

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

HARRIS BRUMFIELD, TRUSTEE FOR)	
ASCENT TRUST,)	
)	
<i>Plaintiff,</i>)	No. 10 C 715
)	
v.)	Judge Virginia M. Kendall
)	
IB LLC, <i>et al</i> ,)	
)	
<i>Defendants.</i>)	

MEMORANDUM OPINION AND ORDER

Following a month-long jury trial in this patent infringement action, the jury returned a verdict in Trading Technologies’ (“TT”) ¹ favor, finding that IB’s BookTrader product infringed TT’s ‘304 and ‘132 patents. (Dkt. 2134). The jury awarded TT \$6,610,985 in damages. (*Id.*). Before the Court is TT’s motion for a new trial on damages and for post-trial damages discovery. Fed. R. Civ. P. 50(b); Fed. R. Civ. P. 59(a)(1)(A); Fed. R. Civ. P. 60(b)(3). For the following reasons, TT’s motion (Dkt. 2138) is denied.

BACKGROUND

I. Discussion of Hot Key Framework at Trial

During discovery and trial, IB maintained that it accurately tracked the amount of customer trades executed through BookTrader since 2006, which represented only 3–5% of the total trades made through Trader WorkStation (“TWS”). (Trial Transcript at 370, 2134, 2493, 3239–40, 4116–17) (Dkt. 2138 at Ex. 3). IB claimed to track orders based on the tool used to submit a given order

¹ Since the completion of trial and the filing of this motion, TT transferred its interest in the patents-in-suit to Harris Brumfield. (Dkt. 2188). The Court accordingly granted TT’s motion to substitute Mr. Brumfield as the Plaintiff in this action. (Dkt. 2216). For purposes of consistency and to avoid confusion, however, the Court continues to refer to TT the Plaintiff.

to the exchange. Specifically, every tool within TWS, including BookTrader has a unique “order originator” tag such that orders can be tracked based on each tool. (*Id.* at 1500, 2197, 2495). Multiple IB witnesses confirmed the accuracy of the order originator tagging process and the transactions data derived from it. (*Id.* at 2199, 2498–99). IB’s damages expert, Brett Reed, relied on IB’s transaction data to derive a reasonable royalty calculation, which the jury ultimately adopted. (Trial Transcript at 3330, 3375) (Dkt. 2134).

At trial, one of IB’s witnesses, Dennis Stetsenko, explained that order originator tagging is part of a larger “hot key framework.” (*Id.* at 2494–95) (“the actual tagging part” of the framework was the “order originator”) (*see also id.* at 2558) (the “[h]ot key framework is a pathway on how the order originator gets assigned.”). Stetsenko testified that the hot key framework was a means to “connect user action, mouse or key stroke, with a tool” such that it allows IB to “track orders placed from a specific tool.” (*Id.* at 2494). TT claims this is the first time IB disclosed the hot key framework and its relation to order tagging.

II. Failure to Produce Hot Key Framework

In August 2019, TT issued the following discovery request to IB:

[D]ocuments sufficient to show how each category of information stored [customers, users, unique login identifiers, transaction data, audit data, logging data, or daily stat reports] is generated (including identify any source code files present in Trader WorkStation, WebTrader, BookTrader, and any related white-branded or white-labeled interfaces, or other programming regardless of where such files are present, responsible for logging, tracking, or generating the data)[.]

(Dkt. 2138 at Ex. 12). TT claims the hot key framework source code was responsive to this request, but that IB withheld it nonetheless.

IB maintains it produced the hot key framework source code in February 2020, well before trial. (Dkt. 2162 at Ex. A–B). In a post-trial declaration, Stetsenko explains “there is a specific code for BookTrader that assigns originators for BookTrader” called the “BookTrader Hot Key

Code” and a “generic Hot Key Code,” both of which can be found among the source code IB produced to TT. (*Id.* at Ex. Q, ¶¶ 6–8). In addition, IB retained a source code expert, Dr. Benjamin Goldberg, who examined the produced source code and opined that IB did in fact produce the generic and BookTrader-specific hot key code. (*Id.* at Ex. R, ¶¶ 13–21). Both Stetsenko and Dr. Goldberg reference numerous filenames produced with the name “hotkey” in them in support of their testimony. (*Id.*); (*id.* at Ex. Q, ¶¶ 6–8). Dr. Goldberg further opined that the produced code “includes code relating to ‘originator’ field associations to indicate an order was placed using BookTrader” and that it is programmed to track such orders accurately. (*Id.* at Ex. R, ¶¶ 13, 22–26).

TT submits a competing declaration from Michael Fenn who maintains that notwithstanding the appearance of the term “hotkey” in the produced source code, what IB produced is not a true hot key code showing “the prevailing logic by which TWS assigns originator tags to orders placed using trading tools in TWS.” (Dkt. 2220 at Ex. B, ¶¶ 6, 12). Fenn admits TT was aware of the term “hotkey” prior to trial, but that it “had a singular meaning” as “refer[ring] to the user-definable mapping of actions (such as to buy or sell) on to keystrokes or mouse clicks....” (*Id.* at ¶ 10). According to TT, however, the hot key framework as a “tagging mechanism that TWS uses ... to correlate orders submitted within certain TWS tools” was not disclosed until Stetsenko’s trial testimony. (*Id.* at ¶ 8).

III. Tracking Orders via Origination Tool versus Order Entry Tool

As part of his discussion at trial of IB’s order tracking mechanisms, Stetsenko testified:

Q: Sir, you talked about IB having a mechanism to track commission—
commissions attributable to Order Entry tools, right?

A: Attributable to trading tools, not Order Entry tools.

Q: To what?

A: To trading tools.

Q: Oh, it tracks more than just Order Entry tools. It's just trading tools in general, right?

A: So it tracks orders placed from trading tools.

Q: Okay. But could a trading tool be something that doesn't allow you to enter orders?

A: Yeah.

(Trial Transcript at 2551–52). In a post-trial declaration from Harris Brumfield, TT proposes a distinction between a “trading tool,” which is a “tool related to trading” that may “consist of order entry tools and non-order entry trading tools” and an “order entry tool,” which is a “tool that users interface with to submit orders.” (Dkt. 2146 at Ex. 24, ¶ 4). TT and Brumfield claim Stetsenko’s trial testimony revealed for the first time that “IB is tracking orders/trades by trading tools, and not by order entry tools” and that the hot key framework “is the component of TWS that is responsible for tracking orders/trades by trading tools in TWS.” (*Id.* at ¶¶ 6, 12). Brumfield testifies that “tracking orders/trades by trading tools wiped out a large percentage of BookTrader’s trades, and gave credit for those trades to other trading tools.” (*Id.* ¶ 14). Consequently, TT claims the transactions data IB relied on for its damages calculation is severely flawed. In an effort to verify its theory, Brumfield conducted a post-trial investigation of stat reports previously produced by IB and admitted into evidence at trial, which revealed that of the 38 order entry tools identified by IB, five tools were actually non-order entry tools that nonetheless received credit for orders. (*Id.* at ¶ 7) (Dkt. 2229 at ¶ 9).

In his post-trial declaration, Stetsenko maintains “Brumfield is wrong—all of the tools he says are “non-order entry” tools are used by users to place orders. (Dkt. 2162 at Ex. Q, ¶ 22). He goes on to explain:

The order entry tools in TWS can largely be categorized in two categories: (a) those that are self-contained (i.e. they have their own order entry mechanism); and (b) those that are intended for order placement but do not have their own graphical order entry mechanism and thus use another IB tool for that purpose (e.g., Mosaic Market Dept (aka “Agg Book”)). For the first category, the mechanism of order

entry is straightforward; a user simply clicks to place an order or uses the keyboard to input an order from that tool. BookTrader belongs to this first category. For the second category, because the tools are intended for order placement but do not have their own graphical order entry mechanism, IB purposely uses another tool, such as the tool Order Entry, for the graphical display that the user can interact with to place an order or the user can use the keyboard to input an order. For both categories, when an order is placed using the keyboard, the order is correctly tagged with the originator tag of the tool it originated from, not any other tool. Similarly, if the order is placed using the graphical interface, the order is correctly tagged with the originator tag of the tool it originated from.

(*Id.*) According to Stetsenko, the hot key source code does not contain “a secrete tagging mechanism that is changing or hiding the true extent of BookTrader use” as TT claims. (*Id.* at ¶¶ 9, 22).

Brumfield maintains Stetsenko’s explanation confirms that “[f]or IB, ‘originating’ an order and ‘submitting’ an order are distinct acts” because “[t]he tools in Mr. Stetsenko’s second category (b) are getting credit for ‘originating’ orders despite users not being able to use them to ‘submit’ orders to the exchange.” (Dkt. 2229 at ¶ 10). He concludes, in a slight alteration of his original proposition, that “[t]herefore, IB tracks orders and trades by what tools the orders originate from, not by what tools the orders are submitted from.” (*Id.*)

IV. TT’s New Trial Motion

On October 5, 2021, TT filed the present motion for a new trial and post-trial discovery premised on IB’s failure to disclose the hot key framework and its presentation of false trial testimony regarding the way it tracks orders and the accuracy of such orders. (Dkt. 2138). ²

² In its opening brief, TT moved for a new trial on willfulness but failed to advance any argument or support for a new trial on that issue. (*See* Dkt. 2138). In its reply brief, TT revised its request to a default judgment of willfulness, but again advances no argument or support for such relief. (*See* Dkt. 2228). Accordingly, the Court declines to consider TT’s request for default judgment of willfulness. *See e.g., Kelso v. Bayer Corp.*, 398 F.3d 640, 643 (7th Cir. 2005) (argument waived where party “failed to cite any legal support or develop any legal argument in support of his position.”).

LEGAL STANDARD

TT moves for relief under Federal Rules of Evidence 50, 59, and 60. Judgment as a matter of law, and new trial, is appropriate under Rule 50 if no “reasonable jury would have ‘a legally sufficient evidentiary basis to find for the party on that issue.’” *Empress Casino Joliet Corp. v. Balmoral Racing Club, Inc.*, 831 F.3d 815, 822 (7th Cir. 2016) (quoting Fed. R. Civ. P. 50). Rule 59 permits the Court to order a new trial “after a jury trial, for any reason for which a new trial has heretofore been granted in an action at law in federal court.” Fed. R. Civ. P. 59(a)(1)(A). “A new trial is appropriate if the jury's verdict is against the manifest weight of the evidence or if the trial was in some way unfair to the moving party.” *Venson v. Altamirano*, 749 F.3d 641, 656 (7th Cir. 2014). Under Rule 60(b)(3) “a court may set aside a judgment if a party engaged in fraud, misrepresentation, or misconduct by an opposing party.” *Wickens v. Shell Oil Co.*, 620 F.3d 747, 758 (7th Cir. 2010) (internal quotations and parentheticals omitted). Relief under Rule 60(b)(3) is “an extraordinary remedy granted only in exceptional circumstances.” *Fields v. City of Chicago*, 981 F.3d 534, 558 (7th Cir. 2020) (citation omitted). Fraud, misrepresentation, or misconduct are the proper bases of a new trial under either Fed. R. Civ. P. 59 or 60. *Brandt v. Vulcan, Inc.*, 30 F.3d 752, 758 (7th Cir. 1994). Thus, for purposes of the present motion, there is no substantive difference between the standard for new trial under Rule 59 or 60. *See e.g., White v. Anthology, Inc.*, No. 08 C 1371, 2009 WL 4215096, at *2 (N.D. Ill. Nov. 16, 2009).

DISCUSSION

I. Hot Key Code and Order Tracking

TT maintains it is entitled to a new trial because (1) IB failed to disclose the hot key framework source code until Stetsenko’s trial testimony and (2) IB and its witnesses falsely testified at trial that IB accurately tracks orders by order entry tool, when that is not the case. Under

Rule 60(b)(3), the moving party “must demonstrate by clear and convincing evidence that: (1) the party maintained a meritorious claim at trial; and (2) because of the fraud, misrepresentation or misconduct of the adverse party; (3) the party was prevented from fully and fairly presenting its case at trial.” *Fields*, 981 F.3d at 558 (internal quotations and citation omitted). “In considering these requirements, a court must weigh the competing policy interests of the finality of judgment against fundamental fairness in light of all of the facts.” *Lonsdorf v. Seefeldt*, 47 F.3d 893, 897 (7th Cir. 1995). There is no dispute that TT prevailed at trial; the parties only dispute whether IB engaged in misconduct that prejudiced TT at trial.

A. Failure to Produce Hot Key Source Code

“[T]he failure to disclose information within the scope of proper discovery requests can, in certain circumstances, constitute grounds for a new trial” under Rule 60(b)(3). *Brandt*, 30 F.3d at 758. “In order to obtain this dramatic relief, the movant must demonstrate both that misconduct occurred and that it prejudiced him.” *Id.*

Here, the evidence indicates TT knew about the hot key framework prior to trial. In his post-trial declaration, Fenn admits that prior to trial, TT knew of and understood “the term ‘hotkey’ ... to refer to the user-definable mapping of actions (such as to buy or sell) onto keystrokes or mouse clicks....” (Dkt. 2220 at ¶ 10) (citing IB’s produced source code and user documentation). While TT claims this meaning is categorically different from the hot key framework Stetsenko disclosed at trial, Stetsenko’s discussion of the hot key framework at trial is entirely consistent with TT’s understanding of hot keys prior to trial. Stetsenko explained that the hot key framework is a means to “connect user action, mouse or key stroke, with a tool” such that it allows IB to “track orders placed from a specific tool.” (Trial Transcript at 2494). Thus, as TT already understood, the hot key framework is a means of connecting user actions to a mouse or key stroke. While TT

claims it did not understand the relation hotkeys had to order originator tagging until trial, it fails to present clear and convincing evidence that this information gap was the result of IB's misconduct, rather than its own failure to ask adequate questions during discovery. TT knew IB implemented a system to connect user actions, such as entering an order, to mouse or key strokes. Yet, there is no indication TT ever asked *why* this hotkey system was implemented or whether it had any connection to order origination. If it had, perhaps TT would have understood, as Stetsenko testified at trial, that the hot key framework allowed IB to "track orders placed from a specific tool." (*Id.*)

According to TT, disclosure of the hot key source code prior to trial would have revealed that IB does not track orders by order entry tool, as IB had otherwise maintained. To verify this theory, Brumfield "spent hundreds of hours analyzing IB's entire platform and its numerous tools to map out tools that do not have order entry mechanisms, but for which IB attributes orders/trades." (Dkt. 2228 at 4–5). According to Brumfield, this post-trial investigation revealed that of the 38 order entry tools identified by IB, five tools were actually non-order entry tools that received credit for orders. (Dkt. 2146 at Ex. 24, ¶ 7) (Dkt. 2229 at ¶ 9). It is unclear, however, why this investigation could not have been performed earlier. All of the materials Brumfield relied on were produced prior to trial and admitted into evidence at trial. (Dkt. 2146 at Ex. 24, ¶¶ 7–8) (Dkt. 2229 at ¶¶ 8–9). Thus, notwithstanding the hot key code, TT had means prior to trial to discover that IB may not in fact track orders by order entry tool and it could have cross-examined IB's witnesses about this at trial. For example, Brumfield observes that although an IB witness testified at trial that Accumulate/Distribute is IB's "best" and "most advanced tool," "when we checked the admitted stat reports, Accumulate/Distribute was only responsible for .08% of IB's trades from June 2008–April 2019." (Dkt. 2229 at ¶ 12). He then concludes, "This enormous discrepancy with

Accumulate/Distribute and its trades demonstrates the lack of correlation between tracking orders and trades by what tools the orders are submitted from and what tools the orders originate from.” (*Id.*) TT, however, knew of Accumulate/Distribute prior to trial and it also had access to the referenced stat reports prior to trial. (*See* Trial Transcript at 1982) (referencing Petterfy’s deposition testimony that “Accumulate Distribute is [IB’s] most important tool.”). Nothing prevented Brumfield from comparing IB’s assertion that Accumulate/Distribute is its most valuable tool with the stat reports prior to trial and reaching the same conclusion he reaches post-trial.

Similarly, TT points to an excerpt of source code from Blotter, a tool within TWS, and maintains that it shows “that originators used by IB’s order entry tools ... are being overwritten by IB’s unproduced code and reflect that IB’s data is inaccurate[.]” (Dkt. 2138 at 9); (Dkt. 2140 at Ex. 15, ¶ 11). TT further cites an email regarding ChartTrader, another tool on a separate platform (IBKR Mobile), claiming it also supports discrepancies in the way IB tracks its orders. The Blotter code and ChartTrader email, however, were produced by IB prior to trial and it is not clear how IB’s alleged failure to disclose the hot key framework prior to trial prevented TT from analyzing the code or email to determine potential discrepancies in IB’s transactions data. Surely, TT cannot claim it had no reason to question IB’s assertion that it accurately tracks orders by order entry tool, because TT vehemently challenged the accuracy of IB’s transaction data at trial. (Trial Transcript at 4001–06). Once again, TT fails to demonstrate by clear and convincing evidence that IB’s failure to produce the hot key code, as opposed to its own failure to ferret out information during discovery, prevented it from fully and fairly litigating its case.

Ultimately, however, TT failed to present clear and convincing evidence that IB failed to produce the hot key source code during discovery. IB presents declarations from Stetsenko, an IB

programmer and software developer who worked on TWS, and Dr. Goldberg, a source code expert. (Dkt. 2162 at Exs. Q–R). Both individuals reviewed the source code provided by IB to TT and testified that it contains the generic and BookTrader-specific hot key code. (*Id.* at Ex. Q, ¶¶ 6–8); (*Id.* at Ex. R, ¶¶ 13–21). This position receives support from the numerous filenames produced to TT with the term “hotkey” in the description. (*Id.*) TT presents rebuttal testimony from its own source code expert, Fenn, who opines that notwithstanding the appearance of the term “hotkey” in the produced source code, “IB has not produced the source code framework that reflects how the TWS source code actually tags (assigns) a given trade to a TWS tool based on an action taken in a different tool.” (Dkt. 2220 at Ex. B ¶ 12). In Dr. Goldberg’s expert opinion, however, the produced code “includes code relating to ‘originator’ field associations to indicate an order was placed using BookTrader” such that TT could “determine that the originator tags for BookTrader are associated with Hot Key functionality[.]” (Dkt. 2162 at Ex. R, ¶¶ 13, 19, 22–26). Fenn attempts to point out multiple technical flaws in Dr. Goldberg’s analysis, (Dkt. 2220 at Ex. B ¶¶ 15–21), but fails to provide any explanation or analysis of his own for why he believes the produced source code does not contain a true hot key framework. Thus, even if the Court were to discount Dr. Goldberg’s testimony, it has no factual basis to credit Fenn’s opinion. At best, there is conflicting expert testimony regarding whether IB produced the hot key source code, which is insufficient to satisfy the clear and convincing evidence standard for a new trial. TT’s new trial motion premised on IB’s discovery misconduct is denied.

B. False Testimony Regarding Order Tracking

TT maintains it is also entitled to a new trial because IB’s witnesses falsely testified at trial that IB accurately tracks BookTrader orders based on what tool is used to submit the order, when in fact, IB tracks orders based on origination tool. In support of its position, TT cites (1)

Stetsenko's trial testimony; (2) Brumfield's investigation revealing IB credits orders to non-order entry tools; (3) an email regarding ChartTrader and Blotter source code; and (4) other documents uncovered post-trial.

Beginning with Stetsenko's trial testimony, Stetsenko testified:

Q: Sir, you talked about IB having a mechanism to track commission—commissions attributable to Order Entry tools, right?

A: Attributable to trading tools, not Order Entry tools.

Q: To what?

A: To trading tools.

Q: Oh, it tracks more than just Order Entry tools. It's just trading tools in general, right?

A: So it tracks orders placed from trading tools.

Q: Okay. But could a trading tool be something that doesn't allow you to enter orders?

A: Yeah.

(Trial Transcript at 2551–52). TT claims this is the first time IB disclosed that it does not track orders by order entry tool. In his post-trial declaration, however, Stetsenko explains: “I was making a distinction in my testimony between trading tool and the particular tool in TWS called ‘Order Entry’ which is a trading tool for placing orders.” (Dkt. 2162 at Ex. Q, fn. 3). TT provides no reason to discredit this explanation and the transcript, which both parties had an opportunity to review and correct, also capitalizes “Order Entry”, presumably referring to the specific tool, rather than order entry tools in general.

Next, Brumfield's post-trial investigation of IB's stat reports apparently revealed that of the 38 order entry tools identified by IB, five tools were actually non-order entry tools that nonetheless received credit for orders. (Dkt. 2146 at Ex. 24, ¶ 7) (Dkt. 2229 at ¶ 9). In his post-trial declaration, however, Stetsenko maintains “Brumfield is wrong—all of the tools he says are “non-order entry” tools are used by users to place orders. (Dkt. 2162 at Ex. Q, ¶ 22). Stetsenko explains that there are two types of order entry tools in TWS: “(a) those that are self-contained (i.e.

they have their own order entry mechanism); and (b) those that are intended for order placement but do not have their own graphical order entry mechanism and thus use another IB tool for that purpose[.]” (*Id.*) For both categories, “the order is correctly tagged with the originator tag of the tool it originated from, not any other tool.” (*Id.*) TT accepts Stetsenko’s explanation, but argues that it proves that IB tracks orders by origination tool rather than order entry tool. TT seemingly ignores, however, that BookTrader is in the first category of tools, meaning that for orders placed through BookTrader the origination tool and order entry tool are the same. (*See id.*) Brumfield acknowledges this fact in his declaration: “A tool can both originate and submit an order, which is the case for tools in category one.” (Dkt. 2229 at ¶ 10). Thus, even if TT is correct that tracking by origination tool skews IB’s transaction data, any distinction between origination and order entry tools does not impact BookTrader trades and consequently, cannot establish by clear and convincing evidence that IB presented false trial testimony regarding the way it tracks such trades.

Similarly, the ChartTrader email and Blotter code are irrelevant to the manner in which IB tracks BookTrader trades. ChartTrader and Blotter are separate tools from BookTrader and ChartTrader is on an entirely separate platform, IBKR Mobile. (Dkt. 2162 at Ex. Q, ¶¶ 11–12). Further, unlike BookTrader, ChartTrader and Blotter operate akin to the second category of tools described by Stetsenko in which orders are or can be routed through a separate order entry tool. (*Id.* at fn. 5) (orders placed through IBKR Mobile are routed through the separate tool OrderEntry); (*id.* at ¶ 12) (Blotter allows orders to be submitted through the separate tool OrderTicket) (*see also* Dkt. 2162 at 8). Any discrepancies in order tracking suggested by this evidence cannot establish by clear and convincing evidence that IB presented false testimony regarding BookTrader order tracking at trial. Moreover, as the Court has already explained herein, nothing prevented Brumfield from performing his investigation or TT analyzing the ChartTrader email and Blotter

code prior to trial and using them to cross IB's witnesses. Consequently, TT cannot show by clear and convincing evidence that its alleged inability to fully and fairly litigate its case was caused by IB's false testimony, as opposed to the shortcomings in its own trial preparation.

Finally, TT maintains that since trial, it "has uncovered even more evidence in IB's 3 million pages of production documents that further demonstrate the falsity of IB's witnesses' testimony." (Dkt. 2228 at 10). By TT's own admission, it had access to these documents prior to trial and could have crossed IB's witnesses regarding any perceived contradictions at trial. That TT failed to uncover such documents or use them at trial is a result of its own failing, rather than any misconduct by IB. TT fails to present clear and convincing evidence that IB does not track BookTrader orders based on order entry tool, and thus, fails to demonstrate that IB presented false testimony during trial. TT also fails to demonstrate by clear and convincing evidence that IB's misconduct, as opposed to its own actions, prejudiced TT. For these reasons, TT's new trial motion premised on IB's false trial testimony is denied.

II. Reliance on Noncomparable Agreements

TT also moves for judgment as a matter of law that because IB improperly relied on noncomparable settlement agreements the jury's low damages award was not supported by substantial evidence.³ TT maintains that prior to trial, IB's damages expert Brett Reed, opined that only three agreements were comparable to the July 2004 hypothetical negotiation (Patsystems, NinjaTrader; and Strategy Runner), but during trial testified that as many as 35 agreements were comparable to the hypothetical negotiation. (*See* Trial Transcript at 3198, 3208–13). According

³ TT seemingly abandons this argument, as well as its argument regarding foreign damages addressed below, in its reply brief. (*See* Dkt. 2228). Arguments abandoned in a reply brief are generally deemed waived. *See e.g., United States v. Farris*, 532 F.3d 615, 619 (7th Cir. 2008). In an effort to be thorough, however, the Court briefly addresses them nonetheless.

to TT, this “surprise attack was contrary to law, because IB never showed—before trial or during trial—that any agreement but the three mentioned above were comparable.” (Dkt. 2138 at 13).

TT raised this exact issue during trial. (*See* Dkt. 2092). Rejecting TT’s motion to prevent Reed from relying on these alleged noncomparable agreements, the Court observed:

TT argues Reed cannot rely on noncomparable licensing agreements, i.e., those other than the PatSystems, Strategy Runner, and NinjaTrader agreements, to support his reasonable royalty assessment. As a threshold matter, this issue should have been raised in a *Daubert* motion, the deadline for which has long passed. Regardless, Reed does not use the agreements to support his ultimate reasonable royalty assessment. Rather, the agreements are used to show that the \$50 minimum and 10 cent royalty Lawton used in her royalty assessment are flawed. TT also argues that the manner in which Reed seeks to rely on the agreements was not disclosed in his report. Reed's demonstrative slides indicate he will use the agreements to show that other competitors did not agree to pay a \$50 minimum/monthly fee or a 10 cent royalty. These opinions were adequately disclosed in Reed's report. (*See* Dkt. 2099-2 at 194–196).

(Dkt. 2102).

The Court reiterates that Reed disclosed the relevance of the 35 agreements in his expert report, including tabs detailing the particulars of each agreement, well before trial. (Dkt. 2140 Ex. 21 at 194–96). Specifically, Reed used the agreements to provide context for his opinion that the 10 cent running royalty rate and \$50 minimum monthly fee that Lawton used for her royalty rate are flawed. *Id.* This testimony is consistent with Reed’s trial testimony. (*See* Trial Transcript at 3209–11, 3326–27, 3353–54). There was no surprise to TT here—it was on notice of Reed’s view that other agreements were comparable and relevant for purposes of evaluating the competing royalty rates advanced by the parties. ⁴

⁴ It is notable that while the jury seemingly accepted Reed’s view that the \$50 monthly minimum fee should not be included as part of the royalty calculation, the jury rejected his view that a 5 cent royalty rate was appropriate, opting instead to award damages at the 10 cent royalty rate advanced by Lawton. *Compare* (Dkt. 2134) (jury award of \$6,610,985) *with* (Trial Transcript at 3330, 3273) (Reed testifying that at a reasonable royalty rate of 10 cents per user in the United States, based on the amount of IB customers who actually used Book Trader, the damages amount would be \$6,610,985). Thus, the effect of testimony about these other agreements was not as harmful to TT’s position as it advances.

TT takes particular issue with IB's use of the TD Ameritrade agreement at trial. TT moved to prevent Reed from testifying about the TD Ameritrade agreement in a *Daubert* motion. (Dkt. 1666). The Court found the issue was moot given that Reed relied on the agreement to support his conclusions regarding the 2010 hypothetical negotiation, which, at the time of the Court's ruling, was outside the scope of the case. (*See* Dkt. 1987 at 2). During trial, the Court prevented Reed from discussing this agreement in the context of the 2004 hypothetical negotiation, finding Reed had not adequately disclosed the relevance of the TD Ameritrade agreement to the 2004 negotiation. (*See* Trial Transcript at 3312). Notwithstanding this ruling, the Court allowed IB to argue the TD Ameritrade agreement's comparability during closing arguments given testimony from other witnesses at trial about the agreement, including TT's damages expert, Catherine Lawton. (*See id.* at 4015) (*see also id.* at 1116, 1186, 1224–25, 1791–93). Testimony regarding the comparability of the TD Ameritrade agreement, as well as the other licensing agreements, was highly relevant to two of the four *Georgia-Pacific* factors used to determine a reasonable royalty: “[t]he royalties received by the patent owner for the licensing of the patent-in-suit” and “[t]he licensor’s established policy and marketing program to maintain its patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.” *Georgia-Pac. Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970). Although TT disputed the comparability of these agreements, it did not present evidence that the license agreements were “radically different from the hypothetical agreement under consideration” such that they warranted exclusion. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1316 (Fed. Cir. 2011) (internal quotations and citation omitted). TT had the opportunity to, and did in fact, cross IB's witnesses regarding these agreements and further presented *affirmative* evidence regarding their noncomparability. (*See* Trial Transcript at 3353–

58, 3736–39). Contrary to TT’s assertion, IB’s reliance on the agreements was well disclosed and the Court did not err in permitting such testimony at trial.

III. Foreign Damages

Finally, TT moves for judgment as a matter of law that TT may recover for foreign damages proximately caused by IB’s domestic infringement.⁵ TT’s damages expert, Catherine Lawton, opined in her expert report that IB’s foreign conduct of distributing the infringing BookTrader tool to customers outside the United States was the direct, foreseeable result of IB’s domestic acts of infringements, *i.e.* making BookTrader at its headquarters in the United States. (Dkt. 2138 at Ex. 23, ¶ 768). In response to a *Daubert* motion filed by IB, the Court excluded Ms. Lawton’s opinion on this issue:

Generally, even after establishing one or more acts of infringement in the United States, a patentee may not recover damages for worldwide sales of the patented invention on the theory that “those foreign sales were the direct, foreseeable result of [the infringer’s] domestic infringement.” *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, 711 F.3d 1348, 1371 (Fed. Cir. 2013). In *WesternGeco LLC v. ION Geophysical Corp.*, however, the Supreme Court held that a patent owner claiming infringement under 35 U.S.C. § 271(f)(2) may recover lost foreign profits proximately caused by domestic infringement. 138 S. Ct. 2129, 2139 (2018). As this Court has previously observed, however, the holding in *WesternGeco*, “is of limited value” to the present case involving infringement under § 271(a) and reasonable royalty damages. *See Trading Techs. Int’l, Inc. v. IB LLC*, No. 10 C 715, 2020 WL 7408745, at n.2 (N.D. Ill. Dec. 17, 2020). The Supreme Court and Federal Circuit have not yet held that *WesternGeco* overruled *PowerIntegrations* with respect to infringement under § 271(a), and the Court declines to reach that conclusion in the absence of such precedent. Lawton’s inclusion of foreign users in her royalty base premised on a theory of foreseeable foreign consequences of infringement is premised on a misapplication of controlling law. To the extent her ultimate conclusion relies on this theory, it must be excluded.

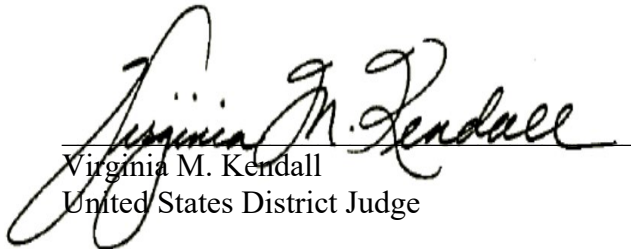
(Dkt. 1984 at 3). TT argues the “Court’s *Daubert* ruling was harmful error because the jury was precluded from hearing Ms. Lawton’s opinion that, under *WesternGeco*, the activities of foreign residents caused foreseeable injury to TT arising from IB’s domestic infringement.” (Dkt. 2138 at

⁵ TT also abandoned this argument in its reply brief. (*See* Dkt. 2228); *see supra* note 3.

14). The legal landscape since this Court's *Daubert* opinion, however, has not changed. While some courts have extended the reasoning in *WesternGeco* to § 271(a) infringement, *see e.g., CelaNova Biosciences Inc.*, No. 1:18-CV-303-LY, 2020 WL 1644003, at *3 (E.D. Tex. April 2, 2020), there is still no federal precedent holding that *WesternGeco* overruled previous Federal Circuit precedent with respect to damages available for § 271(a) infringement. Notably, infringement under § 271(f), unlike infringement under § 271(a), explicitly contemplates limited foreign activities that are actionable in the United States. (*See* 35 U.S.C. § 271(f)). Several courts to consider the issue have agreed that *Power Integrations* and its progeny remain binding precedent even after *WesternGeco*. *See e.g., LC Intell. Prop. v. Micron Tech., Inc.*, No. 14-cv-03657, 2019 WL 2437073, at *3 (N.D. Cal. June 11, 2019) (“[W]hether ... [*WesternGeco*] implicitly overruled [*Power Integrations*] remains to be seen, but at this time controlling law holds that [plaintiff] may not seek damages under § 271(a) based on [defendant]’s wholly foreign sales.”); *Abbott Cardiovascular Sys., Inc. v. Edwards Lifesciences Corp.*, No. CV 19-149 (MN), 2019 WL 2521305, at *18 (D. Del. June 6, 2019); *Kajeet, Inc. v. Qustodio, LLC*, No. SA CV 18-1519-JAK (PLAX), 2019 WL 8060078, at *13 (C.D. Cal. Oct. 22, 2019); *California Inst. of Tech. v. Broadcom Ltd.*, No. CV 16-3714-GW(AGRX), 2019 WL 11828237, at *5 (C.D. Cal. June 17, 2019). For these reasons, the Court’s *Daubert* ruling excluding testimony regarding entirely foreign sales and resultant damages remains sound.

CONCLUSION

For the foregoing reasons, TT’s motion for new trial [2138] is denied.


 Virginia M. Kendall
 United States District Judge

Date: February 22, 2022