

What's Cooking? (Trends in Patent Litigation)

Roderick R. McKelvie
Covington & Burling LLP

I. Introduction: Making Room for More Cooks in the Patent Law Kitchen.

In the past year we have had a number of cooks at work in the Patent Law Kitchen. The Supreme Court has settled into the Kitchen and is pressing its view that we need to get back to the basics, back to a simpler view of the law that emphasizes traditional common law themes.

Now Congress has donned a chef's hat and it wants changes too. Congress's visit to the Patent Law Kitchen is reminiscent of the restaurant owner in Anthony Bourdain's book, Kitchen Confidential. He has no training or experience as chef, but his family and friends like his meatloaf. He's the owner, so Bourdain served his meatloaf. If the patent reform effort progresses this year, we may be serving more meatloaf.

The Federal Circuit judges are adjusting to the crowd of cooks in the Kitchen (their kitchen). They've gotten the Supreme Court's message and are moving away from the "Pepsi," "Pepsi," "Pepsi" days of the Markey Court. They are hearing cases en banc and are offering up decisions that are like nouvelle cuisine, with a new, fresh look at patent law.

Hold on to this analogy for one more paragraph. The trial judges are like the cooks at home. They are the ones who translate these trends to the serving plates. No doubt they welcome these new approaches by the Supreme Court and the Federal Circuit, though implementing their changes is complicated. And in what is an equally interesting

development, like impatient parents enforcing manners at the dinner table, the trial judges have been coming down hard on lawyer misbehavior.

II. The Supreme Court: Back to the Basics.

The Supreme Court has continued its move to simplify patent law and pull it back to the mainstream of civil litigation. This was the theme in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), where the Court noted that we patent lawyers (and judges) were too tied to rigid rules. The Court found that in determining whether a patent owner is entitled to injunctive relief, we should look to the same basic principles we do in other cases. That is, the justices noted that the decision of whether to grant injunctive relief rests within the equitable discretion of the district courts, that discretion must be exercised consistent with traditional principles of equity and nothing in the Patent Act indicates that Congress intended the courts depart from those principles.

Similarly, in *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007), the Court rejected the unique to patent law “reasonable apprehension of suit” test, finding that the standard to be applied in determining whether a declaratory judgment of patent invalidity presents an “actual controversy” is the same standard applied to other civil cases: whether the facts alleged show there is a substantial controversy between the parties having adverse legal interests of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

In *KSR International Co. v. Teleflex, Inc.*, 127 S. Ct. 1727 (2007), the Court knocked down rigid rules that had grown up in the patent laws, including the Teaching, Motivation, Suggestion Test, and the cliché that whether something is “obvious to try” is not relevant to whether it is obvious. In their place, the Court adopted language that has

the familiar ring of common law tort principles, like predictability (“... a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions.”) and foreseeability (“The proper question to have asked was whether a pedal designer of ordinary skill, facing the wide range of needs created by developments in the field of endeavor would have seen a benefit to upgrading Asano with a sensor.”).

The Court stumbled, however, when it turned to applying these principles to the matters in issue in the case, articulating a standard that invites the courts to treat obviousness as a question of law, to discount objective indicia of obviousness and resolve obviousness by summary judgment. In what may be the most important sentence in the opinion, the Court wrote:

The ultimate judgment of obviousness is a legal determination. *Graham*, 383 U.S. at 17, 6 S. Ct. 684, 15 L. Ed. 545. Where, as here, the content of the prior art, the scope of the patent claim and the level of ordinary skill in the art are not in material dispute, and the obviousness of the claim is apparent in light of these factors, summary judgment is appropriate.

Id. at 1745.

III. Federal Circuit: Nouvelle Cuisine

The Federal Circuit is facing a dual reality. One reality is that the Supreme Court has turned its attention to the patent laws, and by its decisions (and the justices’ comments during oral arguments) is demonstrating that the Federal Circuit has steered the laws off course. The Court has been reversing Federal Circuit’s decisions and guiding the patent laws back into the mainstream. From this perspective, the reality is that the Federal Circuit must bring its decisions back in line with the principles other courts rely on to resolve disputes.

At the same time that the judges of the Federal Circuit are facing this aggressive and skeptical review, the other reality is that they are sitting on a body of case law built up over the past 25 years that will not withstand that review. However, that case law is the reality for the disputes that arrive at the court each day and it is the principles in those precedents that give us a predictable set of rules we can look to in planning our conduct.

In the next few years the Federal Circuit judges will need to manage this transition from the court's precedent that seems to start from the premise that patent law is different, to developing a new body of case law that brings the patent laws back to the mainstream.

The Federal Circuit judges are working their way through this problem in two ways. First, they are continuing the day-to-day work of deciding cases as they come up. In that context, they are no doubt re-reading the court's precedents in issue with an eye towards the Supreme Court's themes, looking to see whether they point away from or towards mainstream common law analysis. Second, they are relying on en banc review to aggressively clear out the thicket of vulnerable precedents.

1. The Affirmative Duty of Care.

For example, *In re Seagate Technology, LLC*, 497 F. 3d 1360 (Fed. Cir. 2007), the Federal Circuit abandoned the affirmative duty of care that can be traced back to an early and misguided precedent of the court, *Underwater Devices, Inc. v. Morrison Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983). The *Underwater Devices* decision set the court off on its own course, establishing a duty of care that was inconsistent with common law tort principles. *Seagate* adopts a traditional standard for liability for willful infringement, recklessness.

With the decisions in *Seagate* and *In re EchoStar Communications Corp.*, 445 F.3d 1294 (Fed. Cir. 2006), we are now headed in the right direction both on the issue of the relevance of an opinion of counsel to a defense of good faith and on the scope of the waiver of the privilege following a party's disclosure of an opinion pursuant to that defense.

The *Seagate* decision could mark the beginning of the end of the willfulness dance, where a party feels forced to obtain an opinion, the plaintiff automatically asserts a claim of willful infringement, the defendant then waives the privilege, produces the opinion, and the parties embrace in a discovery dance on the scope of the waiver. It will take some time before we see whether we can wash this issue out of litigation. The pressure will be on district judges to hear early summary judgment motions, before a defendant is put to the choice of waiving the privilege.

It looks like the Federal Circuit has addressed this precedent that took the patent laws off course, and now there will be no need for the Supreme Court to step in to correct it.

2. Anything Under the Sun Made by Man

In *In re Comisky*, 499 F. 3d 1365 (Fed Cir. 2007), the Federal Circuit recently revisited the subject of business method patents and what it is about them that makes them patentable. The court reviewed the authorities on Section 101, and articulated the following theory of patentability: when the claim is to a mental process standing alone and untied to another category of statutory subject matter, it is unpatentable. When a claim is to a mental process that is embodied in, operates on, transforms, or otherwise

involves another class of statutory subject matter (i.e. a machine, manufacture, or composition of matter), it is patentable.

One gets the sense in reading the panel's opinion that this standard (embodied in, operates on, transforms, or otherwise involves) lines up with the authorities, but it seems to be both an artificial definition of how an invention can be patentable and to lack a certain elegance in suggesting why it should be.

With the February 15th Order in *In re Bilski*, No. 2007-1130, the court will sit en banc and revisit the decisions in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F. 3d 1368 (Fed. Cir. 1998), and *AT&T Corp v Excel Communications, Inc.*, 172 F. 3d 1352 (Fed. Cir. 1999), and the standards for determining whether business method or process patents are patent-eligible subject matter under 35 U.S.C. § 101.

Unlike *Seagate*, it does not look like the Federal Circuit will be able to resolve these §101 issues on its own. The Supreme Court will need to address this issue, though *Bilski* may not be the best vehicle.

3. De Novo Appellate Review

One of the more significant issues facing the Federal Circuit is the standard of review from a district court judge's decision on claim construction. We received a pretty good indication of where the court may go on this issue in a footnote in *Tivo, Inc. v. EchoStar Communications Corporation*, 2008 WL 249155, No. 2006-1574 (Fed. Cir. Jan. 31, 2008). Judge Bryson wrote for the panel:

As noted, the district court based its construction of the software claims on its conclusion as to what the critical claim terms would mean to a person of skill in the art. That conclusion in turn was largely based on the court's assessment of extrinsic evidence. Although we have characterized claim construction as a question of law even

when it involves competing presentations of extrinsic evidence, *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed.Cir.1998) (en banc), we recognize that there is substantial force to the proposition that such a conclusion is indistinguishable in any significant respect from a conventional finding of fact, to which we typically accord deference. See *Amgen Inc. v. Hoechst Marion Rousel, Inc.*, 469 F.3d 1039, 1041 (Fed.Cir.2006) (Michel, C.J., dissenting from denial of rehearing en banc); *id.* at 1043 (Newman, J., dissenting from denial of rehearing en banc); *id.* at 1044 (Rader, J., dissenting from denial of rehearing en banc); *id.* at 1045 (Gajarsa, J., concurring in denial of rehearing en banc); *id.* at 1046 (Moore, J., dissenting from denial of rehearing en banc). Applying our governing non-deferential standard of review, we uphold the district court's conclusion in this case. If we were to treat that ruling as a finding of fact, we would uphold the district court's ruling *a fortiori* in light of the more deferential “clear error” standard applicable to factual findings.

Id. at *13.

It will be interesting to see how this issue plays out in patent litigation, as this approach will be an invitation to trial counsel to offer extrinsic evidence on claim construction and for the trial judges to rely on it. However, recall that in *Phillips v. AWH*, 415 F. 3d 1303 (Fed. Cir. 2005), Judge Bryson wrote for the court:

In sum, extrinsic evidence may be useful to the court, but it is unlikely to result in a reliable interpretation of patent claim scope unless considered in the context of the intrinsic evidence. Nonetheless, because extrinsic evidence can help educate the court regarding the field of the invention and can help the court determine what a person of ordinary skill in the art would understand claim terms to mean, it is permissible for the district court in its sound discretion to admit and use such evidence. In exercising that discretion, and in weighing all the evidence bearing on claim construction, the court should keep in mind the flaws inherent in each type of evidence and assess that evidence accordingly.

Id. at 1319.

IV. District Courts: Home Cooking

Two interesting and quite different developments in patent litigation in the district courts are 1) the Northern District of California's revision of its model jury instructions for patent cases, and 2) a spate of decisions by district judges imposing sanctions on patent lawyers.

1. The Northern District of California's Patent Jury Instructions

The meat and potatoes of patent law are the jury instructions and verdict forms that implement the Supreme Court and Federal Circuit decisions. The decisions in KSR and *Seagate* will require substantial revisions to the instructions we have been using. And the recently revised Northern District model instructions suggest it may not be that easy. I have attached copies of the District's revised model instructions for obviousness and willfulness and a copy of their model verdict form.

i) Willfulness

The Federal Circuit's scrapping of the affirmative duty of care in *Seagate*, means we will pretty much have to start from scratch in drafting a new instruction on willful infringement. The Federal Circuit described the new standard for finding willful infringement as follows:

[T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. See *Safeco*, 127 S. Ct. at 2215 ("It is [a] high risk of harm, objectively assessed, that is the essence of recklessness at common law."). The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either

known or so obvious that it should have been known to the accused infringer.

473 F. 3d at 1371.

You will recall from law school that we speak of tort duties in terms of risk of harm. Negligent conduct creates an unreasonable risk of harm. Reckless or wanton conduct requires more than an unreasonable risk of harm. It requires: 1) the conduct creates a high degree of risk of harm, and 2) the defendant must be conscious of the risk or proceed without concern for the safety of others. Dobbs. The Law of Torts, § 27.

We look at the risk of harm from the perspective of a reasonable man.

An actor's conduct is in reckless disregard of the safety of another if he does an act or intentionally fails to do an act which it is his duty to the other to do, knowing or having reason to know of facts which **would lead a reasonable man to realize not only** that his conduct creates **an unreasonable risk of harm** to another, **but** also that such risk is **substantially greater** than that which is necessary to make his conduct negligent.

57A Am Jur 2d 279 (emphasis added).

In their draft instruction on willfulness, Northern District Committee has restated the duty as follows:

To demonstrate such "reckless disregard," [patent holder] must satisfy a two-part test. The first part of the test is objective. The [patent holder] must persuade you that the [alleged infringer] acted despite an objectively high likelihood that its actions constituted infringement of a valid and enforceable patent. The state of mind of the [alleged infringer] is not relevant to this inquiry. You should focus on **whether a reasonable person** in the position of [alleged infringer], after learning of the patent, **could have reasonably believed** that it did not infringe or reasonably believed the **patent was invalid or unenforceable**. If a reasonable person in the position of [alleged infringer] could not have held such belief, then you need to consider the second part of the test.

The second part of the test does depend on the state of mind of the [alleged infringer]. The [patent holder] must persuade you that [alleged infringer] actually knew, or it was so obvious that [alleged infringer] should have known, that its actions constituted infringement of a valid and enforceable patent.

This jury instruction understates the rule adopted by the court in *Seagate*. That is, it includes within the definition of willful infringement, conduct that a reasonable man would find negligent, but not willful. You can see this by looking at a spectrum of risk, where on the left is conduct that creates a low or reasonable risk of harm (say 0% to 30% risk of harm). Conduct that falls in that range breaches no duty of care. In the middle is conduct that creates and unreasonable risk of harm (say 35% to 85%). That is negligent conduct. To the right is conduct that creates a substantial or high likelihood of harm. That is reckless conduct and, on a showing of intent, can be willful or wanton misconduct.

The Spectrum of Risk

Conduct with a 0% to 30% Risk of Harm		Conduct with 35 % to 85 % Risk of Harm		Conduct with Greater than 90% Risk of Harm
Zone of reasonable risk		Zone of unreasonable risk		zone of substantially greater risk
No Negligence		Negligence		recklessness (with a finding the defendant knew or should have known of the risk)

Turn back to the model instruction. It tells the jury: “You should focus on **whether a reasonable person** in the position of [alleged infringer], after learning of the patent, **could have reasonably believed** that it did not infringe or reasonably believed the **patent was invalid or unenforceable.**” Under this instruction, there would be no liability for conduct a reasonable person reasonably believed would not infringe the patent (30% risk or lower). If the jury found the infringer’s conduct was not reasonable,

(at least 35% to 80%) he would be negligent. But under the instruction, that defendant would meet the threshold standard for recklessness. Consequently, the instruction expands the scope of conduct that will be subject to a finding of willful infringement to include not just reckless conduct but negligent conduct.

ii) Obviousness

The Committee has rewritten its instruction on obviousness to incorporate the matters decided in *KSR*. With this set of instructions the Committee cites *KSR* for the proposition that, while the underlying issues of fact as to obviousness are matters for the jury, the ultimate issue of obviousness is a matter for the court. The Committee has added model verdict forms that seek findings from the jury on the factual predicates as identified by the Supreme Court in *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17-18 (1966). A portion of the form is set out below. As you read the following questions for the jury consider two things: 1) how does the judge describe to the jury the matters in issue, and 2) what does the judge tell the jury about the burden of proof.

The ultimate legal conclusion on the obviousness question will be made by the court. However, in order for the court to do so, you must answer the following preliminary factual questions:

- a. What was the level of ordinary skill in the field that someone would have had at the time the claimed invention was made? (check the applicable answer)

_____ set forth Alleged Infringer's contention, e.g.,
an individual with at least 3 years of experience in
both furniture design and manufacture]

_____ [set forth Patent Holder's contention, e.g.,
anyone who has worked in the field of furniture
design or manufacture for at least two years]

_____ [other, specify _____]

b. What was the scope and content of the prior art at the time of the claimed invention? (check the applicable answer)

_____ [set forth what the Alleged Infringer has offered as the invalidating prior art, e.g., '123 patent on fixed sitting device with four legs, general knowledge in field of industrial design that a horizontal surface may be held parallel to the ground using three legs and common knowledge that a person can easily move an object weighing under 25 pounds]

_____ [set forth what the Patent Holder asserts was within the scope and content of the prior art, e.g., '123 patent on fixed sitting device with four legs]

_____ [other, specify _____]

c. What difference, if any, existed between the claimed invention and the prior art at the time of the claimed invention?

_____ [set forth the Alleged Infringer's contention as to the difference, e.g., no difference between scope of invention and what is known in prior art]

_____ [set forth the Patent Holder's contention as to the difference, e.g., only 3 legs on a sitting device and portability]

_____ [other, specify _____]

This form will need to be revised. My suggestion is that it 1) identify the contentions of the parties as to the facts in issue, and 2) provide for each fact a space for the jury to confirm whether the alleged infringer has established the fact as contended by clear and convincing evidence.

2. Sanctions for Misconduct

While we have been distracted by Congress and patent reform, and what the Court is up to with *KSR* and *MedImmune*, the district court judges have been focusing on a different issue: IP litigators have been crossing the boundaries of acceptable advocacy.

In *z4 Techs. v. Microsoft Corp.*, No. 06-CV-142 (E.D. Tex. Aug. 18, 2006) (Davis, J.), Judge Davis ordered Microsoft and Autodesk to pay over \$2 million in attorneys' fees and expenses for a variety of litigation misconduct "that represent[ed] a pattern which is of disappointment to the Court and a disservice to legitimate advocacy," including intentional attempts to mislead the plaintiff and the court at trial with inaccurately disclosed data, and use of "voluminous exhibit tactic," in which Microsoft and Autodesk had marked 3,449 exhibits for trial but only introduced 283 of them.

In *Qualcomm v. Broadcom*, ___ F. Supp. ___, 2007 WL 2296441, No. 05-CV-1958 (S.D. Cal. Aug. 6, 2007) (Brewster, J.), Judge Brewster sent Qualcomm, and its lawyers with Day Casebeer and Heller Ehrman to a magistrate judge for an investigation and sanctions on a failure to gather and produce electronic documents.

In *Wolters Kluwer Financial Services Inc. v. Scivantage*, 525 F. Supp.2d 448 (S.D.N.Y. 2007) (Baer, Jr., J.), Judge Baer sanctioned lawyers with Dorsey & Whitney for disregarding court orders and misrepresentations to the court. (This is actually a trade secret case involving allegations relating to computer software.)

In *Thomas & Betts v. Power Distribution, Inc.*, ED VA. 3:07CV167, Feb. 8, 2008, Judge Hudson, sanctioned lawyers with Bacon and Thomas for vexatious and unreasonable litigation strategy in advancing baseless arguments.

In *Medtronic v. Brainlab*, D. Colo., 98-cv-01072, Feb. 12, 2008 Judge Matsch sanctioned lawyers with McDermott Will for pursuing meritless litigation, misleading tactics and taking untenable positions.

In *Microsoft v Alcatel*, 07-090 12/18/07, Judge Robinson sanctioned lawyers with Fish and Richardson for inappropriate communications with a person represented by counsel.

Four observations about what we are seeing here. First, in the Medtronic decision, Judge Match granted sanctions after the trial based on pre-trial and trial misconduct. In his opinion, Judge Match makes an interesting point: in these technology-based cases it may take more time and context for the judge to appreciate the misconduct. This means we need to be patient with judges who do not step in early on in a case to prevent this type of conduct.

Second, in the *Wolters* case, Judge Baer reviews Dorsey & Whitney's struggle to get a handle on what it was a rogue partner was doing. Lawyers should review the opinion from this perspective and consider whether their firm has procedures in place to protect against the type of conduct and to give an avenue of relief to any associate that is caught up in a situation where he or she is being asked (or instructed) to join in the wrongdoing.

Third, while not stated directly, an underlying theme in Judge Baer's opinion is that certain of the judge's procedures may have allowed a bad situation to get worse. For example, when the defendant did get access to the judge to seek protection from misconduct, the judge did not have a court reporter present to put his decisions on the

record. This slowed the progress in resolving disputes as it left room for the rogue lawyer to dispute what the judge had said and whether they judge has resolved the problem.

Finally, I expect most of us recognize that a number of district judges and magistrate judges just don't like patent cases and frequently they use sanctions as a way of expressing their frustration. Surprisingly, that is not the case with these decisions. The opinions in these cases do not read like decisions of a judge who doesn't get it, or is striking out at the lawyers as a result of frustration with the level of contention in these cases. To the contrary, these decisions are relatively thoughtful and calm. And more significantly, they target misconduct that we are seeing in patent cases and that should be the subject of attention and sanctions.

Conclusion

What's cooking? Lots. The Federal Circuit is in the middle of a period of transition. The Supreme Court is pressing it to get the patent laws back to the mainstream. The Federal Circuit judges face a complex body of case law that will be difficult to move to that mainstream. Meanwhile, the district courts are adjusting to the changes in the law these pressures are producing, though it will take more time and experience for them to get it right. And while all of the changes are cooking, the trial judges seem to be starting their own trend: they are using sanctions to force IP litigators to acknowledge and stay within the boundaries to acceptable advocacy.

ATTACHMENT A
Model Patent Jury Instructions
for the Northern District of California

4.3b OBVIOUSNESS¹ – (Alternative 1)

Not all innovations are patentable. A patent claim is invalid if the claimed invention would have been obvious to a person of ordinary skill in the field [at the time the application was filed] [as of [insert date]]. This means that even if all of the requirements of the claim cannot be found in a single prior art reference that would anticipate the claim or constitute a statutory bar to that claim, a person of ordinary skill in the field of [identify field] who knew about all this prior art would have come up with the claimed invention.

However, a patent claim composed of several elements is not proved obvious merely by demonstrating that each of its elements was independently known in the prior art. In evaluating whether such a claim would have been obvious, you may consider whether [the alleged infringer] has identified a reason that would have prompted a person of ordinary skill in the field to combine the elements or concepts from the prior art in the same way as in the claimed invention. There is no single way to define the line between true inventiveness on one hand (which is patentable) and the application of common sense and ordinary skill to solve a problem on the other hand (which is not patentable). For example, market forces or other design incentives may be what produced a change, rather than true inventiveness. You may consider whether the change was merely the predictable result of using prior art elements according to their known functions, or whether it was the result of true inventiveness. You may also consider whether there is some teaching or suggestion in the prior art to make the modification or combination of elements claimed in the patent. However, you must be careful not to determine obviousness using the benefit of hindsight; many true inventions might seem obvious after the fact. You should put yourself in the position of a person of ordinary skill in the field at the time the claimed invention was made and you should not consider what is known today or what is learned from the teaching of the patent.

The ultimate conclusion of whether a claim is obvious should be based upon your determination of several factual decisions. First, you must decide the level of ordinary skill in the field that someone would have had at the time the claimed invention was made. Second, you must decide the scope and content of the prior art. Third, you must decide what difference, if any, existed between the claimed invention and the prior art.

¹ This instruction provides the jury with an instruction on how to analyze the obviousness question and reach a conclusion on it in the event that the Court decides to allow the jury to render an advisory verdict on the ultimate question of obviousness. However, the court, not the jury, should make the legal conclusion on the obviousness question based on underlying factual determinations made by the jury. *KSR Intern, Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1745 (2007) (“The ultimate judgment of obviousness is a legal determination.”); see *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007). The introductory comment to the sample verdict form discusses further the functions of the judge and jury in determining obviousness.

Finally, you should consider any of the following factors that you find have been shown by the evidence:

- [(1) commercial success of a product due to the merits of the claimed invention];]
- [(2) a long felt need for the solution provided by the claimed invention];]
- [(3) unsuccessful attempts by others to find the solution provided by the claimed invention];]
- [(4) copying of the claimed invention by others];]
- [(5) unexpected and superior results from the claimed invention];]
- [(6) acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention];]
- [(7) other evidence tending to show nonobviousness];]
- [(8) independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it] [; and]
- [(9) other evidence tending to show obviousness].]

[The presence of any of the [list factors 1-7 as appropriate] may be considered by you as an indication that the claimed invention would not have been obvious at the time the claimed invention was made, and the presence of the [list factors 8-9 as appropriate] may be considered by you as an indication that the claimed invention would have been obvious at such time. Although you should consider any evidence of these factors, the relevance and importance of any of them to your decision on whether the claimed invention would have been obvious is up to you.]

Authorities

35 U.S.C. § 103; *Graham v. John Deere Co.*, 383 U.S. 1 (1966); *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. ____ (2007); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654 (Fed. Cir. 2000); *Arkie Lures, Inc. v. Gene Larew Tackle, Inc.*, 119 F.3d 953, 957 (Fed. Cir. 1997); *Specialty Composites v. Cabot Corp.*, 845 F.2d 981, 991 (Fed. Cir. 1988); *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1000 (Fed. Cir. 1986); *Pentec, Inc. v. Graphic Controls Corp.*, 776 F.2d 309, 313 (Fed. Cir. 1985). *See Novo Nordisk A/S v. Becton Dickinson & Co.*, 304 F.3d 1216, 1219-20 (Fed. Cir. 2002).

4.3b OBVIOUSNESS² – (Alternative 2)

Not all innovations are patentable. A patent claim is invalid if the claimed invention would have been obvious to a person of ordinary skill in the field [at the time the application was filed][as of [insert date]]. The court, however, is charged with the responsibility of making the determination as to whether a patent claim was obvious based upon your determination of several factual questions. First, you must decide the level of ordinary skill in the field that someone would have had at the time the claimed invention was made. Second, you must decide the scope and content of the prior art. Third, you must decide what difference, if any, existed between the claimed invention and the prior art. Finally, you must determine which, if any, of the following factors have been established by the evidence:

- [(1) commercial success of a product due to the merits of the claimed invention];]
- [(2) a long felt need for the solution provided by the claimed invention];]
- [(3) unsuccessful attempts by others to find the solution provided by the claimed invention[;]
- [(4) copying of the claimed invention by others];]
- [(5) unexpected and superior results from the claimed invention]]
- [(6) acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention];]
- [(7) other evidence tending to show nonobviousness];]
- [(8) independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it]; and]
- [(9) other evidence tending to show obviousness].]

² This instruction provides the jury with an instruction on the underlying factual questions it must answer to enable the court to make the ultimate legal determination of the obviousness question. The court, not the jury, should make the legal conclusion on the obviousness question based on underlying factual determinations made by the jury. *KSR Intern, Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1745 (2007)(“The ultimate judgment of obviousness is a legal determination.”); see *Dippin' Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007). It is anticipated that these factual issues will be presented to the jury as specifically as possible. For example, if the only dispute between the parties is whether a particular reference is with the "scope and content" of the prior art, that is the only *Graham* factor that should be presented to the jury. As another example, if the only factual dispute between the parties on the "difference between the prior art and the claimed invention" is whether a prior art reference discloses a particular claim limitation, that is the only issue that should be presented to the jury on that *Graham* factor. The introductory comment to the sample verdict form discusses further the functions of the judge and jury in determining obviousness.

Authorities

35 U.S.C. § 103; *Graham v. John Deere Co.*, 383 U.S. 1 (1966); *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. ____ (2007); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654 (Fed. Cir. 2000); *Arkie Lures, Inc. v. Gene Larew Tackle, Inc.*, 119 F.3d 953, 957 (Fed. Cir. 1997); *Specialty Composites v. Cabot Corp.*, 845 F.2d 981, 991 (Fed. Cir. 1988); *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1000 (Fed. Cir. 1986); *Pentec, Inc. v. Graphic Controls Corp.*, 776 F.2d 309, 313 (Fed. Cir. 1985). *See Novo Nordisk A/S v. Becton Dickinson & Co.*, 304 F.3d 1216, 1219-20 (Fed. Cir. 2002).

ATTACHMENT B
Model Patent Jury Instructions
for the Northern District of California

3.11 WILLFUL INFRINGEMENT

In this case, [patent holder] argues that [alleged infringer] willfully infringed the [patent holder]'s patent.

To prove willful infringement, [patent holder] must first persuade you that the [alleged infringer] infringed a valid and enforceable claim of the [patent holder]'s patent. The requirements for proving such infringement were discussed in my prior instructions.

In addition, to prove willful infringement, the [patent holder] must persuade you that it is highly probable that [prior to the filing date of the complaint]¹, [alleged infringer] acted with reckless disregard of the claims of the [patent holder]'s [patent].

To demonstrate such “reckless disregard,” [patent holder] must satisfy a two-part test. The first part of the test is objective. The [patent holder] must persuade you that the [alleged infringer] acted despite an objectively high likelihood that its actions constituted infringement of a valid and enforceable patent. The state of mind of the [alleged infringer] is not relevant to this inquiry. You should focus on whether a reasonable person in the position of [alleged infringer], after learning of the patent, could have reasonably believed that it did not infringe or reasonably believed the patent was invalid or unenforceable. If a reasonable person in the position of [alleged infringer] could not have held such belief, then you need to consider the second part of the test.

The second part of the test does depend on the state of mind of the [alleged infringer]. The [patent holder] must persuade you that [alleged infringer] actually knew, or it was so obvious that [alleged infringer] should have known, that its actions constituted infringement of a valid and enforceable patent.

In deciding whether [alleged infringer] acted with reckless disregard for [patent holder]'s patent, you should consider all of the facts surrounding the alleged infringement including, but not limited to, the following:

- (1) Whether [alleged infringer] acted in a manner consistent with the standards of commerce for its industry; [and]
- (2) Whether [alleged infringer] intentionally copied a product of [patent holder] covered by the patent[.] [;and]

¹ This bracketed language should ordinarily be included as the Federal Circuit has made clear that, in ordinary circumstances, willfulness will depend on an infringer's prelitigation conduct. *In re Seagate Technology, LLC*, 2007 U.S. App. LEXIS 19768 (Fed. Cir. Aug. 20, 2007).

- (3) Whether [alleged infringer] relied on a legal opinion that was well-supported and believable and that advised [alleged infringer] (1) that the [product] [method] did not infringe [patent holder]'s patent or (2) that the patent was invalid [or unenforceable].²

Authorities

35 U.S.C. § 284; *In re Seagate Tech., LLC*, 2007 U.S. App. LEXIS 19768 (Fed. Cir. Aug. 20, 2007); *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004) (*en banc*); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1346 (Fed. Cir. 2001); *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1354 (Fed. Cir. 1999); *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992); *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510 (Fed. Cir. 1990).

² This bracketed language should only be included if the alleged infringer relies on advice of counsel. There is no affirmative obligation to obtain opinion of counsel. *In re Seagate Technology, LLC*, 2007 U.S. App. LEXIS 19768 (Fed. Cir. Aug. 20, 2007).

ATTACHMENT C
Model Patent Jury Instructions
for the Northern District of California

COMMENTS REGARDING USE OF SAMPLE VERDICT FORM

The following sample verdict form is provided for guidance in preparing an appropriate special verdict form tailored for your specific case. The sample is for a hypothetical case in which the patent holder alleges direct and indirect infringement of a single claim of one patent and seeks a combination of lost profits and a reasonable royalty for the allegedly infringing sales. The alleged infringer raises a number of invalidity defenses. No issue is raised, however, as to the conception date of the claimed invention. The issue of willfulness has not been bifurcated.

The form requires the jury to make specific findings on the bases for the affirmative defenses of “anticipation” and “statutory bars.”

The form also requires the jury to make factual determinations underlying a conclusion of “obviousness” or “nonobviousness.” It is expected that these issues will be presented to the jury as specifically as possible. For example, if the only dispute between the parties is whether a particular reference is within the “scope and content” of the prior art, that is the only question on that *Graham* factor that should be presented to the jury. As another example, if the only factual dispute between the parties on the “differences between the prior art and the claimed invention” is whether a prior art reference discloses a particular claim limitation, that is the only issue that should be presented to the jury on that *Graham* factor.

This form also provides two alternative section 11’s on obviousness. One asks the jury to only answer the underlying factual questions. The other permits the jury to give an advisory verdict on the ultimate question of obviousness. It must be remembered, however, that the ultimate question of obviousness is a question of law for the court. *KSR Intern. Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1745 (2007)(“The ultimate judgment of obviousness is a legal determination.”); see *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007). Both alternatives are designed to focus the parties and the court on the factual disputes on the obviousness question. For example, the form requires that each party specify exactly what it contends constitutes the scope and content of the prior art. Although trial courts have often permitted the jury to reach the final conclusion of obviousness without specifying its underlying factual determinations, such an approach is not recommended. The verdict form should require the jury’s finding on each factual issue so that the trial judge may make the final determination on the obviousness question. As Judge Michel pointed out in his dissent in *McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339 (Fed. Cir. 2001):

The issue presented in this appeal derives from the common, if unfortunate, practice of allowing the jury to render a general verdict on the ultimate legal conclusion of obviousness without requiring express findings on the underlying factual issues through a special verdict or

special interrogatories under Fed. R. Civ. P. 49. Nevertheless, since the inception of our court, we have recognized that a court may submit this legal question to a jury and that doing so by general verdict rather than by Rule 49 is not ordinarily an abuse of discretion. We have emphasized, however, that there is no question that the judge must remain the ultimate arbiter on the question of obviousness.")

Id. at 1358 (internal citations and quotation marks omitted). The fact that the verdict form allows the jury to give an advisory conclusion on obviousness should not be construed as suggesting that the court defer to the jury's ultimate determination on obviousness. The law is clear that the ultimate question is a legal one for the court.

SAMPLE VERDICT FORM

When answering the following questions and filling out this Verdict Form, please follow the directions provided throughout the form. Your answer to each question must be unanimous. Some of the questions contain legal terms that are defined and explained in detail in the Jury Instructions. Please refer to the Jury Instructions if you are unsure about the meaning or usage of any legal term that appears in the questions below.

We, the jury, unanimously agree to the answers to the following questions and return them under the instructions of this court as our verdict in this case.

FINDINGS ON INFRINGEMENT CLAIMS

(The questions regarding infringement should be answered regardless of your findings with respect to the validity or invalidity of the patent.)

A. Direct Infringement

1. Has Patent Holder proven that it is more likely than not that every requirement of claim 1 of its patent is included in Alleged Infringer's accused product?

Yes _____ No _____

If your answer to question 1 is "yes," go to question 3. If your answer to question 1 is "no," go to question 2.

B. Infringement Under the Doctrine of Equivalents

2. Has Patent Holder proven that it is more likely than not that the accused product includes parts that are identical or equivalent to every requirement of claim 1 of Patent Holder's patent? In other words, for any requirement that is not literally found in the Alleged Infringer's accused product, does the accused product have an equivalent part to that requirement?

Yes _____ No _____

C. Contributory Infringement

3. Has Patent Holder proven that it is more likely than not: (i) that Direct Infringer infringed claim 1 of Patent Holder's patent; (ii) that Alleged Infringer supplied an important component of the infringing part of the product; (iii) that the component was not a common component suitable for non-infringing use; and (iv) that Alleged Infringer supplied the component with knowledge of the patent and knowledge that the component was especially made or adapted for use in an infringing manner?

Yes _____ No _____

D. Inducing Infringement

4. Has Patent Holder proven that it is more likely than not: (i) that Direct Infringer infringed claim 1 of Patent Holder’s patent; (ii) that Alleged Infringer took action that actually induced that infringement by Direct Infringer; (iii) that Alleged Infringer was aware of the patent; and (iv) that Alleged Infringer knew or should have known that taking such action would induce direct infringement?

Yes _____ No _____

E. Willful Infringement

5. Has Patent Holder proven that it is highly probable that Alleged Infringer infringed claim 1 of Patent Holder’s patent with actual knowledge of the patent and with no reasonable basis for believing that its product did not infringe or that the patent claim was invalid or unenforceable?

Yes _____ No _____

FINDINGS ON INVALIDITY DEFENSES

(The questions regarding invalidity should be answered regardless of your findings with respect to infringement.)

A. Written Description Requirement

6. Has Alleged Infringer proven that it is highly probable that claim 1 of Patent Holder's patent does not contain an adequate written description of the claimed invention?

Yes _____ No

B. Enablement

7. Has Alleged Infringer proven that it is highly probable that claim 1 of Patent Holder's patent does not contain a description of the claimed invention that is sufficiently full and clear to enable persons of ordinary skill in the field to make and use the invention?

Yes _____ No

C. Best Mode

8. Has Alleged Infringer proven that it is highly probable that the patent does not disclose what the inventor believed was the best way to carry out the claimed invention at the time the patent application was filed?

Yes _____ No

D. Anticipation

9. Has Alleged Infringer proven that it is highly probable that claim 1 of Patent Holder's patent was "anticipated," or, in other words, not new?

Yes _____ No

[If the answer is "yes," check any reason below that is applicable:

_____ The claimed invention was already publicly known or publicly used by others in the United States before the date of conception of the claimed invention.

_____ The claimed invention was already patented or described in a printed publication somewhere in the world before the date of conception.

_____ The claimed invention was already made by someone else in the United States before the date of conception and that other person had not abandoned the invention or kept it secret.

_____ The claimed invention was already described in another issued U.S. patent or published U.S. patent application that was based on a patent application filed before the date of conception.

_____ The named inventor did not invent the claimed invention but instead learned of the claimed invention from someone else.

_____ The named inventor was not the first inventor of the claimed invention.]

E. Statutory Bar

10. Has Alleged Infringer proven that it is highly probable that claim 1 of Patent Holder's patent was not filed within the time required by law?

Yes _____ No

If the answer is "yes," check any reason below that is applicable:

_____ The claimed invention was already patented or described in a printed publication somewhere in the world at least one year before the filing date of the patent application.

_____ The claimed invention was already being openly used in the United States at least one year before the filing date of the patent application and that use was not primarily an experimental use to test whether the invention worked for its intended purpose which was controlled by the inventor.

_____ A device or method using the claimed invention was sold or offered for sale in the United States and the claimed invention was ready for patenting at least one year before the filing date of the patent application and that offer or sale was not primarily for experimental purposes to test whether the invention worked for its intended purpose and which was controlled by the inventor.

_____ Patent Holder had already obtained a patent on the claimed invention in a foreign country before the original U.S. application, and the foreign application was filed at least one year before the U.S. application.

F. Obviousness

[Alternative 1 – Jury decides underlying factual issues only]

11. The ultimate legal conclusion on the obviousness question will be made by the court. However, in order for the court to do so, you must answer the following preliminary factual questions:

a. What was the level of ordinary skill in the field that someone would have had at the time the claimed invention was made? (check the applicable answer)

_____ set forth Alleged Infringer's contention, e.g., an individual with at least 3 years of experience in both furniture design and manufacture]

_____ [set forth Patent Holder's contention, e.g., anyone who has worked in the field of furniture design or manufacture for at least two years]

_____ [other, specify _____]

b. What was the scope and content of the prior art at the time of the claimed invention? (check the applicable answer)

_____ [set forth what the Alleged Infringer has offered as the invalidating prior art, e.g., '123 patent on fixed sitting device with four legs, general knowledge in field of industrial design that a horizontal surface may be held parallel to the ground using three legs and common knowledge that a person can easily move an object weighing under 25 pounds]

_____ [set forth what the Patent Holder asserts was within the scope and content of the prior art, e.g., '123 patent on fixed sitting device with four legs]

_____ [other, specify _____]

c. What difference, if any, existed between the claimed invention and the prior art at the time of the claimed invention?

_____ [set forth the Alleged Infringer's contention as to the difference, e.g., no difference between scope of invention and what is known in prior art]

_____ [set forth the Patent Holder's contention as to the difference, e.g., only 3 legs on a sitting device and portability]

_____ [other, specify _____]

d. Which of the following factors has been established by the evidence with respect to the claimed invention: (check those that apply)[verdict form should list only those factors for which a *prima facie* showing has been made]:

_____ commercial success of a product due to the merits of the claimed invention

_____ a long felt need for the solution that is provided by the claimed invention

_____ unsuccessful attempts by others to find the solution that is provided by the claimed invention

_____ copying of the claimed invention by others

_____ unexpected and superior results from the claimed invention

_____ acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention

_____ independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it

[_____ other factor(s) indicating obviousness or nonobviousness—describe the factor(s)_____]

[Alternative 2 - Jury decides underlying factual issues and renders advisory verdict on obviousness]

11. The ultimate conclusion that must be reached on the obviousness question is whether Alleged Infringer has proven that it is highly probable that the claimed invention would have been obvious to a person of ordinary skill in the field at the time the patent application was filed. In order to properly reach a conclusion the following preliminary questions must be answered:

a. What was the level of ordinary skill in the field that someone would have had at the time the claimed invention was made? (check the applicable answer)

_____ [set forth Alleged Infringer's contention, e.g., an individual with at least 3 years of experience in both furniture design and manufacture]

_____ [set forth Patent Holder's contention, e.g., anyone who has worked in the field of furniture design or manufacture for at least two years]

_____ [other, specify _____]

b. Was [disputed reference] within the scope and content of the prior art at the time of the claimed invention? (check only if reference was within the scope and content of the prior art)

_____ [set forth the prior art reference [alleged infringer] has offered as prior art that the [patent holder] disputes as being in the scope and content of the prior art. If there is more than one reference in dispute, each disputed reference should be listed separately.]

c. What difference, if any, existed between the claimed invention and the prior art at the time of the claimed invention?

_____ [set forth the Alleged Infringer's contention as to the difference, e.g., no difference between scope of invention and what is known in prior art]

_____ [set forth the Patent Holder's contention as to the difference, e.g., only 3 legs on a sitting device and portability]

_____ [other, specify _____]

d. Which of the following factors has been established by the evidence with respect to the claimed invention: (check those that apply)[verdict form should list only those factors for which a *prima facie* showing has been made]:

_____ commercial success of a product due to the merits of the claimed invention

_____ a long felt need for the solution that is provided by the claimed invention

_____ unsuccessful attempts by others to find the solution that is provided by the claimed invention

_____ copying of the claimed invention by others

_____ unexpected and superior results from the claimed invention

_____ acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention

_____ independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it

[_____ other factor(s) indicating obviousness or nonobviousness— describe the factor(s) _____]

After consideration of the answers to the preliminary questions above, do you find that the Alleged Infringer has proven that it is highly probable that the claim of Patent Holder's patent would have been obvious to a person of ordinary skill in the field at the time the patent application was filed?

Yes _____ No

G. Inventorship

12. Has Alleged Infringer proven that it is highly probable that Patent Holder's patent fails to meet the requirement to name all actual inventors and only the actual inventors?

Yes _____ No

FINDINGS ON DAMAGES (IF APPLICABLE)

If you answered question 1, 2, 3 or 4 "yes" and questions 6, 7, 8, 9, 10, 11 and 12 "no," proceed to answer the remaining questions. If you did not so answer, do not answer the remaining questions and proceed to check and sign the verdict form.

13. What lost profits, if any, did Patent Holder show it more likely than not suffered as a result of sales that it would with reasonable probability have made but for Alleged Infringer's infringement?

\$

14. For those infringing sales for which Patent Holder has not proved its entitlement to lost profits, what amount has it proved it is entitled to as a reasonable royalty?

\$

You have now reached the end of the verdict form and should review it to ensure it accurately reflects your unanimous determinations. The Presiding Juror should then sign and date the verdict form in the spaces below and notify the Security Guard that you have reached a verdict. The Presiding Juror should retain possession of the verdict form and bring it when the jury is brought back into the courtroom.

DATED: _____, 20

By: _____
Presiding Juror