-infringing alternative”). Kingston’s arguments that it was successful prior to beginning sales of the Accused Product and that Pavo itself is part of a sizable corporate entity, (Opp. at 21), do nothing to alter this analysis. *See Arctic Cat Inc. v. Bombardier Recreational Prod., Inc.*, 198 F. Supp. 3d 1343, 1352 (S.D. Fla. 2016), *aff’d*, 876 F.3d 1350 (Fed. Cir. 2017) (stating that even though the plaintiff was “not a small mom-and-pop shop by any stretch,” the defendant’s status as “a multi-billion dollar enterprise and the market leader” made enhancement “particularly warranted”).

Therefore, this *Read* factor weighs in favor of enhancement.

### **5. The Closeness of this Case**

This “factor examines whether the case involved a meaningful defense to the claims or whether it was easily decided against the infringer.” *Milwaukee Elec.*, 288 F. Supp. 3d at 903. Pavo contends that this was not a close case, as indicated by: (1) the jury verdict in Pavo’s favor; (2) Kingston’s abandonment of its invalidity defense at trial; and (3) what Pavo characterizes as Kingston’s weak non-infringement positions. (Mot. at 15–17; Reply at 13–15.) Kingston asserts that this case, with respect to the both the issues of infringement and willfulness, was far closer than Pavo admits. (Opp. at 21–24.)

Here, the Court concludes that the case was “not so one-sided as to favor a damages enhancement.” *Id.*; *see also Power Integrations*, 2017 WL 130236, at \*4 (factor weighed against enhancement where both parties took reasonable positions on the various issues raised as to both validity and infringement). Indeed, many cases where this factor was found to support enhancement have involved clear showings of deliberate copying and especially weak defenses. *See, e.g., Powell*, 715 F. Supp. 2d at 1298 (defendant deliberately copied and made unauthorized use of plaintiff’s invention and asserted numerous suspect defenses, with some bordering on frivolous); *Maxwell v. Angel-Etts of California*, No. CV9910516DT(AJWX), 2001 WL 34133507, at \*15 (C.D. Cal. July 9, 2001), *aff’d sub nom. Maxwell v. Angel-Etts of California, Inc.*, 53 F. App’x 561 (Fed. Cir.

2002), *opinion amended on reh'g* (Jan. 2, 2003) (“invention was copied identically with knowledge of the patent and without any basis to believe this was proper”).

In contrast, here, it is undisputed that Kingston independently developed the Accused Product prior to knowing of the ‘544 Patent. And while Kingston’s non-infringement and willfulness arguments at trial ultimately proved unsuccessful, the Court noted that Kingston introduced competent evidence to support its assertions for non-infringement. (*See* Order Re: Rule 50(b) Motions at 9–11.) The various holes that Pavo, with the benefit of hindsight, now attempts to poke in Kingston’s non-infringement arguments do not render them frivolous. (*See* Mot. at 15–17; Reply at 13–15.)

Nor does the verdict itself show that this was not a close case. While Pavo references two cases in which district courts discussed jury verdicts before concluding that cases were not close, it is difficult to discern what insight can be gleaned from *this* jury’s verdict. As to infringement, the Verdict Form asked the jury four simple “yes” or “no” questions, probing whether Pavo proved by a preponderance of the evidence that Kingston infringed Claims 1, 4, and 24 of the ‘544 Patent, and if so, whether Pavo proved by a preponderance of the evidence that Kingston’s infringement was willful. (Special Verdict Form.) That the jury answered each of the four questions affirmatively sheds no light on whether they arrived at that decision easily.

Pavo also argues that this case was not close because Kingston abandoned its invalidity defense during trial, a “substantial concession.” (Reply at 15). The Court agrees that Kingston’s explanation that the invalidity defense was dropped solely due to time constraints is unpersuasive; although the Court made clear the parties could not exceed the allotted time period for trial absent a showing of good cause, Kingston never attempted to make such a showing and ended their evidentiary presentation with trial time still on the clock. However, in light of Kingston’s non-frivolous position regarding infringement and willfulness, the Court determines that Kingston’s concession on validity does not reflect that this case was so one-sided in its entirety as to warrant an enhancement of damages.

Accordingly, this factor weighs slightly against enhancement.

### **6. The Duration of Kingston's Misconduct**

“Continuing to sell infringing products after receiving notice of infringement, during the course of the litigation and/or after a finding of infringement supports an enhancement of damages.” *Alfred E. Mann Found.*, 2018 WL 6190604, at \*30 (collecting cases). As noted above, knowledge of a patent is a prerequisite to a finding of willful infringement thereof and any subsequent award of enhanced damages. *See Gustafson*, 897 F.2d at 510–11; *WBIP*, 829 F.3d at 1341. Thus, the relevant time period here is the approximately five-and-a-half-year span between Kingston's August 2012 receipt of the CATR Letter notifying Kingston of potential infringement on the '544 Patent and the cessation of sale of the Accused Product at the end of 2017.

Kingston argues the Court should look only to whether Kingston infringed on the patent following the entry of the jury verdict. Kingston relies on *Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F. Supp. 2d 951 (N.D. Cal. 2009), but in that case, the court noted only that “when considering the ‘duration of misconduct,’ the court must parse the infringement for significant milestones, like the entry of judgment or affirmance on appeal.” *Hynix*, 609 F. Supp. 2d at 958. The *Hynix* court was simply quoting *Read* and nothing indicated it was providing an exclusive list of “significant milestones.” *See id.* at 958–59. Rather, those milestones should include the date on which the defendant is notified of infringement and the date on which litigation is commenced; otherwise, the sixth *Read* factor would be rendered moot and “large corporations . . . would be incentivized to infringe a smaller entity's patent and run out the clock until the patent expires.” *Alfred E. Mann Found.*, 2018 WL 6190604, at \*30; *see also Apple*, 258 F. Supp. 3d at 1034; *Milwaukee Elec.*, 288 F. Supp. 3d at 903. Lastly, Kingston's assertion that the duration of its misconduct should be truncated in light of its reliance on the original, uncorrected language of the '544 Patent and filing of “successful *inter partes* review proceedings,” (Opp. at 23–24), is unavailing. *See Milwaukee Elec.*, 288 F. Supp. 3d at

903–04 (explaining that, in the context of this *Read* factor, an infringer’s transgressions are not wiped away merely because it thinks its actions were non-infringing).

Thus, as stated above, Kingston’s misconduct should be viewed as extending from August 2012 through the end of 2017, a span of five and a half years. This duration supports enhancement. *See id.* (infringement for six years following date when defendant knew of patents-in-suit had “continued for a substantial length of time” and weighed in favor of enhancement); *Powell v. Home Depot U.S.A., Inc.*, 715 F. Supp. 2d 1285, 1298 (S.D. Fla. 2010), *aff’d*, 663 F.3d 1221 (Fed. Cir. 2011) (factor favored enhancement where the defendant infringed the plaintiff’s patent “for over four years after its issuance, for over two years after filing of [the] lawsuit, and up until the moment the jury returned its verdict”); *Broadcom Corp. v. Qualcomm Inc.*, No. SACV 05-467-JVS(RNBx), 2007 WL 2326838, at \*3 (C.D. Cal. Aug. 10, 2007), *order vacated on reconsideration on other grounds*, No. SACV 05-467-JVS RNBX, 2007 WL 8030058 (C.D. Cal. Nov. 21, 2007) (explaining that two-year duration of infringement “coupled with the fact that infringement continued after [the plaintiff] filed its suit, support[ed] an increase in damages”).

### **7. Remedial Action Taken by Kingston**

The parties’ arguments on the sixth and seventh *Read* factors merge to an extent. Pavo asserts that the record contains “no evidence that Kingston took any remedial action to address Pavo’s patent rights between 2012 and August 2014, when this case was filed.” (Mot. at 18–19.) Instead, as Pavo puts it, Kingston’s infringing activity continued largely unabated through until the end of 2017. (*Id.* at 19.) Kingston, meanwhile, reiterates its argument that it should not be faulted for discontinuing sales of the Accused Product only after the Federal Circuit decided the IPR appeal and upheld the validity of various claims of the ‘544 Patent. (Opp. at 23–24.)<sup>5</sup>

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<sup>5</sup> In connection with the seventh *Read* factor, Kingston again argues that its conduct is not culpable because the Accused Product did not infringe the claims of the ‘544 Patent before they were judicially corrected by the Court in September 2018. (Opp. at 24.) As explained above and (footnote continued)



It is undisputed that Kingston took no form of remedial action until discontinuing sales of the Accused Product at the end of 2017, (*see* Sales Spreadsheet, Mot. Ex. AA, Doc. 394-27 (listing significant sales through fourth quarter of 2017)), which Kingston represents was a decision made in response to the outcome of the IPR appeal. As previously discussed, Kingston: (1) failed to make use of any of the non-infringing alternatives it asserts were available during the entire timeframe of the infringing activity, (Ewing Testimony, March 10, 2020 Trial Transcript Vol. II at 26:3–29:16), (2) continued sale of the Accused Product through 2017, and made no changes to its basic physical design, (Terpening Testimony, March 10, 2020 Trial Transcript Vol. I at 36:16–37:6, Reply Ex. 1, Doc. 403-1), and (3) failed to sufficiently investigate the ‘544 Patent or demonstrate a good faith belief regarding invalidity and non-infringement. *See Broadcom*, 2007 WL 2326838, at \*3 (failure to “cease manufacture or sale of the infringing products during the course of the litigation” suggested enhancement was proper); *Alfred E. Mann Found.*, 2018 WL 6190604, at \*31 (failure to voluntarily cease manufacture and sale of infringing products, attempt to design around patent, or pursue license of patent supported enhancement); *cf. Apple*, 258 F. Supp. 3d at 1035 (noting that active effort to design around patent-in-suit reduced infringer’s culpability). Kingston cites to no legal authority in support of its assertion that a failure to take remedial action is excused due to ongoing IPR proceedings or litigation. (*See* Opp. at 24.)

Accordingly, this factor favors enhancement.

### **8. Kingston’s Motivation for Harm**

The parties dispute the applicability of this factor to this case. Pavo argues that based on the success of the Accused Product, “Kingston was financially motivated to continue its unauthorized use of the ‘544 Patent.” (Mot. at 19–20.) But as Kingston notes, this factor is typically viewed as supporting enhanced damages where “the infringer

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in the Court’s Order resolving the parties Rule 50(b) Motions, Kingston is not insulated merely because during claim construction the Court corrected a clerical error that was obvious on the face of the Patent.

engages in infringing conduct to gain an edge over the patentee in a competitive market.” See, e.g., *Funai Elec. Co. v. Daewoo Elecs. Corp.*, 593 F. Supp. 2d 1088, 1116 (N.D. Cal. 2009), *aff’d*, 616 F.3d 1357 (Fed. Cir. 2010). “Because this factor focuses on marketplace conduct, it is less significant where . . . the parties are not competitors.” *Powell*, 715 F. Supp. 2d at 1299. As Pavo does not design, manufacture, or sell any products, and was instead formed for the sole purpose of “find[ing] licensing opportunities for [the] ‘544 Patent,” the parties are plainly not competitors. (March 5, 2020 Trial Transcript Vol. I at 38:8–39:25, Opp. Ex. 20, Doc. 401-21.) In support of its contention that this factor is relevant here, Pavo cites to a single case, *Maxwell*, 2001 WL 34133507, at \*15, in which a court found that a defendant was “apparently [motivated] out of greed and spite” after considering the defendant’s “lies to [the plaintiff], concealment of its infringement, and virtually unique inability to accept a reasonable settlement agreement even 15 years after infringement began.” The Court concludes that the facts of that case are not sufficiently on point to provide a relevant benchmark here.

As such, this factor weighs against enhancement. See *Powell*, 715 F. Supp. 2d at 1299 (explaining that the factor does not support enhancement where the infringer is motivated by simple “economic self-interest”).

### **9. Attempt to Conceal Misconduct**

Evidence of attempts to conceal misconduct weighs in favor of enhancement. As with the first *Read* factor, the parties concur that the record in this case includes no evidence of efforts by Kingston to conceal misconduct. (Mot. at 20; Opp. at 25.) However, as in *Apple*, the ‘544 Patent involves a consumer-facing invention; concealment was not possible. See *Apple*, 689 F. Supp. 2d at 1036. This factor, therefore, is irrelevant.

### **10. Weighing of the Read Factors**

In sum, *Read* factors two, three, four, six, and seven weigh in favor of enhanced damages; factors one and eight weigh against enhancement; factor five weighs slightly against enhancement; and factor nine is neutral. Weighing these factors reveals that a

moderate enhancement of damages is appropriate. Kingston, a company of considerable size and commercial success, failed to investigate the '544 Patent upon notice or demonstrate subsequent good faith belief regarding invalidity and non-infringement; engaged in gamesmanship regarding its non-infringement contentions and production of cost data related to the Accused Product; and failed to take remedial action upon notice, instead continuing to sell the Accused Product for more than five years. These actions and omissions suggest that enhancement is necessary to serve the dual “goals of deterrence and punishment of willful infringement, while fully compensating but not unjustly enriching” Pavo. *Broadcom*, 2007 WL 2326838, at \*3. Conversely, the lack of deliberate copying, the non-frivolous positions taken at trial and the lack of a motivation for harm on Kingston’s part weigh against enhancement. And courts typically take note when cases do not involve “the copying, concealment or destructive motivation present in the most egregious cases,” *Smith*, 2008 WL 11389143, at \*3, and they are less willing to award enhanced damages where an infringer’s conduct does not rise to the level of a “true pirate.” *See, e.g., Milwaukee Elec.*, 288 F. Supp. 3d at 905; *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 281 F. Supp. 3d 1087, 1095 (D. Nev. 2017).

A “[t]rebling [of] damages is reserved for the cases at the most egregious end of the spectrum.” *Apple*, 258 F. Supp. 3d at 1036. Here, given the totality of the circumstances, trebling, or even doubling, damages is not warranted. Instead, the Court opts to exercise its discretion and award a lesser enhancement. *See id.* (explaining that an enhancement of 30% was appropriate in a situation where four *Read* factors weighed in favor of enhancement, four weighed against enhancement, and one was neutral). In light of the ultimate balance of the *Read* factors, an enhancement of 50% is appropriate. *See Georgetown Rail Equip. Co. v. Holland L.P.*, 867 F.3d 1229, 1245–46 (Fed. Cir. 2017) (affirming district court’s award of an approximately 65% enhancement after assessing *Read* factors and finding that three supported enhancement, three slightly supported enhancement, and three were neutral); *Am. Med. Sys., Inc. v. Med. Eng’g Corp.*, 6 F.3d

1523, 1530–32 (Fed. Cir. 1993) (affirming district court’s award of an 50% enhancement after considering defendant’s willfulness in addition to “mitigating or ameliorating factors”).

#### IV. CONCLUSION

For the foregoing reasons, the Court awards an enhancement of 50% to the compensatory damages assessed by the jury. Those enhanced damages amount to \$3,757,663.70 (.50 x \$7,515,327.40). Within **seven (7) business days from the date of this Order**, Pavo shall lodge a proposed form of judgment.

DATED: February 16, 2021



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HON. JOSEPHINE L. STATON  
UNITED STATES DISTRICT JUDGE