

PRISM TECHNOLOGIES, LLC vs. SPRINT SPECTRUM L.P. Appeal No. 2016-1456, 1457 (Fed. Cir. March 6, 2017). Before Taranto, Linn and Chen. Appealed from D. Neb. (Judge Strom)

Background:

Prism sued Sprint and AT&T in 2012 for infringing two patents related to managing access to protected information provided over certain networks that the parties agreed were "untrusted" networks. Prism and AT&T settled after two and a half years of litigation on the last day of trial and just before closing arguments. Sprint asked the District Court to refuse to admit the AT&T settlement agreement into evidence in its case arguing that it was not relevant and that its admission would be prejudicial. The District Court denied the motion and the settlement agreement was ultimately admitted. The jury found that Sprint infringed the Prism patents and awarded Prism \$30 million in damages. Sprint then moved for judgment as a matter of law (JMOL) and a new trial. The District Court denied the motions. Sprint appealed. Sprint argued that the District Court abused its discretion in admitting the AT&T settlement agreement as evidence of a reasonable royalty for the asserted patents under FRE 403. According to Sprint, the settlement agreement was not relevant and was more prejudicial than it was probative.

Issue/Holding:

Did the District Court abuse its discretion in admitting the AT&T settlement agreement as evidence of a reasonable royalty for the asserted patents under FRE 403? No, affirmed.

Discussion:

The Federal Circuit found that the District Court did not abuse its discretion in admitting the AT&T settlement agreement for several reasons. First the agreement covered the same patented technology at issue and, thus, was a reliable estimate of the technology's value to Prism and other potential infringers. Further, the settlement agreement was the culmination of a fully developed record and case since discovery was complete and it came on the last day of the trial. This increased the likelihood that the settlement reflected the value of the patent technology rather than a desire to avoid a potential unfavorable judgment. Finally, the settlement was reached after a large share of the litigation costs had already been expended again reducing the role of litigation cost-avoidance in the decision to settle. These factors tended to show that the settlement reflected the true value of the asserted patents rather than any particular litigation or cost tactics and concerns.

The court also noted that Sprint itself sought admission of settlement agreements between Prism and other accused infringers in the district court, contradicting its arguments on appeal that such agreements are not reliable.