

Verizon Can't Hit Pause On ActiveVideo Patent Royalties

By **Django Gold**

Law360, New York (December 12, 2011, 6:11 PM ET) -- A Virginia federal judge on Monday rejected Verizon Communications Inc.'s request to stay royalty payments to ActiveVideo Networks Inc. pending Verizon's appeal of a \$140 million verdict that it infringed on-demand video patents.

U.S. District Judge Raymond A. Jackson denied Verizon's motion for a stay of the court's previous order requiring the company pay sunset royalties to ActiveVideo while Verizon phases out its infringing on-demand video service, saying such a stay would allow Verizon to continue with its acts of infringement without penalty.

"Staying the royalty portion of the injunction would serve no legitimate purpose," Judge Jackson said. "It would merely provide Verizon the freedom to continue to infringe without any recourse to the prevailing plaintiff."

"Verizon has asked this court to circumvent the entire purpose of granting sunset royalty payments as part of an injunction," the judge said.

The royalty payments, ordered last month as a means of compensating ActiveVideo while Verizon pursues a noninfringing alternative to ActiveVideo's patented cable set-top box video on-demand ordering system, require Verizon to pay out a royalty payment of \$2.74 per customer per month over the next six months.

The royalty order came months after the Virginia jury in August found Verizon liable for \$115 million in damages for its infringement of four ActiveVideo patents. Judge Jackson later boosted that figure with \$24 million in supplemental damages and pre- and post-judgment interest.

ActiveVideo first sued Verizon in May 2010, alleging the company's FiOS cable system infringed five of its patents covering interactive TV technology. It later dropped one patent from the suit.

The patented technology allows TV viewers to use their set-top boxes to line up video-on-demand, play games and use small software applications called widgets, according to ActiveVideo's complaint.

Following the ruling for ActiveVideo, the San Jose, Calif.-based company moved for a permanent injunction that would prevent Verizon from further exploitation of its patents, a motion that Judge Jackson granted in November, but then temporarily stayed to allow Verizon time to phase out its infringing cable service.

Announcing its decision to appeal the ruling to the Federal Circuit, Verizon asked for a stay of the royalty payments order that accompanied the injunction, saying the “royalties, potentially in excess of \$66 million, would be irrecoverable from ActiveVideo in the event that the underlying liability determination or the permanent injunction remedy is reversed on appeal.”

But Judge Jackson on Monday rejected Verizon's bid for a stay of the royalties, saying the injunction and the accompanying royalty order could not be separated.

“The court granted the temporary stay of the permanent injunction conditioned on Verizon making royalty payments to ActiveVideo to afford Verizon time to design and implement noninfringing alternatives while protecting ActiveVideo's rights during the sunset period,” Judge Jackson said. “The court did not grant ActiveVideo a money judgment but merely added a condition upon which it granted injunctive relief.”

“It is clear to the court that Verizon is attempting to separate the royalty payments from the permanent injunction as if the royalty payments were not one with the grant of a permanent injunction,” the judge said.

Representatives for the parties were not immediately available for comment Monday.

The patents-in-suit are U.S. Patent Numbers 5,550,578; 6,034,678; 6,100,883; and 6,205,582.

ActiveVideo is represented by Kaufman & Canoles PC and Morgan Lewis & Bockius LLP.

Verizon is represented by Hunton & Williams LLP, Simpson Thacher & Bartlett LLP, Kellogg Huber Hansen Todd Evans & Figel PLLC and Verizon Corporate Resources Group LLC.

The case is ActiveVideo Networks Inc. v. Verizon Communications Inc. et al., case number 2:10-cv-00248, in the U.S. District Court for the Eastern District of Virginia.

--Additional reporting by Abigail Rubenstein, Sindhu Sundhar and Megan Leonhardt. Editing by Lindsay Naylor.