NO. _____

In the
Supreme Court of the United States

ECOFACTOR, INC.,

Petitioner,

v.

GOOGLE, LLC.,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

BRIAN LEDAHL
Counsel of Record
MARC A. FENSTER
REZA MIRZAIE
SUSAN Y. TULL
RUSS AUGUST & KABAT
12424 Wilshire Blvd., 12th Fl
Los Angeles, CA 90025
(310) 826-7474
bledahl@raklaw.com
mfenster@raklaw.com
rmirzaie@raklaw.com
stull@raklaw.com

Counsel for Petitioner

September 18, 2025

QUESTIONS PRESENTED

Whether the Federal Circuit violated the Seventh Amendment by overturning the jury's damages award based on its own evaluation of the sufficiency of the evidence, thereby substituting its judgment for the jury's on a question of fact.

Whether the Federal Circuit is permitted to apply a different, more stringent standard for the admission of expert testimony regarding damages in patent cases than is applied by other appellate courts reviewing expert testimony on other subjects, thereby creating a conflict in the application of Federal Rule of Evidence 702.

Whether the Federal Circuit violated EcoFactor's due process rights under the Fifth Amendment by deciding the appeal on a contract interpretation issue that was not raised in the district court, was not briefed by the parties on appeal, and was outside the scope of the en banc proceeding.

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

Petitioner: EcoFactor, Inc. patentee and plaintiff-appellee below.

Respondent: Google LLC, accused infringer and defendant-appellant below.

EcoFactor, Inc. does not have a parent entity, is not publicly traded, and no publicly-held company owns 10% or more of Petitioner's stock/equity.

STATEMENT OF RELATED PROCEEDINGS

This case arises from and is related to the following proceedings:

United States Court of Appeals (Federal Circuit):

EcoFactor, Inc. v, Google LLC
CAFC No. 2023-1101

United States District Court:

EcoFactor, Inc. v, Google LLC
W.D. Tex., Case No. 6:20-cv-00075-ADA

TABLE OF CONTENTS

QUESTIONS PRESENTED i
STATEMENT OF RELATED PROCEEDINGS iii
TABLE OF CONTENTS iv
TABLE OF APPENDICES vi
TABLE OF AUTHORITIES vii
PETITION FOR WRIT OF CERTIORARI 1
OPINIONS BELOW 2
JURISDICTION 2
CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED 2
STATEMENT OF THE CASE 4
A. Factual Background 4
B. Proceedings Below 8
REASONS FOR GRANTING THE PETITION 13
A. The Federal Circuit Violated the Seventh Amendment by Disregarding the Jury's Verdict and Substituting Its Own Factual Findings. 13
B. The Federal Circuit's Application of Rule 702 Conflicts with the Approach Taken by Other Circuits, Creating a Unique and Uneven Application of the Rule in Patent Damages 18
C. The Federal Circuit Violated Ecofactor's Due Process Rights by Deciding the Appeal on an Issue Never Litigated Below 23

D. This Case Presents an Optimal Vehicle To Address The Federal Circuit's Overreach.....25

CONCLUSION 27

TABLE OF APPENDICES

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED MAY 21, 2025.....1a

APPENDIX B — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED DECEMBER 4, 2024 .....56a

APPENDIX C — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED JUNE 3, 2024.....58a

APPENDIX D — FINAL JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF TEXAS, WACO DIVISION, FILED MAY 26, 2022.....94a

TABLE OF AUTHORITIES

Cases

Boddie v. Connecticut,
401 U.S. 371 (1971) 23
Brady v. S. Pac. Transp. Co.,
369 F.2d 410 (5th Cir. 1966) 14
Daubert v. Merrell Dow Pharmaceuticals, Inc.,
509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469
(1993) 9, 10, 20, 24
Dimick v. Schiedt,
293 U.S. 474 (1935) 13
eBay Inc. v. MercExchange, L.L.C.,
547 U.S. 388 (2006) 26
Enplas Display Corp. v. Seoul Semiconductor Co.,
909 F.3d 398 (Fed. Cir. 2018) 21
Feltner v. Columbia Pictures Television, Inc.,
523 U.S. 340 (1998) 13
Gallick v. Baltimore & Ohio R.R. Co.,
372 U.S. 108 (1963) 17
Georgia-Pacific Corp. v. U.S. Plywood Corp.,
318 F. Supp. 1116 (S.D.N.Y. 1970) 4
In re Pfizer Inc. Sec. Litigation,
819 F.3d 642 (2d Cir. 2016) 19
Lavender v. Kurn,
327 U.S. 645 (1946) 13, 14
Leonard v. Stemtech Int'l Inc.,
834 F.3d 376 (3rd Cir. 2016) 19
Lucent Techs., Inc. v. Gateway, Inc.,
580 F.3d 1301 (Fed. Cir. 2009) 21, 27
Mullane v. Central Hanover Bank & Trust Co.,
339 U.S. 306 (1950) 23
Nelson v. Adams USA, Inc.,
529 U.S. 460 (2000) 23

Octane Fitness, LLC v. ICON Health & Fitness, Inc.,
572 U.S. 545 (2014) 26
Pipitone v. Biomatrix, Inc.,
288 F.3d 239 (5th Cir. 2002) 20
Primiano v. Cook,
598 F.3d 558 (9th Cir. 2010) 20
Quiet Tech. DC-8 v. Hurel-Dubois UK LTd.,
326 F.35 1333 (11th Cir. 2003) 20
Rogers v. Missouri Pac. R. Co.,
352 U.S. 500 (1957) 17
Shockley v. Arcan, Inc.,
248 F.3d 1349 (Fed. Cir. 2001) 21
Stollings v. Ryobi Techs.,
725 F.3d 753 (7th Cir. 2013) 20
Tennant v. Peoria & P.U. Ry. Co.,
321 U.S. 29 (1944) 14
Uniloc USA, Inc. v. Microsoft Corp.,
632 F.3d 1292 (Fed. Cir. 2011) 27
United States v. Sineneng-Smith,
140 S. Ct. 1575 (2020) 23
VirnetX, Inc. v. Cisco Sys., Inc.,
767 F.3d 1308 (Fed. Cir. 2014) 27
Whitserve, LLC v. Computer Packages, Inc.,
694 F.3d 10 (Fed. Cir. 2012) 21
Wilco March Buggies and Draglines, Inc. v. Weeks Marine, Inc.,
2023-2320, 2025 WL 2399565 (Fed. Cir. Aug. 19, 2025) 18

Statutes

28 U.S.C. § 1254 2

Rules

Federal Rule of Evidence
702..... 1-3, 9-11, 13, 16, 20, 22, 28, 29

PETITION FOR WRIT OF CERTIORARI

This case presents an extraordinary example of appellate overreach. Sitting en banc, the Federal Circuit overturned a jury's damages verdict by reweighing the sufficiency of expert testimony that the district court admitted and the jury credited. In doing so, the court not only displaced the jury's constitutional role as fact-finder under the Seventh Amendment, but also applied a uniquely stringent version of Federal Rule of Evidence 702 that no other circuit employs. And it compounded these errors by resolving the case on a contract interpretation theory never raised below, depriving petitioner of the notice and opportunity to be heard that due process requires.

The questions presented are of pressing importance. The Seventh Amendment forbids appellate courts from substituting their view of the evidence for that of the jury. Rule 702, adopted to ensure the uniform treatment of expert testimony in federal courts, cannot be applied one way in patent cases and another way in every other field of law. And this Court has repeatedly cautioned that appellate courts may not decide cases on issues not raised or briefed by the parties. The Federal Circuit's en banc decision contravenes each of these fundamental principles.

This case is also an optimal vehicle for resolving these issues. The record is fully developed, the en banc court addressed the dispositive issues squarely, and the conflicts with this Court's precedents and with other circuits are stark. Unless corrected, the Federal Circuit's approach will continue to unsettle the balance between trial and appellate courts, destabilize

the administration of Rule 702, and undermine confidence in the jury's central role in adjudicating damages in patent cases.

For these reasons, review is warranted.

OPINIONS BELOW

The en banc opinion of the United States Court of Appeals for the Federal Circuit, *EcoFactor, Inc. v. Google LLC*, No. 2023-1101 (Fed. Cir. May 21, 2025) is available at 137 F.4th 1333 (Fed. Cir. 2022) and reproduced at Appendix A. The panel opinion, *EcoFactor, Inc. v. Google LLC*, 104 F.4th 243 (Fed. Cir. 2024), *reh'g en banc granted, opinion vacated*, 115 F.4th 1380 (Fed. Cir. 2024), is reproduced at Appendix C. The judgment of the United States District Court for the Western District of Texas is unreported and reproduced at Appendix D.

JURISDICTION

The Federal Circuit issued its decision in this matter on May 21, 2025. On August 13, 2025, the Chief Justice granted an application to extend the time to file this Petition until September 18, 2025. This Court has jurisdiction pursuant to 28 U.S.C. § 1254.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Fifth Amendment to the United States Constitution provides, in relevant part: No person

shall … be deprived of life, liberty, or property, without due process of law….

The Seventh Amendment to the United States Constitution provides: "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law."

Federal Rule of Evidence 702 provides: "A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if the proponent demonstrates to the court that it is more likely than not that:

> **(a)** the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
>
> **(b)** the testimony is based on sufficient facts or data;
>
> **(c)** the testimony is the product of reliable principles and methods; and
>
> **(d)** the expert's opinion reflects a reliable application of the principles and methods to the facts of the case.

STATEMENT OF THE CASE

A. Factual Background

EcoFactor owns U.S. Patent No. 8,738,327 ("the '327 patent"), directed to smart thermostats in computer-networked heating and cooling systems. ('327 patent at 1:22–25). EcoFactor sued Google in the Western District of Texas, alleging that Google's Nest thermostats infringe the '327 patent.

Before trial, Google moved to exclude the testimony of EcoFactor's damages expert, David Kennedy, arguing his royalty opinion was unreliable. The district court denied the motion.

At trial, EcoFactor presented evidence supporting its damages contentions via its damages expert Mr. Kennedy and the testimony of EcoFactor's CEO, Mr. Shayan Habib. Mr. Kennedy testified that a reasonable royalty was an appropriate damages award and performed a *Georgia-Pacific* analysis of EcoFactor's licenses under Factor 1 and an apportioned profit analysis using Google's conjoint surveys and its internal profit data under Factor 13. *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970). EcoFactor also presented evidence through cross-examination of Google witnesses establishing additional facts supporting its damages claim, including evidence comparing the market share of the three licensees to Google's, all of which was part of the evidence before the jury and necessary to consider on Google's motion for new trial.

The three license agreements, the focus of the Federal Circuit *en banc* decision, were licenses from EcoFactor to third parties (Schneider in June 2020,

Daikin in April 2020, and Johnson in July 2021) for EcoFactor's entire patent portfolio, including the '327 patent, in exchange for a lump sum payment. The license agreements were admitted as evidence without objection by Google. Each agreement says how the lump sum payment therein was calculated. For example, the Schneider agreement states: "EcoFactor represents that it has agreed to the payment set forth in this Agreement based on what EcoFactor believes is a reasonable royalty calculation of $X per-unit for what it has estimated is past and [] projected future sales of products accused of infringement in the Litigation." There are nearly identical representations in the Johnson and Daikin agreements. The Schneider agreement adds "nothing in this clause should be interpreted as agreement by Schneider that $X per unit is a reasonable royalty," but does not dispute the preceding statement that the lump sum payment was based on a $X per unit rate. While each agreement is a portfolio license, each calls out the subset of EcoFactor's patents asserted against the licensee. The Daikin and Schneider licenses identify the "Litigation" and the seven "Asserted Patents" on Exhibit A, including the '327 Patent. The Johnson agreement calls out four patents covering comparable features to the '327 Patent.

Mr. Kennedy's analysis relied on the testimony of EcoFactor's technical expert that the licensed patents called out in the agreements are comparable in scope to the patents-in-suit, and that the licensed smart thermostats are comparable to the accused Nest thermostats. Google did not rebut these comparability opinions and the Federal Circuit did not reject this testimony.

Mr. Kennedy then informed the jury as to the economic comparability of the license agreements, testifying that the focus of the settlements was on the '327 Patent and the other patents asserted in litigation against the licensees. This opinion is supported by express statements in each license calling out these patents. Because the licenses are portfolio-wide, Mr. Kennedy testified this would place downward pressure on the agreeable rate at the hypothetical negotiation. As Mr. Kennedy testified, this would be offset by the upward pressure from the assumption of infringement and validity that applies at the hypothetical negotiation but that did not apply in the real-world and provided additional explanations and analysis regarding the applicability of the license agreements to the instant proceedings, including a comparison of license to accused products and market share.

The jury also heard testimony from Google witnesses that Google's own comparable smart HVAC control patent license expressly includes royalty rates that, if applied to this case, would reach nearly $5.00 per unit.

The record corroborated the representations in the agreements (and Mr. Kennedy's opinions thereto) that the lump sum payments were derived from a "reasonable royalty calculation of per-unit on estimated past and projected future sales of [licensee's] products accused of infringement in the Litigation." For example, in negotiation correspondence between one licensee and EcoFactor, EcoFactor proposed a $X per unit rate, and the licensee replied that it was "applying the rates." EcoFactor's CEO, Shayan Habib, testified that each

license's lump sum payment was derived by taking the past and anticipated future sales of each entity and multiplying it by the $X per unit royalty rate. Mr. Habib explained he personally (as opposed to EcoFactor's counsel) was not permitted to see the underlying sales information because the licensees were EcoFactor's competitors, but that he believed the lump sums reflected the licensee's sales because, while the companies were "pretty large" overall, in the "smart thermostat and the smart HVAC control space" the companies were "relatively new or more recent. And there are high barriers to entry … There's large players, such as Nest and others. And so it makes sense that their sales numbers would be low since they'd recently started." While Google's damages expert disagreed with Mr. Kennedy's opinions, Google did not present any additional documents or fact witness testimony to contradict his testimony.

Mr. Kennedy further provided a damages analysis using profit apportionment that relied on a conjoint survey performed by Google. EcoFactor's technical expert testified regarding the features addressed in the survey vis-à-vis the '327 patented technology. Using this testimony, financial data, and the survey itself, Mr. Kennedy was able to apportion Google's profits, concluding that a higher dollar amount than $X out of total per unit was attributable to features covered by the '327 patent. Finally, Mr. Kennedy opined that EcoFactor and Google would have negotiated over the correct split of that apportionment, concluding that $X was a reasonable way to split the profits, based on part on the license agreements discussed above. The total damages demand at trial was $Y million.

After trial, the jury found Google infringed claim 5 of the '327 patent and awarded EcoFactor $20 million in damages (significantly less than $Y million).

After the jury verdict, Google renewed its motion for judgment as a matter of law (JMOL) on noninfringement and moved for a new trial on damages, again arguing that Mr. Kennedy's testimony should have been excluded. The district court denied these motions. The Court entered final judgment on May 26, 2022, following Google's unsuccessful JMOL.

B. Proceedings Below

Google appealed to the Federal Circuit. In relevant part, the panel majority (one judge dissenting) affirmed the denial of Google's motion for a new trial on damages. 104 F.4th at 251-62. In so holding, the court noted that Mr. Kennedy was "far from plucking the $X royalty rate from nowhere" and that he based this rate on admissible evidence, including the license agreements, the testimony of Mr. Habib, and an email chain that supported the $X rate. 104 F.4th at 252.

The court concluded:

> In light of the three license agreements, Mr. Habib's testimony, and the EcoFactor-Johnson email chain, we determine that Mr. Kennedy's damages opinion concerning the $X royalty rate was sufficiently tied to the facts of the case and thus admissible. And based on this context, the "jury was entitled to hear the expert testimony" from Mr. Kennedy concerning the $X royalty rate and "decide for itself

> what to accept or reject." That is exactly what the jury did in this case. The jury heard Mr. Kennedy's testimony and Google's extensive cross-examination concerning Mr. Kennedy's understanding of the three license agreements, his reliance on Mr. Habib's testimony, and testimony concerning the emails between EcoFactor and Johnson about the $X royalty rate. Ultimately, the jury returned a verdict of $20,019,300, which represents significantly less than Mr. Kennedy's proposed damages amount of $Y that would have resulted from applying the $X royalty rate to Google's past sales.

Id. at 253.

Google petitioned for rehearing en banc, which was granted. 115 F.4th 1380 (Fed. Cir. 2024). In particular, the en banc review was "limited to addressing the district court's adherence to Federal Rule of Evidence 702 and *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469 (1993), in its allowance of testimony from EcoFactor's damages expert assigning a per-unit royalty rate to the three licenses in evidence in this case." 115 F.4th at 1380.

One might expect that when the same evidence and argument was considered by the Federal Circuit a second time, with the same reasoning from Google that the court had already criticized, the Federal Circuit would uphold its prior decision. Remarkably, however, the Federal Circuit reached the opposite result when considering the exact same record. The en banc court performed an abrupt about-face, holding

that Mr. Kennedy's testimony was unreliable under Federal Rule of Evidence 702 and *Daubert* because "Mr. Kennedy's opinion that the licenses show industry acceptance of an $X per unit royalty rate is not based upon sufficient facts or data." 137 F.4th at 1338. Although stating that its analysis "does not usurp the province of the jury [or] involve this court deciding disputes of fact," the court proceeded to walk through the evidence submitted at trial, reject each piece in turn, strike Mr. Kennedy's testimony as a result, then conclude the damages award was unsupported. *Id.* at 1344-45.

Judge Reyna, joined by Judge Stark, dissented, arguing that the en banc court improperly exceeded the scope of the en banc order, improperly engaged in *de novo* contract interpretation with respect to the license agreements, and failed to conduct a proper harmless error analysis.

Judge Reyna asserted that the en banc court exceeded the scope of the order granting en banc review. The en banc order was limited to "the district court's adherence to Federal Rule of Evidence 702 and *Daubert*... in its allowance of testimony from EcoFactor's damages expert assigning a per-unit royalty rate to the three licenses in evidence in this case." Judge Reyna argued that the majority abandoned this officially set scope by focusing on a new theory: contract interpretation as a question of law. *Id.* at 1347-48. The majority's sua sponte transformation of the case into one of contract interpretation and resolution of that issue in favor of Google raised party presentation concerns and deprived EcoFactor of notice and an opportunity to be heard. *Id.* at 1348.

Judge Reyna identified additional errors in the majority opinion, including finding that the three license agreements, Mr. Habib's testimony, and undisputed market share data, constituted sufficient facts or data under Federal Rule of Evidence 702. *Id.* at 1350. Rule 702 does not require that expert opinion be based on undisputed or dispositive facts or data. The rule recognizes that there may be multiple versions of the facts and does not "authorize a trial court to exclude an expert's testimony on the ground that the court believes one version of the facts and not the other." *Id.* (internal citations omitted). In dismissing this evidence, the majority opinion impermissibly weighed the credibility of Mr. Habib's testimony in an effort to diminish its effect, with Judge Reyna emphasizing the majority's findings that Mr. Habib's testimony is not supported by "any record evidence" and is nothing more than an "unsupported assertion." *Id.* at 1351. The majority misunderstood the very purpose of a fact witness, whose basis for testifying is personal knowledge. *Id.* Google did not object to Mr. Habib's testimony as lacking personal knowledge, being speculative, or constituting hearsay, and thereby missed its opportunity to challenge Mr. Habib's testimony via the proper avenue for these concerns. *Id.*

Finally, Judge Reyna criticized the en banc court's harmless error analysis. He stated that Google made no meaningful showing as to how Mr. Kennedy's opinion that $X was a reasonable royalty rate affected its substantial rights. *Id.* at 1352-53. He also noted it is undisputed that "the jury returned a verdict that appears to be based on a much smaller royalty rate." *Id*. Indeed, the jury's award reflects a smaller per-unit

rate when applied to the infringing units identified as the royalty base by Mr. Kennedy. This separate per-unit rate was supported by separate evidence in the record that this figure equals the per-unit profit Google derives from the infringing HVAC Monitoring feature, according to unchallenged testimony from EcoFactor's experts.

The record also showed that the jury received evidence of an "email exchange between EcoFactor and Johnson during the time they negotiated the Johnson license [that] indicates that Johnson accepted the $X rate," and the jury also received information regarding the $X rate from Mr. Habib without objection. *Id.* at 1353. Judge Reyna believed the en banc court failed to adequately address these points, especially in light of other evidence supporting the jury's verdict. *Id.*

Judge Stark also dissented, joined by Judge Reyna, expressing concern that the majority opinion would be misinterpreted as inviting district courts to improperly resolve fact disputes when evaluating expert testimony. *Id.* at 1354. As Judge Stark explained, "[M]y colleagues seem to have opened the door to turning Rule 702 into a vehicle for judicial resolution of fact disputes, at least with respect to damages experts. My concern is grounded in the Majority's apparent conclusion that the district court abused its discretion by permitting Mr. Kennedy to testify to an opinion that rested on *disputed* facts. Disputed facts, however, are not necessarily *insufficient* facts and data on which a reliable expert opinion may be based." *Id.* at 1355.

REASONS FOR GRANTING THE PETITION

A. The Federal Circuit Violated the Seventh Amendment by Disregarding the Jury's Verdict and Substituting Its Own Factual Findings.

The Seventh Amendment to the United States Constitution guarantees the right to a jury trial in civil cases where the value in controversy exceeds twenty dollars. *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 353 (1998); *Dimick v. Schiedt*, 293 U.S. 474, 485–86 (1935). This right is not a mere formality; it is a fundamental protection against governmental overreach and ensures that factual disputes are resolved by a jury of one's peers. *See Dimick*, 293 U.S. at 486 ("Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the power of the jury to decide questions of fact should be scrutinized with the utmost care."). Crucially, the Seventh Amendment prohibits federal appellate courts from re-examining facts found by a jury "otherwise than according to the rules of the common law." U.S. Const. amend. VII. This limitation is deeply rooted in the separation of powers and respects the distinct roles of the jury and the court.

This Court has consistently emphasized that appellate review of jury verdicts is *highly deferential*. *See, e.g., Lavender v. Kurn*, 327 U.S. 645, 653 (1946) ("Only where there is a complete absence of probative facts to support the conclusion reached does a reversible error appear."); *Tennant v. Peoria & P.U.*

Ry. Co., 321 U.S. 29, 35 (1944) ("Courts are not free to reweigh the evidence and set aside the jury verdict merely because the jury could have drawn different inferences or conclusions or because judges feel that other results are more reasonable."). An appellate court can only overturn a jury's factual findings if, viewing the evidence in the light most favorable to the prevailing party, "the facts and inferences point so strongly and overwhelmingly in favor of one party that the Court believes that reasonable men could not arrive at a contrary verdict." *See Brady v. S. Pac. Transp. Co.*, 369 F.2d 410, 411 (5th Cir. 1966).

In *Lavender v. Kurn*, this Court emphasized the deference to be given to the jury, provided only that there are facts from which it might be reasonably inferred such that support the verdict, even where there is evidence of record tending to show the impossibility of such a finding. 327 U.S. at 652-653. "Under these circumstances it would be an undue invasion of the jury's historic function for an appellate court to weigh the conflicting evidence, judge the credibility of witnesses and arrive at a conclusion opposite from the one reached by the jury." *Id.* As this Court explained:

> It is no answer to say that the jury's verdict involved speculation and conjecture. Whenever facts are in dispute or the evidence is such that fair-minded men may draw different inferences, a measure of speculation and conjecture is required on the part of those whose duty it is to settle the dispute by choosing what seems to them to be the most reasonable inference. Only when there is a complete

> absence of probative facts to support the conclusion reached does a reversible error appear. But where, as here, there is an evidentiary basis for the jury's verdict, the jury is free to discard or disbelieve whatever facts are inconsistent with its conclusion. And the appellate court's function is exhausted when that evidentiary basis becomes apparent, it being immaterial that the court might draw a contrary inference or feel that another conclusion is more reasonable.

Id. at 135.

The Federal Circuit's en banc decision in this case disregarded these fundamental principles. While purporting to apply Federal Rule of Evidence 702, the court effectively re-weighed the evidence presented to the jury, substituted its own credibility determinations for those of the jury, and overturned a damages award that was supported by a legally sufficient evidentiary basis.

The en banc court's central error was its determination that Mr. Kennedy's testimony regarding the $X reasonable royalty rate was inadmissible because it was not based on "sufficient facts or data." As Judge Reyna correctly pointed out in dissent, there was evidence in the record supporting the $X rate – including the license agreements themselves, the email exchange between EcoFactor and Johnson during the time they negotiated the Johnson license indicating that Johnson accepted the $X rate, and Mr. Kennedy's analysis of Google's conjoint surveys, market share, financials, and profits attributable to the accused technology. A reasonable

jury could have credited this evidence and concluded that Mr. Kennedy's opinion was reliable and probative.

And in re-weighing the evidence presented, the en banc court ***omitted*** critical facts—facts which the original panel decision and the dissents found to be "sufficient facts or data" supporting Mr. Kennedy's opinion. As Judge Reyna's dissent explains, although the en banc court found that the Johnson "whereas" recital does not provide a basis that Johnson agreed to the $X rate, the en banc court's re-weighing of evidence omitted and ignored the "email exchange between EcoFactor and Johnson during the time they negotiated the Johnson license indicat[ing] that Johnson accepted the $X rate:…3. [Johnson:] *We are applying the rates to the time period that EcoFactor has said is implicated in the investigation*…" 137 F.4th at 1353. And as Judge Stark's dissent explains, while the en banc court sided with Google's interpretation of disputed facts concerning the Schneider agreement, "a reasonable jury could side with Mr. Kennedy's interpretation" which is "supported by language in each of the disputed licensing agreements," including the "Schneider agreement," where the language "could show that Schneider *agreed* with EcoFactor to use the $X rate to calculate the lump-sum it paid, and disputed only whether that agreed-upon $X rate was *reasonable*." *Id.* at 1356. Similarly, Judge Stark's dissent notes that the en banc court ignored various aspects of Mr. Habib's testimony that "remained in the record." *Id.* at 1356, n. 2.

Instead of deferring to the jury's assessment of the evidence and the credibility of the witnesses, the Federal Circuit engaged in its own *de novo* evaluation,

selectively focusing on certain aspects of the license agreements while ignoring other evidence that supported the jury's verdict. By doing so, the Federal Circuit improperly reweighed the evidence and substituted its credibility determinations for those of the jury.

The Federal Circuit's decision is analogous to those cases where appellate courts have been reversed for improperly substituting their judgment for that of the jury on issues of negligence, causation, or damages. *See, e.g., Gallick v. Baltimore & Ohio R.R. Co.*, 372 U.S. 108 (1963) (reversing an appellate court for setting aside a jury verdict in a negligence case); *Rogers v. Missouri Pac. R. Co.*, 352 U.S. 500 (1957) (same). Just as in those cases, the Federal Circuit here improperly invaded the province of the jury and undermined the Seventh Amendment guarantee of a jury trial.

The Federal Circuit's action is a direct affront to the role of a jury and the constitutional limitations in place to guard against an appellate court improperly asserting its view of the facts where a jury has reasonably determined otherwise. This substitution of judgment is precisely what the Seventh Amendment prohibits. Therefore, this Court should grant certiorari to reaffirm the sanctity of the jury's role in our legal system.

As Judge Reyna noted in the dissent, in supplanting the jury as fact-finder, the majority re-weighed the probative value of the evidence, effectively rejected Mr. Habib's testimony entirely, finding it to be an "unsupported assertion" despite the fact that he testified based on his personal knowledge, and resolved all disputed facts in Google's favor. But

this fact-finding is not within the province of an appellate court and the jury's verdict should not have been replaced with the Federal Circuit's.

Since the decision below, the Federal Circuit has continued to usurp the constitutional role of the jury in weighing expert testimony. In *Wilco Marsh Buggies*, the Federal Circuit affirmed a summary judgment decision finding the patent-in-question invalid following the exclusion of competing expert testimony. *Wilco March Buggies and Draglines, Inc. v. Weeks Marine, Inc.*, 2023-2320, 2025 WL 2399565, at *2 (Fed. Cir. Aug. 19, 2025). The Federal Circuit credited the defendant's expert testimony regarding prior art and rejected the plaintiff's counter evidence as "conclusory" despite detailed factual presentation by the expert that should have been resolved by a jury, not the Court. Absent a check from this Court, the Federal Circuit will continue a pattern of violating the Seventh Amendment's express prohibition against federal appellate courts re-examining facts found by a jury, or simply preventing disputed questions of fact from ever reaching a jury at all.

B. The Federal Circuit's Application of Rule 702 Conflicts with the Approach Taken by Other Circuits, Creating a Unique and Uneven Application of the Rule in Patent Damages

Rule 702 is meant to apply uniformly across the federal courts. Yet the Federal Circuit has developed a uniquely stringent regime for patent damages experts that conflicts with the deferential approach taken by other courts of appeals and required by this

Court's precedents. The Federal Circuit's regime excludes opinions that the other courts would admit and reverses jury verdicts that the other courts would leave undisturbed.

While regional circuits permit juries to weigh the strength of economic experts' methodologies once a reasonable basis is shown, the Federal Circuit imposes heightened requirements—excluding expert testimony if license agreements are not deemed "sufficiently comparable" to the satisfaction of the court, if methodologies apply rules disfavored by the court, or if contractual language does not reflect mutual assent. That approach directly conflicts with how other circuits apply Rule 702 in cases involving antitrust, securities, and commercial damages.

The Second Circuit, for example, takes a deferential approach, finding that the weakness in evidence or a particular aspect of expert testimony goes to the weight and not the admissibility. *See e.g., In re Pfizer Inc. Sec. Litigation*, 819 F.3d 642, 660-61 (2d Cir. 2016) (reversing district court's exclusion of economic expert testimony where such testimony met basic reliability requirements and would assist the trier of fact, even if the proffering party's theory was not legally or factually sustainable). The Third Circuit likewise admit damages expert testimony so long as there is a logical basis for the opinion, leaving the credibility of, and weight accorded to, that testimony to the jury. *Leonard v. Stemtech Int'l Inc.*, 834 F.3d 376, 391 (3rd Cir. 2016). The Fifth Circuit likewise supports the broad admissibility of expert testimony, stressing that "vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof" are the proper tools

for challenging expert testimony, not categorical exclusion. *Pipitone v. Biomatrix, Inc.*, 288 F.3d 239, 250 (5th Cir. 2002) (permitting expert testimony and noting that a trial court must take care not to transform a *Daubert* hearing into a trial on the merits"). The Seventh Circuit takes the same deferential approach, noting that reliability challenges are for the jury to decide. *Stollings v. Ryobi Techs.*, 725 F.3d 753, 766 (7th Cir. 2013) (reversing exclusion of expert testimony relating to the benefit attributable to a particular design). The Ninth Circuit permits the liberal admission of expert testimony once the expert has shown a "reasonable basis" and leaving it to the jury to weigh the strength or weakness of such testimony. *Primiano v. Cook*, 598 F.3d 558, 565 (9th Cir. 2010). The Eleventh Circuit has likewise held that vigorous cross-examination, the presentation of contrary evidence, and the careful instruction on the burden of proof are the appropriate guardrails on expert testimony, reiterating that "a district court's gatekeeper role under *Daubert* 'is not intended to supplant the adversary system or the role of the jury." *Quiet Tech. DC-8 v. Hurel-Dubois UK LTd.*, 326 F.35 1333, 1341 (11th Cir. 2003).

These circuits apply Rule 702 consistently across subject matters—antitrust, securities, tort, and contracts alike. They review district court gatekeeping decisions only for abuse of discretion, not de novo substitution of judgment. By contrast, the Federal Circuit has layered rigid requirements onto Rule 702 in patent damages cases that are not based in either Rule 702 or any language in the Patent Act.

The Federal Circuit has repeatedly applied this standard of stricter scrutiny to patent damages,

resulting in multiple reversals of jury awards. For example, in *Enplas Display Corp. v. Seoul Semiconductor Co.*, the Federal Circuit reversed a $4 million damages award because it found the damages expert did not provide adequate explanations as to certain conclusions and calculations. 909 F.3d 398, 411-12 (Fed. Cir. 2018). There too, the dissent criticized the majority's overreach, emphasizing the importance of the jury as the finder of fact and the district court as the gatekeeper for admissibility. *Id.* at 413-14 ("Here, the damages testimony was clearly relevant, the jury was correctly instructed, and the verdict was in conformity with the evidence. There is no basis to over-turn the denial of JMOL, for substantial and unrebutted evidence supported the jury verdict."). In *Lucent Techs., Inc. v. Gateway, Inc.*, the Federal Circuit reversed and remanded a patent damages award exceeding $350 million despite rejecting the theories proffered by Defendants on appeal and where defendants did not argue on appeal that any of the evidence underlying the expert's opinion was improperly admitted. 580 F.3d 1301, 1324 (Fed. Cir. 2009). Instead, the court conducted its own comparison of royalty awards (lump sum versus running royalty) and decided that the licenses of record were not sufficiently comparable to support a limp sim royalty in the amount of the damages award. *Id.* at 1331-32. *See also Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10, 32-33 (Fed. Cir. 2012) (reversing $8,378,145 damages award because court found expert testimony was conclusory, speculative, and "out of line with economic reality); *Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1364 (Fed. Cir. 2001) (vacating portion of damages award as being based on

speculative assumptions and counter to the weight of evidence).

Further, as Judge Reyna noted in dissent, the Federal Circuit "fails to engage in any meaningful prejudicial or harmless error analysis." 137 F.4th at 1354. Under the law, "a prejudicial error analysis must address other record evidence, including EcoFactor's negotiation correspondence with Johnson." *Id.* at 1353, n. 7. But today's Federal Circuit does not even ask whether other record evidence supports the verdict. It sets a jury's verdict aside if there is any risk that the jury's award was "influence[d]" by expert testimony. *Id.* at 1346. This split is entrenched and outcome-determinative. Under the deferential approach of the Second, Third, Fifth, Ninth, Seventh, and Eleventh Circuits, EcoFactor's expert testimony would have been admitted and left for the jury to weigh. Only in the Federal Circuit—applying its patent-specific gloss—was the testimony excluded, the jury's verdict set aside, and a new trial ordered. The Federal Circuit's approach turns the harmless error standard on its head so as to remove all deference to both the jury and to the trial court, contrary to the approach taken throughout the rest of the federal court system.

Because the Federal Circuit exercises nationwide jurisdiction over patent appeals, its outlier approach controls all patent cases regardless of where they are tried. Unless corrected, the conflict between the Federal Circuit and the regional circuits will persist, creating a dual-track evidentiary regime: one for patents, another for everything else. The resulting fragmentation of evidentiary law begs for redress by the Court.

C. The Federal Circuit Violated Ecofactor's Due Process Rights by Deciding the Appeal on an Issue Never Litigated Below

The Fifth Amendment to the United States Constitution guarantees that no person shall be deprived of life, liberty, or property without due process of law. This fundamental guarantee includes the right to notice and a meaningful opportunity to be heard in a judicial proceeding. *See Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1950) ("An elementary and fundamental requirement of due process in any proceeding which is to be accorded finality is notice reasonably calculated, under all the circumstances, to apprise interested parties of the pendency of the action and afford them an opportunity to present their objections."). This Court has made clear that parties are entitled to notice and an opportunity to be heard before judgment is entered against them. *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 466 (2000). Appellate courts may not reach out to decide cases on theories not raised or briefed. *United States v. Sineneng-Smith*, 140 S. Ct. 1575, 1579 (2020).

A court violates due process when it decides a case on grounds that were not raised by the parties, were not briefed on appeal, and were outside the scope of the proceedings. *See, e.g., Boddie v. Connecticut*, 401 U.S. 371, 377 (1971) ("That the hearing required by due process is subject to waiver, and is not fixed in form does not affect its root requirement that an individual be given an opportunity for a hearing *before* he is deprived of any significant protectable interest .

. . .”). This principle is particularly important in appellate proceedings, where the parties are generally limited to addressing the issues that were properly raised and preserved in the lower court.

The Federal Circuit’s en banc decision in this case represents a violation of these fundamental due process principles. The court’s decision rests entirely on a theory of *de novo* contract interpretation as noted by Judge Reyna’s dissent, specifically that the license agreements between EcoFactor and Daikin, Schneider, and Johnson unambiguously disavowed a per-unit royalty. *However, this contract interpretation issue was never raised by Google in the district court, was not briefed by either party on appeal, and was outside the scope of the en banc order, which was explicitly limited to the Daubert issue*. As Judge Reyna correctly noted in dissent, the en banc court’s decision was a “sua sponte transformation of this case into one of contract interpretation” that deprived EcoFactor of notice and an opportunity to be heard.

EcoFactor was prejudiced by the Federal Circuit’s due process violation. EcoFactor had no opportunity to brief the issue and could not present evidence or argument in its favor as to the correct contract interpretation. EcoFactor thus lost the opportunity to address either the legal or factual issues of contract interpretation, including those raised by Judge Stark in his dissent. Moreover, the majority deprived EcoFactor any opportunity to argue the interpretation of each contract under the respective state law. By deciding the case on contract interpretation grounds without affording EcoFactor this opportunity, the Federal Circuit effectively

deprived EcoFactor of a fair trial on the damages issue.

The Federal Circuit's decision undermines the integrity of the appellate process and sets a dangerous precedent for future cases. By deciding an appeal on grounds that were never litigated below, and were never raised in the briefing or even during oral argument, the court effectively ambushed EcoFactor and deprived it of a fair opportunity to defend its jury verdict. This Court should grant certiorari to correct this egregious due process violation and to ensure that all litigants have a fair opportunity to be heard in federal court.

D. This Case Presents an Optimal Vehicle To Address The Federal Circuit's Overreach

Judge Stark's dissent put forward the dangers of the Federal Circuit's overreach best:

> I fear that district courts will take our decision as grounds for limiting damages experts to relying only on undisputed facts. I am also afraid that trial judges will read the Majority Opinion as requiring them, in the exercise of their gatekeeping role, to resolve fact disputes in Rule 702 proceedings even when no party asks them to do so. And I worry that today's opinion may encourage future panels of this court to engage in improper appellate factfinding.

Id. at 1357.

Here, the jury weighed competing expert testimony and rendered a damages verdict. It did not award the damages sought by EcoFactor, but rather a substantially lower amount. The district court admitted the expert testimony under Rule 702, exercising its broad latitude as gatekeeper. The Federal Circuit nevertheless overturned the jury's award by reinterpreting the sufficiency of the evidence and effectively substituting its judgment for the jury's. That approach collapses the distinction between judge and jury and erodes the Seventh Amendment guarantee.

Patent damages are among the most contested and economically significant issues in federal litigation. Each year, juries return verdicts worth billions of dollars in patent cases. If the Federal Circuit's heightened scrutiny of damages experts is allowed to stand, every patent verdict is vulnerable to appellate second-guessing on grounds not raised below.

This Court has previously intervened to prevent the Federal Circuit from creating patent-specific distortions of general legal principles. *See, e.g.*, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (injunction standard); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014) (burden of proof for fee shifting). The same correction is necessary here. Unless this Court acts, the Federal Circuit will continue to erode the jury's constitutional role, disregard due process protections, and distort Rule 702 in ways no other circuit has adopted.

This problem is not confined to this case. The Federal Circuit has frequently vacated jury awards on damages, invoking its own interpretations of licensing

evidence and expert methodology. *See, e.g.*, *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336–37 (Fed. Cir. 2009); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318–21 (Fed. Cir. 2011); *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1326–29 (Fed. Cir. 2014). The decision below exemplifies a continuing trend in which the Federal Circuit displaces juries in precisely the factfinding sphere the Constitution reserves for them.

CONCLUSION

For all of the reasons set forth above, this Court should grant the petition.

Respectfully submitted,

Brian Ledahl
Counsel of Record
Marc A. Fenster
Reza Mirzaie
Susan Y. Tull
RUSS AUGUST & KABAT
12424 Wilshire Blvd., 12th Fl
Los Angeles, CA 90025
(310) 826-7474
bledahl@raklaw.com
mfenster@raklaw.com
rmirzaie@raklaw.com
stull@raklaw.com

Counsel for Petitioner

September 18, 2025

APPENDIX

TABLE OF APPENDICES

Page

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED MAY 21, 2025 . . . . 1a

APPENDIX B — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED DECEMBER 4, 2024 . . . . . 56a

APPENDIX C — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED JUNE 3, 2024 . . . 58a

APPENDIX D — FINAL JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF TEXAS, WACO DIVISION, FILED MAY 26, 2022 . . . . . 94a

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED MAY 21, 2025

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2023-1101

ECOFACTOR, INC.,

Plaintiff-Appellee,

v.

GOOGLE LLC,

Defendant-Appellant.

Appeal from the United States District Court for the Western District of Texas in No. 6:20-cv-00075-ADA, Judge Alan D Albright.

Decided: May 21, 2025

Before MOORE, *Chief Judge*, LOURIE, DYK, PROST, REYNA, TARANTO, CHEN, HUGHES, STOLL, and STARK, *Circuit Judges*.[1]

Opinion for the court filed by *Chief Judge* MOORE, in which *Circuit Judges* LOURIE, DYK, PROST, TARANTO, CHEN, HUGHES, and STOLL join.

1. Circuit Judge Newman and Circuit Judge Cunningham did not participate.

Appendix A

Opinion concurring in part and dissenting in part filed by *Circuit Judge* REYNA, in which *Circuit Judge* STARK joins.

Opinion concurring in part and dissenting in part filed by *Circuit Judge* STARK, in which *Circuit Judge* REYNA joins.

MOORE, *Chief Judge*.

Relevant to this en banc proceeding, Google LLC (Google) appeals an order from the United States District Court for the Western District of Texas denying Google's motion for a new trial on damages. We reverse the district court's denial of Google's motion and remand for a new trial on damages.

Google also appeals the district court's denial of its motion for summary judgment of invalidity under 35 U.S.C. § 101 and denial of its motion for judgment as a matter of law (JMOL) of noninfringement. On June 3, 2024, a panel of this court affirmed the denial of JMOL and denial of a new trial and held the denial of summary judgment was not appealable. We reinstate the panel opinion as to the issues other than damages.

BACKGROUND

EcoFactor, Inc. (EcoFactor) owns U.S. Patent No. 8,738,327, which relates to the operation of smart thermostats in computer-networked heating and cooling systems. '327 patent at 1:22–25. In January 2020,

Appendix A

EcoFactor sued Google in the Western District of Texas, alleging Google's Nest thermostats infringed claims of the '327 patent, among other patents. Complaint, *EcoFactor, Inc. v. Google LLC*, No. 6:20-cv-00075 (W.D. Tex. Jan. 31, 2020), ECF No. 1. After discovery, Google moved for summary judgment that all asserted claims of the '327 patent, including claim 5, were directed to patent-ineligible subject matter under 35 U.S.C. § 101 and were therefore invalid. *See* J.A. 1134, 1151.[2] The district court denied the motion. J.A. 5046 at 31:17–18.

Before trial, Google moved to exclude testimony from EcoFactor's damages expert, David Kennedy, under Federal Rule of Evidence 702 and *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S. Ct. 2786, 125 L. Ed. 2d 469 (1993).[3] S.A. 156–57.[4] Specifically, Google argued Mr. Kennedy's testimony that $X is an established royalty for the patented technology was unsupported by reliable methodology or sufficient facts. *Id.* The district court denied the motion. J.A. 2254.

At trial, Mr. Kennedy opined that Google should pay damages in the amount of $X per allegedly infringing unit. J.A. 5780 at 644:13–16. The jury found Google infringed claim 5 of the '327 patent and awarded EcoFactor

2. "J.A." refers to the parties' Joint Appendix filed at ECF No. 14.

3. This motion, objecting to the admissibility of Mr. Kennedy's testimony, suffices to preserve this issue for appeal. FED. R. EVID. 103(b).

4. "S.A." refers to the parties' Supplemental Appendix filed at ECF No. 209.

$20,019,300 in lump-sum damages.[5] J.A. 45, 49. Google filed a renewed motion for JMOL of noninfringement, J.A. 157, and a motion for a new trial on damages, arguing Mr. Kennedy's opinion should have been excluded from trial because it was unreliable, S.A. 961–80. The district court denied the motions, J.A. 6662 at 64:4–6; J.A. 6688 at 90:6–7, and Google appealed.

A panel of this court unanimously affirmed the district court's denial of JMOL of noninfringement and held the denial of summary judgment was not appealable. *EcoFactor, Inc. v. Google LLC*, 104 F.4th 243, 248–51 (Fed. Cir. 2024), *reh'g en banc granted, opinion vacated*, 115 F.4th 1380 (Fed. Cir. 2024) (*En Banc Order*). On the denial of Google's motion for a new trial on damages, the panel affirmed, but with a dissent. *Id.* at 251–57; *id.* at 257–62 (Prost, J., dissenting-in-part). Google petitioned for rehearing en banc, arguing the majority erroneously affirmed the denial of a new trial on damages because Mr. Kennedy's damages testimony was unreliable and therefore inadmissible. We granted Google's petition and ordered briefing and argument on the following damages issue:

> The parties are requested to file new briefs, which shall be limited to addressing the district court's adherence to Federal Rule of Evidence 702 and *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S. Ct.

5. The lump sum award by the jury did not equate to the royalty sought by EcoFactor or the royalty proposed by Google.

> 2786, 125 L. Ed. 2d 469 (1993), in its allowance of testimony from EcoFactor's damages expert assigning a per-unit royalty rate to the three licenses in evidence in this case.[6]

En Banc Order at 1380. In addition to the parties' briefs,[7] we received twenty-one amicus briefs. We heard oral argument on March 13, 2025. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

Discussion

I. New Trial

Google argues the district court abused its discretion in denying a new trial on damages because Mr. Kennedy's expert opinion was unreliable under Rule 702 and *Daubert*. We agree.

---

6. Judge Reyna's partial dissent suggests that contract interpretation is "contrary to the scope of the en banc appeal." Reyna Dissent at 7. We do not agree. The three licenses Mr. Kennedy interpreted are in fact contracts. The question presented focused on whether Mr. Kennedy's expert opinion about the interpretation of the licenses satisfies Rule 702 and *Daubert*. Interpretation of the licenses is fairly included within the question presented.

7. In addition to the issue on which rehearing en banc was granted, Google's opening brief addressed the issue of whether the expert damages testimony was reliably apportioned. Appellant Br. 41–58. The apportionment arguments exceed the scope of the rehearing that was granted, and we instructed EcoFactor that it need not address that portion of Google's brief. ECF No. 165.

"For issues not unique to patent law, we apply the law of the regional circuit in which this appeal would otherwise lie." *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 841 (Fed. Cir. 2010). The Fifth Circuit reviews the denial of a motion for a new trial for abuse of discretion. *Fornesa v. Fifth Third Mortg. Co.*, 897 F.3d 624, 627 (5th Cir. 2018). The Fifth Circuit reviews a trial court's decision to admit expert testimony for abuse of discretion. *In re MBS Mgmt. Servs., Inc.*, 690 F.3d 352, 354 (5th Cir. 2012). If expert testimony was improperly admitted, "we next review the error under the harmless error doctrine, affirming the judgment, unless the ruling affected substantial rights of the complaining party." *Vogler v. Blackmore*, 352 F.3d 150, 154 (5th Cir. 2003) (quoting *Bocanegra v. Vicmar Servs., Inc.*, 320 F.3d 581, 584 (5th Cir. 2003)).

"[I]t may be an abuse of discretion for the trial court not to create a record suitable for review of its admissibility decision. A sufficient record is one that includes both the court's ruling and the reasons for that ruling." 4 Jack B. Weinstein & Margaret A. Berger, *Weinstein's Federal Evidence* § 702.02[6][d] (Mark S. Brodin, ed., Matthew Bender 2d ed. 2025); *see also In re Volkswagen of Am., Inc.*, 545 F.3d 304, 310 n.4 (5th Cir. 2008) (en banc) ("Meaningful appellate review of the exercise of discretion requires consideration of the basis on which the trial court acted." (quoting *Gurmankin v. Costanzo*, 626 F.2d 1115, 1119–20 (3d Cir. 1980))). In this case, the district court gave no rationale for ruling that the expert testimony was admissible or denying Google's motion for a new trial on damages. J.A. 2254 (omnibus order denying Google's motion *in limine* without reasoning); J.A. 6688 at 90:6–7

(denying Google's motion for a new trial from the bench). An absence of reviewable reasoning may be sufficient grounds for this court to conclude the district court abused its discretion. In addition, of importance to this case on remand and to other cases involving patent damages, we also conclude that the denial of Google's motion was an abuse of discretion on this record because Mr. Kennedy's opinion that the licenses show industry acceptance of an $X per unit royalty rate is not based upon sufficient facts or data.

Federal Rule of Evidence 702 governs the admissibility of expert testimony. The version of the Rule that governed at the time of the district court's decision read as follows:

> A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if:
>
> (a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
>
> (b) the testimony is based on sufficient facts or data;
>
> (c) the testimony is the product of reliable principles and methods; and

(d) the expert has reliably applied the principles and methods to the facts of the case.

FED. R. EVID. 702 (2011).

The Supreme Court explained in *Daubert* that the trial judge plays a "gatekeeping role," 509 U.S. at 597, through which it must "ensure that any and all scientific testimony or evidence admitted is not only relevant, but reliable," *id.* at 589. "And where such testimony's factual basis, data, principles, methods, or their application are called sufficiently into question, the trial judge must determine whether the testimony has 'a reliable basis in the knowledge and experience of [the relevant] discipline.'" *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 149, 119 S. Ct. 1167, 143 L. Ed. 2d 238 (1999) (alteration in original) (internal citation omitted) (quoting *Daubert*, 509 U.S. at 592).

In 2000, Rule 702 was amended in response to *Daubert* and its progeny to clearly codify the trial court's gatekeeping role. FED. R. EVID. 702 advisory committee's note to 2000 amendment. The 2000 amendment added the three reliability-based requirements for admissibility of expert testimony: it must be based on sufficient facts or data, it must be the product of reliable principles and methods, and those principles and methods must be reliably applied. *Id.* These changes "affirm[ed] the trial court's role as gatekeeper and provide[d] some general standards that the trial court must use to assess the reliability and helpfulness of proffered expert testimony." *Id.* In 2023, Rule 702 was amended to clarify that the

proponent of expert testimony bears the burden of establishing its admissibility and to emphasize that an expert's opinion must stay within the bounds of a reliable application of the expert's basis and methodology.[8] FED. R. EVID. 702 advisory committee's note to 2023 amendment. The Advisory Committee noted that "many courts have held that the critical questions of the sufficiency of an expert's basis, and the application of the expert's methodology, are questions of weight and not admissibility.

---

8. The 2023 amendment did not substantively change the relevant standard. Fed. R. Evid. 702 advisory committee's note to 2023 amendment ("Nothing in the amendment imposes any new, specific procedures. Rather, the amendment is simply intended to clarify that Rule 104(a)'s requirement applies to expert opinions under Rule 702."). Rule 702 as amended in 2023 states:

> A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if the proponent demonstrates to the court that it is more likely than not that:
>
> (a) the expert's scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
>
> (b) the testimony is based on sufficient facts or data;
>
> (c) the testimony is the product of reliable principles and methods; and
>
> (d) the expert's opinion reflects a reliable application of the principles and methods to the facts of the case.

FED. R. EVID. 702 (2023).

These rulings are an incorrect application of Rules 702 and 104(a)." *Id.* The Advisory Committee explained that "[j]udicial gatekeeping is essential" to ensure an expert's conclusions do not "go beyond what the expert's basis and methodology may reliably support." *Id.*

Determinations of admissibility, which fall within the gatekeeping role of the court, are separate from determinations of weight and credibility, which are within the province of the jury in a jury case. FED. R. EVID. 104(a) ("The court must decide any preliminary question about whether a witness is qualified, a privilege exists, or evidence is admissible."); *Inwood Lab'ys, Inc. v. Ives Lab'ys, Inc.*, 456 U.S. 844, 856, 102 S. Ct. 2182, 72 L. Ed. 2d 606 (1982) ("Determining the weight and credibility of the evidence is the special province of the trier of fact."). "[T]he question of whether the expert is credible or the opinion is correct is generally a question for the fact finder, not the court. Indeed, '[v]igorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence.'" *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1296 (Fed. Cir. 2015) (second alteration in original) (internal citation omitted) (quoting *Daubert*, 509 U.S. at 596). While the credibility of an expert's damages calculation is properly left to a jury, a determination of reliability under Rule 702 is an essential prerequisite.

Distinguishing "the gatekeeping role of the judge" under Rule 702 from the fact finder's role "is particularly essential in the context of patent damages." *Apple Inc.*

v. Motorola, Inc., 757 F.3d 1286, 1315 (Fed. Cir. 2014), *overruled on other grounds by Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015) (en banc in part). Estimation of a reasonable royalty by its nature "necessarily involves an element of approximation and uncertainty." *Unisplay, S.A. v. Am. Elec. Sign Co.*, 69 F.3d 512, 517 (Fed. Cir. 1995); *see also VLSI Tech. LLC v. Intel Corp.*, 87 F.4th 1332, 1346 (Fed. Cir. 2023) ("[S]ome steps in a sound [hypothetical negotiation] analysis may involve unavoidable 'approximation and uncertainty.'" (quoting *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325 (Fed. Cir. 2009))). Indeed, "the record may support a range of 'reasonable' royalties, rather than a single value," and "there may be more than one reliable method for estimating a reasonable royalty." *Apple*, 757 F.3d at 1315. It follows that damages experts may properly give testimony resulting in contradictory reasonable royalty amounts based on the same set of facts. *See* FED. R. EVID. 702 advisory committee's note to 2000 amendment ("[Rule 702] is broad enough to permit testimony that is the product of competing principles or methods in the same field of expertise."). Expert testimony is particularly beneficial to assist the trier of fact in resolving such complex, technical issues as patent damages. *See* 35 U.S.C. § 284 (acknowledging expert testimony is an appropriate "aid to the determination of damages or of what royalty would be reasonable under the circumstances").

To estimate a reasonable royalty in this case, Mr. Kennedy's damages opinion employed the hypothetical negotiation or "willing licensor-willing licensee" framework, which "attempts to ascertain the royalty upon

which the parties would have agreed had they successfully negotiated an agreement just before infringement began." *Lucent Techs.*, 580 F.3d at 1324 (citing *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970)). As a general matter, this is a sound approach, well supported in our precedent. *See, e.g.*, *VLSI*, 87 F.4th at 1345–46; *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 807 F.3d 1283, 1303–04 (Fed. Cir. 2015); *Lucent Techs.*, 580 F.3d at 1324–25. A critical consideration in this analysis is the amount that the alleged infringer would agree to pay as a willing licensee. *Georgia-Pacific*, 318 F. Supp. at 1121; *Carnegie Mellon*, 807 F.3d at 1304 ("A key inquiry in the analysis is what it would have been worth to the defendant, as it saw things at the time, to obtain the authority to use the patented technology . . . ."). One important factor is "[t]he royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty." *Georgia-Pacific*, 318 F. Supp. at 1120. "Actual licenses to the patented technology are highly probative as to what constitutes a reasonable royalty for those patent rights because such actual licenses most clearly reflect the economic value of the patented technology in the marketplace." *LaserDynamics, Inc. v. Quanta Comput., Inc.*, 694 F.3d 51, 79 (Fed. Cir. 2012).

"Actual licenses to the patents-in-suit are probative not only of the proper amount of a reasonable royalty, but also of the proper form of the royalty structure." *Id.* at 79–80. A lump-sum license analysis involves significantly different considerations, from the perspective of both the licensee and the licensor, compared to a running royalty

license. *Lucent Techs.*, 580 F.3d at 1326–27. Because of these "fundamental differences," "[f]or a jury to use a running-royalty agreement as a basis to award lump-sum damages" and vice versa, "some basis for comparison must exist in the evidence presented to the jury." *Id.* at 1330; *see also Whitserve, LLC v. Comput. Packages, Inc.*, 694 F.3d 10, 30 (Fed. Cir. 2012).

As part of his analysis, Mr. Kennedy considered lumpsum settlement licenses between EcoFactor and three licensees: Daikin Industries, Ltd. (Daikin); Schneider Electric USA, Inc. (Schneider); and Johnson Controls Inc. (Johnson). J.A. 5763–73. Mr. Kennedy testified that the Daikin, Schneider, and Johnson lump-sum amounts reflected an $X per unit rate applied to their sales. *See* J.A. 5778 at 642:14–15 (Kennedy testimony estimating a reasonable royalty based in part on "[$X] per unit that other people have paid"); J.A. 5740 at 604:1–2 (Kennedy testimony referencing "the EcoFactor licenses with 'other competitors at the rate of $[X] per unit'"). Mr. Kennedy did not merely assume, without himself endorsing, the premise that the licenses reflected such a rate; he put forth his own opinion that they do so, asserting the proposition with the imprimatur of his expertise. *See* J.A. 5759 at 623:13–14 ("that's really my area as a licensing expert to say"). Mr. Kennedy concluded, "Google should pay the same rate as comparable licenses." J.A. 5779 at 643:15–16; *see also* J.A. 5780 at 644:15–16 ("[T]hey would agree to $[X] per unit."). We hold the existing licenses upon which Mr. Kennedy relied were insufficient, individually or in combination, to support his conclusion that prior licensees agreed to the $X royalty rate and therefore the district court abused its discretion in failing to exclude this testimony.

Appendix A

A. Daikin, Schneider, and Johnson Licenses

Contract interpretation—including whether the contract is ambiguous—is a question of law, which we answer de novo. *McLane Foodservice, Inc. v. Table Rock Rests., L.L.C.*, 736 F.3d 375, 377 (5th Cir. 2013). We do not find the contracts ambiguous. The plain language of the licenses does not provide a basis for Mr. Kennedy to opine that the parties agreed to an $X per unit rate in agreeing to the lump-sum payment amounts. We examine each license in turn.

The Daikin license contains a preliminary recital, which states,

> WHEREAS, *Ecofactor represents* that it has agreed to the payment set forth in this Agreement based on what *Ecofactor believes* is a reasonable royalty calculation of $[X] per-unit for estimated past and Daikin's projected future sales of products accused of infringement in the Litigation.

J.A. 10389 (emphasis added). The $X royalty rate does not appear anywhere else in the license. The Daikin license goes on to state in its operative payment provision that

> [s]uch [a lump-sum] amount is not based upon sales and does not reflect or constitute a royalty.

J.A. 10391. The license itself therefore directly contradicts any claim that the lump sum is based upon any particular

royalty rate or even that it is based upon sales volume. While the Daikin license could be relied upon as evidence of the royalty rate sought by EcoFactor as the willing licensor, it provides no support for the conclusion that Daikin agreed to pay the $X rate or agreed that $X rate was a reasonable royalty.

The Schneider license also contains a preliminary recital, which states,

> WHEREAS *Ecofactor represents* that it has agreed to the payment set forth in this Agreement based on what *Ecofactor believes* is a reasonable royalty calculation of $[X] per-unit for what it has estimated is past and projected future sales of products accused of infringement in the Litigation, although *nothing in this clause should be interpreted as agreement by Schneider that $[X] per unit is a reasonable royalty.*

J.A. 10400 (emphasis added). The $X rate does not appear anywhere else in the license. The "whereas" recital of the Schneider license indicates that EcoFactor believes $X is a reasonable royalty, but it makes equally clear that Schneider did *not* agree that $X per unit is a reasonable royalty. Judge Stark's partial dissent suggests this whereas clause "could show that Schneider *agreed* with EcoFactor to use the $X rate to calculate the lump-sum it paid, and disputed only whether that agreed-upon $X rate was *reasonable*." Stark Dissent at 5 (emphasis in original). The license itself expressly rejects this inference when it further states in its operative payment provision that

> [s]uch [a lump-sum] amount is not based upon sales and does not reflect or constitute a royalty.

J.A. 10402. To the extent Mr. Kennedy read this unambiguous license and opined that it reflected Schneider's agreement to the $X royalty rate, there are not sufficient facts or data to support this opinion. *See* J.A. 5769 at 633:16–18 ("There is a statement there about the $[X], both from Eco-Factor and Schneider, in that 'whereas' clause. And it's per unit."). The Schneider license does not support Mr. Kennedy's testimony that Schneider agreed to pay the $X rate or agreed that $X was a reasonable royalty. There are no facts in dispute; both of these premises are rejected in the express language of the license. Mr. Kennedy could have relied upon the Schneider license as evidence of the amount EcoFactor would agree to as the willing licensor, but the license cannot be read to support Mr. Kennedy's testimony that Schneider was agreeing to pay the $X royalty.

The Johnson license contains substantially the same preliminary recital as the Daikin license:

> WHEREAS, *EcoFactor represents* that it has agreed to the payment set forth in this Agreement based on what *EcoFactor believes* is a reasonable royalty calculation of $[X] per-unit for estimated past and Johnson Control's projected future sales of products accused of infringement in the Litigation.

J.A. 10411 (emphasis added). The $X royalty rate does not appear anywhere else in the Johnson license. Similar to

the Daikin and Schneider licenses, the "whereas" recital of the Johnson license indicates EcoFactor's representation of its unilateral belief that $X constitutes a reasonable royalty and does not provide a basis for Mr. Kennedy to testify that Johnson agreed to the $X rate.[9]

The plain language of the license agreements does not support Mr. Kennedy's testimony that Daikin, Schneider, and Johnson agreed to pay the $X per unit royalty rate. In fact, the Daikin and Schneider licenses expressly disavow it. The "whereas" recital of each license provides no indication that the licensees agreed to pay the $X rate or shared EcoFactor's belief that $X constituted a reasonable royalty. The licenses therefore do not, individually or in combination, provide support for Mr. Kennedy's testimony that the licensees agreed to pay the $X rate or that the licensees agreed that $X was a reasonable royalty. This analysis does not usurp the province of the jury, nor does it involve this court deciding disputes of fact. It involves

9. Moreover, unlike the disputes settled by the Daikin and Schneider licenses, the litigation settled by the Johnson license did not involve assertion of the '327 patent. *Compare* J.A. 10411 (Johnson), *with* J.A. 10398 (Daikin) and J.A. 10409 (Schneider). While all three licenses are for EcoFactor's entire patent portfolio, Mr. Kennedy opined that the value of a settlement license is almost entirely attributable to the asserted patents. J.A. 5767–68 at 631:21–632:1 ("These license agreements are for the portfolio . . . . But in the real world, what the focus is is on the asserted patents. And then when the agreement is done, there's – the rest of the patents are thrown in usually either for nothing or very little additional value."). According to Mr. Kennedy's methodology, this would attribute no "or very little" value to the '327 patent in arriving at the $X rate purportedly applied in the Johnson license.

the gatekeeping function of the court to ensure that there are sufficient facts or data for Mr. Kennedy's testimony that the licensees agreed to the $X royalty rate.

To be sure, the licenses are relevant to a reasonable royalty analysis. The "whereas" recital in each license states EcoFactor's belief that $X is a reasonable royalty for its patent portfolio, J.A. 10389; J.A. 10400; J.A. 10411, and could therefore be relied upon as an indication of the amount that EcoFactor would have accepted as a willing licensor. *Georgia-Pacific*, 318 F. Supp. at 1121 (reasonable royalty analysis "requires consideration not only of the amount that a willing licensee would have paid for the patent license but also of the amount that a willing licensor would have accepted"). Mr. Kennedy, however, opined that the unilateral assertion in each license's "whereas" recital evidenced the *licensees'* agreement to pay the $X royalty rate. J.A. 5778 at 642:13–15 ("One of the key [*Georgia-Pacific* factors] is the . . . $[X] per unit that other people have paid."); J.A. 5779 at 643:15–16 ("Google should pay the same rate as comparable license[e]s"). This assertion by Mr. Kennedy—that prior willing licensees had agreed to the $X royalty rate—is not supported by the licenses. The licenses, individually or in combination, do not support Mr. Kennedy's opinion that the licensees were paying the $X rate, agreed to pay the $X rate, or agreed that the $X rate was a reasonable royalty.

B. Testimony from EcoFactor's CEO

Apart from the licenses themselves, the only evidence upon which Mr. Kennedy relied was the testimony of

Eco-Factor's CEO, Shayan Habib. *See, e.g.*, J.A. 5739–40 at 603:25–604:2; J.A. 5794 at 658:17–18 ("Well, I have the testimony of Mr. Habib about how [the lump-sum license payment] was calculated, but I don't have any documentation."); J.A. 5804–06 at 668:6–670:20; J.A. 5811 at 675:22–24 ("Q. And apart from what Mr. Habib has told you, you don't have any other information showing how $[X] was arrived at? A. That's correct."). Mr. Habib's testimony does not provide a sufficient basis for Mr. Kennedy's testimony that Daikin, Schneider, and Johnson agreed to pay a royalty of $X per unit.

Mr. Habib testified that the lump-sum payments for each of the three licenses was calculated by multiplying the licensee's past and future projected sales by the $X per unit rate. *See* J.A. 5667 at 531:19–23 (Habib testimony on Daikin license); J.A. 5668–69 at 532:23–533:2 (Habib testimony on Schneider license); J.A. 5669–70 at 533:25–534:3 (Habib testimony on Johnson license). Mr. Habib's claim regarding calculation of the lump-sum amounts is not supported by any record evidence. When asked about the basis for his understanding of the lump-sum calculations, Mr. Habib testified that neither he nor anyone else at Eco-Factor had been given access to sales data for Daikin, Schneider, or Johnson. J.A. 5691 at 555:13–20; J.A. 5695 at 559:6–13; J.A. 5697–98 at 561:21–562:4. Nor did Mr. Habib reference data from which any market predictions were made regarding past or projected sales for any of the licensees. Mr. Kennedy similarly testified that he had not seen any licensee sales data or documentation regarding calculation of the lump-sum license payments, but that he relied on Mr. Habib's testimony that the calculations

were based on the $X per unit rate. J.A. 5794 at 658:8–25; J.A. 5797 at 661:15–24; J.A. 5804 at 668:6–25. Mr. Habib stated that the origin of the $X per unit rate was his "general understanding" of the relevant industry. J.A. 5670 at 534:19–25. He then testified, with no evidentiary support and contrary to the language of the licenses themselves, that the three companies all agreed to an $X per unit royalty rate. J.A. 5671 at 535:5–11 ("Q. Did the fact that these three companies all agreed to a $[X] per-unit royalty rate help with your understanding of what is or is not reasonable? A. Yes. It did. So, you know, if three companies were willing to accept it, then yeah. That further made it clear to me that it was a reasonable royalty rate that was being accepted by counterparties.").

Mr. Habib's testimony amounts to an unsupported assertion on behalf of EcoFactor that the $X rate was applied to calculate the lump-sum payment amounts. Mr. Habib testified that neither he nor anyone at EcoFactor had knowledge about the sales figures which would be needed to convert the $X royalty rate into the lump-sum payment amounts. *See* J.A. 5691 at 555:12–20; J.A. 5695 at 559:6–13; J.A. 5697–98 at 561:21–562:4. His testimony referenced no evidentiary support. It did not include actual, projected, or even estimated sales figures. He relied entirely on his asserted "general understanding of the space," J.A. 5670 at 534:22–23, without ever explaining how a general understanding informed him as to the missing sales data. In the absence of any evidence, Mr. Habib's testimony amounts to an unsupported assertion from an interested party. His testimony cannot provide a sufficient factual basis for Mr. Kennedy to provide a

reliable opinion that the licensees agreed to pay the $X rate.

Finally, the dissents suggest that the $X royalty rate is supported by "[Mr. Habib's] belief – developed with input from non-attorney advisors, who (unlike him) had access to his competitors' confidential sales data and projections – that the lump-sum amounts were calculated based on an $X rate." Stark Dissent at 5; *see also* Reyna Dissent at 3–4. This is inaccurate. During the pretrial conference about Google's *Daubert* motion to exclude Mr. Kennedy's testimony, Google explained there is no record evidence that any advisors had access to licensees' sales data, no evidence of calculations based upon sales data, and no reference to any of this in Mr. Kennedy's report. S.A. 265–66 at 68:4–69:14. The district court ruled that Mr. Kennedy could not rely upon a claim that his opinion was based upon anyone having access to sales data. S.A. 266 at 69:15 ("Then he's not going to get to say it."); *see also* S.A. 1109 at 10:8–11 ("THE COURT: So what I'm hearing is that – that the only thing that your expert is going to rely on is these settlement agreements; is that fair? MR. AICHELE: For the royalty calculation, yes."); S.A. 1110–11 at 11:20–12:4 (district court holding that with regard to sales data allegedly provided to advisors: "anything that the Plaintiff's expert intends at trial to say he relied on needs to be in your hands by the end of this week"). At trial, when Mr. Habib similarly tried to claim that a lump-sum amount was calculated using confidential financial information that was shared with counsel, this testimony was objected to and Mr. Habib's answer was stricken—a ruling not appealed. J.A. 5670

at 534:4–15. There is no record evidence that Mr. Habib or Mr. Kennedy relied upon advisors who had access to licensees' actual or projected sales data. Judge Stark's partial dissent states that this created a factual dispute for the jury to resolve. Stark Dissent at 4–8. Respectfully, there was no factual issue; it is not the province of the jury to credit testimony which was expressly excluded from trial.

C. Additional Record Evidence

EcoFactor points to additional evidence in the record, not referenced by Mr. Kennedy, which EcoFactor argues supports Mr. Kennedy's opinion regarding the $X royalty rate. Appellee Br. 21–22. This additional evidence is not relevant to the inquiry at hand.[10] When evaluating the sufficiency of an expert's factual basis for the propositions asserted as the expert's opinion, a court examines the evidence on which the expert purports to rely. Rule 702

10. Judge Reyna's partial dissent suggests that market share data could have permitted a calculation that the lump sums were based on an $X rate. Reyna Dissent at 4–5. Mr. Kennedy did not rely upon any market share data to calculate the $X royalty rate that he says the three licensees agreed to pay. J.A. 5797 at 661:15–24; J.A. 5805–06 at 669:19–670:1 ("Q. Beyond what . . . the 'whereas' clause states in that agreement and what Mr. Habib told you, you didn't do anything else to confirm that the lump sum paid by Johnson Controls was derived by applying the rate of [$X] to its past and projected product sales? A. Yeah. I'd say those two things, both parties signing the agreement and my experience, are – that, I believe, is – encompasses what I did."). Mr. Kennedy used the market share data only as a check on the lump sum amounts. *E.g.*, J.A. 5804 at 668:6–16.

requires the expert's relied-upon facts or data—not the record as a whole—to constitute a sufficient basis for the expert's testimony. FED. R. EVID. 702(b) (requiring expert testimony to be "*based on* sufficient facts or data" (emphasis added)).

EcoFactor argues additional record evidence supports a finding that at least the Johnson license applied the $X royalty rate, which renders Mr. Kennedy's testimony admissible. Not so, even apart from the fact that Mr. Kennedy did not rely on such evidence. Mr. Kennedy relied on the three licenses as collectively proving an established royalty rate. J.A. 5778–79 at 642:9–643:18 (Kennedy testimony referencing the $X rate "that other people have paid" and asserting "Google should pay the same rate as comparable licenses"); *see also* J.A. 5762–73 at 626:25–637:25 (Kennedy testimony referencing the Daikin, Schneider, and Johnson licenses in his analysis of *Georgia-Pacific* factor 1). Mr. Kennedy did not suggest that any single license was indicative of an established rate for the patented technology.

D. Conclusion on Mr. Kennedy's Testimony

For the foregoing reasons, a fundamental premise of Mr. Kennedy's testimony—that Daikin, Schneider, and Johnson agreed to pay the $X rate—was not based on sufficient facts or data, as required by Rule 702(b). Mr. Kennedy's reliance on the unilateral "whereas" recital of each license as representing the licensees' agreement to the $X rate was untethered from the licenses and unsupported by the evidence on which Mr. Kennedy relied.

Gen. Elec. Co. v. Joiner, 522 U.S. 136, 146, 118 S. Ct. 512, 139 L. Ed. 2d 508 (1997) ("[N]othing in either *Daubert* or the Federal Rules of Evidence requires a district court to admit opinion evidence that is connected to existing data only by the *ipse dixit* of the expert."). "Rule 702 sets forth the overarching requirement of reliability, and an analysis of the sufficiency of the expert's basis cannot be divorced from the ultimate reliability of the expert's opinion." FED. R. EVID. 702 advisory committee's note to 2000 amendment. This deficiency renders Mr. Kennedy's testimony unreliable and therefore inadmissible under Rule 702.

This is not a case where the relevant evidence can reasonably support competing conclusions. Whether prior licensees agreed to pay the $X rate was not the subject of estimation or approximation in Mr. Kennedy's reasonable royalty analysis. In other words, this is not an issue involving unavoidable imprecision on which Mr. Kennedy's expertise was brought to bear. To the contrary, this was a concrete factual premise of Mr. Kennedy's testimony, which he asserted to be true based on the licenses and the testimony of Mr. Habib. There can be no doubt that this evidence fails to provide "good grounds" for Mr. Kennedy's testimony regarding the licensees' agreement to pay $X per unit. *See Daubert*, 509 U.S. at 590. Nor did Mr. Kennedy have access to evidence of relevant sales figures to verify whether the lump sums corresponded to a particular unit-based rate. Without this fundamental premise, Mr. Kennedy's testimony unravels. Where, as here, the relevant evidence is contrary to a critical fact upon which the expert relied, the district court fails to fulfill its responsibility as gatekeeper by allowing the expert to testify at trial.

The district court's decision to admit Mr. Kennedy's unreliable testimony was undoubtedly prejudicial. The $X rate was crucial to Mr. Kennedy's damages analysis; he opined that it would be both the starting point and the outcome of a hypothetical negotiation between EcoFactor and Google. J.A. 5778 at 642:13–15 ("One of the key [*Georgia-Pacific* factors] is the . . . $[X] per unit that other people have paid."); J.A. 5779 at 643:15–18 ("Google should pay the same rate as comparable licenses . . . . I think that would be a very reasonable and conservative first offer."); J.A. 5780 at 644:13–16 ("So this is the final outcome. I believe after weighing all the positives and negatives, some quantitative and some qualitative, it would – they would agree to $[X] per unit.").

On this record, we cannot be sure "that the error did not influence the jury or had but a very slight effect on its verdict." *Carlson v. Bioremedi Therapeutic Sys., Inc.*, 822 F.3d 194, 202 (5th Cir. 2016) (quoting *Kelly v. Boeing Petroleum Servs., Inc.*, 61 F.3d 350, 361 (5th Cir. 1995)). Eco-Factor and Judge Reyna's partial dissent suggest that there was other evidence that supported the jury verdict. Appellee Br. 8; Reyna Dissent at 13–14. A harmless or prejudicial error analysis, however, is not a sufficiency of the evidence analysis. On this record, we cannot be sure that the admission of Mr. Kennedy's testimony did not influence the jury's damages award. The evidence relied upon by Mr. Kennedy does not provide a sufficient basis for his testimony that the lump-sum settlement licenses were based on a royalty rate of $X per unit. The district court therefore abused its discretion by denying Google's motion to exclude Mr. Kennedy's testimony. In light of this prejudicial error, the district court abused its discretion by denying Google's motion for a new trial on damages.

We reverse the district court's denial of Google's motion for a new trial and remand for a new trial on damages.

II. Proper En Banc

EcoFactor challenges the nature of this en banc proceeding. Because the en banc panel consists of fewer than all judges in regular active service, as required by 28 U.S.C. § 46(c), EcoFactor argues this en banc court is statutorily improper and cannot alter the decision of the three-judge panel. We do not agree.

The Judicial Conduct and Disability Act, which gives the Judicial Council of each circuit authority to temporarily remove judges from hearing "further cases," 28 U.S.C. § 354(a)(2)(A), was enacted after 28 U.S.C. § 46(c). Judicial Conduct and Disability Act of 1980, Pub. L. No. 96-458, 94 Stat. 2035 (1980) (codified at 28 U.S.C. §§ 351–64); 62 Stat. 871 (1948) (codified at 28 U.S.C. § 46(c)). Congress did not limit the remedy of temporary suspension to apply only to panel cases. "[F]urther cases" therefore includes cases heard en banc pursuant to 28 U.S.C. § 46(c). *See Cannon v. Univ. of Chi.*, 441 U.S. 677, 696–98, 99 S. Ct. 1946, 60 L. Ed. 2d 560 (1979) (Congress is presumed to legislate with knowledge of the law, and a newly-enacted statute is presumed to be harmonious with existing law and judicial concepts).

Indeed, there are strong reasons why Congress authorized such a remedy to include en banc cases. En banc rehearing is not ordinarily undertaken unless "necessary to secure or maintain uniformity of the

court's decisions" or "the proceeding involves one or more questions of exceptional importance." FED. R. APP. P. 40(b). Misconduct of various forms as well as "mental or physical disability" are among the grounds for invocation of the Judicial Conduct and Disability Act. 28 U.S.C. § 351(a). It would be anomalous to find that Congress allowed a Judicial Council to suspend judges from hearing cases, but excepted from that suspension only those cases of exceptional importance. We do not find such an anomaly in the statutes.

CONCLUSION

We have considered the parties' remaining arguments and find them unpersuasive. For the foregoing reasons, we reverse the district court's denial of Google's motion for a new trial on damages. We reinstate the portions of the panel opinion that pertain to issues other than damages, in which the panel rejected Google's attempt to appeal the district court's denial of summary judgment and affirmed the district court's denial of Google's motion for JMOL of noninfringement.

AFFIRMED-IN-PART, REVERSED-IN-PART, AND REMANDED

COSTS

No costs.

Appendix A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2023-1101

ECOFACTOR, INC.,

Plaintiff-Appellee,

v.

GOOGLE LLC,

Defendant-Appellant.

Appeal from the United States District Court for the Western District of Texas in No. 6:20-cv-00075-ADA, Judge Alan D Albright.

REYNA, *Circuit Judge*, with whom STARK, *Circuit Judge*, joins, concurring in part and dissenting in part.[1]

From the outset, this appeal has been about whether the district court abused its discretion by admitting EcoFactor's expert opinion on damages and denying Google's motion for a new trial. On September 25, 2024, we issued an order that limited the parties' briefing and argument to "the district court's adherence to Federal Rule of Evidence

1. I join the parts of the en banc court's opinion (1) reinstating portions of the June 3, 2024 panel opinion and (2) holding that this en banc proceeding is proper.

702 and *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S. Ct. 2786, 125 L. Ed. 2d 469 (1993), in its allowance of testimony from EcoFactor's damages expert assigning a per-unit royalty rate to the three licenses in evidence in this case."

But now, the en banc court abandons the scope of this proceeding that we officially set. The en banc court does speak to Rule 702 and *Daubert*, but only when reciting well-known law. The crux of its analysis focuses exclusively on its new theory that this case is about contract interpretation as a question of law.

The en banc court's sudden shift deprives EcoFactor of notice and an opportunity to be heard, and avoids what this appeal is really about, i.e., the extent to which district courts have discretion to decide fact-based questions of admissibility under Rule 702 and *Daubert*. And after only finding fault with a narrow point of Mr. Kennedy's testimony on contract interpretation grounds, the en banc court appears to inexplicably rule that Mr. Kennedy's entire testimony should have been excluded.

Most extraordinarily, the en banc court's new theory is not dispositive to the disposition of this case. Assuming that the en banc court's conclusion on contract interpretation is correct, Fifth Circuit law requires us to affirm under the harmless error doctrine. The en banc court's one conclusory paragraph on this issue states that Mr. Kennedy's testimony "was undoubtedly prejudicial" without providing any explanation why it was an abuse of discretion for the district court to rule otherwise. This

may prove to be the most consequential step the en banc court takes because, under its logic, even when improperly admitted evidence is wholly duplicative of properly admitted evidence, the district court has no discretion but to decide that the erroneous admission was per se prejudicial. This is not the correct standard under Fifth Circuit law for vacating a jury verdict.

For the following reasons, I respectfully dissent. This dissent is divided into two parts. In the first part, I address the admissibility of Mr. Kennedy's expert opinion and the en banc court's departure from the question at hand. In the second part, I address the en banc court's failure to conduct any meaningful harmless error analysis.

I. Admission of Expert Testimony

A

The issue before the en banc court is whether the district court abused its discretion in ruling that Mr. Kennedy's expert testimony is supported by sufficient facts or data under Federal Rule of Evidence 702. Mr. Kennedy offered his expert opinion on "the amount of patent damages in this case," and ultimately concluded that Google LLC ("Google") should pay damages based on a royalty rate of $X per unit. J.A. 5740 (604:3–17). Mr. Kennedy based his conclusion on the *Georgia-Pacific* factors, which the en banc court affirms is, as a general matter, "a sound approach, well supported in our precedent." Maj. Op. 11.

Mr. Kennedy's testimony is supported by license agreements between EcoFactor, Inc. ("EcoFactor") and Johnson Controls, Inc. ("Johnson"), Daikin Industries, Ltd. ("Daikin"), and Schneider Electric, USA ("Schneider"). J.A. 10389–399; J.A. 10400–410; J.A. 10411–419. All three licenses are lump sum licenses, and each license includes a representation from EcoFactor that the lump sum amounts were calculated based on a reasonable royalty of $X per-unit. J.A. 10389; J.A. 10400; J.A. 10411.

Mr. Kennedy's testimony is further supported by testimony from EcoFactor's Chief Executive Officer and signatory to all three licenses, Mr. Habib. Mr. Habib testified extensively about the $X rate, including the following exchange:

> Q. Could you explain to us where the $[X] per-unit royalty rate came from that we are seeing in each of these agreements?
>
> A. Sure. So it comes from my general understanding of the space. I've been in the industry for seven years and I have an understanding of the market and what is reasonable for the technologies that we have. So that's one of the inputs. The other is I have a very strong understanding of EcoFactor itself and our margins and what the value of the product itself is. And thirdly, it comes from consulting with advisors.

J.A. 5670–71 (534:19–535:4).[2] Mr. Habib also testified that "[t]he $ [X rate] is our baseline policy," and that it was his understanding that Johnson, Daikin, and Schneider agreed to the $X rate. J.A. 5671 (535:5–11, 535:16); J.A. 5672 (536:17–18) ("So, firstly, my understanding was that all of it is based on $[X] per infringing unit.").

Mr. Kennedy's testimony is also supported by undisputed market share data. First, Mr. Habib testified about Google's sales compared to the sales of Johnson, Daikin, and Schneider, and he concluded that "as it relates to the smart thermostat business, they're actually either quite new or very small in our space specifically." J.A. 5666 (530:8–19); J.A. 5672–73 (536:12–537:3). Google and its expert did not dispute any of this data. J.A. 6255–57 (1119:5–1121:5).

Second, Mr. Kennedy relied on Mr. Habib's testimony, and Mr. Kennedy testified about the relative market shares of Google, Johnson, Daikin, and Schneider. J.A. 5746 (610:1–20), J.A. 10467. Google and its expert again did not challenge this data or Mr. Kennedy's testimony. J.A. 6257–58 (1121:6–1122:13).

A natural conclusion that Mr. Kennedy and the jury could reasonably draw from this data is that if Google's market share and thus sales are a given multiple of those

2. Regardless of whether Mr. Habib was permitted to testify about his advisors' knowledge of the licensees' confidential sales data, Maj. Op. 18–19, Mr. Habib's testimony at J.A. 5670–71 (534:19–535:4) was properly before the jury without objection and thus can support Mr. Kennedy's testimony.

of Johnson, Daikin, and Schneider, all else being equal, Google should pay a lump sum amount that is also the given multiple of what each licensee paid. Additionally, another natural conclusion reasonably drawn from the evidence of the undisputed market share of the three licensees is that the market share data provides an estimate of the licensees' sales. Given the known lump sum amounts, a jury could determine whether the lump sum amount is based on the $X rate. Mr. Habib testified to this exact point, and again Mr. Kennedy relied on Mr. Habib's following testimony:

> Q. So earlier you had mentioned that the three companies we've been discussing are fairly large. Did that help inform you as to whether the total sums that were paid in each of the agreements we looked at were reasonable?
>
> A. Yes. It did. So, firstly, my understanding was that all of it is based on $[X] per infringing unit. Secondly, I understood what these companies do. You know, they're pretty large, but in our space, they've been relatively new or more recent. And there are high barriers to entry, as we've heard in previous testimony, in our space. . . . And so it makes sense that their sales number[s] would be low since they'd recently started.

J.A. 5672 (536:12–24). This undisputed data further supports Mr. Kennedy's testimony by serving as a reasonableness check on both the $X rate and his ultimate damages opinion.

In light of the record, the district court did not abuse its discretion in ruling that the three license agreements, Mr. Habib's testimony, and undisputed market share data constitute sufficient facts or data under Rule 702.[3] Rule 702 does not require that expert opinion be based on undisputed or dispositive facts or data. Rather, Rule 702 recognizes that there may be multiple versions of the facts and does not "authorize a trial court to exclude an expert's testimony on the ground that the court believes one version of the facts and not the other." FED. R. EVID. 702 advisory committee's note to 2000 amendment; *id.* ("The evidentiary requirement of reliability is lower than the merits standard of correctness." (citations omitted)). This is so because "the trial court's role as gatekeeper is not intended to serve as a replacement for the adversary system." *United States v. 14.38 Acres of Land Situated in Leflore Cnty., Miss.*, 80 F.3d 1074, 1078 (5th Cir. 1996). This is one reason why district courts have "broad discretion" in deciding admissibility, especially on fact-intensive questions such as this, and appellate courts should not find error "unless the ruling is manifestly erroneous." *Guy v. Crown Equip. Corp.*, 394 F.3d 320, 325 (5th Cir. 2004) (citations omitted); *Roman v. W. Mfg., Inc.*, 691 F.3d 686, 692 (5th Cir. 2012) ("Wide latitude is granted to what the trial court decides."). The en banc court does not establish that the district court committed manifest error. Given the facts of this case, the correct standard under Rule 702, and the broad discretion of district courts, the inquiry should end here.

---

3. For many of the same reasons, the district court did not abuse its discretion in ruling that Mr. Kennedy's testimony is the product of reliable principles and methods. The en banc court does not meaningfully discuss, let alone find fault with, Mr. Kennedy's methodology.

But the inquiry does not end, because the en banc court opens a new theory within its Rule 702 analysis: contract interpretation. Maj. Op. 12–16 ("Contract interpretation—including whether the contract is ambiguous—is a question of law, which we answer de novo."). This is not a case of contract interpretation. Neither party briefed or argued that any issue presented is one of contract interpretation subject to de novo review. This new theory is contrary to the scope of the en banc appeal. We limited the scope of the en banc proceeding to "the district court's adherence to Federal Rule of Evidence 702 and *Daubert* [] in its allowance of testimony from EcoFactor's damages expert assigning a per-unit royalty rate to the three licenses in evidence in this case." *EcoFactor, Inc. v. Google LLC*, 115 F.4th 1380 (Fed. Cir. 2024) ("*En Banc Order*"). We did not order that the scope of the appeal focus on contract interpretation. If the en banc court determined, which it did not, that this appeal should address contract law, then it should have so ordered, and the parties and the twenty-one amici could have briefed matters of contract law. The en banc court's sua sponte transformation of this case into one of contract interpretation and resolution of that issue in favor of Google raises party presentation concerns and deprives EcoFactor of notice and an opportunity to be heard. *See, e.g., Astellas Pharma, Inc. v. Sandoz Inc.*, 117 F.4th 1371, 1377–79 (Fed. Cir. 2024).[4]

4. Notably, even accepting the en banc court's contract interpretation theory, the Johnson license does not contain any other clauses that are pertinent to the $X rate. The en banc court identifies no such language, and instead, only discards the Johnson

The en banc court's conclusion that the three licenses at issue do not legally bind the contracting parties to the $X rate is of no moment. This is the wrong question to ask. It is undisputed that all three licenses legally bind the contracting parties to a lump sum amount, not a royalty rate. The right question to ask is whether, *even though the three parties are not legally bound to the $X rate*, there are sufficient facts or data to support Mr. Kennedy's testimony that $X is a reasonable royalty rate. And as I previously laid out, there are sufficient facts.

C

As an afterthought to its contract interpretation analysis, the en banc court mishandles or ignores evidence other than the terms of the three licenses that independently support Mr. Kennedy's testimony. First, the en banc court impermissibly weighs the credibility of Mr. Habib's testimony in an effort to diminish its effect. What the en banc court does not do, however, is explain how the district court's presumably contrary view of Mr. Habib's testimony amounts to an abuse of discretion. The en banc court reasons that Mr. Habib's testimony is not supported by "any record evidence" and is nothing more than an "unsupported assertion." Maj. Op. 17. This reasoning misunderstands the very purpose of a fact witness, whose basis for testifying is personal

---

license on apportionment grounds, *which are not at issue in this proceeding*. Maj. Op. 15 n.9; *En Banc Order*; ECF No. 165. Thus the Johnson license unambiguously supports Mr. Kennedy's opinion that EcoFactor and Johnson applied the $X rate to reach the lump sum amount.

knowledge. FED. R. EVID. 602. Google did not object to Mr. Habib's testimony as lacking personal knowledge, being speculative, or constituting hearsay, and thereby missed its opportunity to challenge Mr. Habib's testimony via the proper avenue for these concerns. FED. R. EVID. 103.

The en banc court's reasoning could perhaps apply had Mr. Habib testified as an expert himself, thereby requiring a sufficient evidentiary basis to support his testimony before a jury could assign his testimony any weight. But it is not the role of the en banc court to determine that Mr. Habib's personal knowledge of the relevant industry and of EcoFactor's finances and technology, as well as his consultations with advisors, are worthless and thus cannot be relied upon by Mr. Kennedy. Critically, as Google acknowledged, there is no record evidence that an expert in Mr. Kennedy's field would not typically rely on fact witness testimony such as Mr. Habib's. Oral Arg. 10:40–12:20.[5] The en banc court's outright dismissal of Mr. Habib's testimony lays bare that the en banc court has chosen to believe one version of the facts over the other. This is not the gatekeeping function prescribed to district court judges, let alone appellate judges reviewing under an abuse of discretion standard of review. FED. R. EVID. 702 advisory committee's note to 2000 amendment; *14.38 Acres of Land Situated in Leflore Cnty., Miss.*, 80 F.3d at 1078; *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1295 (Fed. Cir. 2018) ("The jury holds the exclusive function of appraising credibility and determining the weight to be given to the testimony." (cleaned up)).

5. *Available at* https://oralarguments.cafc.uscourts.gov/default.aspx?fl=23-1101_03132025.mp3.

The en banc court also fails to address whether the undisputed market share data and Mr. Habib's testimony about that data support Mr. Kennedy's opinion. It is within the discretion of the district court to rule that the undisputed market share data supports Mr. Kennedy's opinion in two ways: First, the total damages amount Mr. Kennedy opined that Google should pay was proportionate on a market share basis to the total amount Johnson, Daikin, and Schneider paid EcoFactor; and second, the undisputed market share data allowed Mr. Kennedy to determine whether the three lump sum amounts were based on the $X rate. Yet the en banc court never addresses these facts on which Mr. Kennedy based his expert opinion.

D

Even accepting the en banc court's ruling that the district court erred in admitting Mr. Kennedy's testimony that Johnson, Daikin, and Schneider agreed to the $X rate, the en banc court errs in its apparent remedy: wholesale exclusion of Mr. Kennedy's testimony. By exclusively focusing its analysis on whether Johnson, Daikin, and Schneider agreed to the $X rate, the en banc court only addresses and finds fault with Mr. Kennedy's analysis under *Georgia-Pacific* factor one, "[t]he royalties received by the patentee for the licensing of the patent in suit." *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970). This is effectively a subset of Mr. Kennedy's testimony and analysis. The en banc court explicitly concedes that "the Daikin license could be relied upon as evidence of the royalty rate sought by EcoFactor

as the willing licensor," and that "Mr. Kennedy could have relied upon the Schneider license as evidence of the amount Eco-Factor would agree to as the willing licensor."[6] Maj. Op. 13–14. This is exactly what Mr. Kennedy did—he relied on the Johnson, Daikin, and Schneider licenses as evidence of *Georgia-Pacific* factors one, four, and fifteen, among others. So, even if the en banc court were correct that Mr. Kennedy's testimony under *Georgia-Pacific* factor one is not supported by sufficient facts or data, the en banc court has provided no adequate rationale as to why it appears that its sole remedy is wholesale exclusion of Mr. Kennedy's testimony.

II. Prejudicial or Harmful Error

It is well-established under Fifth Circuit law that the party moving for a new trial bears the burden to show that any error in admission is prejudicial such that it affected substantial rights and, in view of the entire record, "influenced the jury or had more than a very slight effect on its verdict." *Harris v. FedEx Corp. Servs., Inc.*, 92 F.4th 286, 303–04 (5th Cir. 2024) (cleaned up); *Cruz v. Cervantez*, 96 F.4th 806, 814 (5th Cir. 2024). Additionally, the Fifth Circuit has previously recognized that a moving party does not carry its burden to show prejudicial or harmful error when erroneously admitted evidence is duplicative of properly admitted evidence. *See, e.g., Williams v. Monitowoc Cranes, L.L.C.*, 898 F.3d 607, 627 (5th Cir. 2018).

---

6. While the en banc court does not explicitly say as much, the same is true of the Johnson license.

Here, Google makes no meaningful showing as to how Mr. Kennedy's opinion that $X was a reasonable royalty rate affected its substantial rights. Nor can it.

This is not a case where but for expert testimony, the $X rate would not have been before the jury and thus any erroneous admission skewed the jury's perspective. The record shows that the precise testimony from Mr. Kennedy that the en banc court identifies as problematic and Google repeatedly identified as "powerful," Oral Arg. 1:01:43–1:02:26, was also put to the jury, without objection, from Mr. Habib:

> Q. So could you tell me a little bit about the context of this agreement with Daikin?
>
> A. Absolutely. This is an agreement which is subject – or post litigation. And it's a settlement agreement where *we agreed to a reasonable royalty calculation of $[X] per unit for estimated past and Daikin's projected future sales of the accused products*. . . .
>
> Q. Can you tell me how [the Schneider lump sum] was derived?
>
> A. Again, my understanding of this number is that this was based off of taking the $[X] of our base royalty rate and multiplying it by the past and future projected sales for Schneider. And we arrived at this [lump sum] number. . . .

> Q. Can you tell me how [the Johnson lump sum] was derived?
>
> A. Again, very similar to the other two agreements. It was $[X] multiplied by their past and future projected sales. And by doing that, we arrived at this [lump sum] number. . . .
>
> Q. Did the fact that *these three companies all agreed to a $[X] per-unit royalty* rate help with your understanding of what is or is not reasonable?
>
> A. *Yes. It did. So, you know, if three companies were willing to accept it, then yeah. That further made it clear to me that it was a reasonable royalty rate that was being accepted by counterparties. . . .*

J.A. 5667–71 (531:6–12, 532:23–533:2, 533:25–534:3, 535:5–11) (emphasis added). The remainder of Mr. Habib's testimony about the $X rate and the parties' relative market share was also properly before the jury. As were all three licenses that recite the $X rate, which were introduced during Mr. Habib's testimony. J.A. 5666–5669 (530:20–533:12). Although Google attempted in a pretrial motion *in limine* to prevent EcoFactor from introducing the unredacted licenses, it concedes that the unredacted license agreements and the $X rate can once again come into evidence. Oral Arg. 7:55–8:00, 8:45–9:15. As will the testimony of Mr. Habib, to which Google never objected.

The record also shows that the jury received evidence that EcoFactor and at least one licensee, Johnson, agreed to the $X rate. The following email exchange between Eco-Factor and Johnson during the time they negotiated the Johnson license indicates that Johnson accepted the $X rate:

> 2. [Johnson:] By characterizing these as "rates," may we assume that they apply to all licensees? Or, have others paid less than the rates? Obviously, JCI wouldn't want to do a deal that would place it at a competitive disadvantage relative to other licensees. [EcoFactor:] CORRECT, THESE APPLY TO EVERYONE
>
> 3. [Johnson:] *We are applying the rates to the time period that EcoFactor has said is implicated in the investigation* . . . .

J.A. 10797–99 (emphasis added).[7]

7. The en banc court wrongly dismisses "additional evidence in the record," without identifying or discussing that evidence, on the sole basis that Mr. Kennedy did not reference that evidence. Maj. Op. 19. While that may be relevant for purposes of reviewing the district court's pretrial decision on admissibility, we are reviewing Google's motion for a new trial and thus as Google conceded, the entire trial record may be considered. Oral Arg. 19:52–20:51; *Foradori v. Harris*, 523 F.3d 477, 506 (5th Cir. 2008) (citation omitted). Thus any prejudicial error analysis must address other record evidence, including EcoFactor's negotiation correspondence with Johnson. We err if we fail to consider all relevant record evidence.

Even without Mr. Kennedy's repetitive testimony, the jury was inundated with evidence of the $X rate. And, while EcoFactor sought damages based on the $X rate, the jury returned a verdict that appears to be based on a much smaller royalty rate. It was therefore Google's burden to show that even though the jury discounted the $X rate and the vast majority of EcoFactor's evidence about the $X rate was rightfully before the jury from sources other than Mr. Kennedy, the admission of Mr. Kennedy's testimony affected Google's substantial rights. *Jordan v. Maxfield & Oberton Holdings, L.L.C.*, 977 F.3d 412, 417 (5th Cir. 2020); *Koch v. United States*, 857 F.3d 267, 277 (5th Cir. 2017). In similar scenarios, the Fifth Circuit has ruled that any such error is harmless. *See, e.g., Williams*, 898 F.3d at 627 ("So any error regarding the admission of the [disputed evidence] was harmless: The similar [undisputed evidence] provided the jury sufficient evidence to find [the defendant] liable."); *Cruz*, 96 F.4th at 814–16 (finding harmless error because the disputed evidence "is materially duplicative of [the undisputed evidence], such that admitting it would have added very little" and "ample evidence supported the jury's conclusion"); *Harris*, 92 F.4th at 304 ("[Appellant] fails to show that [the erroneous admission of expert] testimony affected its substantial rights. Even without [the] testimony, [the appellee] presented sufficient evidence for a reasonable jury to find [for the appellee]."). In view of the record in this case, the district court did not abuse its discretion.

The en banc court addresses none of this. Instead, the en banc court excuses Google for its failure to meet its well-established burden under Fifth Circuit law.

* * *

I believe the en banc court's opinion confuses the questions at hand, at times it unjustifiably and improperly exceeds the scope of our appellate review of the district court's gatekeeping role by choosing to "believe[] one version of the facts and not the other," and fails to engage in any meaningful prejudicial or harmless error analysis. I respectfully dissent.

Appendix A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2023-1101

ECOFACTOR, INC.,

Plaintiff-Appellee,

v.

GOOGLE LLC,

Defendant-Appellant.

Appeal from the United States District Court for the Western District of Texas in No. 6:20-cv-00075-ADA, Judge Alan D Albright.

STARK, *Circuit Judge*, with whom REYNA, *Circuit Judge*, joins, concurring in part and dissenting in part.[1]

As both the Majority and Judge Reyna observe, *see Majority Opinion* at 4-5; *Reyna Dissent* at 1-3, we granted en banc review to "address[] the district court's adherence to Federal Rule of Evidence 702 and *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S.

1. I join the parts of the Majority Opinion (i) reinstating the portion of the *Panel Opinion*, ECF No. 18, affirming the district court's denial of Google's motions for summary judgment and for judgment as matter of law, and (ii) holding that our proceeding is a "Proper En Banc."

Ct. 2786, 125 L. Ed. 2d 469 (1993)." *En Banc Order*, ECF No. 76 at 2. Surprisingly, however, the Majority Opinion has very little to say about Rule 702 and *Daubert*. On these topics, I read the Majority's holding as so narrow as to have almost no applicability beyond this case.

Nevertheless, because this is our first en banc review of a utility patent case in years, I am concerned that today's opinion will be misinterpreted as constraining damages experts in a manner not called for by either Rule 702 or *Daubert*. I fear, too, that the Majority may be misunderstood as inviting district judges, and future panels of this court, to resolve fact disputes under the guise of evaluating whether experts may testify at trial.

Lastly, while I share the Majority's frustration with the district court's failure to create a better record for review, I do not agree that this deficiency is an abuse of discretion warranting reversal. If any remedy is required, it should be to vacate and remand for a better explanation from the district judge, not order him to conduct a new trial.

I explain these three points, and why I believe we should affirm the district court, in more detail below.

I

The Majority justifies its decision by declaring that "[t]his is not a case where the relevant evidence can reasonably support competing conclusions," as instead "[t]here can be *no doubt*" that EcoFactor's three licensees

did not agree to a lump-sum settlement based on an $X rate. *Majority Opinion* at 21 (emphasis added). To my colleagues, then, the record is so completely one-sided that the court's holding is this: "Where, as here, the relevant evidence is *contrary to a critical fact* upon which the expert relied, the district court fails to fulfill its responsibility as gatekeeper by allowing the expert to testify at trial." *Id.* (emphasis added).

If I shared this view of the record, I would join the Majority Opinion. I agree that a district court should not admit expert testimony that is *unquestionably* at odds with the evidence upon which an expert opinion is based. But I disagree with my colleagues' characterization of the record. As Judge Reyna explains, there was sufficient evidence supporting Mr. Kennedy's belief that one or more of Eco-Factor's licensees agreed to an $X rate. *Reyna Dissent* at 3-14.

The quarrel over how the record before us should be understood should not, however, obscure an important reality: today's decision only governs where an expert's testimony is *undoubtedly contrary to a critical fact* upon which the expert relies. Thus, in the vast majority of patent cases, where the relevant evidence the experts are considering *can* support competing conclusions, the Majority Opinion is inapplicable.

II

Notwithstanding the narrowness of the Majority's holding, there is a risk that its opinion will be misread as

requiring district judges, in pursuit of their gatekeeping responsibilities, to invade the province of jurors and resolve fact disputes. Regrettably, my colleagues seem to have opened the door to turning Rule 702 into a vehicle for judicial resolution of fact disputes, at least with respect to damages experts. My concern is grounded in the Majority's apparent conclusion that the district court abused its discretion by permitting Mr. Kennedy to testify to an opinion that rested on *disputed* facts. Disputed facts, however, are not necessarily *insufficient* facts and data on which a reliable expert opinion may be based.

As we have previously explained – in a case that, like today's, applied Fifth Circuit law – when "parties' experts rely on conflicting sets of facts, it is not the role of the trial court to evaluate the correctness of facts underlying one expert's testimony." *Micro Chem., Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1392 (Fed. Cir. 2003); *see also id.* ("Defendants confuse the requirement for sufficient facts and data with the necessity for a reliable foundation in principles and method, and end up complaining that [the expert's] testimony was not based on 'reliable facts.'"); *Pipitone v. Biomatrix, Inc.*, 288 F.3d 239, 249-50 (5th Cir. 2002) (holding that jury was entitled to hear expert testimony and decide whether to accept or reject it after considering whether predicate facts on which expert relied were accurate). In reaching this conclusion, both our court and the Fifth Circuit followed guidance from the Advisory Committee that drafted the 2000 amendments to Rule 702, which directed that the inquiry into "'sufficient facts or data is not intended to authorize a trial court to exclude an expert's testimony on the ground that the court

believes one version of the facts and not the other.'" *Micro Chem.*, 317 F.3d at 1392 (quoting Adv. Comm. note). The Advisory Committee reiterated this point in connection with the 2023 amendments to Rule 702, writing: "It will often occur that experts come to different conclusions based on contested sets of facts. Where that is so, the Rule 104(a) standard does not necessarily require exclusion of either side's experts. Rather, *by deciding the disputed facts, the jury can decide which side's experts to credit*." (emphasis added).

In my view, a reasonable jury could side with Mr. Kennedy's interpretation of the disputed facts and, thereby, find as a fact that EcoFactor entered into lump-sum settlements with licensees who agreed to payments based on an $X rate. Mr. Kennedy's interpretation is supported by language in each of the disputed licensing agreements. In each one, EcoFactor expressly represents its belief that the lump-sum payment is based on an $X royalty rate, making it at least marginally more likely that this is truly how the calculation was done than would be the case if Mr. Kennedy had made up the $X figure himself, solely for the purpose of litigation. J.A. 10389, 10400, 10411. More support is found in the Schneider Agreement, which includes a provision – "nothing in this clause should be interpreted as agreement by Schneider that [$X] per unit is a *reasonable* royalty" (J.A. 10400) (emphasis added) – which could show that Schneider *agreed* with EcoFactor to use the $X rate to calculate the lump-sum it paid, and disputed only whether that agreed-upon $X rate was *reasonable*. Mr. Kennedy's understanding of the agreements is also based on the testimony of EcoFactor's

CEO, Mr. Habib, who testified that he signed the license agreements for EcoFactor based on his belief – developed with input from non-attorney advisors, who (unlike him) had access to his competitors' confidential sales data and projections – that the lump-sum amounts were calculated based on an $X rate. J.A. 5667-71.[2]

To be sure, there is also evidence in the record supporting Google's contrasting belief that none of Schneider, Daikin, or Johnson ever agreed to an $X rate. For example, the Schneider and Daikin agreements (though not the Johnson agreement) provide that the "[lump-sum] amount [paid by each licensee] is not based upon sales and does not reflect or constitute a royalty." J.A. 10391, 10402. If Google believed this provision unambiguously constitutes the "express[] disavow[al]" or "reject[ion]" of the $X rate that the Majority concludes

2. The Majority observes, correctly, that Mr. Habib's testimony regarding reliance on counsel was stricken, *Majority Opinion* at 18 (citing J.A. 5670 (striking "our counsel" from Mr. Habib's answer regarding advisors with access to confidential data)), but his testimony that he relied on *non-attorney* advisors remained in the record, J.A. 5670-71 (Mr. Habib testifying that $X rate came, in part, "from consulting with advisors"). The jury could reasonably infer that, consistent with standard practice, these advisors had access to the confidential sales data and projections of the parties EcoFactor had sued, who later became licensees. J.A. 5670 ("[S]o I wasn't allowed to see them because – which is understandable and I would say normal. Since we are competitors, they wouldn't want me to have their confidential financial information."). A jury could have found Mr. Habib's testimony, which Mr. Kennedy relied upon, J.A. 5739-43, 5763-66, 5769-71, 5797-98, credible.

it is, *Majority Opinion* at 14-15, Google could have sought partial summary judgment that $X is not a reasonable royalty rate, or through some other procedural device asked the district court to interpret the license agreements. Google did not do so, yet the Majority now decides, as a matter of law, that all three agreements are unambiguous, despite neither party asking us to do so. *See Majority Opinion* at 12-16.[3]

Because the jury could reasonably have credited Eco-Factor's interpretation of the disputed evidence,

3. Perhaps because we have no briefing on the issue of contract interpretation, the Majority does not analyze the licenses under the applicable state laws. *See* J.A. 10407 (Schneider license governed by Massachusetts law); J.A. 10395 (Daikin license governed by New York law); J.A. 10417 (Johnson license governed by Delaware law). In these states, certain contract disputes are treated as issues of fact that may need to go to a jury. *See Bank v. Thermo Elemental Inc.*, 451 Mass. 638, 888 N.E.2d 897, 909 (Mass. 2008) (explaining "it was error for the judge to rule as a matter of law" on "meaning of [an unambiguous] provision," as this "presented a question of fact to be decided by the fact finder -in this case, the jury"); *Amusement Bus. Underwriters v. Am. Int'l Grp., Inc.*, 66 N.Y.2d 878, 489 N.E.2d 729, 732, 498 N.Y.S.2d 760 (N.Y. 1985) ("While the meaning of a contract is ordinarily a question of law, when a term or clause is ambiguous and the determination of the parties' intent depends upon the credibility of extrinsic evidence or a choice among inferences to be drawn from extrinsic evidence, then the issue is one of fact."); *Sunline Com. Carriers, Inc. v. CITGO Petroleum Corp.*, 206 A.3d 836, 851-52 (Del. 2019) (holding that trial court erred in finding contract unambiguous where two "viable" interpretations exist, and so reversing summary judgment and remanding to allow "a jury [to] evaluate th[e] parol evidence to determine the parties' intent").

that evidence can constitute "sufficient facts and data" under Rule 702. A district court does not abdicate its gatekeeping role by allowing an expert to rely on disputed facts. Thus, the parties' dispute over whether EcoFactor's licensees actually agreed to an $X rate does not make Mr. Kennedy's testimony inadmissible; it merely shows there was a fact dispute requiring resolution by a proper factfinder.

That factfinder should not be us. Yet, in deeming there to be only one correct view of the contested evidence, my colleagues are taking it upon themselves to resolve the fact dispute. The Majority finds that the licenses "were insufficient individually or in combination" to support Mr. Kennedy's conclusion that any of the prior licensees agreed to the $X rate, *id.* at 12, even though a jury could reasonably find otherwise. My colleagues also dismiss Mr. Habib's testimony as nothing more than "an unsupported assertion from an interested party," *id.* at 18, effectively deciding he is not credible. While Mr. Habib's interests in the outcome of this suit, and his lack of direct access to the licensees' confidential data, may very well undermine the probative value of his testimony, that call is to be made by the jurors who observed him testify.[4] The question of

4. Mr. Habib testified at trial, repeatedly and without objection, that it was his "understanding" the three lumpsum payments were derived by taking the licensees' "past and future projected sales and multiplying that by" the $X royalty rate. J.A. 5667 (Daikin); J.A. 5668-69 (Schneider); J.A. 5669-70 (Johnson). Google has never contended, either in the district court or on appeal, that Mr. Habib lacks sufficient personal knowledge to testify as a fact witness on this point. *See* Fed. R. Evid. 602 ("A

whether Mr. Habib should be believed when he states as a matter of fact that the licensees actually agreed to an $X rate is not one we are privileged to answer.

Given our approach here, I fear that district courts will take our decision as grounds for limiting damages experts to relying only on undisputed facts. I am also afraid that trial judges will read the Majority Opinion as requiring them, in the exercise of their gatekeeping role, to resolve fact disputes in Rule 702 proceedings even when no party asks them to do so. And I worry that today's opinion may encourage future panels of this court to engage in improper appellate factfinding.

III

Finally, like the Majority, I am troubled by the district court's failure to put its reasoning on the record. *See Majority Opinion* at 5-6. In denying Google's *Daubert* motion, the district judge said only: "I'm going to overrule the Daubert motion. You can cross-examine [Mr. Kennedy]." S.A. at 266. When the court later denied Google's motions *in limine* and for a new trial on damages, which were likewise predicated on Mr. Kennedy's testimony, it again issued rulings devoid of substantive rationale. *See* J.A. 2254, 6688.[5] The district judge's lack of

---

witness may testify to a matter only if evidence is introduced sufficient to support a finding that the witness has personal knowledge of the matter. Evidence to prove personal knowledge may consist of the witness's own testimony.").

5. The Majority notes that the ruling denying Google's motion for a new trial was from the bench. *Majority Opinion* at 6. I do

explanation makes our reviewing function unnecessarily difficult. But it is not an abuse of discretion. Even if it were, that abuse would not warrant the relief we are granting.

The Majority relies principally on a treatise, not binding precedent, in arriving at its conclusion that "[a]n absence of reviewable reasoning may be sufficient grounds for this court to conclude the district court abused its discretion." *Majority Opinion* at 6; *see also id.* (citing 4 *Weinstein's Federal Evidence* § 702.02[6][d]). Neither the Fifth Circuit nor Third Circuit cases the Majority cites, nor any of the cases cited in the section of *Weinstein* from which the Majority derives its conclusion, requires that we overturn a district court's unexplained exercise of discretion (nor that we replace a district court's ruling with our own). To the contrary, some of the cases cited in *Weinstein* determined that an explanatory deficiency was harmless error, warranting no further proceedings whatsoever; others remanded for a district court to again exercise its discretion in a manner to be determined by the district court itself. *See, e.g., Smith v. Dorchester Real Estate, Inc.*, 732 F.3d 51, 65 (1st Cir. 2013) (where "the absence of any findings or discussion on the record leaves us hard-pressed to conclude that the district court

---

not take this to be criticism of the venerable practice of making oral rulings, which can create efficiencies for busy trial judges and deliver decisions to litigants more quickly. *See generally Ueckert v. Guerra*, 38 F.4th 446, 449 (5th Cir. 2022) (describing origins of English "ex tempore" rulings and stating "federal courts at least have not lost their power to rule from the bench"). The issue is the sufficiency of the explanation, not whether the judge's words are spoken instead of written.

adequately fulfilled its gatekeeping role," the appellate court reversed the denial of a motion to strike, "leav[ing] . . . the district court to consider [admissibility] on remand after performing a *Daubert* analysis"); *In re Paoli R.R. Yard PCB Litig.*, 916 F.2d 829, 858-59 (3d Cir. 1990) (vacating summary judgment of no liability and remanding for further proceedings, including a determination of whether the expert should be excluded).

The Majority provides no reasoning for why the district court's failure to explain itself is an abuse of discretion that is properly remedied only by an entirely new jury trial on damages. In my view, if the district court's explanation is so deficient as to be an abuse of its discretion, the proper disposition should be to vacate the judgment and remand for the district judge to fulfill his gatekeeping responsibility. He might on remand choose to do so by providing sufficient explanation of his prior ruling or re-doing his analysis, potentially by conducting an evidentiary *Daubert* hearing, making findings of fact, and interpreting the license agreements.

IV

For the reasons set out above, I would affirm the district court. Accordingly, I respectfully dissent.

APPENDIX B — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED DECEMBER 4, 2024

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2023-1101

ECOFACTOR, INC.,

Plaintiff-Appellee

v.

GOOGLE LLC,

Defendant-Appellant

Appeal from the United States District Court for the Western District of Texas in No. 6:20-cv-00075-ADA, Judge Alan D. Albright.

Before Moore, *Chief Judge*, Lourie, Dyk, Prost, Reyna, Taranto, Chen, Hughes, Stoll, and Stark, *Circuit Judges*.[1]

Per Curiam.

1. Circuit Judge Newman and Circuit Judge Cunningham did not participate.

Appendix B

ORDER

The court granted rehearing en banc "limited to addressing the district court's adherence to Federal Rule of Evidence 702 and *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993), in its allowance of testimony from EcoFactor's damages expert assigning a per-unit royalty rate to the three licenses in evidence in this case." Google's argument at pages 41-58 of its brief exceeds the scope of the court's en banc rehearing, as its footnote 11 all but recognizes. EcoFactor should not address this argument in its response brief.

December 4, 2024
Date

APPENDIX C — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED JUNE 3, 2024

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2023-1101

ECOFACTOR, INC.,

Plaintiff-Appellee

v.

GOOGLE LLC,

Defendant-Appellant

Appeal from the United States District Court for the Western District of Texas in No. 6:20-cv-00075-ADA, Judge Alan D. Albright.

June 3, 2024, Decided

Before LOURIE, PROST, and REYNA, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* REYNA.

Opinion dissenting-in-part filed by *Circuit Judge* PROST.

REYNA, *Circuit Judge*.

EcoFactor sued Google in the Western District of Texas alleging patent infringement of U.S. Patent No.

8,738,327. After discovery and resolution of various motions, the case was heard by a jury. The jury found that Google infringed the asserted claim 5 of the '327 patent and awarded damages to EcoFactor. Google appeals three of the district court's orders: the denial of Google's motion for summary judgment that claim 5 of the '327 patent was invalid under 35 U.S.C. § 101; the denial of Google's motion for judgment as a matter of law of non-infringement of the '327 patent; and the denial of Google's motion for a new trial on damages. For the following reasons, we affirm.

Background

A. U.S. Patent No. 8,738,327

U.S. Patent No. 8,738,327 ("'327 patent") relates generally to the operation of smart thermostats in computer-networked heating and cooling systems ("HVAC systems"). The primary recited purpose of the patent is to reduce strain on the electricity grid during a period of expected high demand through adjustments to the user's thermostat settings that reduce the electricity consumed by the user's HVAC system. '327 patent at 1:21–27, 9:46–54. Claim 1 of the '327 patent recites a system "for controlling the operational status of an HVAC system" where "at least one thermostat [is] associated with a structure that receives temperature measurements from inside the structure." *Id.* at 9:26–31. Claim 1 includes an "estimation" limitation where "one or more servers receive inside temperatures from the thermostat and compare[] the inside temperatures of the structure and the outside temperatures over time *to derive an estimation for the*

rate of change in inside temperature of the structure in response to outside temperature." *Id.* at 9:38–45 (emphasis added). Claim 5 adds that "the estimation [limitation in claim 1] is a prediction about the future rate of change in temperature inside the structure." *Id.* at 9:65–67.

B. Procedural History

EcoFactor, owner of the '327 patent, sued Google for patent infringement over Google's smart thermostat products, particularly several Nest thermostats.[1] After discovery, Google moved for summary judgment that certain claims of the '327 patent (including claim 5) were invalid because they were directed to patent ineligible subject matter, an abstract idea, under 35 U.S.C. § 101. The district court denied the motion. J.A. 5046.

The district court also denied Google's *Daubert* motion to exclude the opinion of EcoFactor's damages expert, Mr. Kennedy, rejecting Google's argument that Mr. Kennedy's opinion was unreliable and therefore prejudicial. J.A. 2254.

Following a six-day jury trial, the jury found that Google infringed claim 5 of the '327 patent and awarded EcoFactor damages. J.A. 45–49. Google renewed its motion for judgment as a matter of law ("JMOL") of non-infringement of the '327 patent, arguing that the accused products do not measure, but rather, estimate

1. Google acquired Nest Labs, Inc. prior to the underlying lawsuit.

the temperature inside the structure and therefore cannot infringe. Google also moved for a new trial on damages, arguing that the opinion of EcoFactor's damages expert, Mr. Kennedy, was speculative and unreliable such that it should have been excluded from trial. The district court denied both motions from the bench. J.A. 6662; J.A. 6688.

Google appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

Discussion

Google raises three issues on appeal.[2] First, Google contends the district court erred in denying Google's motion for summary judgment that claim 5 of the '327 patent was directed to patent ineligible subject matter under § 101. Second, Google asserts the district court erred in denying Google's JMOL motion for non-infringement of the '327 patent. Third, Google contends the district court erred in denying Google's motion for a new trial on damages because Mr. Kennedy's damages opinion was based on unreliable methodology. We address each issue in turn.

2. This appeal was originally consolidated and included an original appeal by EcoFactor and cross-appeal by Google. The consolidated appeal contained other patents and issues. Prior to oral argument, the parties stipulated to the dismissal of the original appeal by EcoFactor, Appeal No. 22–1974, leaving only Google's cross-appeal involving the '327 patent. *See* Appeal No. 22–1974, ECF No. 59 at 7.

Appendix C

I. Patent Eligibility

Google appeals the district court's denial of summary judgment that claim 5 of the '327 patent was patent ineligible under § 101.

Section 101 of the Patent Act provides that: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. § 101. The Supreme Court has articulated a two-step test, commonly referred to as the "*Alice*" test, for examining whether a patent claims patent-ineligible subject matter. *Alice Corp. Pty. Ltd. v. CLS Bank Intern.*, 573 U.S. 208, 217-18, 134 S. Ct. 2347, 189 L. Ed. 2d 296 (2014). At *Alice* step one, we review whether a claim is directed to a patent-ineligible concept, such as an abstract idea. *Id.* At *Alice* step two, we review whether the claim recites elements sufficient to transform the abstract idea into a patent-eligible application. *Id.* at 217–18, 221.

Prior to trial, Google filed a motion for summary judgment, arguing that claim 5 of the '327 patent (among others) was invalid as directed to patent ineligible subject matter under § 101. The district court reviewed the motion, relying on the *Alice* inquiry. The district court denied the motion and submitted step two of the *Alice* inquiry to the jury. J.A. 5046.

At trial, the verdict form asked whether Google met its burden to prove by clear and convincing evidence that

the elements of claim 5 of the '327 patent, when taken individually and as an ordered combination, involved activities or technology that were well-understood, routine, or conventional to a skilled artisan at the time of the invention. J.A. 47. After hearing testimony and receiving evidence from both parties, the jury answered "no" for claim 5 of the '327 patent. J.A. 47. Google filed a post-trial JMOL motion repeating its § 101 arguments, which the district court denied.

Google now appeals the district court's denial of summary judgment regarding patent ineligibility of claim 5 of the '327 patent, but we have held that a district court's denial of summary judgment is not appealable after a trial on the merits. *Syngenta Crop Prot., LLC v. Willowood, LLC*, 944 F.3d 1344, 1364 n.7 (Fed. Cir. 2019) (citing *Ortiz v. Jordan*, 562 U.S. 180, 183–84, 131 S. Ct. 884, 178 L. Ed. 2d 703 (2011)); *see also* 10 Wright and Miller, Federal Practice and Procedure § 2715 (4th ed.) (explaining a denial from summary judgment is an order "from which no immediate appeal is available"). We have explained that an order denying summary judgment is "not a judgment" and "does not foreclose trial on the issues on which summary judgment was sought;" rather, it is "merely a judge's determination that genuine issues of material fact exist." *Glaros v. H.H. Robertson Co.*, 797 F.2d 1564, 1573 (Fed. Cir. 1986) (reasoning that a denial of summary judgment "does not settle or even tentatively decide anything about the merits of the claim" (citation omitted)). Denial of summary judgment decides only one thing—that the case should go to trial. *Id.*

At trial, the jury heard testimony from various witnesses on whether the elements of claim 5 were well-understood, routine, or conventional. *See, e.g.*, J.A. 5345–5346 (209:20–210:6); J.A. 6373–6374 (1237:15–1238:19); J.A. 6415–6416 (1279:1–1280:20); J.A. 6449–6451 (1313:17-1315:11). Google, however, appeals the order denying summary judgment but not the jury verdict of ineligibility. As the Supreme Court has explained, "the full record developed in court supersedes the record existing at the time of the summary-judgment motion." *Ortiz*, 562 U.S. at 184. Because trial on the merits of the § 101 issue was held, the court's denial of summary judgment is not appealable.

II. Infringement

For infringement, the only limitation at issue is claim 1's recitation of a system for controlling the HVAC system that includes a thermostat "that receives temperature measurements from inside the structure." '327 patent at 9:26–31. Google alleges that because the accused thermostat products are designed to be completely enclosed in metal, plastic, and/or glass housings, they cannot directly measure the surrounding ambient temperature "inside the structure" like other thermostats.[3] Appellant Br. 41–44. Google argues that its thermostats can only derive an estimate of the ambient temperature by measuring only the temperature within the thermostat housing itself, which is not "inside the structure." *See*

3. The parties agree that the term "ambient temperature" refers to the temperature surrounding a particular thermostat, *i.e.*, the temperature of the room or structure in which the thermostat is placed. Appellant Br. 13, 43; Appellee Br. 1, 9–10.

id. As a result, Google argues that the jury's verdict of infringement is unsupported by substantial evidence.

We review the disposition of motions for JMOL under the law of the regional circuit, here the Fifth Circuit. *See Energy Transp. Grp. Inc. v. William Demant Holding A/S*, 697 F.3d 1342, 1350 (Fed. Cir. 2012). The Fifth Circuit reviews de novo the grant or denial of a JMOL motion. *ClearValue, Inc. v. Pearl River Polymers, Inc.*, 668 F.3d 1340, 1343 (Fed. Cir. 2012). Under Fifth Circuit law, a jury's verdict is upheld if supported by substantial evidence. *Med. Care Am., Inc. v. Nat'l Union Fire Ins. Co.*, 341 F.3d 415, 420 (5th Cir. 2003).

We conclude that the jury's infringement verdict is supported by substantial evidence. EcoFactor's infringement expert testified that the accused thermostat products meet the claimed limitation because the thermostats measured temperature of the structure and not just the temperature within the thermostat housing. J.A. 5462-63 (326:20–327:6). EcoFactor's expert supported his conclusion with several forms of evidence. EcoFactor's expert relied on website guides maintained by Google for the benefit of software engineers who develop applications for use with Nest thermostats. One website page states that the Nest thermostats measure the "[a]mbient temperature," defined as the "temperature measured *near the thermostat*"—not just within the thermostat. J.A. 10429 (emphasis added). Another website page explains that the temperature sensors of certain Nest products measure ambient room temperature. J.A. 10888. EcoFactor's expert testified that

this evidence shows that the Nest thermostat "devices have temperature measurements near the thermostat" that measures the "inside temperature" of the structure and are not limited to measuring temperature inside the thermostat housing. J.A. 5453–55 (317:17–319:14). EcoFactor's expert cited Google's source code for the accused products and demonstrated where it described the function of the accused products to measure the surrounding temperature. J.A. 5456–60 (320:18–324:14).

Google's experts conceded the substance of EcoFactor's evidence on cross-examination. Google's non-infringement expert agreed that, according to Google's website pages, the current ambient temperature in the room is measured by the Nest thermostat's internal sensors. J.A. 6154–55 (1018:9–1020:13). Another Google expert witness agreed that the accused thermostat products contain temperature sensors that measure the temperature inside customer homes. J.A. 5945–46 (809:4–809:17).

The expert testimony from both parties, documentary evidence, and source code information demonstrating that the accused products measure temperature of the surrounding structure (and not just the housing) is substantial evidence. *See In re Mouttet*, 686 F.3d 1322, 1331 (Fed. Cir. 2012) (explaining substantial evidence is "relevant evidence as a reasonable mind might accept as adequate to support a conclusion").

In conclusion, the jury's infringement verdict that the accused Nest thermostat products satisfy the claim language of "receives temperature measurements from inside the structure" is supported by substantial evidence.

III. Damages

Google argues that the district court abused its discretion in denying its Rule 59 motion for a new trial on damages. Appellant Br. 30. According to Google, a new trial on damages was warranted because the initial trial was unfair or marred by prejudicial error. *Id.* at 25; J.A. 6689 (91:4–8). The alleged error was the district court's evidentiary ruling that the opinion of EcoFactor's damages expert, Mr. Kennedy, was admissible. Appellant Br. 25, 30. Google argues that Mr. Kennedy's damages opinion should have been excluded from trial because it lacked any reliable methodology or underlying calculations. *Id.* at 30. Google also argues that Mr. Kennedy's opinion should have been excluded for lack of comparability and apportionment. *Id.* at 34. We address each argument in turn.

We review the denial of a motion for a new trial under regional circuit law. *Wordtech Sys., Inc. v. Integrated Networks Sols., Inc.*, 609 F.3d 1308, 1312 (Fed. Cir. 2010). The Fifth Circuit reviews a district court's denial of a motion for a new trial for an abuse of discretion. *Fornesa v. Fifth Third Mortg. Co.*, 897 F.3d 624, 627 (5th Cir. 2018). A new trial may be granted if the district court finds that "the verdict is against the weight of the evidence, the damages awarded are excessive, the trial was unfair, or prejudicial error was committed." *Seidman v. Am. Airlines, Inc.*, 923 F.2d 1134, 1140 (5th Cir. 1991) (citation omitted); Fed. R. Civ. P. 59. "Courts do not grant new trials unless it is reasonably clear that prejudicial error has crept into the record or that substantial justice has not

been done, and the burden of showing harmful error rests on the party seeking the new trial." *Jordan v. Maxfield & Oberton Holdings, L.L.C.*, 977 F.3d 412, 417 (5th Cir. 2020) (citation omitted).

Here, Mr. Kennedy used the hypothetical negotiation approach for calculating reasonable royalty damages under 35 U.S.C. § 284. This approach "necessarily involves an element of approximation and uncertainty." *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325 (Fed. Cir. 2009) (citation omitted); *see also generally* 2 Janice M. Mueller, *Mueller on Patent Enforcement* § 20.04(a) at 869–70 (rev. ed. 2019). According to Mr. Kennedy, EcoFactor would have entered the hypothetical negotiation with the expectation of receiving a royalty in the amount of $X[4] per unit and would have requested that from Google. J.A. 1277. Based on this $X rate, Mr. Kennedy calculated his proposed damages amount of $Y[5]. J.A. 5740 (604:14–17).

A.

Google argues that Mr. Kennedy's damages model was speculative and conclusory. Appellant Br. 31. Specifically, Google argues that Mr. Kennedy's proposed $X royalty rate was "plucked . . . out of nowhere." *Id.* at 34 (citation omitted). We disagree.

---

4. The amount of the per-unit royalty rate is confidential business information subject to a protective order, and as such, is not recited in this opinion.

5. The amount of EcoFactor's proposed damages award is confidential business information subject to a protective order, and as such, is not recited in this opinion.

"[W]hile all [damages] approximations involve some degree of uncertainty, the admissibility inquiry centers on whether the methodology employed is reliable." *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1296 (Fed. Cir. 2015). This includes whether a damages expert's testimony is tied to the particular facts of the case. *Virnetx, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1333–34 (Fed. Cir. 2014); *Whitserve, LLC v. Comput. Packages, Inc.*, 694 F.3d 10, 30 (Fed. Cir. 2012); *Lucent Techs.*, 580 F.3d at 1330. Testimony is inadmissible when it is based only on speculation or guesswork, such that the jury is left to fill in the gaps when calculating a damages award. *Whitserve*, 694 F.3d at 30–33 (holding that testimony was conclusory and speculative when expert did not explain how lump sum amounts could be converted to a reasonable royalty rate); *Wordtech*, 609 F.3d at 1320 (holding that expert's reliance on two lump licenses was inappropriate when neither explained how the lump-sum amounts were calculated).

Far from plucking the $X royalty rate from nowhere, Mr. Kennedy based this rate on the following admissible evidence: three license agreements and the testimony of EcoFactor's CEO, Mr. Habib. Turning first to the agreements, Mr. Kennedy relied on three license agreements EcoFactor entered into with third-party smart thermostat manufacturers—the Schneider and Daikin licenses in 2020, and the Johnson license in 2021. J.A. 10389–399; J.A. 10400–410; J.A. 10411–419. Each of these agreements included the same $X royalty rate at issue here. Each license agreement provided in a whereas clause that the licensee would pay EcoFactor a lump

sum amount "set forth in this Agreement *based on* what EcoFactor believes is a reasonable royalty calculation of *[$X] per-unit* for . . . estimated past and [] projected future sales of products accused of infringement in the Litigation." J.A. 10389 (emphasis added); J.A 10400; J.A. 10411. Thus, as Mr. Kennedy testified at trial, the $X royalty rate was "specifically spelled out in the license agreement[s]." J.A. 5764 (628:2–3).

Mr. Kennedy then relied on the testimony of EcoFactor's CEO, Mr. Habib, who signed the three license agreements on behalf of EcoFactor. J.A. 5794 (658:17–18); J.A. 5666 (530:23–25); J.A. 5669 (533:6–8). Mr. Habib testified that he had seven years in the industry, an understanding of the market, and "what is reasonable for the technologies that [EcoFactor] ha[s]." J.A. 5670 (534:22–25). He then testified that the lump sums contained in each of the three license agreements were based on the $X royalty rate. J.A. 5672, 536:17–18 ("[M] y understanding was that all of it is based on [$X] per infringing unit."). He testified that while he was shielded from the licensees' confidential sales information, he understood that EcoFactor calculated each of the three licenses' lump sums using the $X royalty rate and the past and future projected sales for each licensee. J.A. 5798 (662:2–5); J.A. 5670 (534:4–10). He also testified that despite being shielded from the licensees' confidential sales numbers, he believed, based on his understanding of the market, that the lump sums reasonably reflected the licensees' sales. J.A. 5672 (536:14–24). According to Mr. Habib, there were "large players" and high barriers to entry in the smart thermostat and smart HVAC control

industry, and the licensees were "relatively new or more recent." J.A. 5672 (536:19–24). Thus, "it ma[de] sense that their sale numbers would be low since they'd recently started." J.A. 5672 (536:23–24). He testified that the $X royalty rate in each of the three license agreements was accepted by the parties. J.A. 5671 (535:5–11) ("So, you know, if three companies were willing to accept it, then yeah. That further made it clear to me that it was a reasonable royalty rate that was being accepted by counterparties.").

Finally, in support of Mr. Kennedy's proposed $X royalty rate, EcoFactor introduced at trial an email chain between EcoFactor and Johnson concerning the $X royalty rate. J.A. 10797–99; J.A. 6278 (1142:3–10). In the chain, which was dated a few months before the parties signed the license agreement, the parties discuss the $X royalty rate. J.A. 10797–99. Johnson notes that "[w]e are applying the [$X rate] to the time period" identified by EcoFactor. J.A. 10798.

In light of the three license agreements, Mr. Habib's testimony, and the EcoFactor-Johnson email chain, we determine that Mr. Kennedy's damages opinion concerning the $X royalty rate was sufficiently tied to the facts of the case and thus admissible. *See Finjan, Inc.* v. *Secure Computing Corp.*, 626 F.3d 1197, 1212 (Fed. Cir. 2010); *C & F Packing Co., v. IBP, Inc.*, 224 F.3d 1296, 1304–05 (Fed. Cir. 2000). And based on this context, the "jury was entitled to hear the expert testimony" from Mr. Kennedy concerning the $X royalty rate and "decide for itself what to accept or reject." *Pavo Sols. LLC v. Kingston Tech. Co.*,

35 F.4th 1367, 1379 (Fed. Cir. 2022) (citation omitted). That is exactly what the jury did in this case. The jury heard Mr. Kennedy's testimony and Google's extensive cross-examination concerning Mr. Kennedy's understanding of the three license agreements, his reliance on Mr. Habib's testimony, and testimony concerning the emails between EcoFactor and Johnson about the $X royalty rate. J.A. 5793–5812 (657:4–676:2); J.A. 5794 (658:17–18); J.A. 5667 (531:8–25); J.A. 5668–5670 (532:3–534:3); J.A. 6278–6280 (1142:6–1144:19). Ultimately, the jury returned a verdict of $20,019,300, which represents significantly less than Mr. Kennedy's proposed damages amount of $Y that would have resulted from applying the $X royalty rate to Google's past sales.

Google argues that Mr. Kennedy's testimony is unreliable because there is no evidence that the parties to the three license agreements actually applied the $X royalty rate. To the contrary. First, the three admissible license agreements each disclose that EcoFactor believed that the lump sums in each license was "based on" the $X royalty rate. Additionally, in its whereas clause, the Schneider license agreement, unlike the Johnson and Daikin agreements, states that "nothing in this clause should be interpreted as agreement by Schneider that [$X] per unit is a reasonable royalty." J.A. 10400. This clause, *included by Schneider*, speaks to its belief that $X may *not have been reasonable* but it does not speak to whether $X was actually applied in arriving at the lump sum. Arguably, this provision, when read in context, could also mean that the $X royalty rate was applied by EcoFactor and Schneider. If Schneider did not believe that

the $X royalty rate was actually being applied, it could have said such in the agreement. But Schneider did not. Finally, as noted above, Johnson noted in an email chain with EcoFactor that it was "applying" the $X royalty rate. How much weight should be given to the provisions in the license agreements, including whether they are "self-serving" as Google claims, and the EcoFactor-Johnson email is a question for the jury. *See Pavo*, 35 F.4th at 1379; *Finjan*, 626 F.3d at 1212; *C & F Packing*, 224 F.3d at 1304.[6]

To conclude, we determine that Mr. Kennedy's opinion concerning the $X royalty rate was sufficiently reliable for admissibility purposes. For this reason, we hold that the district court did not abuse its discretion in denying Google's motion for a new trial on damages.

---

6. The dissent relies on a statement in the body of the of the Schneider and Daikin license agreements to support its position that the parties *did not apply* the $X royalty rate contained in these two license agreements' whereas clauses. *See* Dissent 3–6. This statement provides that the agreed to lump sum "does not reflect or constitute a royalty." J.A. 10391; J.A. 10402. That the *lump sum amount* is not *a royalty* does not mean the parties did not use the $X royalty rate discussed in the agreements to arrive at the lump sum amount. But even if we were to set aside these two license agreements, the Johnson license agreement alone would suffice. As Google's own expert agreed at trial, "just one" license agreement can be sufficient to support a damages opinion. J.A. 6269 (1133:10–14). This assertion comports with our damages precedent, which does not demand "absolute precision" but may involve some degree of approximation and uncertainty. *Virnetx*, 767 F.3d at 1328.

Appendix C

B.

Google argues that Mr. Kennedy's damages testimony should have also been excluded from trial for a lack of comparability and apportionment. Appellant Br. 34. Google does not dispute the technical comparability between the three licenses and Mr. Kennedy's hypothetically negotiated agreement. Nor could it. Mr. Kennedy relied on the testimony of EcoFactor's technical expert, Mr. De la Iglesia, for his opinion that the three license agreements were technically comparable to the hypothetically negotiated license. J.A. 5578–5583 (442:22–447:2); J.A. 5763 (627:7–23); J.A. 5768 (632:7–19). Google's experts did not rebut Mr. De la Iglesia's opinion on this issue at trial. J.A. 6268-6270 (1132:4–1134:5).

Rather, Google challenges Mr. Kennedy's economic comparability analysis of the three licenses and the hypothetically negotiated agreement. Appellant Br. 36-37; Reply Br. 9. According to Google, the three license agreements were for EcoFactor's entire patent portfolio and Mr. Kennedy failed to account for the value of the '327 patent within that portfolio. Appellant Br. 36. We disagree.

Damages owed to the patentee must reflect the value of only the patented improvement—called apportionment. *Omega Pats., LLC v. CalAmp Corp.*, 13 F.4th 1361, 1376 (Fed. Cir. 2021). If a sufficiently comparable license is used for determining the appropriate reasonable royalty rate, further apportionment may not be required because the comparable license has built-in apportionment. *Id.* at 1377. "Built-in apportionment effectively assumes

that the negotiators of a comparable license settled on a royalty rate and royalty base combination embodying the value of the asserted patent." *Id.* (citation omitted). "For built-in apportionment to apply, the license must be sufficiently comparable in that principles of apportionment were effectively baked into the purportedly comparable license." *Id.* (citation omitted). Part of this comparability analysis requires an expert to account "for differences in the technologies and economic circumstances of the contracting parties" to the past licenses and to the hypothetical negotiation at issue. *Finjan*, 626 F.3d at 1211–12.

The degree of comparability of license agreements is a "factual issue[] best addressed by cross examination and not by exclusion." *ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.*, 694 F.3d 1312, 1333 (Fed. Cir. 2012); *Bio-Rad Lab'ys, Inc. v. 10X Genomics Inc.*, 967 F.3d 1353, 1373 (Fed. Cir. 2020); *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1227 (Fed. Cir. 2014); *Finjan*, 626 F.3d at 1211. For example, in *Bio-Rad*, we concluded that there was no abuse of discretion in allowing an expert to testify about three licenses, even though one of the licenses was ultimately not proven to be technically comparable to the hypothetically negotiated license. 967 F.3d at 1374 (holding that the "'degree of comparability'" was appropriately left for the jury to decide").

Here, Mr. Kennedy sufficiently showed, for purposes of admissibility, that the three license agreements were economically comparable to the hypothetically negotiated agreement. Mr. Kennedy acknowledged that, based on

Mr. De la Iglesia's unrebutted testimony, the Schneider and Daikin licenses list seven technically comparable asserted patents, including the '327 patent at issue in the hypothetically negotiated agreement. *See* J.A. 10398; J.A. 10409. He also noted that the Johnson license did not list the '327 patent as an asserted patent but listed four others that covered the same interrelated smart thermostat technologies. J.A. 10411; J.A. 1276. Finally, Mr. Kennedy acknowledged that the three licenses also covered patents in EcoFactor's portfolio that were not asserted in the underlying litigation facing Johnson, Schneider, and Daikin. J.A. 10398; J.A. 10409; J.A. 10411; J.A. 1275–76.

Mr. Kennedy accounted for such differences. Mr. Kennedy testified that in arriving at the $X royalty rate in a hypothetical negotiation, Google would argue that the three license agreements included EcoFactor's portfolio, not just the '327 patent, and thus the $X royalty rate should be decreased. J.A. 5767 (631:19–23). Mr. Kennedy then provided that the three license agreements reflect a settlement and thus the $X royalty rate reflects a risk that that EcoFactor's patents would be found not infringed or invalid. J.A. 1276. According to Mr. Kennedy, this consideration would not be present at the hypothetical negotiation between EcoFactor and Google, since the assumption is that the '327 patent was infringed and valid. J.A. 1276. As a result, this point would place upward pressure on the negotiated rate.

The three licenses aside, Mr. Kennedy separately grounded his apportionment opinion on underlying internal profit and survey data from Google. Mr. Kennedy testified

that, based on underlying customer surveys from Google and based on EcoFactor's technical expert's testimony, the infringed technology at issue in this case attributed to Z%[7] of the profits for the infringed products. J.A. 5755–5758 (619:16–622:13); J.A. 5775–5777 (639:22–641:7). Based on this data, Mr. Kennedy calculated the amount of profit per unit that could be attributed to the '327 patent, which was more than double the $X royalty rate. J.A. 5755–5758 (619:16–622:13). According to Mr. Kennedy, this would also place upward pressure on the negotiated rate at the hypothetical negotiation. J.A. 5780 (644:6–7) ("And that's EcoFactor's response, saying it should actually be a lot higher."). Mr. Kennedy thus concluded that the $X royalty rate "would be a very reasonable and conservative first offer." J.A. 5779 (643:17–18). This testimony is additional evidence for the jury to consider and weigh when calculating a damages award. *C & F Packing*, 224 F.3d at 1304; *ResQNet.com, Inc., v. Lansa, Inc.*, 594 F.3d 860, 869 (Fed. Cir. 2010) ("At all times, the damages inquiry must concentrate on compensation for the economic harm caused by infringement of the claimed invention.").

Based on this evidence, we conclude that the district court did not abuse its discretion in declining to grant a new trial on damages. Mr. Kennedy's damages opinion relied on sufficiently comparable licenses and his opinion sufficiently apportioned the value of the '327 patent for the issue to be presented to the jury.

---

7. The percentage amount is confidential business information subject to a protective order, and as such, is not recited in this opinion.

Supporting our conclusion is *ActiveVideo*. There, the damages expert relied on an agreement that included the patents at issue and other software services without any alleged attempt to "disaggregate the value of the patent license from the value of the services." 694 F.3d at 1333 (citation omitted). We held that there was no error in failing to exclude the expert's testimony because the degree of comparability and "any failure on the part of [the] expert to control for certain variables are factual issues best addressed by cross examination and not by exclusion." *Id.* Here, Mr. Kennedy went further than the *ActiveVideo* expert by sufficiently accounting for the economic differences between the patents in the three license agreements (asserted and non-asserted) and the hypothetically negotiated agreement. And like in *ActiveVideo*, if there were any failures to control for certain variables in comparability, these factual issues were for the jury to decide. *Id.*

Contrary to Google's position, our case law does not compel a contrary result. In *Omega*, we remanded for a new trial where the expert "merely *identified* . . . differences" between the patents in the licenses and the patents in the hypothetical negotiation and did not distinguish such facts. 13 F.4th at 1380-81. In *Apple*, two of the three license agreements relied on by the expert did not list the subject patent all, and the third license listed the subject patent as a non-asserted patent in a long list of "hundreds of Non-Asserted patents." *Apple Inc. v. Wi-LN Inc.*, 25 F.4th 960, 973 (Fed. Cir. 2022). We determined that there was no record evidence supporting the expert's *assumption* that the subject patent was a "key patent" in these three licenses. *Id.*

Unlike in *Omega* and *Apple*, here we have two of the three licenses at issue explicitly listing the '327 patent as an "asserted patent." J.A. 10398; J.A. 10409. Additionally, Mr. Kennedy addressed and distinguished the remaining patents discussed in the license agreements. He testified that at the hypothetical negotiation, Google would emphasize the downward pressure that these patents would have on the $X royalty rate. Mr. Kennedy then testified that EcoFactor would note upward pressure on the $X royalty rate by assuming that the '327 patent was valid and infringed. And, unlike in these cases, Mr. Kennedy separately rooted his apportionment analysis on underlying internal profit and survey data from Google. As previously noted, based on this data, Mr. Kennedy was able to determine that the $X royalty rate was a conservative amount attributable to the '327 patent.

Google loses sight of the issue on appeal and the applicable standard of review. Our focus is on the *admissibility* of Mr. Kennedy's damages testimony, and we assess the district court's determination of this issue under the highly deferential abuse of discretion standard. "Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts" are jury functions, not those of a trial judge, and certainly not of an appellate judge. *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150, 120 S. Ct. 2097, 147 L. Ed. 2d 105 (2000) (citation omitted). If the standard for admissibility is raised too high, then the trial judge no longer acts as a gatekeeper but assumes the role of the jury.

Based on the record before us, we conclude that the district court did not abuse its discretion when it denied Google's motion for a new trial. Google has not shown that the district court's decision to admit Mr. Kennedy's damages opinion resulted in prejudicial error or a substantial injustice requiring a new trial on damages.

Conclusion

We have considered Google's remaining arguments and find them unpersuasive. We reject Google's attempt to appeal the district court's denial of summary judgment. We affirm the district court's post-trial denials of Google's motion for JMOL of non-infringement and Google's motion for a new trial on damages.

AFFIRMED

Costs

No costs.

Appendix C

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2023-1101

ECOFACTOR, INC.,

Plaintiff-Appellee

v.

GOOGLE LLC,

Defendant-Appellant

Appeal from the United States District Court for the Western District of Texas in No. 6:20-cv-00075-ADA, Judge Alan D. Albright.

PROST, *Circuit Judge*, dissenting-in-part.

In recent years, our court has made some progress in clarifying important questions related to damages for patent infringement. Such clarifications relate to deriving a reasonable royalty from a lump-sum license and requiring the patentee to confine its damages to the value of the patented technology. Unfortunately, the majority opinion here at best muddles our precedent and at worst contradicts it. I therefore respectfully dissent from the decision to affirm the district court's denial of Google's

motion for a new trial.[1]

Google argues that (1) Mr. Kennedy, EcoFactor's damages expert, calculated an $X royalty rate[2] from the Schneider, Daikin, and Johnson lump-sum licenses in an unreliable way; and (2) the $X rate in any event did not reflect the value of the '327 patent (as distinct from that of other patents covered by those licenses). Google is right on both counts. The district court therefore, in my view, abused its discretion by not granting a new damages trial given Mr. Kennedy's flawed testimony.[3]

I

Mr. Kennedy's $X rate rests on EcoFactor's self-serving, unilateral "recitals" of its "beliefs" in the license agreements. These recitals are not only directly refuted by two of those same agreements; they also have no other support (e.g., sales data or other background testimony) to back them up. Our law does not allow damages to be so easily manufactured.

---

1. I join the other aspects of the majority's decision.

2. Because the specific per-unit royalty rate that Mr. Kennedy uses has been designated confidential, I use $X to refer to his rate.

3. When reviewing a district court's exercise of discretion on a critical, often-complicated evidentiary decision such as a damages-expert *Daubert*, it usually helps to see the court's explanation for its decision. Here, at both the *Daubert* stage and in the context of Google's new-trial motion, the district court gave no explanation. J.A. 2254, 6687–89.

Appendix C

When deriving reasonable royalties from lump-sum licenses, we have emphasized that "lump sum payments . . . should not support running royalty rates without testimony explaining how they apply to the facts of the case." *Whitserve, LLC v. Comput. Packages, Inc.*, 694 F.3d 10, 30 (Fed. Cir. 2012); *see also Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1330 (Fed. Cir. 2009) (requiring that "some basis for comparison must exist in the evidence presented to the jury"). We have vacated damages awards where the derivation of a reasonable royalty from a lump sum was "incompatible with the . . . agreement as a whole," *MLC Intell. Prop., LLC v. Micron Tech., Inc.*, 10 F.4th 1358, 1368 (Fed. Cir. 2021), where there was no testimony explaining how lump-sum "payments could be converted to a royalty rate," *Whitserve*, 694 F.3d at 30, and where "[n]either license describe[d] how the parties calculated each lump sum," *Wordtech Sys., Inc. v. Integrated Network Sols., Inc.*, 609 F.3d 1308, 1320 (Fed. Cir. 2010). Mr. Kennedy's $X rate repeats the same fatal errors we identified in *MLC, Whitserve*, and *Wordtech*. As in those cases, the licenses here are for a lump-sum amount with no record evidence supporting a calculation of a royalty rate.

Consider what these licenses do (and do not) say. Starting with the Schneider license, one preliminary recital states: "WHEREAS EcoFactor represents that it has agreed to the payment set forth in this Agreement based on *what* [*it*] *believes* is a reasonable royalty calculation of [$X] per-unit for what it has estimated is past and projected future sales of products accused of infringement in this Litigation." J.A. 10400 (emphasis

added). Yet the body of the license (i.e., its substantive and agreed upon terms and conditions)—which, unlike the recitals, reflects the view of *both* parties—says that its lump-sum payment "*is not based upon sales and does not reflect or constitute a royalty*." J.A. 10402 (emphasis added).

The Daikin and Johnson licenses both contain nearly identical preliminary recitals about the $X rate. J.A. 10389; J.A. 10411. As in the Schneider license, the body of the Daikin license—which, again, reflects the view of *both* parties—says that its lump-sum payment "*is not based upon sales and does not reflect or constitute a royalty*." J.A. 10391 (emphasis added). And while the Johnson license lacks a similar refutation of the recital's "belief" (a belief that, again, was EcoFactor's alone), it still offers nothing more than the recital itself to support any royalty rate.

These recitals became Mr. Kennedy's $X rate. J.A. 5764 (628:10–17); J.A. 5769 (633:9–18); J.A. 5772–73 (636:22–637:4). Mr. Kennedy also relied on the testimony of EcoFactor's CEO, Mr. Habib, as support for this rate. J.A. 5794 (658:17–18). But Mr. Habib's testimony does not establish anything beyond his unsupported "understanding" that these licenses used the $X royalty rate. *See* J.A. 5668–69 (532:23–533:2). When asked during direct examination about the basis for his "understanding," Mr. Habib testified that he was not allowed to see any underlying financial information or sales data. J.A. 5670 (534:4–14). Mr. Habib also explained his basis for believing that the $X rate was a reasonable rate based on his

understanding of the market, J.A. 5672 (536:14–24), but his market-based testimony provided no explanation for converting from the lump-sum payments in these licenses to any royalty rate, let alone the $X royalty rate.[4]

On this record, it's impossible to establish that these lump-sum payments were calculated using any royalty rate, let alone the specific $X rate. The self-serving recitals reflect only EcoFactor's transparent attempt to manufacture a royalty rate using its "belief." EcoFactor even had to refute its "belief" by agreeing, in the Schneider and Daikin licenses, that the lump-sum payment is *not* a royalty. Mr. Kennedy's assertion that the Schneider and Daikin licenses used the $X rate is "incompatible with the . . . agreement[s] as a whole." *MLC Intell. Prop.*, 10 F.4th at 1368. And the Johnson license does not "describe how the parties calculated [the] lump sum." *Wordtech Sys.*, 609 F.3d at 1320.

Mr. Kennedy cited nothing else showing that the $X rate was actually used. He cited no documents, records, sales data, or testimony showing any calculation of the lump-sum payments or otherwise establishing that these licenses used the $X rate. Mr. Habib's testimony,

4. The only other basis Mr. Habib offers is that the $X royalty rate was EcoFactor's baseline policy for licensing, regardless of the number of patents. J.A. 5671 (535:12–24). Understandably, neither the majority nor EcoFactor rely on the baseline policy as a valid basis for Mr. Habib's understanding that the $X rate was used. *See Omega Pats., LLC v. CalAmp Corp.*, 13 F.4th 1361, 1379–80 (Fed. Cir. 2021) (concluding that a comparable license analysis using a baseline royalty rate policy is unreliable).

relying on no underlying data, likewise offers no support. EcoFactor offered no testimony explaining how the lump-sum "payments could be converted to a royalty rate." *Whitserve*, 694 F.3d at 30.

At bottom, all we have are the recitals of one party's "beliefs" contradicted by mutually agreed upon contractual language by both parties. That's not enough under our law.

None of the majority's responses on this issue withstand scrutiny. The majority first insists that the Schneider and Daikin licenses do not disclaim the $X royalty rate. It reasons, "[t]hat the *lump sum amount* is not *a royalty* does not mean [that] the parties did not use the $X royalty rate discussed in the agreements to arrive at the lump sum amount." Maj. 14 n.6 (emphasis in original). If the majority's point is that a lump sum is not *itself* a royalty, then fair enough—no one disputes that truism. The issue here, however, is whether the lump sum in these licenses *reflects* the application of the $X royalty rate (or, in the majority's words, whether it was used "to arrive at the lump sum amount"). And the majority cannot credibly claim that was the case when the licenses themselves say that each lumpsum payment "*is not based upon sales and does not reflect or constitute a royalty.*" J.A. 10391, 10402 (emphasis added). I'm not sure how these licenses could more clearly establish that the lump sums were not calculated using royalties.

The majority next asserts that "the Johnson license agreement alone would suffice." Maj. 14 n.6. But the

Johnson license contains no language describing how its lumpsum payment was calculated, *see Wordtech Sys.*, 609 F.3d at 1320, and Mr. Kennedy offered no other basis from which he could conclude that the Johnson license used the $X rate.

The majority also cites an email chain that purportedly concerns the use of the $X rate in the Johnson license. But Mr. Kennedy never discussed this email; EcoFactor introduced this email during the cross-examination of *Google's expert*. J.A. 6278 (1142:3–10). The question here is not whether any document in the record supports the jury's damages award. We are instead asking whether Mr. Kennedy's testimony was so unreliable that it requires a new trial. I can't see how an email Mr. Kennedy never addressed supports the reliability of his analysis.

In the end, Mr. Kennedy conjured the $X rate from nothing, and the majority's treatment of his analysis cannot be squared with our law or the facts.

II

Even if these licenses used the $X rate, Mr. Kennedy's analysis has another significant problem: the $X rate does not reflect the '327 patent's value; rather, it includes the value of other patents. Our law is clear that this basic failure requires a new trial.

"When relying on comparable licenses to prove a reasonable royalty, we require a party to account for differences in the technologies and economic

circumstances of the contracting parties." *Apple Inc. v. Wi-LAN Inc.*, 25 F.4th 960, 971 (Fed. Cir. 2022) (cleaned up). This accounting, although not overly rigid and involving approximation, requires apportioning to just the value of patent(s) in the hypothetical negotiation. *Omega Pats., LLC v. CalAmp Corp.*, 13 F.4th 1361, 1380–81 (Fed. Cir. 2021). This apportionment must be tied to the facts of each case. *Id.* at 1379–80.

The licenses here have a broad scope. Each license is to "all patents and patent applications (along with patents issuing thereon) . . . that are now, or ever come to be, assigned to, owned by, or controlled by EcoFactor." J.A. 10390; J.A. 10401; J.A. 10412. Because each license reflects a settlement, they also list the patents asserted in each underlying litigation. The Schneider and Daikin licenses list seven asserted patents, including the '327 patent. J.A. 10398, 10409. The Johnson license lists four asserted patents; *none* are the '327 patent. J.A. 10411.

When calculating the '327 patent's value, Mr. Kennedy relied on EcoFactor's technical expert, Mr. de la Iglesia, who compared the asserted patents in each license to the '327 patent and concluded that the asserted patents and the '327 patent were technologically comparable. J.A. 5578–82 (442:14–446:10). But EcoFactor's technical expert didn't discuss the remaining patents in each license—the non-asserted patents in EcoFactor's portfolio.[5] Rather,

5. Although we don't know the exact size of EcoFactor's portfolio, at least one document suggests that EcoFactor's portfolio is over three times larger than the seven asserted patents in the Schneider and Daikin licenses.

Mr. Kennedy explained that since, "in the real world," "the rest of the patents are thrown in usually either for nothing or very little additional value," the presence of these non-asserted patents would place "downward pressure on the royalty rate" in a hypothetical negotiation over the '327 patent. J.A. 5767–68 (631:22–632:2); *see also* J.A. 5771–72 (635:19–636:3).

Mr. Kennedy's opinion is "untethered to the facts of this case." *Apple*, 25 F.4th at 973. His generic testimony about "the real world," general industry practice, and "downward pressure" does not account for the impact of EcoFactor's specific non-asserted patents, and we don't know whether any non-asserted patent in EcoFactor's portfolio covers the same technological areas as the asserted patents. Mr. Kennedy did not ask the necessary question under our law—what effect the *specific* non-asserted patents in EcoFactor's portfolio would have on the hypothetical negotiation.[6] Even worse, other evidence in the record indicates that the specific non-asserted patents were not considered *at all*. Mr. Habib testified that the remaining patents in EcoFactor's portfolio had no effect on the rate used in these licenses because the $X rate was EcoFactor's baseline policy. J.A. 5671 (535:12–24).

6. It would not be difficult for EcoFactor to offer an answer. For example, Mr. de la Iglesia could have determined that the non-asserted patents in the Schneider, Daikin, and Johnson licenses have no technological overlap with the '327 patent and concluded that the non-asserted patents added only nominal value to the license

In the end, Mr. Kennedy's circumstance-agnostic analysis is insufficient under our law. *Apple*, 25 F.4th at 973 (vacating a verdict where the same expert as in this case, Mr. Kennedy, testified that excluding the non-asserted patents in a portfolio license would reduce the royalty rate by 25 percent as a matter of industry practice); *Omega Pats.*, 13 F.4th at 1379 (vacating a verdict where the proposed $5.00 royalty rate was the same for any number of patents); *MLC Intell. Prop.*, 10 F.4th at 1375 (vacating a verdict where no evidence or explanation supported using the royalty rate in a forty-one-patent license for a single patent).

The majority, in excusing Mr. Kennedy's failure to properly apportion, ignores our law's requirements. It merely states that Mr. Kennedy "acknowledged that the three licenses also covered patents not in EcoFactor's portfolio." Maj. 16. But the majority ignores the key failure—Mr. Kennedy failed to account for the impact of the *specific* remaining patents in EcoFactor's portfolio, other than by referencing a generic "downward pressure." Neither Mr. Kennedy nor Mr. de la Iglesia tied this "downward pressure" to the specific non-asserted patents, and Mr. Habib affirmatively testified that EcoFactor's practice was to use the same $X rate *regardless* of the number of patents. In these circumstances, I "fail to see how this patent/claim-independent approach accounts for apportionment." *Omega Pats.*, 13 F.4th at 1379.

The majority also relies on *ActiveVideo Networks, Inc. v. Verizon Communications, Inc.*, 694 F.3d 1312 (Fed. Cir. 2012), for its conclusion. But in *ActiveVideo*, we concluded

that "disagreements . . . with the conclusions reached by ActiveVideo's experts and the factual assumptions and considerations underlying those conclusions" were "factual issues best addressed by cross examination and not exclusion." *Id.* at 1333. Our conclusion presupposed that "the methodology is sound" and that "the evidence relied upon [is] sufficiently related to the case at hand." *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 852 (Fed. Cir. 2010), *aff'd*, 564 U.S. 91, 131 S. Ct. 2238, 180 L. Ed. 2d 131 (2011). As I explained above, that's far from the case here. And to the extent the majority relies on one party's characterization in *ActiveVideo* of the expert's opinion as failing to "disaggregate the value of the patent license from the value of the services," Maj. 18, we did not adopt that characterization of the expert's opinion, *see ActiveVideo*, 694 F.3d at 1333. Additionally, any suggestion that disaggregating the value of the patented technology from the overall value of a license is not required is flatly inconsistent with our law and 140 years of Supreme Court precedent. *See VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1326 (Fed. Cir. 2014) ("[A] patentee 'must in every case give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features.'" (quoting *Garretson v. Clark*, 111 U.S. 120, 121, 4 S. Ct. 291, 28 L. Ed. 371, 1884 Dec. Comm'r Pat. 206 (1884))).

To establish a purportedly independent basis for Mr. Kennedy's conclusion, the majority asserts that he demonstrated the reasonableness of his $X rate by analyzing Google's profits. Maj. 17. Mr. Kennedy determined what profits on Google's accused Nest

thermostats came from features that he maintained were attributable to the '327 patent. He then split the profits between Google and EcoFactor, using the $X rate as a reasonable basis. *See* J.A. 5778 (642:13-17). His methodology isn't reasonable. Rather than offering a cross-check, Mr. Kennedy's circular profit analysis begins and ends with the same "fundamentally flawed premise"—the $X rate. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1317 (Fed. Cir. 2011).

Ultimately, the majority's real concern is that, "[i]f the standard for admissibility is raised too high, then the trial judge no longer acts as the gatekeeper but assumes the role of the jury." Maj. 19. But we must pay close attention to the reliability of the methodology underlying expert testimony to ensure that the jury can fulfill its proper role as the factfinder. *See Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 142, 118 S. Ct. 512, 139 L. Ed. 2d 508 (1997) (emphasizing the district court's "gatekeeper" role in "screening" expert testimony). As the Supreme Court has recognized, "the expert's testimony often will rest upon an experience confessedly foreign in kind to the jury's own." *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 149, 119 S. Ct. 1167, 143 L. Ed. 2d 238 (1999) (cleaned up). Thus, an "effort to assure that the specialized testimony is reliable and relevant can help the jury evaluate that foreign experience." *Id.* Our damages law ensures that an expert asks the right *questions*. Many admissible *answers* to these questions are possible, and it is those answers that are subject to the crucible of cross-examination. Mr. Kennedy failed to ask the right questions at multiple junctures. The majority's decision to overlook the prejudicial impact of his unreliable

testimony abdicates its responsibility as a gatekeeper and contradicts our precedent.

III

Mr. Kennedy's analysis is unreliable. His $X rate has no basis in the record, and his $X rate does not reflect the '327 patent's value alone but instead includes the value of other patents. Mr. Kennedy's testimony did not meet the baseline standards of admissibility, and therefore the district court abused its discretion by not granting a new trial on damages. The majority's conclusion otherwise departs from our law. I respectfully dissent.

APPENDIX D — FINAL JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF TEXAS, WACO DIVISION, FILED MAY 26, 2022

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

Case No. 6:20-cv-00075-ADA

ECOFACTOR, INC.

Plaintiff,

v.

GOOGLE LLC,

Defendant.

Filed May 26, 2022

FINAL JUDGMENT

In accordance with the jury verdict and pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, it is hereby ORDERED and ADJUDGED that:

1. Claim 5 of U.S. Patent No. 8,738,327 ("the '327 patent") is infringed by Google;

2. Claim 5 of the '327 patent is not willfully infringed by Google;

3. Claims 2 and 12 of U.S. Patent No. 10,534,382 ("the '382 patent") are not infringed by Google;

4. Claim 5 of the '327 patent and claims 2 and 12 of the '382 patent are not invalid;

5. Claims 1, 2, 5, and 8 of U.S. Patent No. 8,412,488 are invalid for indefiniteness under 35 U.S.C. § 112;

6. Judgment is hereby entered in favor of EcoFactor and against Google in the lump sum of $20,019,300.00;

7. EcoFactor is further awarded prejudgment interest at the one-year Treasury Bill constant maturity rate, compounded annually, in the amount of $127,971;

8. EcoFactor is awarded post-judgment interest pursuant to 28 U.S.C. § 1961; and

9. EcoFactor shall be entitled to recover costs of court.

10. This FINAL JUDGMENT starts the time for filing any post-trial motions or appeal.

Signed this 26th day of May, 2022.

/s/ Alan D Albright
ALAN D ALBRIGHT
UNITED STAES DISTRICT JUDGE