

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Norfolk Division**

ACTIVEVIDEO NETWORKS, INC.,

Plaintiff,

v.

CIVIL ACTION NO. 2:10cv248

**VERIZON COMMUNICATIONS, INC.,
VERIZON SERVICES CORP.,
VERIZON VIRGINIA INC., and
VERIZON SOUTH INC.**

Defendants.

MEMORANDUM ORDER

Before the Court is Defendants', Verizon Communications, Inc., Verizon Services Corp., Verizon Virginia Inc., and Verizon South Inc. (collectively, "Verizon"), Motion to Stay Payment of Sunset Royalties pursuant to Federal Rule of Civil Procedure 62(d). The parties have fully briefed this matter, and it is now ripe for judicial determination. For the reasons stated herein, Defendants' Motion to Stay Payment of Sunset Royalties is **DENIED**.

On May 27, 2010, Plaintiff ActiveVideo Networks, Inc. ("ActiveVideo") filed suit in the United States District Court for the Eastern District of Virginia in which it alleged patent infringement on several of its patents.

Beginning on July 12, 2011, a three-week jury trial was held in the United States District Court for the Eastern District of Virginia on ActiveVideo's claims and Verizon's counterclaims of infringement and invalidity. During the trial, ActiveVideo asserted infringement of four of its patents: United States Patent Nos. 5,550,578 ("the '578 patent"), 6,100,883 ("the '883 patent"),

6,034,678 (“the ‘678 patent”), and 6,205,582 (“the ‘582 patent”). On August 2, 2011, the jury rendered a verdict finding that Verizon had infringed the asserted claims of four of ActiveVideo’s patents: the ‘578 patent, the ‘883 patent, the ‘678 patent, and the ‘582 patent. *See* Verdict Form, Aug. 2, 2011, ECF No. 927. The jury awarded ActiveVideo damages in the amount of \$115,000,000.00. *Id.*

On August 12, 2011, ActiveVideo filed a Motion for Permanent Injunction seeking to prohibit Verizon from using the adjudicated patents. Specifically, ActiveVideo asked the Court to enjoin further use of the ‘578 patent and the ‘582 patent in connection with Verizon’s Video On Demand services offered through its FiOS system.¹ On November 23, 2011, this Court granted ActiveVideo’s Motion for a Permanent Injunction but nevertheless provided Verizon a six-month sunset provision to implement a non-infringing alternative. With the intention of permitting Verizon to continue using ActiveVideo’s technology during the sunset period, the Court ordered Verizon to pay sunset royalties of \$2.74 per FiOS TV subscriber per month on the first day of each month to ActiveVideo.²

Verizon now asks for a stay of the sunset royalties portion of the Court’s November 23, 2011 Order. Citing Rule 62(d), Verizon claims they are entitled to an automatic stay of the royalty payments upon posting a supersedeas bond sufficient to secure the judgment. Under Federal Rule of Civil Procedure 62(d), a party taking an appeal from the district court is entitled to a stay of any money judgment “as a matter of right” upon posting a supersedeas bond sufficient to secure the judgment. *See, e.g., Alexander v. Chesapeake, Potomac, & Tidewater Brooks, Inc.*, 190 F.R.D. 190, 192-93 (E.D. Va. 1999).

¹ Two of the infringed patents are irrelevant to Plaintiff’s motion as both the ‘883 patent and the ‘678 patent have expired.

² The Court permitted Verizon to make the December payment on December 16, 2011.

If the instant motion involved a situation in which injunctive relief was granted in conjunction with an independent monetary award, then precedent would command granting Verizon a stay upon posting a sufficient supersedeas bond. This is not one of those cases. In its brief, Verizon cites by analogy to a few cases where courts have held that money awards must be stayed. *See, e.g., Titan Tire Corp. v. United Steel Workers of Am., Local 890L*, No. 09-4460, 2010 WL 815557, at *1-2 (6th Cir. March 10, 2010) (holding “the applicability of Rule 62(d) turns on whether the judgment involved is monetary or non-monetary”); *Frommert v. Conkright*, 639 F. Supp. 2d 305, 308 (W.D.N.Y. 2009); *see also In re Ellzey*, No. 05-11173, 2009 WL 2848851 (Bankr. E.D. La. July 20, 2009). Yet, by pointing to decisions which involved pure monetary awards coupled with some nonmonetary 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.

Rule 62(d) cannot be used to avoid making royalty payments in circumstances where the Court has not issued a money judgment. “Furthermore, the posting of a supersedeas bond may only stay a monetary judgment pending an appeal, and does not permit a party to stay injunctive relief.” *Solis v. Malkani*, 638 F.3d 269, 275 (4th Cir. 2011) (citations omitted). 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 non-infringing alternatives while protecting ActiveVideo’s rights during the sunset period. The Court did not grant ActiveVideo a money judgment but merely added a condition upon which it granted injunctive relief.

Staying the royalty portion of the injunction would serve no legitimate purpose. 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 Court did so to equitably provide benefits to both parties. Verizon is allowed to temporarily infringe on ActiveVideo's patents while creating a non-infringing alternative. ActiveVideo is compensated for the continued infringement of its patents. If courts were required under Rule 62(d) to stay the payment of sunset royalties, then it is likely that no court would ever grant sunset royalties, because one party inevitably would be deprived of the benefit the royalties provide. The remedy itself becomes defunct. The stay results from the condition that royalty payments are made to ActiveVideo. Rule 62(d) is inapplicable, and a stay of the sunset royalty payments is not warranted.³

Accordingly, Defendants' Motion to Stay Payment of Sunset Royalties is **DENIED**.⁴

The Court **DIRECTS** the Clerk to send a copy of this Order to the parties.

IT IS SO ORDERED.



Raymond A. Jackson
United States District Judge

Norfolk, Virginia
December 12, 2011

³ The Court will not address Verizon's arguments under Rule 62(c) because the Court has previously analyzed these factors in denying a stay of the permanent injunction pending appeal. *See generally* Mem. Op. & Order, Nov. 23, 2011, ECF No. 1209.

⁴ In their reply brief on the instant motion, Verizon has requested an extension of time of the first payment from December 16, 2011 to December 31, 2011. *See* Reply Resp. Mot. Stay Payment Sunset Royalties 6, ECF No. 1221. In light of the fact that Verizon initially suggested payment of royalties as a condition of granting a permanent injunction and because they have had clear notice of the Court's Order regarding the sunset royalties, the Court does not find that an extension of time of the first payment is warranted.