

Patent Case Management Judicial Guide

Third Edition

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Chapter 7

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Close judicial management of the preparations for trial is integral to ensuring smooth proceedings during trial. As discussed in previous chapters, early judicial management can help narrow the issues that require resolution by trial. There are many procedural and substantive issues that can be resolved in the weeks preceding trial to refine issues and avoid delay during trial. This chapter discusses the considerations that should be given to pretrial preparations to promote efficient proceedings during trial, with particular discussion of the patent case pretrial conference, jury instructions, limitations on expert testimony, and motions *in limine*. Note that in some cases sound case management may require that some issues be addressed well *before* the pretrial conference.

7.1 Pretrial Conference

The complexity of patent cases creates a particular need for pretrial preparation to minimize jury downtime and increase jury comprehension. The pretrial conference represents the final opportunity to anticipate and resolve problems that would otherwise interrupt and delay trial proceedings. Having an effective pretrial conference is best guaranteed by requiring counsel to confer on a series of issues and then identifying and briefing the areas of disagreement.

As will be apparent from the sample order that is provided as Appendix 7-1, most of these issues arise in any complex case. However, in patent litigation they can take on special dimensions. In this section, we explore the pretrial conference process.

7.1.1 Timing

The pretrial conference should be held sufficiently in advance of trial, but long enough after claim construction and dispositive motion practice so that the court and counsel have a good idea of the boundaries of the trial and the interplay of issues that may need to be tried. Usually, the conference is set six to eight weeks before trial.

7.1.2 Participation

Because of the importance of the issues to be determined at the pretrial conference, the court should conduct this proceeding in person rather than telephonically. Lead trial counsel should be required to attend.

7.1.3 The Pretrial Order

The objective of the pretrial conference is to generate an order that will govern the issues for trial and establish the ground rules for the conduct of the trial. Because of the special issues that often arise in patent cases, it is helpful to provide counsel in advance with a draft form of order that leaves blanks where appropriate, effectively providing a checklist of issues to consider. The form should include provisions that reflect the court's typical view on many aspects of the trial. However, counsel should be allowed to suggest deviations from those typical procedures where circumstances warrant.

7.1.4 Motions at the Pretrial Conference

Patent cases are characterized by large numbers of motions directed at excluding or limiting the use of evidence, including *Daubert* motions attacking expert opinions. It is common practice, and very sensible, to resolve such issues substantially in advance of trial so that the parties return with their presentations appropriately honed in accordance with the court's limiting orders. The sample pretrial order includes instructions for identifying and briefing *in limine* motions. Of course, circumstances may justify making additional such orders during the trial. Frequently, however, a great deal of delay and confusion can be avoided by making these determinations in advance. Even where the court determines that certain disputes are best resolved during trial, the briefing and arguments often help the court and the parties by distilling the issues before trial. This enables the court to evaluate the evidence in that context as it comes in and causes the parties to self-regulate during trial. Pretrial conferences can also produce the collateral benefit of settlement, by giving the parties a clearer picture of what evidence will or will not be accepted. The sections that follow provide detailed advice on the most frequent pretrial motions directed at expert testimony and other evidence.

7.2 Trial and Disclosure Schedule

Before any trial can begin, the court and the parties must settle on the schedule governing trial proceedings. While the overall trial schedule can be determined at the pretrial conference, the exact process and order of witnesses typically evolves during trial as a result of adjustments to evidence admitted, refused, or withdrawn, or one party responding to the emergent witness list of the other. The parties can and should be required to disclose well in advance of trial the universe of trial witnesses and trial exhibits that they may present and objections thereto. *See, e.g.*, Appendix 7.1 and Appendix 7.2 (requiring pretrial disclosure of will-call and may-call trial witnesses, trial exhibits, and objections). It is nevertheless impractical to finalize and commit the parties before trial to a fixed schedule identifying which of those witnesses and exhibits will actually be presented and the exact order in which they will occur. Likewise, while parties can and should be required to identify in advance which depositions they will or may use at trial, requiring the parties to identify weeks or months in advance of trial the *specific portions* of deposition testimony that they plan to present at trial is often inefficient—in typical cases, the parties spend vast amounts of time and money making deposition designations, counter-designations, and objections for *preservation* purposes in the pretrial stage. But these have little value because these designations cover broad swaths of testimony, and the parties redo them completely (selecting a much narrower set of testimony) once they decide, during trial, which designations to actually play. The court should, however, encourage the parties to stipulate to a protocol for disclosing the order in which witnesses will be called, the trial exhibits associated with each witness, and deposition designations during trial (collectively, “trial disclosures”).

Because the parties are in a better position to determine how much time is needed to finalize cross-examinations and objections to exhibits, the court should allow the parties to stipulate to a mutually agreeable schedule for trial disclosures (so long as it affords the court time to rule on objections). In a typical patent case, a one- or two-day advance disclosure of the witnesses and exhibits to be used on a specific day usually suffices. For example, a party intending to call a witness on Monday would disclose the witness and the exhibits to be used with the witness by a specified time on Saturday. The non-disclosing party would identify any objections to the exhibits by the next day. For deposition designations, a somewhat longer disclosure period (e.g., three or four days in advance) is usually warranted to allow sufficient time for counter-designations and resolution of objections. Whether more or less time is appropriate depends on the complexity of the particular case. These trial disclosures should notify the opposing party of the order in which previously identified trial witnesses and exhibits will be presented, not circumvent the court’s pretrial witness and exhibit disclosure requirements.

Any established trial disclosure protocol should also cover the disclosure of demonstrative exhibits that may be used with a particular witness. However, demonstratives should be disclosed with sufficient time to allow the opposing party to raise objections prior to the presentation to the jury. The court should also develop and share with the parties a default schedule for trial disclosures so that it can (1) avoid agreements that unduly burden the court (e.g., a deposition designation schedule

that does not afford the court a meaningful opportunity to resolve objections) and (2) impose that default schedule if the parties cannot agree.

7.3 Jury Instructions

7.3.1 Preliminary Instructions

Many jurors are called to service without much understanding of trial practice or the legal system. Usually, their understanding of the patent system is particularly limited. The problem is exacerbated because, unlike many other legal frameworks (such as negligence), principles of patent law often do not line up with jurors' moral or "common sense" reasoning, especially without explanation. For example, some find it illogical that a defendant can be liable even if it did not know about a patent. Some wrongly assume that a defendant's product cannot infringe the plaintiff's patent if the defendant has its own patent. Some believe that a device that was not patented cannot be "prior art" to a patent.

It is, therefore, good practice to give the jury preliminary instructions regarding their duties and the trial process before the start of trial. Providing the jurors with a legal framework before the presentation of evidence will help them understand what information they should consider once trial begins. Many of the available model jury instructions contain examples of useful preliminary instructions.¹ Preliminary instructions should, at a minimum, set forth the duty of the jury, explain what constitutes evidence, explain the varying burdens of proof in a civil trial, and outline trial proceedings. They should also include a non-argumentative description of the technology involved, the accused products, and the patents.

Because jurors usually understand the patent system even less than they understand the general legal system, it is important to provide the jury with a short explanation of the patent system, the particular patents at issue, and an overview of the patent law applicable to the contentions of the case. The Federal Judicial Center (FJC) has prepared a video that has often been used to provide a basic primer on the patent system. The video, together with a sample mock patent, is designed to be shown to prospective jurors in patent trials and provides background information on what patents are, why they are needed, how inventors get them, the role of the USPTO, and why disputes over patents arise.

The FJC updated the video in 2013 to address changes in patent law, including the enactment and implementation of the American Invents Act (AIA). This 2013 video, "The Patent Process: An Overview for Jurors," can be found here:

1. See *e.g.*, Benchbook for U.S. District Judges (Federal Judiciary Center 6th ed. 2014), § 6.06 Preliminary Jury Instructions in Civil Case; Fifth Circuit Pattern Jury Instructions—Civil (<http://www.lb5.uscourts.gov/juryinstructions/>); Eighth Circuit Manual of Model Jury Instructions (http://www.juryinstructions.ca8.uscourts.gov/civil_instructions.htm); Ninth Circuit Manual of Model Jury Instruction—Civil (http://www.akd.uscourts.gov/docs/general/model_jury_civil.pdf); Eleventh Circuit Pattern Jury Instructions—Civil (<http://www.ca11.uscourts.gov/documents/pdfs/civjury.pdf>).

<https://www.youtube.com/watch?v=ax7QHQTbKQE>. The original video, which had been used to educate patent juries for many years, is now out of date and should not be used. The 2013 video will be appropriate for most patent-infringement cases, but the court should confirm this in each case by discussing with the parties whether to play it. Given the rapid evolution of the substantive law in many areas, the court should also proactively inquire whether any aspects of the video that are relevant to the issues that the jury will be asked to decide are inaccurate or misleading in light of applicable law.

As an alternative to the FJC video, the court can address these issues in its preliminary instructions, for example by using preliminary instruction A.1 (“What A Patent Is and How One Is Obtained”) promulgated by the Northern District of California in its Model Patent Jury Instructions (June 14, 2014). These instructions can be found in Appendix E. *See also* Federal Circuit Bar Association, Model Patent Jury Instructions (January 2016) (contained in Appendix E). Preliminary instructions should also include an instruction setting forth the court’s construction of patent claim terms. The jurors should be instructed that they must accept the court’s constructions and are not allowed to construe terms on their own. *See Structural Rubber Prods. Co. v. Park Rubber*, 749 F.2d 707, 723 (Fed. Cir. 1984).

7.3.2 Final Instructions—Timing

In addition to preliminary instructions, the court should also instruct the jurors before they begin deliberations. While the court has discretion to instruct the jury before or after closing arguments are given, it is usually preferred to give instructions beforehand. Fed. R. Civ. P. 51, 1987 Advisory Committee Notes (delineating benefits of instructions before closing arguments). This is especially true in a patent case. Jurors are usually more focused and in a better position to listen to instructions before closing arguments. Jurors better understand the arguments advanced during the closings when they have been instructed on the law applicable to the case. Instructing the jury before closing arguments can also lead to more effective arguments by the parties. Closing arguments can be tailored to meet the specific language of the instructions, enabling the parties to highlight the significance of particular evidence. Thus, instructing the jury before closing argument is recommended.

If the jury will be instructed after closing argument, some of the benefits listed above can be retained if jury instructions are finalized before closing argument and provided to the parties. This allows the parties to tailor their closing arguments to the instructions that will be given, which is especially helpful to the jury. Thus, we recommend that the court finalize the instructions and provide them to the parties before closing arguments begin if the court chooses to instruct the jury after closing arguments.

7.3.3 Final Instructions—Substance

Patent law is complex, and so, typically, are jury instructions in patent cases. Fortunately, several organizations and courts have prepared model patent jury in-

structions. They serve as useful resources on which the parties can base their proposed instructions. *See* Appendix E. The model instruction sets differ stylistically. Moreover, the patent law has changed and continues to change in important ways, and at any given time some instructions may have been updated to reflect a recent Supreme Court or Federal Circuit decision while others may have not.

As a result, it generally makes sense to start from one of these sets of model instructions and modify or add to it as needed to address the issues in a particular case and the subsequent changes in law. One approach is for the court to select the set of model jury instructions it prefers and require the parties to prepare proposed instructions based on that set. This allows the court to become familiar with one set of instructions, while allowing the parties to propose changes based on changes in the law or the needs of the case. This approach has potential drawbacks, however, because some sets of model instructions do not address some issues, and as stated above, some sets of instructions will better reflect recent changes in the law. Another approach is to allow the parties to select which set of instructions makes the most sense to use as a model for a particular case.

The parties also often amend instructions to highlight the law particularly relevant to the arguments they intend to advance during trial. Allowing them to revise the model instructions to the particulars of the case can lead to argumentative and objectionable instructions, however. It is usually helpful to require the parties to submit “redlines” that show how they have revised the model instructions and provide any authority justifying their revisions.

7.3.4 Final Instructions—Common Disputes

Experience has shown that many of the same disputes over jury instructions arise repeatedly. This section discusses the most common disputes regarding jury instructions.

7.3.4.1 Integration of Case-Specific Contentions

Many disputes result from the integration of a party’s particular contentions into model jury instructions. Such particularized jury instructions may or may not be helpful to the jury. Generally, the court should attempt to exclude argumentative statements proposed by either side from the jury instructions. The “redline” mentioned above—which will show where any alterations have been made—is particularly helpful in avoiding this issue.

7.3.4.2 Claim Construction Instruction

The instruction on claim construction is important and part of virtually every patent case. If the court has held a claim construction hearing and issued a claim construction order, those constructions should be restated as a jury instruction. The parties may not argue a contrary construction. One common problem is that, in an effort to preserve their claim construction positions for appeal, parties will often re-

argue rejected claim constructions during the process of drafting jury instructions. This is inefficient. The court should streamline this process by instructing the parties to put the claim construction order in the form of a jury instruction, and allowing them to reserve their objections to any constructions on the record. *See* § 5.1.6.

7.3.4.3 The “Presumption” of Validity Instruction

As most patent trials involve claims of invalidity, the patent owner will often try to incorporate into the instruction on invalidity a statement that patents are presumed to be valid. *See* 35 U.S.C. § 282. The defendant usually objects.

In 2011, the Supreme Court squarely addressed the question of the appropriate burden of proof for validity challenges in *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2251 (2011). In that case, the Court held that the “clear and convincing evidence” standard applied to all factual questions underlying the issue of invalidity, regardless of whether the United States Patent and Trademark Office (PTO) was aware of the prior art on which the validity challenge is based.

At the same time, the Court recognized that “if the PTO did not have all material facts before it, its considered judgment may lose significant force . . . And, concomitantly, the challenger’s burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain.” *Id.* at 2251. The Court noted that

although we have no occasion to endorse any particular formulation, we note that a jury instruction on the effect of new evidence can, and when requested, most often should be given. When warranted, the jury may be instructed to consider that it has heard evidence that the PTO had no opportunity to evaluate before granting the patent. When it is disputed whether the evidence presented to the jury differs from that evaluated by the PTO, the jury may be instructed to consider that question. In either case, the jury may be instructed to evaluate whether the evidence before it is materially new, and if so, to consider that fact when determining whether an invalidity defense has been proved by clear and convincing evidence.

Id. For this reason, where a defendant challenges the validity of a patent based on prior art that either (1) was not before the PTO or (2) was before the PTO but was not discussed or otherwise given substantive attention, the Court should consider instructing the jury that it may take this fact into consideration in evaluating whether the defendant has met the clear and convincing evidence standard. *See, e.g., AbbVie Deutschland GmbH & Co., KG v. Janssen Biotech, Inc.*, 759 F.3d 1285 (Fed. Cir. 2014) (finding acceptable an instruction explaining that the defendant’s burden may be easier to meet when the jury considers evidence of invalidity that is materially new, rephrasing the Supreme Court’s “materially new” as “additional information [that] would have been ‘material’ to the PTO’s decision to grant the patents,” stating that something is “material” if “there is a substantial likelihood that a reasonable patent examiner would consider it important in deciding whether to allow the application to issue as a patent,” and including the additional language that “if the additional information was not material, or it would not have carried significant weight, [the defendant’s] burden may be more difficult to meet”).

A concurrence from Justices Breyer, Scalia, and Alito emphasized that many invalidity disputes turn “not upon factual disputes, but upon how the law applies to facts as given.” *i4i*, 131 S. Ct. at 2253. The Justices pointed out that where questions of this nature arise (such as in questions about whether the facts show that the invention was novel and non-obvious) the clear and convincing standard “has no application.” *Id.* They noted further that:

Courts can help to keep the application of today’s “clear and convincing” standard within its proper legal bounds by separating factual and legal aspects of an invalidity claim, say, by using instructions based on case-specific circumstances that help the jury make the distinction or by using interrogatories and special verdicts to make clear which specific factual findings underlie the jury’s conclusions. *See* Fed. R. Civ. Proc. 49 and 51. By isolating the facts (determined with help of the “clear and convincing” standard), courts can thereby assure the proper interpretation or application of the correct legal standard (without use of the “clear and convincing” standard).

Id. Although this concurrence is not the opinion of the Court, it strongly suggests that courts should confine the applicability of the “clear and convincing” standard to factual questions and avoid their improper application to legal determinations.

Finally, it is also generally agreed that while juries should be instructed on the higher burden of proof required to prove invalidity, they should not be instructed that there is a presumption of validity, which would be redundant and likely confusing. As the National Jury Instruction Project explains: “In light of the procedural role of the presumption of validity, instructing the jury on the presumption in addition to informing it of the highly probable burden of proof may cause jury confusion as to its role in deciding invalidity.” Committee Note to National Jury Instruction Project, Model Patent Jury Instructions 5.1. In line with this approach, the Federal Circuit Bar Association’s Model Patent Jury Instructions, the Northern District of California Model Patent Jury Instructions and American Intellectual Property Law Association’s Model Patent Jury Instructions also omit any reference to the presumption of validity in their instructions. *See also Chiron Corp. v. Genentech, Inc.*, 363 F.3d 1247, 1258–59 (Fed. Cir. 2004) (finding district court did not err in declining to instruct jury on the presumption of validity because the jury had applied the clear and convincing evidence standard); *Avia Group Int’l, Inc. v. L.A. Gear Cal., Inc.*, 853 F.2d 1557, 1562 (Fed. Cir. 1988) (the presumption of validity “does not constitute ‘evidence’ to be weighed against a challenger’s evidence”).

7.3.4.4 The Obviousness Instruction

The Supreme Court’s decision in *KSR International Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007), was a significant change in the law that has had a significant direct effect on jury instructions. *KSR* reversed the Federal Circuit’s requirement that the evidence contain a “teaching, motivation, or suggestion” to combine the prior art used to show obviousness. *KSR* emphasized the need for courts to apply an “expansive and flexible” common-sense approach in evaluating validity, rather than being constrained by the rigid requirement of “motivation to combine.” *Id.* at 415.

KSR also reemphasized the long-standing law that the question of obviousness is a legal question for the court. *Id.* at 426–27. Prior to KSR, the obviousness inquiry under § 103 was generally treated as secondary to the anticipation analysis under § 102, and was generally submitted to the jury for resolution along with anticipation. Often, the verdict form did not even separate the questions of obviousness and anticipation, including instead a single yes/no box for the question of validity. KSR’s insistence that obviousness was a legal determination for the court—one that should be made by the court when the obviousness of the claim is “apparent” even despite disputes about underlying facts—calls that practice into doubt. *Cf. Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1343 n.3 (Fed. Cir. 2008) (“While a special verdict that asks a jury whether a patent claim is obvious provides more insight than one which simply asks whether the patent is invalid, the former still does not provide any detail into the specific fact findings made by the jury”); *see also Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476, 1484–85 (Fed. Cir. 1997) (noting that the “preferred route [to make a jury verdict on obviousness more amenable to appellate review] would have been to submit the underlying factual issues to the jury in the form of a special verdict under [R]ule 49(a)”; Paul J. Zegger et al., *The Paper Side of Jury Patent Trials: Jury Instructions, Special Verdict Forms, and Post-Trial Motions*, 910 PLI/PAT 701, 716 (2007) (“By compelling a jury to consider factual issues individually, special verdicts and interrogatories may improve the consistency of jury verdicts as well as the underlying decision-making processes that produce them.”). This is reflected, for example, in the Northern District of California’s model patent jury instructions, which provide two alternative model instructions on obviousness, one to be used when seeking an advisory verdict on the ultimate question of obviousness, and one to be used when only seeking resolution of the relevant factual questions. The AIPLA and FCBA model instructions have likewise been updated to reflect KSR, but were drafted to address only the situation in which the jury is asked to reach an advisory verdict on obviousness.

7.3.4.4.1 Background: Pre-KSR Obviousness Law and Jury Instructions

In *Graham v. John Deere*, 383 U.S. 1 (1966), the Supreme Court laid out the basic test for obviousness that remains the law today. It held that:

[u]nder § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

Id. at 17–18. These three factual predicates, along with the “secondary considerations,” are known as the *Graham* factors. Evaluation of each of the *Graham* factors is a question of fact.

Traditionally, the question of obviousness has been submitted to the jury with instructions to consider the *Graham* factors and reach a conclusion as to obviousness. An instruction on the “nexus” requirement for secondary considerations is also sometimes given. Secondary considerations only support non-obviousness (or, in the case of a contemporaneous invention, obviousness) if they are tied to the alleged invention (i.e., have a “nexus”). See *Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1311–12 (Fed. Cir. 2006) (holding that if the feature responsible for a claimed invention’s commercial success was in the prior art, that success is irrelevant for purposes of determining obviousness); *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1345 (Fed. Cir. 2007) (same). Because “nexus” is a legal question, an alternative to a “nexus” instruction is the exclusion of “secondary considerations,” evidence not shown to have the required “nexus.”

7.3.4.4.2 Post-KSR Obviousness Law and Jury Instructions

Since KSR emphasized that obviousness is a legal determination for the court, the Federal Circuit has exhibited a much greater proclivity to find patents invalid under § 103. See *Allergan, Inc. v. Apotex, Inc.*, 754 F.3d 952 (Fed. Cir. 2014) (finding both patents-in-suit obvious and reversing district court’s bench trial determination of non-obviousness); *Novo Nordisk A/S v. Caraco Pharm. Labs., Ltd.*, 719 F.3d 1346 (Fed. Cir. 2014) (affirming district court’s bench trial determination of obviousness, reversing on other grounds); *I/P Engine, Inc. v. AOL, Inc.*, 576 F. App’x 982, (Fed. Cir. 2014) (reversing district court’s post-jury-trial determination that asserted claims were non-obvious) (unpublished); *Tokai Corp. v. Easton Enters., Inc.*, 632 F.3d 1358 (Fed. Cir. 2011) (affirming summary judgment of obviousness); *Odom v. Microsoft Corp.*, 429 F. App’x 967 (Fed. Cir. 2011) (affirming summary judgment of obviousness) (unpublished); *Bayer Schering Pharma AG v. Barr Labs, Inc.*, 575 F.3d 1341 (Fed. Cir. 2009) (affirming finding of obviousness after bench trial); *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007); *Pharmastem Therapeutics, Inc. v. Viacell, Inc.*, 491 F.3d 1342 (Fed. Cir. 2007) (reversing denial of judgment as a matter of law (JMOL) to find obviousness); *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157 (Fed. Cir. 2007) (affirming finding of obviousness after bench trial); *In re Icon Health & Fitness, Inc.*, 469 F.3d 1374 (Fed. Cir. 2007); *Frazier v. Layne Christensen Co.*, 239 F. App’x 604 (Fed. Cir. 2007) (affirming JMOL of obviousness) (unpublished).

It is the court’s responsibility to reach a conclusion on the ultimate issue of obviousness. However, any obviousness finding requires that the fact finder consider all of the “objective evidence presented by the patentee.” *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1359 (Fed. Cir. 1999); see also *Rothman v. Target Corp.*, 556 F.3d 1310, 1322 (Fed. Cir. 2009) (approving district court’s charge “that the jury ‘must consider’ objective indicia of nonobviousness, such as . . . licensing activity”). The renewed emphasis on the role of the court casts doubt on the practice of submitting the ultimate question of obviousness to the jury. It may now be better practice to limit the jury’s consideration of obviousness to the factual disputes as to the *Graham* factors, as reflected in the Northern District of California Model Patent Jury Instruc-

tion 4.3b (Alternative 1) and Sample Verdict Form § F (Alternative 1). See Appendix E.

Of course, courts remain free to seek an advisory verdict from the jury. The Northern District of California Model Patent Jury Instruction 4.3b (Alternative 2) and Sample Verdict Form § F (Alternative 2) provide this option. If the traditional advisory verdict approach is taken, however, courts should not rely on pre-*KSR* jury instructions. *KSR* criticized pre-2007 Federal Circuit decisions in the area of obviousness and effected a substantial change in the law. Both the Northern District of California and Federal Circuit Bar Association Model Patent Jury Instructions have been updated to reflect the *KSR* decision. Another is the Patent Office's detailed set of guidelines describing how to evaluate obviousness under *KSR*. 72 Fed. Reg. 57526-57535 (Oct. 10, 2007). These guidelines explain the law in a more operational manner and provide seven different rationales that can be used to support a finding of obviousness as well as the factual elements needed to support each of the seven rationales. They also provide examples of actual cases finding obviousness under each of the seven rationales. See § 14.3.5.3.5 (Chart 14.4) (reproducing the PTO's charts). While the Patent Office's guidelines cannot be directly used as jury instructions, they are a useful resource for crafting instructions. Whatever instruction is adopted, it needs to reflect *KSR*'s mandate that an "expansive and flexible" approach be employed.

If the advisory verdict approach is taken, courts should carefully consider the structure of the verdict form. If the verdict form merely asks for the final conclusion on obviousness without specifying its underlying factual determinations, it can be difficult or impossible to understand what the advisory verdict implies. This can hinder the court's ability to perform its duty of reaching a conclusion regarding obviousness. Moreover, it can easily create a need for a new trial, especially if the jury's decisions on the *Graham* factors (the factual underpinnings of obviousness) cannot be discerned from the verdict. See, e.g., *Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1343 n.3 (Fed. Cir. 2008); see also *Wyers v. Master Lock Co.*, 616 F.3d 1231, 1248 (Fed. Cir. 2010) (Linn, J. concurring) ("To facilitate review and reveal more clearly the jury's underlying factual findings, this Court has encouraged trial court judges to provide juries with special interrogatories on obviousness."). This risk is mitigated, however, by the court's general practice when faced with a verdict in which the jury was not asked to answer special interrogatories. The court presumes the existence of factual findings necessary to support the jury's verdict. See *Wyers*, 616 F.3d at 1248 (Linn, J., concurring).

Our review of a general verdict on obviousness thus entails two steps. We first presume that the jury resolved the underlying factual disputes in favor of the verdict winner and leave those presumed findings undisturbed if they are supported by substantial evidence. Then we examine the legal conclusion de novo to see whether it is correct in light of the presumed jury fact findings.

Id. (quotations omitted); see also *Kinetic Concepts, Inc. v. Smith & Nephew, Inc.*, 688 F.3d 1342, 1367 (Fed. Cir. 2012) ("Significantly, whether there is a reason to combine prior art references is a question of fact . . . [and] [i]n light of the jury's verdict, we must assume that it determined there was no reason to combine the prior art refer-

ences, and we must defer to this factual finding because it is supported by substantial evidence.”).

In *Kinetic Concepts*, the Federal Circuit applied this framework to review the district court’s grant of judgment as a matter of law (JMOL) of obviousness. 688 F.3d at 1356–57. There, the parties disputed the form and content of the verdict form and the district court created a verdict form consisting of yes-or-no questions regarding the *Graham* factors, a chart pertaining to whether secondary considerations were present, and a question on the ultimate question of obviousness. *Id.* at 1354. Despite submitting the obviousness question to the jury, the judge stressed that the jury’s final determination would only be “advisory.” *Id.* at 1357. The jury subsequently determined that (1) there were other differences between the claims and the prior art in addition to those listed, (2) most of the objective considerations favoring non-obviousness were present, (3) infringement was proven, and (4) the asserted patents were not obvious. *Id.* at 1354. The district court, however, found the asserted claims obvious and granted the defendant’s motion for JMOL. In so doing, the district court gave the jury’s “advisory” determination of non-obviousness no deference. *Id.* at 1355–56.

The Federal Circuit reversed, noting that the court must presume that the jury resolved the underlying factual disputes in favor of the verdict, “leave those presumed findings undisturbed if . . . supported by substantial evidence,” and then examine the district court’s legal conclusion of obviousness de novo. *Id.* at 1356–57 (internal citation omitted). Importantly, even though the jury was specifically asked to decide certain factual issues and not others, the existence of the advisory verdict on the ultimate question of obviousness requires the court to presume that the jury found for the patentee on all underlying factual issues that it did *not* explicitly decide. Thus, when examining the legal conclusion of obviousness, the court must consider the jury’s explicit *and* implicit factual findings.

The Federal Circuit also rejected the defendant’s claim that the “advisory” status of the jury’s verdict on the ultimate question of obviousness affected the presumed factual findings. It held instead that, in this context, “advisory” simply meant that the jury resolved a legal issue for the court, which is permissible because the judge remains the ultimate arbiter of obviousness through the drafting of the jury’s legal instructions and the consideration of motions for a judgment notwithstanding the verdict or new trial. *Id.* at 1357–59. After gathering the jury’s explicit and implicit findings, the Federal Circuit reexamined the ultimate non-obviousness conclusion de novo and held that the district court erred in granting Smith & Nephew’s motion for JMOL because Smith & Nephew did not prove that the asserted claims were obvious. *Id.* at 1371.

The question of obviousness is often essential to the judgment. Unless the evidence meets the JMOL standard for finding obviousness or nonobviousness, resolution of the underlying factual disputes is necessary, and each party has a right to have a jury resolve such disputes if they are material. The losing party at trial will typically seek JMOL on the issue of obviousness, which joins the issue of how the jury resolved the material underlying factual disputes. If the court then draws conclusions about how the underlying factual disputes were resolved, it runs the risk of having

those conclusions challenged on Seventh Amendment grounds. Consider also the scenario where a jury finds that there is anticipation and obviousness, and either the district court or the Federal Circuit reverses the finding of anticipation because a specific limitation in one claim is not present in one of the references. At this point, with a single-question verdict form, it is not clear whether the jury's error on anticipation affects its conclusion as to obviousness. Avoiding these situations, as well as helping the court perform its duty of drawing a legal conclusion as to obviousness, are good reasons for the recommendation in the Northern District of California's model verdict form that "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." See Appendix E.

Requiring the jury to make specific findings on the *Graham* factors does, however, have drawbacks. The most serious is that it is likely to lead to a complex verdict form. This is apparent from the Northern District of California's model verdict form. Some courts may find that such a verdict form is simply too complex to be practicable, notwithstanding the risks discussed above.

Certainly, if a form like the Northern District of California's form is used, it needs to be available to the parties before closing to give them the opportunity to tell the jury how their arguments and positions connect to the verdict form. Asking only about the factors where the court believes there is a *material* dispute can simplify the verdict form used to ask the jury to make specific findings as to the *Graham* factors. While this could simplify the form, it poses the same risk of a new trial described above. It may be better simply to urge the parties to reach agreement on what the material disputes are. This is the approach contemplated by the Northern District of California's model form.

7.3.4.5 Willfulness

As of this writing, two foundational decisions frame willfulness law. *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007), abolished a prior standard for willful infringement in favor of a two-part "objective recklessness" standard: (1) 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." *In re Seagate*, 497 F.3d at 1371; and (2) "If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer." *Id.*²

2. Based on the Supreme Court's rejection of the Federal Circuit's standard for fee shifting in "exceptional cases" pursuant to Patent Act § 285, which uses identical terminology as the § 284 willfulness provision, in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), Judges O'Malley and Hughes urged their Federal Circuit colleagues to reconsider the *Seagate* standard for imposition of enhanced damages pursuant to § 284. *Halo Elecs. Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1383 (Fed. Cir. 2014) (O'Malley, J., concurring). Although the Federal Circuit denied en banc review in that case, there is reason to believe

The Federal Circuit clarified *Seagate*'s objective test in *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003 (Fed. Cir. 2012). Specifically, the *Bard* decision explains that the objective test is "identical" to the standard applied by the Supreme Court to evaluate "sham" litigation. *Id.* at 1007–08. This standard is satisfied only where "no reasonable litigant could realistically expect success on the merits." *Id.* at 1007. In other words, "[i]f an objective litigant could conclude that the [defenses were] reasonably calculated to elicit a favorable outcome" they were not objectively baseless and, for the same reason, *Seagate*'s objective test would not be satisfied. *Id.* *Bard* also held that this objective inquiry is "a separate legal test" that must be decided by the court: "This court . . . holds that the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to de novo review." *Id.* at 1006–07. This is true even where the underlying factual question (e.g., invalidity based on anticipation) is sent to the jury. *Id.* at 1007.

One question about willfulness jury instructions that frequently arose in the past is whether the jury could be instructed to infer or presume anything from an accused infringer's failure to obtain an opinion of counsel. Disputes should no longer arise, because the America Invents Act explicitly amended the law to provide that "[t]he failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent . . ." § 298.

At least three disputes related to jury instructions and verdict forms seem likely to arise from *Bard*: (1) whether the court should ask the jury to resolve underlying factual issues before deciding the objective prong; (2) whether, if the court decides the objective test in favor of the patentee before the case is submitted to the jury, the jury should be instructed (or informed by the lawyers) that the court reached this decision; and (3) whether it would be appropriate for the jury to be asked to provide an advisory verdict on willfulness generally, or on the objective test specifically. As to the first issue, *Bard* leaves district courts with discretion about whether to send underlying factual issues to the jury before resolving the objective prong, allowing district courts to tailor their procedure in a way that best suits the particular facts of the case.

District courts have exercised that discretion in a variety of ways. In one case, the district court elected first to submit any disputed factual issues pertinent to the objective prong to the jury in the form of special interrogatories so that it could use the jury's factual determinations to resolve the objective prong. Then, if appropriate, the court would later submit the subjective prong to the jury *with the remainder of the*

that the issue remains in play. See *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 780 F.3d 1357 (Fed. Cir. 2015) (Taranto, J., concurring in denial of rehearing en banc) (indicating that there are many aspects of the § 284 jurisprudence that bear revisiting in the appropriate case, but that *Halo Electronics* was not the right vehicle); *id.* (O'Malley, dissenting from denial of rehearing en banc).

case. *Sargent Mfg. Co. v. Cal-Royal Prods., Inc.*, 2012 U.S. Dist. LEXIS 105260, 2012 WL 3101691 (D. Conn. July 27, 2012). In another case, the district court rejected the argument that disputed factual issues must be decided by the jury before the court decides the objective prong. Instead, the court elected to decide the objective prong on summary judgment despite the existence of disputed facts. *Multimedia Patent Trust v. Apple Inc.*, 2012 U.S. Dist. LEXIS 167479, 2012 WL 6863471, at *16 (S.D. Cal. Nov. 9, 2012) (pointing out that “[i]n *Bard*, the Federal Circuit stated that in determining whether a defendant’s defense to infringement is objectively reasonable, a judge ‘may’ allow the jury to decide the underlying factual issues”) (citations omitted). This is because the nature of the factual dispute—or the mere existence of a particular factual dispute—may show that the defendant’s defenses are not baseless and, therefore, that the objective prong is not satisfied. Alternatively, even if some facts are disputed, the existence of other undisputed facts may provide a sufficient basis for the court to decide the objective prong. In this context, the district court’s rulings on summary judgment often provide a basis for deciding the objective prong. See, e.g., *Masimo Corp. v. Philips Elecs. N. Am. Corp.*, 2013 U.S. Dist. LEXIS 83704, 2013 WL 2920478 (D. Del. June 14, 2013); but see *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 2012 U.S. Dist. LEXIS 157337, 2012 WL 5417552 (W.D. Pa. Nov. 2, 2012) (declining to decide the objective prong before trial despite the court having stated that its decision on a motion for summary judgment of invalidity was “a close call,” noting that “its summary judgment rulings do not automatically prove that an objectively reasonable defense has been raised” (citing *Monsanto Co. v. E.I. DuPont De Nemours & Co.*, 2012 U.S. Dist. LEXIS 157337, 2012 WL 2979080 (E.D. Mo. July 20, 2012))).

With respect to the second issue, it seems clear that the jury should not be informed—either by the lawyers or the court—that the court found the objective test to be satisfied before the jury has decided liability (i.e., where willfulness has not been bifurcated). Because such a decision is a finding that the accused infringer’s defenses were baseless, the jury cannot be expected to limit its substantial prejudicial effect to the determination of willfulness. It would likely extend to the jury’s consideration of those underlying defenses of non-infringement, invalidity, and the like. This would have the perverse, and highly prejudicial, effect of directing a verdict on liability *and* willfulness, but cloaking both decisions in the form of a jury verdict, which would be subject to more deferential review than the grant of judgment as a matter of law. Rather, in this situation courts should either grant JMOL as to the underlying defenses and willfulness (if the court also finds that no reasonable jury could find for the accused infringer on the subjective test, as well), or permit the jury to decide those defenses and willfulness (or the subjective test specifically) without knowledge of the court’s finding as to the objective test. Courts should also look for opportunities to evaluate the objective prong at the summary judgment stage or in other pretrial proceedings (e.g., an evidentiary hearing) so that these issues are settled, where possible, before the jury hears opening statements. And where the court finds before trial that the objective prong is satisfied, it should, as appropriate, summarily adjudicate liability before trial. This would narrow the scope of the trial and expend less of the jury’s time for trial. It would also obviate (and prevent prejudice

from) what would essentially be a charade—an accused infringer presenting arguments and evidence on defenses that the court has already found specious and would presumably throw out on JMOL.

As to the question about what type of verdict a jury should be asked to render with respect to willfulness, the best practice in non-bifurcated cases is for the court to ask the jury to decide narrow questions directed at the subjective test (for example, whether the accused infringer knew or should have known that it infringed a valid patent) and, if appropriate, factual issues underlying the objective test. This is for essentially the same reasons as discussed above with respect to instructions regarding obviousness. But, again for the same reasons as for obviousness, it appears permissible for a court to ask the jury to render a general verdict on willfulness (which the court would interpret as advisory with respect to the objective test and definitive with respect to the subjective test) or to seek an advisory verdict on the objective prong explicitly.

One further observation that encompasses both of these issues bears mention. Balancing providing clear instructions to (and questions for) the jury, on the one hand, with preventing substantial prejudice to the accused infringer, on the other hand, can be a struggle for courts. It may well be that courts find that the simplest and most effective way to balance these issues fairly is to phase or bifurcate willfulness such that it is tried after a jury has reached a verdict on liability. Note that in 2015 the Supreme Court granted certiorari in *Stryker Corp. v. Zimmer, Inc.* and *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 356 (2015), to address whether *Seagate's* “rigid” two-part test can be sustained in light of the Court’s decision in *Octane Fitness*, which rejected a similar test for attorneys’ fees. *Id.* Accordingly, courts addressing willfulness jury instructions should be especially vigilant to assess the current state of the law.

7.3.4.6 Inducement of Infringement

In 2011, the Supreme Court resolved a long-standing ambiguity in indirect infringement law when it held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute infringement” of the asserted patent. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011). This decision harmonizes the required mental states for both forms of indirect infringement—inducement under § 271(b) and contributory infringement under § 271(c). *Id.* at 2067–68 (discussing its prior decision in *Aro II* and holding that § 271(b) and (c) require the “same knowledge”); *Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc. (Aro II)*, 377 U.S. 476 (1964) (“[Section] 271(c) does require a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.”). This standard requires proving that the alleged infringer had a specific intent to induce acts it knew would infringe the asserted patent, as opposed to simply having the intent to induce acts that happen to infringe. The Supreme Court also recognized that the accused infringer, therefore, cannot induce infringement unless it knew of the patent. *Global-Tech*, 131 S. Ct. at 2068.

In reaching this result, the Supreme Court expressly rejected the standard set forth in *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc). In reviewing the district court decision underlying *Global-Tech*, the Federal Circuit found that “Pentalpha deliberately disregarded a known risk that SEB had a protective patent,” and that this was sufficient to satisfy *DSU*’s “knew or should have known” standard. *Global-Tech*, 131 S. Ct. at 2064–65. But the Supreme Court made clear that this standard is not viable: “deliberate indifference to a known risk that a patent exists is not the appropriate standard under § 271(b).” *Id.* at 2068 (describing “should have known” as a simple negligence standard); see also *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1367–68 (Fed. Cir. 2013) (vacating induced infringement verdict where jury instruction included improper language that the jury could find inducement where Cisco “should have known that its actions would induce actual infringement”).

In situations where an accused infringer is alleged to have deliberately avoided knowledge of the patent, the Supreme Court found that the appropriate touchstone is the doctrine of “willful blindness.” This doctrine varies somewhat between circuits, but all formulations contain “two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” *Global-Tech*, 131 S. Ct. at 2070.

Regarding requisite specific intent, the Federal Circuit commented that “it is clear that a good-faith belief of non-infringement is relevant evidence that tends to show that an accused inducer lacked the intent required to be held liable for induced infringement.” *Commil*, 720 F.3d at 1367–68. The same standard does not, however, apply to a good-faith belief that a patent is invalid. In *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015), the Supreme Court ruled that because induced infringement and validity are separate issues and have separate defenses under the Patent Act, belief regarding validity cannot negate § 271(b)’s scienter requirement of “actively induce[d] infringement.” Otherwise, the Act’s presumption of validity, § 282(a), would be undermined, permitting circumvention of the high bar—the clear and convincing standard—that defendants must surmount to rebut the presumption.

It is also worth noting that in amending the law governing the use of legal opinions, the AIA not only prevents plaintiffs from using the lack of a legal opinion to show willfulness, but also prevents plaintiffs from arguing that the lack of a legal opinion can be used “to prove . . . that the infringer intended to induce infringement of the patent.” § 298. Thus, the absence of an opinion cannot be used to infer the “specific intent” necessary to support a claim of inducing infringement.

Further, see § 6.2.1.2.6, where an accused infringer does not itself perform all the steps of an accused method, it cannot be liable for infringement unless it controls or directs performance of each step of the accused method. *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008) (reversing a jury verdict of infringement). “There can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other person to perform the steps.” *Akamai Techs., Inc. v. Limelight*

Networks, Inc., 629 F.3d 1311, 1320 (Fed. Cir. 2010), *rev'd on other grounds*, 692 F.3d 1301 (Fed. Cir. 2012) (en banc) (per curiam), *rev'd*, 134 S. Ct. 2111 (2014). And “a defendant is not liable for inducing infringement under § 271(b) when no one has directly infringed under § 271(a) or any other statutory provision.” *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014).

The Northern District of California model jury instructions and the Federal Circuit Bar Association 2016 model jury instructions have been updated to reflect the Supreme Court’s decisions in *Global-Tech* and *Akamai*. The Federal Circuit Bar Association’s 2016 instructions have also been updated to reflect the Supreme Court’s decision in *Commil*.

7.3.4.7 Damages

One of the most vexing issues in patent law is the proper measure of damages. Crafting an appropriate jury instruction on compensatory damages for patent infringement is difficult. The first paragraph of § 284 provides that “the court shall award the claimant damages *adequate to compensate* for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer . . .” (emphasis added). Thus, this provision aims to put the patent holder in the financial position it would have enjoyed but for the infringement. It calls for the court to determine the patent holder’s lost profits. As the Supreme Court has stated, the question to be asked is: “Had the infringer not infringed, what would the patent holder . . . have made?” *Aro II*, 377 U.S. at 507; *see also Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1223 (Fed. Cir. 1995) (“the purpose of compensatory damages is not to punish the infringer, but to make the patentee whole”);³ *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1577 (Fed. Cir. 1989) (damages shall compensate the patentee for its pecuniary loss because of the infringement).

Depending on the circumstances, a patentee’s compensatory damages can include: lost direct sales; price erosion (lost profits resulting from the lower price resulting from competition from the infringer); increased costs; and lost “convoys sales”—parts, accessories, and repair or maintenance services that are functionally related to the patented products. *See generally* § 14.4.3.2. The Federal Circuit has developed exacting standards of proof for lost profits. To establish lost sales, the patent holder must ordinarily prove demand for the patented product, absence of acceptable non-infringing substitutes, manufacturing and marketing capability to exploit the demand, and the amount of per-unit profit. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1358, 1545 (Fed Cir. 1995) (en banc) (endorsing the test articulated in *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978)).

Owing to relatively strict standards of proof, lost profits can be difficult to establish in practice. Moreover, some entities cannot prove lost sales. Their injury is better characterized as lost licensing revenue. Thus, as an alternative to determining lost

3. Pecuniary damages are not meant to punish for infringement because treble damages are available for punishing willful infringement.

profits, § 284 sets a floor for compensatory damages: “in no event [shall the compensatory award be] less than a reasonable royalty for the use made of the invention by the infringer.”

In recent years, reasonable royalty jurisprudence has developed rapidly. Analyzing a hypothetical negotiation is the most common, although not the only, way to determine a reasonable royalty. In a typical case, the parties will put forward economic experts to opine on the payment that would have resulted from a hypothetical arms-length negotiation between the patent holder and the infringer prior to the infringing activity. The hypothetical negotiation is based on the assumptions that the patent was valid, would be infringed by the defendant’s conduct, and the parties were truly willing and able to negotiate a license. Most often, this testimony examines the wide range of factors set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970).⁴

In theory, reasonable royalty testimony should establish three items: (1) the date of the hypothetical negotiation and when the royalty obligation begins; (2) the royalty base; and (3) the royalty rate per unit (or lump sum amount, where appropriate).⁵ The jury instruction regarding the date of the hypothetical negotiation is usually relatively straightforward. The royalty base and royalty rate instructions have generated substantial controversy because of concerns about the reliability of economic experts’ analysis and juror comprehension.

7.3.4.7.1 Royalty Base

One common dispute concerns the royalty base against which the royalty rate is applied. In cases in which the patented technology represents the primary basis for demand for the defendant’s infringing product, such as a pharmaceutical case in which the patent claims a new drug, the reasonable royalty appropriately extends to the accused product’s entire revenue. In cases where the patent covers only one component of a multicomponent product, such as one feature of a complex micro-computer, the reasonable royalty determination requires more scrutiny to ensure that the damage award measures the harm to the patent holder attributable to the infringing component or feature and not the contribution from other components of the product, the defendant’s good will in the marketplace, and other factors unrelated to the patent. “Where small elements of multi-component products are accused of

4. Not all *Georgia-Pacific* factors apply in every case. In *Ericsson, Inc. v. D-Link Systems, Inc.*, 773 F.3d 1201, 1235 (Fed. Cir. 2014), in a case involving a RAND-encumbered patent, the Federal Circuit noted that “a district court must instruct the jury only on factors that are relevant to the specific case at issue.” “There is no *Georgia-Pacific*-like list of factors that district courts can parrot for every case involving RAND-encumbered patents.” *Id.*

5. Not all royalty agreements require a rate per unit sold. Some royalty agreements require a fixed payment per unit of time. Such agreements trade flexibility for a guaranteed income stream. They can also be easier to administer and audit. In some fields, such agreements are more common and may provide the basis for an alternative royalty rate calculation.

infringement, calculating a royalty on the entire product carries a considerable risk that the patentee will be improperly compensated for non-infringing components of that product.” *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012). Indeed, even where a patentee bases the royalty on the “smallest salable patent-practicing unit,” there may still need to be further constraint on the selection of the base. *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1327 (Fed. Cir. 2014) (holding that where the smallest salable unit is a multicomponent product containing several non-infringing features, the patentee must do more to estimate what portion of the value of that product is attributable to the patented technology). Instead, the requirement that the patentee identify damages associated with the smallest salable patent-practicing unit is simply a step toward meeting the requirement of apportionment. *Id.*

The “entire market value rule” is a “narrow exception” to the general rule. When claims are drawn to an individual component of a multicomponent product, it is the exception, not the rule, that a patentee can recover “damages as a percentage of revenues or profits attributable to the entire product.” The exception applies only when the patentee can show that the “patented feature drives the demand for an entire multi-component product.” *LaserDynamics*, 694 F.3d at 67–68 (holding that LaserDynamics’ use of the entire market value rule was impermissible where patentee did not show that the patented method drove demand for the entire product and that it was not enough to merely show that the method is valuable, important, or even essential to the entire product). “The entire market rule allows for the recovery of damages based on the value of an entire apparatus containing several features, when the feature patented constitutes the basis for customer demand.” *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009) (quoting *TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 901 (1986)) (finding that a \$358 million damages award was not supported by substantial evidence and remanding for new trial).

Even in cases in which the accused device incorporates many components beyond the patented technology, patent holders will typically advocate using the entire market value of the defendant’s product as the baseline for the reasonable royalty determination. They typically request a general instruction indicating that the patent holder is entitled to a reasonable royalty based on the list of *Georgia-Pacific* factors. *Georgia-Pacific* Factor 13 expressly considers the value of other components in the accused device to the overall market value of the accused device: “The portion of the realizable profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.” *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (Factor 13). However, simply relegating this important issue to a long list of factors risks placing undue importance on the patented technology in suit relative to the value of other components in the accused device. Essentially, this approach provides the jury with little genuine guidance about how to resolve the battle of the economic experts and can lead to results that defy the economic logic that undergirds real-world licensing negotiations.

In weighing Factor 13, the *Lucent* court observed that “numerous features other than the [accused feature] appear to account for the overwhelming majority of the

consumer demand and therefore significant profit.” *Lucent*, 580 F.3d at 1333. Consequently, “[t]he only reasonable conclusion that can be drawn” from the factual evidence presented at trial is that the accused feature “is a minor aspect of a much larger software program and that the portion of the profit that can be credited to the infringing use of the [accused feature] is exceedingly small.” *Id.*

Further, in *LaserDynamics*, the Federal Circuit emphasized that “the requirement to prove that the patented feature drives demand for the entire product may not be avoided by the use of a very small royalty rate.” *LaserDynamics*, 694 F.3d at 67; see also *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318–21 (Fed. Cir. 2011).

Moreover, “[r]egardless of the chosen royalty rate, one way in which the error of an improperly admitted entire market value rule theory manifests itself is in the disclosure of the revenues earned by the accused infringer associated with a complete product rather than the patented component only.” *LaserDynamics*, 694 F.3d at 68 (referring to *Uniloc*, where the disclosure of a \$19 billion damages theory based on the entire market value caused unfair prejudice). “Admission of such overall revenues, which have no demonstrated correlation to the value of the patented feature alone, only serve to make a patentee’s proffered damages amount appear modest by comparison, and to artificially inflate the jury’s damages calculation beyond that which is ‘adequate to compensate for the infringement.’” *Id.* It is also important, therefore, to take care to avoid misleading the jury by placing undue emphasis on the value of the entire product, over the value of the infringed feature.

To ensure that the jury appreciates the narrow “entire market value rule” exception, the Court should educate the jury about the importance of evaluating the relationship between the accused feature and other aspects of the commercial product or service in its instructions in determining the value of that feature. The Northern District of California Model Patent Jury Instructions provide a helpful example. The Model Instruction that explains a reasonable royalty states in relevant part:

If the patent covers only part of the product that the infringer sells, then the base would normally be only that feature or component. For example, if you find that for a \$100 car, the patented feature is the tires which sell for \$5, the base revenue would be \$5. However, in a circumstance in which the patented feature is the reason customers buy the whole product, the base revenue could be the value of the whole product. Even if the patented feature is not the reason for customer demand, the value of the whole product could be used if, for example, the value of the patented feature could not be separated out from the value of the whole product. In such a case, however, the rate resulting from the hypothetical negotiation would be a lower rate because it is being applied to the value of the whole product and the patented feature is not the reason for the customer’s purchase of the whole product.

N.D. Cal. Model Patent Jury Inst. 5.7 (“Reasonable Royalty—Definition”) (June 17, 2014) (see Appendix E).

As the Supreme Court recognized long ago, it would be “very grave error to instruct a jury ‘that as to the measure of damages the same rule is to govern, whether the patent covers an entire machine or an improvement on a machine.’” *Seymore v. McCormick*, 57 U.S. 480, 491 (1853); see also *Westinghouse Elec. & Mfg. Co. v. Wag-*

ner Co., 225 U.S. 604, 614–15 (1912) (“[The] invention may have been used in combination with valuable improvements made, or other patents appropriated by the infringer, and each may have jointly, but unequally contributed to the profits. In such case, if plaintiff’s patent only created a part of the profits, he is only entitled to recover that part of the net gains.”); *Garretson v. Clark*, 111 U.S. 120, 121 (1884) (“When a patent is for an improvement, and not for an entirely new machine or contrivance, the patentee must show in what particulars his improvement has added to the usefulness of the machine or contrivance. He must separate its results distinctly from those of the other parts, so that the benefits derived from it may be distinctly seen and appreciated . . . ‘the patentee . . . must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative; or he must show, by equally reliable and satisfactory evidence, that the profits and damages are to be calculated on the whole machine, for the reason that the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.” (quoting the lower court)). It is incumbent upon the district court to ensure that this important issue is not overlooked.

Another consideration in determining the value of an accused feature is the extent to which that feature could have been replaced with a non-infringing alternative and, if so, the value of that feature over its replacement. The Federal Circuit has recognized the relevance of non-infringing alternatives in the context of reasonable royalty determinations:

Shell also urges that a reasonable royalty may not exceed the cost savings between its proposed non-infringing alternative installation . . . and the patented method. . . . Upon remand, the district court is free to entertain additional evidence by the parties on this fact issue in its re-determination of the damage award. The trial court may also consider any other evidence about non-infringing alternatives.

Riles v. Shell Exploration & Prod. Co., 298 F.3d 1302, 1313 (Fed. Cir. 2002). Yet this critical consideration, too, can be difficult for a jury to appreciate in the context of the long list of *Georgia-Pacific* factors.

The following supplemental instruction ensures against this oversight by explaining the significance of non-infringing alternatives in determining the value of the accused feature:

[Patent holder] claims a reasonable royalty based on [alleged infringer’s] sales of the [accused device/system] rather than sales of the [component] in the [accused device/system]. In these circumstances, a reasonable royalty should reflect the portion of the revenue from sales of the [accused device/system] that result from the improvement provided by the [xxx] patent over alternatives to the patented technology available to the [alleged infringer] at the time that the infringement began.

Where the patentee has claimed both a component and the previously known apparatus or system in which it is used, the instruction should direct the jury to the patented improvement, as explained typically in the patent specification or prosecution history.

This supplemental language should be used to augment the court’s general instructions regarding reasonable royalty. *See, e.g.*, Model Patent Jury Instructions for the Northern District of California, Instruction 5.7 (Reasonable Royalty—Definition) (June 17, 2014) (*see* Appendix E). We note that this specific language regarding non-infringing alternatives has not been formally adopted in any model jury instructions. Nonetheless, it comports with general principles of damages apportionment law and the specific concerns emerging in patent cases involving accused devices incorporating multiple technologies and features.

Consistent with these principles, courts should afford defendants adequate leeway to offer evidence relating to prior judgments or to licenses covering attributes of the accused product not covered by the patent(s) in suit, where the defendants can show that there is a basis for comparing their value to the value of the hypothetical license (e.g., the relative value or importance of the accused and non-accused features covered by the licenses, the relative scope of the licenses, or the like). Thus, if the defendant has licensed other technologies in order to bring the accused product to market, then such licenses may bear on the relative value of the accused product attributable to the patent(s) in suit. Courts should also permit the introduction of evidence relating to the value of different components of an accused device to consumers of the product. This can come in the form of direct testimony of customers, survey evidence, and expert testimony from marketing professionals and economists. Such evidence directly addresses Factor 13 of the *Georgia-Pacific* test and helps to determine whether the patented technology in suit or another component or factor drives demand for the accused product.

7.3.4.7.2 Royalty Rate

The Federal Circuit has recognized that estimating a reasonable royalty is not an “exact science,” and that there may be more than one reliable method. *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1315 (Fed. Cir. 2014). “For example, a party may use the royalty rate from sufficiently comparable licenses, value the infringed features based upon comparable features in the marketplace, or estimate the value of the benefit provided by the infringed features by comparing the accused product to non-infringing alternatives.” *Id.* Each approach has “strengths and weaknesses,” and each approach may be appropriate and may produce admissible testimony depending on the facts of the case. *Id.*

In *Apple*, the Federal Circuit noted that a “fact finder may award no damages only *when the record supports a zero royalty award.*” *Id.* at 1327–28 (emphasis added) (noting that “[i]f a patentee’s evidence fails to support its specific royalty estimate, the fact finder is still required to determine what royalty is supported by the record,” whereas, if a patentee fails to meet its burden on lost profits, then no award of lost profits is justified).

The Federal Circuit has in recent years substantially enhanced the court’s gate-keeping role to ensure that a party’s proof of damages is not based on improper “principles and methodology, or legally insufficient facts and data.” *Id.* at 1314. The court rejected the use of general, simplistic apportionment rules. *See id.* at 1324–25; *VirnetX, Inc.*, 767 F.3d at 1331–34 (rejecting the Nash Bargaining Solution); *Uniloc*,

632 F.3d at 1312 (rejecting the “25% Rule”). Thus, *Daubert* motions play a substantial role in screening royalty rate methodologies. See § 7.4.3.3.2.1.

7.4 Substantive Limitations on Expert Testimony

Critical to managing a patent trial is the court’s ability to control expert testimony. Of course, expert testimony of various forms is used in a variety of cases, and hence judges are familiar with both the concerns and the safeguards reflected in Federal Rule of Evidence 702 and the Supreme Court’s decision in *Daubert v. Merrell Dow Pharms.*, 509 U.S. 579 (1993). But patent cases present special challenges for at least three reasons. First, because the factual evidence is often technically complex and difficult to understand, juries may place undue weight on expert testimony, especially when it simplifies (or purports to simplify) the issues that the jury has to decide. Second, many of the legal tests used to evaluate liability and damages incorporate—expressly or implicitly—concepts that largely, if not exclusively, depend upon expert testimony. Thus, experts are aggrandized in patent cases in ways not typical of other types of litigation. Finally, as discussed more fully below, the role that experts play in patent cases does not always fit squarely within the Rule 702/*Daubert* framework. Consequently, managing the scope and content of the experts’ testimony is a critical component of trial management. This section explores issues that courts are likely to confront when evaluating the proper substantive limits of expert testimony in patent cases.

7.4.1 The Role of Experts in Patent Cases

Expert testimony in patent cases may be categorized into at least two distinct types. One, common to most other types of litigation, involves applying an accepted technical or scientific methodology to facts established during the trial to reach conclusions about factual issues. An expert might testify, for example, about the results of her analysis to determine the chemical composition of the accused product. Because this type of testimony is directed to an analysis that the expert regularly performs outside of a litigation context, it falls squarely within the Federal Rule of Evidence 702/*Daubert* framework. Consequently, it presents few distinctive or novel issues and should be familiar to the court.

The second type of testimony presents more challenges. In patent cases, an expert is often asked to use her scientific, technical, or specialized knowledge to evaluate a hypothetical legal construct. For example:

- Who is a “person having ordinary skill in the art”?
- Would a “person having ordinary skill in the art” believe at the time of alleged infringement that differences between the patent claim and the accused product are “insubstantial”?
- At the time the patent application was originally filed, would a “person having ordinary skill in the art” have had a motivation to combine known ideas to create the claimed invention? (Note that, although a patent challenger is not required to show that one of ordinary skill in the art would have had a

specific motivation to combine prior art references, such a showing may be helpful to the obviousness analysis. See *KSR*, 550 U.S. at 418; § 14.3.5.2.)

- What royalty rate would the patentee and the infringer have agreed upon had they participated in a negotiation at the time of first infringement knowing that the patent was valid and infringed?

Obviously, it is more difficult for a court to perform its gatekeeping function effectively when this type of testimony is at issue. Because it reflects a hypothetical legal construct, it necessarily departs from the type of generally accepted, peer-reviewed methodology contemplated by Federal Rule of Evidence 702 and *Daubert*. This second type of expert testimony forms the bulk of expert testimony in patent cases. As a result, the majority of issues discussed in this section arise from this type of analysis.

7.4.2 Timing and Procedure: When and How Should the Court Exercise Its Gatekeeping Role?

The first step for the court to take in managing expert testimony in patent cases is to decide when to exercise its gatekeeping role and the process by which to do so. Although many courts permit parties to raise *Daubert* challenges in summary judgment or *in limine* motions, courts are most effective when they establish a separate mechanism for resolving *Daubert* challenges.

One problem with addressing *Daubert* issues as part of summary judgment or *in limine* briefing is that neither provides an adequate means for fleshing out the record on the factual and legal issues relevant to the sufficiency of expert testimony. Summary judgment briefing is inadequate for this purpose because there is little overlap between either the facts or the legal standards for deciding summary judgment and *Daubert* issues. Because both issues are substantial, there typically is not room in a summary judgment brief to do justice to both. The *Daubert* challenge usually gets short shrift: either as a conclusory statement, paragraph, or section tacked on to justify the court overlooking what might otherwise be a question of fact created by expert testimony; or as a series of essentially thematic statements that seek to underscore the purported flaws in the opposing party's position, but nevertheless fail to assist the court because they do not squarely address the legal standard for excluding the expert's opinions.

Dealing with *Daubert* issues at the *in limine* stage presents different challenges, but usually reaches the same result: an insufficient record for thoughtful analysis. *In limine* motions reflect the harried environment in which they are prepared and decided. Briefing is typically sparse and argument short. Although this provides an efficient way to resolve simple evidentiary disputes, it is not an effective way to resolve the more complicated issues presented by a *Daubert* challenge. At a minimum, the court should have thorough, summary-judgment-length briefs from each party, but even this may not be enough in some cases. The court may also need to hear directly from the expert during an evidentiary hearing. This is true whether the motion is styled as a *Daubert* motion or, as is often the case, as a motion *in limine* asking the court to preclude an expert from testifying for a purportedly simple, straightforward

reason that, when considered carefully, implicates an issue related to reliability. See, e.g., discussion of conclusory expert opinions in § 7.4.3.3.1.

A more effective way for courts to consider these issues is to include a specific briefing/hearing schedule for *Daubert* motions in its case-management order. See §§ 2.4, 2.6.6. The schedule should be timed such that the motions are filed after experts are deposed on their reports, but well before the pretrial conference. Many courts hear *Daubert* challenges at the same time as, but separate from, summary judgment motions. Timing the briefing and hearing this way will ensure that a full record is available, but also give the court adequate time to consider the merits of each challenge.

In addition, early consideration of *Daubert* challenges prevents the risk of a party being denied any expert at trial, which in some circumstances can be a harsh sanction for a correctable error. For example, discussed in § 7.4.3.3.2.1.3, a common *Daubert* challenge to a damages expert is based on an alleged incorrect date for the hypothetical negotiation for the determination of a reasonable royalty. Determining that date can be challenging, not only because it depends on technical information related to infringement that is usually beyond the purview of damages experts, but also because the trial court's summary judgment rulings can have a profound effect on that date. So it can happen that while a damages expert's *methodology* can be perfectly adequate, the *factual basis* for the analysis is incorrect as a matter of law. Of course, once informed by the court's summary judgment rulings, the expert can revise her analysis to include the correct information, so if the question is raised through an *in limine* motion on the eve of trial, it may seem unjust to grant the motion and strike the expert. Because of scenarios like this one, and because *Daubert* issues are usually known to the parties through expert reports and depositions well in advance of trial, resolving *Daubert* challenges well before the pretrial conference is good practice.

Expert opinions regarding damages warrant special mention in this context. As discussed in § 2.6.6, district courts frequently wrestle with complex issues related to the reliability and admissibility of damages-related opinions. A variety of factors generate frequent challenges to damages-related theories and evidence, and lead those disputes to be raised with the court at the very end of the case:

- Damages law is evolving rapidly, which generates disputes about the viability of damages theories and expert methodologies.
- Unlike the typical expert opinion on patent liability issues, damages opinions implicate and can draw from economic, mathematical, and financial valuation methodologies that are peer-reviewed and testable, as well as industry experience in patent valuation in the licensing and acquisition context. The interplay between this body of established non-patent-litigation valuation methodologies and the *Georgia-Pacific* factors commonly used to calculate damages in patent cases creates myriad disputes.
- Neither patent local rules nor case-management orders typically require disclosure of damages contentions, as is done with infringement and invalidity.
- Parties tend to focus less extensively on theory development and discovery for damages than they do on liability issues.

- Challenges to damages theories most often come in the form of *Daubert* motions, which are filed after the close of all discovery and, unfortunately, in some instances contemporaneously with motions *in limine*.

As noted, such disputes are almost always raised with the court at the end of the case. As a result, a court that believes that an expert's opinions may not be reliable is typically faced with imperfect options: (1) excluding the expert and leaving the party with no expert testimony regarding damages at trial; (2) continuing the trial date and providing the party proffering the expert a do-over; or (3) allowing the testimony, despite the court's reservations, with the belief that the jury will see the weakness in the opinions and the intent that, if not, the court will correct the outcome through remittitur, JMOL, or a motion for new trial. In our experience, most courts take the third option (allowing the opinion at trial with the intent to address deficiencies later). Unfortunately, while there are some notable examples of district courts overturning high damages awards based on inadequate expert opinions (*see, e.g., Mirror Worlds LLC v. Apple, Inc.* 784 F. Supp. 2d 703 (E.D. Tex. 2011)), courts that opt for this approach are too often uncomfortable correcting reliability problems with an expert's trial testimony in view of a jury verdict. In most situations, the second option (excluding the opinions but allowing a new report) is the fairest of these imperfect options. However, courts that follow this path should in most circumstances give the party one chance, and no more, to correct the deficiencies so as to prevent abuse. Allowing multiple do-overs encourages parties to game the system, drains judicial and party resources, and wreaks havoc on the trial schedule.

Of course, the best course is to avoid these problems by resolving the disputes that lead to *Daubert* challenges to damages opinions earlier in the litigation process. Section 2.6.6 discusses some case-management tools that may be used to identify and resolve challenges to damages theories and evidence earlier in the case.

7.4.3 Specific Substantive Limitations on Expert Testimony

This section explores substantive limitations on expert testimony that either arise from the unique attributes of a patent case or have a significant or unusual impact on patent cases. Motions invoking these limitations typically fall into one of three broad categories: (1) they allege that the expert opinions are directed to improper subject matter; (2) they allege that the expert is unqualified to render the opinion in question; or (3) they allege that the expert's analysis is insufficiently reliable to be admissible under Federal Rule of Evidence 702.

7.4.3.1 Improper Subject Matter

Motions to preclude expert testimony directed at "improper" subject matter, which commonly arise when experts offer opinions about the research and development (R&D) leading to the patent or the prosecution of the application, usually make one of two allegations: (1) that the expert improperly speculates about what another person was thinking at a given time; or (2) that the expert is giving an opin-

ion on a matter of law, which usurps the role of the judge. Each of these bases presents distinct issues for the court to consider.

7.4.3.1.1 State of Mind of Another Person, Usually an Inventor, Prosecutor, or Examiner

An objection that an expert improperly speculates about what another person thought, believed, or knew most frequently arises when an expert gives an opinion about why the inventor took a particular course of action during the R&D that led to the patent-in-suit. Perhaps the most common example is where an expert offers opinions that an inventor was motivated by a particular goal or found some aspect of the research particularly challenging. A less common, but real-world example is that an expert might review documents describing the inventor's field of study and then offer an opinion that the inventor would have known that a particular laboratory had expertise in that field. This issue also arises in expert testimony about patent prosecution. For example, an expert might offer opinions about why a prosecutor elected not to submit a reference or why an examiner cited or did not cite a piece of prior art when that information is not stated explicitly in the prosecution history.

The moving party generally argues that the expert is simply speculating about the state of mind of the inventor, prosecutor, or examiner. As a result, the opinion is not based on scientific, technical, or specialized knowledge and is not the proper basis for an opinion. Indeed, it is an argument that a lawyer, not an expert, should make. If asserted as fact, it should be presented through a witness with personal knowledge, such as the prosecutor or inventor himself. In response, the party offering the testimony typically argues that the expert does not seek to offer an opinion as to what the inventor, examiner, or prosecutor actually thought. Instead, the expert is opining, based on her expertise in the relevant field, what was typical or standard practice for someone in that situation to do.

The court should evaluate this type of motion on a case-by-case basis. Whether the testimony is appropriate will depend in part upon whether the expert stops short of testifying about what the inventor, examiner, or prosecutor actually believed. If so, the court should also evaluate whether knowledge about the standard practice among similarly situated people will help the jury answer the question at hand or inappropriately distract the jury and affect the result for an inappropriate reason.

7.4.3.1.2 Matters of Law

This type of objection to expert testimony arises when the expert intends to testify about what legal requirements apply to a particular person or situation. Most commonly, this occurs when an expert testifies about the prosecution of the patent in suit. For example, the expert might seek to inform the jury that the law requires a prosecutor to disclose all material prior art of which she is aware. The expert may wish to testify about the standard for materiality. Although most common in connection with testimony about patent prosecution, this issue may arise in other contexts as well. For example, an expert might attempt to offer testimony that a class of

conduct is legally actionable by stating that offering a warranty on a product sold before the patent issued can constitute active inducement of infringement.

The moving party typically argues that an opinion about the state of the law inappropriately usurps the role of the judge, whose duty it is to instruct the jury about the law. Because the moving party is correct that an expert generally may not testify about the state of the law, *see, e.g., Hygh v. Jacobs*, 961 F.2d 359, 363–64 (2d Cir. 1992); *United States v. Wilson*, 133 F.3d 251, 265 (4th Cir. 1997); *Aguilar v. Int'l Longshoremen's Union Local 10*, 966 F.2d 443, 447 (9th Cir. 1992); *United States v. Brodie*, 858 F.2d 492, 496 (9th Cir. 1988), the party offering the testimony typically argues that the expert is offering testimony about a permissible subject, such as Patent Office practice and procedure. *See, e.g., Buckley v. Airshield Corp.*, 116 F. Supp. 2d 658, 662 (D. Md. 2000). If the court determines that the proffered opinion purports to set forth the governing law, it should exclude the testimony.

7.4.3.2 Inadequate Qualifications

Challenges to an expert's credentials typically present the same issues in a patent case that they do in any other case. As a result, most issues related to these motions do not merit special treatment in patent litigation. But one patent-specific issue does arise with some frequency: whether a technical expert must have experience in the specific technology that is accused of infringement. For example, in a case in which a certain type of car door is the subject of the infringement claim, the expert may have a Ph.D. in mechanical engineering and computational and applied mathematics, but no experience in the automotive industry and no experience designing car doors. Should the expert be precluded from testifying on aspects of automotive door design?

The movant will typically argue that although the expert may have education, training, and experience that qualifies her as an expert in other fields, her lack of experience with the accused technology prevents her from having the specialized knowledge necessary to offer reliable opinions about the accused products. The party offering the expert will usually argue that experience with the accused technology is not a *per se* requirement, and that the witness's education and training—although not specific to the accused product—provide the requisite foundation for the opinion. This issue, the argument goes, should be directed to the weight that the jury gives to the testimony, not its admissibility.

Although experience with the technology at issue is not a *per se* requirement, it may be necessary to provide a foundation for the opinions being proffered in some cases. *Compare Tormenia v. First Investors Realty Co., Inc.*, 251 F.3d 128, 136 (3d Cir. 2000), with *United States v. Marler*, 614 F.2d 47, 50 (5th Cir. 1980). Consequently, the specific opinions that the expert intends to offer should determine the outcome. For example, the expert with a Ph.D. in mechanical engineering mentioned above may be sufficiently qualified to compare the mechanical aspects of the accused door with the patent claims, but may not have the requisite knowledge to testify about manufacturing standards applicable in the automotive industry. Thus, the court will need to resolve this issue on a case-by-case basis, above all by applying its common

sense to determine whether the expert has sufficient foundation to offer the opinions in question.

7.4.3.3 Unreliable Analysis

The third category of disputes about the substantive admissibility of expert opinions centers on whether the analysis leading to the opinions was reliable. Generally, the party challenging the expert's opinion makes one of two assertions: (1) that the expert's opinion is conclusory or (2) that the expert misapplied an accepted methodology. The first type of motion most often arises with technical experts; the latter with damages experts, survey experts, and those testing or analyzing accused products.

7.4.3.3.1 Conclusory Expert Opinions

Disputes about conclusory expert opinions often take the form of motions *in limine* that seek to preclude a technical expert from offering an opinion about a general issue because the expert provided only a conclusory opinion about that issue in the expert's report. Motions of this nature are most commonly filed to exclude opinions about obviousness and infringement under the doctrine of equivalents. The "conclusory" opinions sought to be excluded typically take one of two forms. One is a bald statement at the beginning or end of the expert's report offering the expert's conclusion about the ultimate issue, such as the following, after a discussion of literal infringement:

Moreover, to the extent that there are any differences between the accused product and Claim 1, they are insubstantial and the accused products infringe under the doctrine of equivalents.

The other is an opinion that, although addressing a specific claim element and product, does no more than parrot an accepted test for determining the ultimate issue, such as the following:

Although Claim 1 requires "a layer" that performs both functions, the combination of two layers in the accused product achieves substantially the same functions in substantially the same way to achieve substantially the same result as would a single layer.

In both cases, the opinion sought to be excluded is usually preceded or followed by a discussion of the general technology of the patent-in-suit, a discussion of the accused product (or asserted prior art reference), and a detailed discussion of literal infringement (or of anticipation), but there is no other mention of equivalents (or obviousness).

The moving party typically argues that the only discussion in the expert report related to equivalents (or obviousness) is a single conclusory opinion such as the ones set forth above. As a result, it is impossible to determine the basis for or test the reliability of the expert's conclusions. Citing a wealth of case law, the party argues that the conclusory opinion is insufficient. *See, e.g., Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1278 (Fed. Cir. 2004). Because conclusory opinions de-

void of analysis are indeed inadmissible, the party offering the testimony usually counters that the statement is merely a summary of the conclusion, which is based on the detailed discussions found elsewhere in the report.

To evaluate this dispute in the context of the doctrine of equivalents, the court should keep in mind the differences between an analysis of literal infringement (where the test is whether the claim limitation matches the accused instrumentality exactly) and of infringement under the doctrine of equivalents (where the test is whether the differences between the claim limitation and the accused instrumentality are insubstantial—typically measured by whether one skilled in the art would consider them to be interchangeable, or whether they perform substantially the same function, substantially the same way, to achieve substantially the same result). Because the tests are different, an expert opinion discussing why the claim limitation matches exactly the accused instrumentality often does not, but may in some cases, provide foundation for a conclusion that any differences are (or are not) insubstantial.

To evaluate this dispute in the obviousness context, the court should likewise keep in mind the differences between an analysis of anticipation (where the test is whether a single prior art reference discloses all the limitations of a claim exactly) and obviousness (where the test is whether a single reference fails to disclose every element, but nevertheless, by itself or in combination with other references, renders the specific claimed combination of limitations obvious to one of ordinary skill in the art at the time of invention, in view of the *Graham* factors and *KSR*). See § 14.3.5.

Opinions discussing literal infringement typically do not contain the additional material necessary to support a doctrine of equivalents opinion, because that additional subject matter is not, in most cases, germane to whether or not the literal infringement test is satisfied. An expert who elects not to include that material in a separate doctrine of equivalents opinion typically also elects not to include it in the literal infringement opinions. Likewise, the differing standards means that an opinion seeking to establish anticipation by showing the disclosure of each claim element in a prior art reference does not need to include the types of information pertinent to evaluating obviousness. Experts who do not address the underlying factors in detail in their obviousness opinions also typically do not address that subject matter in their anticipation opinions. Practices vary widely, however, from expert to expert and, even with the same expert, from case to case, so the court must assess for each dispute whether the specific opinions in question provide the requisite foundation for the proffered conclusion.

As this discussion illustrates, this type of motion generally requires more than a cursory review of the expert's report and provides a good example of why *in limine* motion practice is not a good vehicle for deciding *Daubert* issues. Although seldom styled as a *Daubert* motion, this dispute implicates the court's gatekeeping role under Federal Rule of Evidence 702. Indeed, the court must determine whether the other sections of the report reflect the reliable implementation of a reliable methodology that provides a foundation for the challenged opinion. Instead of a thorough analysis of these sections under Rule 702 and *Daubert*, the court is almost always presented with a bare excerpt from the report, a few stern quotations from the Fed-

eral Circuit, and no time to dig deeper before deciding the motion. An effective strategy for addressing this issue is for the court to set a separate briefing schedule for *Daubert* motions. In any event, the outcome should be determined on a case-by-case basis and will depend on whether the other sections of the report do, indeed, support the opinion alleged to be conclusory.

7.4.3.3.2 Unreliability of the Methodology or Its Application

Although disputes of this nature could arise with respect to any expert, they most commonly arise in patent cases in connection with the computation of damages. *See generally* § 14.4.3.2. Consequently, all of the examples discussed here relate to methods for calculating damages. The law requires that a patentee be awarded damages “adequate to compensate for infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer.” § 284. In practice, this means damages based on a “reasonable royalty” will be an issue in almost every patent case because a “reasonable royalty” is the “floor below which damage awards may not fall.” *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1358, 1544 (Fed. Cir. 1995) (en banc). Expert testimony supporting a reasonable royalty analysis raises two clusters of issues. The first cluster concerns the methodology used to calculate the royalty; the second concerns the scope of the base to which the royalty rate is applied. In addition, a growing number of cases use surveys to establish the value of an accused feature and to show the volume of use for purposes of establishing direct infringement by third parties that underlies a claim of indirect infringement or proving damages, among other reasons. Because the surveys are litigation-driven and often involve modifications to peer-reviewed methodologies or limited or allegedly non-representative sample sizes, experts proffering opinions based on such surveys are commonly the subject of *Daubert* challenges. For general background on survey methodology, see Shari Seidman Diamond, *Reference Guide on Survey Research*, in Reference Manual on Scientific Evidence 361 (Federal Judicial Center and National Research Council of the National Academies, 3d ed. 2011).

7.4.3.3.2.1 Misapplication of the *Georgia-Pacific* Factors

Courts have generally accepted the multifactor analysis set forth in *Georgia-Pacific*, 318 F. Supp. at 1120, as the framework for calculating a reasonable royalty. *See, e.g., Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568 (Fed. Cir. 1988), *overruled on other grounds by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004). Under this framework, the proffered expert attempts to determine what the royalty would have been had the parties conducted a negotiation at the time of first infringement, with both parties willing to enter into a license, having knowledge that the patent was valid and infringed. (The negotiation is, of course, hypothetical and counterfactual, as the existence of the suit shows.) *Georgia-Pacific* (*GP*) lays out fifteen factors to be considered as part of this hypothetical negotiation. Because the framework is so widely used, most *Daubert* challenges to expert opinions on damages stem from a purported misapplication of the *GP* factors.

Indeed, damages issues are heavily fact-dependent and are far from one-size-fits-all. It takes significant effort on the part of each party and experts to find and use the proper data, analyses, and damages framework that fits the available facts and that properly falls within the bounds of the legal requirements. *See, e.g., Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1315–26 (Fed. Cir. 2014) (except for one minor exception, reversing the district court’s exclusion of proposed damages testimony, noting that “estimating a ‘reasonable royalty’ is not an exact science,” that there may be more than one reliable method, and that “one approach may better account for one aspect of a royalty estimation does not make other approaches inadmissible”); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 870–72 (Fed. Cir. 2010) (vacating a damages award where expert had relied on re-bundling licenses that had no relationship to the claimed invention and finding that in this instance the most reliable licenses arose out of litigation, whereas in most other occasions, the court had found that litigation itself could skew the results of the hypothetical negotiation).

7.4.3.3.2.1.1 Consideration of Factors Not Specified in *Georgia-Pacific*

Although application of the fifteen *GP* factors is nearly universal, some experts rely on other factors in some cases. For example, an expert with years of licensing experience in a particular industry may elect to consider additional factors used in that industry when calculating a reasonable royalty for patents in that industry. As another example, if the patent-in-suit was purchased from the patentee by the plaintiff, an expert might consider the value attributed to that patent during the acquisition. Alternatively, an expert might offer an opinion that takes into consideration the cost to design around the patent, the cost of removing the infringing feature from the accused product, the value attributed to the technology by respondents to marketing surveys, or myriad other factors.

When an expert does this, the opposing party often seeks to exclude the opinion on the basis that the expert departed from the accepted methodology by considering additional factors. The party offering the testimony usually counters that the specific factors outlined in *GP* are an accepted, *but not required*, tool for evaluating the outcome of a hypothetical negotiation. Indeed, the *GP* factors are not exclusive. *Georgia-Pacific*, 317 F. Supp. at 1120. If the expert can provide information that shows that the additional factor considered is generally accepted as relevant to valuation and was reliably applied in this instance, the court should allow the opinion. *See, e.g., Apple*, 757 F.3d at 1315 (“a party may . . . estimate the value of the benefit provided by the infringed features by . . . comparing the accused product to non-infringing alternatives”) (citations omitted); *Open Text S.A. v. Box, Inc.*, 2015 U.S. Dist. LEXIS 8783, 2015 WL 393858, *3–4 (N.D. Cal. Jan. 29, 2015) (citing and distinguishing *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1373 (Fed. Cir. 2008)) (allowing expert opinion regarding non-infringing alternative and noting that “*Mars* is not a blanket prohibition on expert testimony about non-infringing alternatives as a damages measure. As the Federal Circuit has held [in *Apple*] . . . basing a reasonable royalty estimate on the cost of implementing non-infringing alternatives is an allowable methodology That *Mars* only forbids ‘courts, not experts, imposing caps based

on expected profits as a matter of law’ is a reading endorsed by other district courts.”).

7.4.3.3.2.1.2 Selective Use of the *Georgia-Pacific* Factors

Similarly, experts often combine several of the *GP* factors or decline to apply one or more factors in a given case. The issue is essentially the same—*GP* provides the core framework and factors that may be used in evaluating a royalty within that framework, but there is no express requirement that every factor be applied in every case. In considering a motion brought on this ground, the court should evaluate the totality of the analysis to determine whether it reflects the overall framework, rather than evaluate the expert’s consideration (or lack of consideration) of each factor in isolation.

7.4.3.3.2.1.3 Use of an Incorrect Date for the Hypothetical Negotiation

Another commonly brought motion seeks to exclude an expert opinion on the grounds that the expert used the wrong date for the hypothetical negotiation. This most often arises where multiple patents are asserted. For example, a common approach when multiple patents are at issue is to assume that the royalty for all patents is determined during a single negotiation that occurred at the time of first infringement of the earliest-infringed patent. This is especially true when the patents are part of the same patent family.

The movant usually argues either that the expert’s use of an incorrect date conflicts with the legal standard or that it renders the analysis unreliable. Of course, the party offering the testimony disagrees, arguing that it is the jury’s province to determine which of the factual scenarios that undergird the expert’s analysis is more accurate. Thus, the issue goes to weight, not admissibility. The non-movant usually has the better argument. If the expert can identify a plausible explanation for the date selected that is consistent with the flexible hypothetical construct (e.g., the opinion covers a multiple-patent scenario, or reflects one party’s contention about when infringement began), then the motion should be denied. *See Brunswick Corp. v. United States*, 46 U.S.P.Q.2d 1446 (Fed. Cir. 1998) (unpublished). In the case where the date used bears no logical relationship to the date of first infringement, however, the court should grant the motion. *See Unisplay, S.A. v. Am. Elec. Sign Co., Inc.*, 69 F.3d 512, 518 (Fed. Cir. 1995); *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1079 (Fed. Cir. 1983) (“the key element in setting a reasonable royalty . . . is the necessity for return to the date when infringement began”).

7.4.3.3.2.1.4 Use of Facts that Post-Date the Hypothetical Negotiation

A fourth frequently filed motion concerns the extent to which experts can rely on events that occurred after the date of first infringement in their analysis of the *GP* factors. The movant typically contends that the analysis is legally deficient or unreliable because it relies exclusively or partially on such facts. In response, the party of-

fering the testimony typically argues that considering the post-infringement facts is helpful and sometimes necessary to ensure that the result of the hypothetical negotiation does not stray too far from actual events. Here, both parties can have legitimate points and the resolution depends on a subtle distinction: the expert must base her opinion on facts that predate the hypothetical negotiation, but may look to post-negotiation facts as a reality check.

In *Fromson v. Western Litho Plate & Supply Co.*, the Federal Circuit discussed the role that facts occurring after the date of the hypothetical negotiation can play in the analysis:

The methodology encompasses fantasy and flexibility; fantasy because it requires a court to imagine what warring parties would have agreed to as willing negotiators; flexibility because it speaks of negotiations as of the time infringement began, yet permits and often requires a court to look to events and facts that occurred thereafter and that could not have been known to or predicted by the hypothesized negotiators.

853 F.2d 1568, 1575 (1988), *overruled on other grounds by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004). This language in *Fromson* flows from the Supreme Court's discussion of post-infringement facts in *Sinclair Ref. Co. v. Jenkins Petroleum Co.*:

But a different situation is presented if years have gone by before the evidence is offered. Experience is then available to correct uncertain prophecy. Here is a book of wisdom that courts may not neglect. We find no rule of law that sets a clasp upon its pages, and forbids us to look within. . . . To correct uncertain prophecies in such circumstances is not to charge the offender with elements of value non-existent at the time of his offense. It is to bring out and expose to light the elements of value that were there from the beginning.

289 U.S. 689, 697 (1933). Nevertheless, an expert is not free to disregard entirely the date of first infringement and base her opinion entirely upon post-infringement facts:

Burns was not discussing what royalty rate a hypothetical negotiation would have yielded *at the time infringement began*. Instead, Burns was testifying to what the parties might arrive *at the time of trial*. Such testimony was not directed to the proper reasonable royalty criteria and therefore cannot support the jury's verdict.

Unisplay, S.A. v. Am. Elec. Sign Co., Inc., 69 F.3d 512, 518 (Fed. Cir. 1995). *See also Hanson*, 718 F.2d at 1081 ("The issue of the infringer's profit is to be determined not on the basis of a hindsight evaluation of what actually happened, but on the basis of what parties to the hypothetical license negotiations would have considered at the time of the negotiations.").

From this medley of pronouncements about the relevance of post-negotiation facts, the conclusion emerges that an expert who uses the hypothetical negotiation framework must ground his or her opinion in facts that would have been known on the date of the hypothetical negotiation, but may also consider post-negotiation facts to color his or her analysis such that it does not depart dramatically from actual events. Thus, if the court finds that the analysis is based primarily or exclusively up-

on post-negotiation facts, the opinion should be excluded. On the other hand, the opinion should be admitted if the court finds that the expert merely uses post-negotiation facts to supplement his or her analysis of prenegotiation facts.

7.4.3.3.2 Use of an Incorrect Base for Damages

Another damages-related dispute that merits discussion concerns the appropriate base from which damages are to be measured. Most commonly, this dispute arises in one of two situations: (1) where the patentee accuses a component of a larger system or product of infringement but seeks a royalty base that includes the entire system or product; or (2) where the patentee seeks to include products sold in connection with the infringing product (allegedly “convoyed sales”) in the royalty base. Typically, this dispute takes the form of a motion *in limine* to preclude the patentee from presenting evidence or argument concerning damages based on the entire system or on “convoyed sales.”

Some such disputes are not directed at the reliability or helpfulness of expert testimony per se, but rather focus on whether the patentee has a legal basis for seeking damages that extend beyond the infringing component or product. Such disputes are best presented through summary judgment (in cases where the theory has been developed through discovery) or motions *in limine* (in cases where the accused infringer seeks to prevent argument or testimony that has been hinted at, but not developed, through discovery). In other cases, parties seek to challenge the methodology by which an expert apportions the value of an accused feature in a multifeature product and, therefore, raise such issues in a *Daubert* motion.

In its *Lucent* decision, the Federal Circuit held that in the reasonable royalty context, the base can be the entire product so long as the rate accounts for the relative contribution of that feature in comparison with other features. See § 7.3.4.7. The Federal Circuit subsequently explained that “consideration of the entire market value of accused products for minor patent improvements simply by asserting a low enough royalty rate” is impermissible. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1320 (Fed. Cir. 2011). The majority of disputes of this nature in the reasonable royalty context are likely to focus on the methodology or reliability of the analysis and thus to be brought in a *Daubert* motion.

7.4.3.3.2.3 Reliance on a Legally Insufficient Methodology

The principal area in which this is likely to arise in patent cases is with respect to the improper use of “rule of thumb” methodologies, such as use of the so-called “25% Rule” or an inappropriate application of the Nash Bargaining Solution used by some experts in calculating reasonable-royalty damages.

The essence of the “25% Rule” is that a patentee should recover 25% of the profits garnered by the accused infringer from its sale of an accused product. In *Uniloc*, the Federal Circuit held as a matter of law that the “25% Rule” is an unreliable methodology by which to calculate a reasonable royalty:

This court now holds as a matter of Federal Circuit law that the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a

hypothetical negotiation. Evidence relying on the 25 percent rule of thumb is thus inadmissible under Daubert and the Federal Rules of Evidence, because it fails to tie a reasonable royalty base to the facts of the case at issue.

632 F.3d at 1315.

The Nash Bargaining Solution suggests that where two persons bargain over a matter, there is a “solution” to the negotiation problem in which each bargainer gets the same money profit, such that they will split 50/50 the incremental profits that are associated with the use of the patented technology. The Federal Circuit rejected this methodology unless the party “sufficiently establish[es] that the premises of the theorem actually apply to the facts of the case at hand,” because such use would be an “inappropriate ‘rule of thumb.’” *VirnetX*, 767 F.3d at 1332–34 (“The Nash theorem arrives at a result that follows from a certain set of premises. It itself asserts nothing about what situations in the real world fit those premises. Anyone seeking to invoke the theorem as applicable to a particular situation must establish that fit, because the 50/50 profit-split result is proven by the theorem only on those premises.”).

In the wake of these cases, two types of disputes are likely to arise. First, a party might assert that an expert is surreptitiously relying on the 25% Rule in his or her analysis. Second, and more commonly, a party might assert that the expert is relying on some other “rule of thumb” (e.g., IBM’s historical 1%-per-patent rate) or is applying a methodology in a manner that fails to take the specific facts of the case into account. The misapplication of the Nash Bargaining Solution is the prime, but not only, example—similar criticisms could arise with respect to any methodology if the expert does not tie the methodology or model to the specific facts of the case.

In both types of disputes, the court should evaluate the methodology underlying the expert’s opinions, as well as the manner in which the expert applies that methodology. It should consider the Federal Circuit’s explicit basis for excluding the expert opinions in *Uniloc* and *VirnetX*: that the “rule of thumb” failed to weigh the specific facts of a given case to reach the royalty that would be reasonable in light of that specific fact pattern. Applying this reasoning, other methodologies—or applications of methodologies—that fail to draw their conclusions from the specific facts of the case at hand should be excluded.

7.4.3.3.2.4 Litigation Surveys

In recent years, it has been more common for a party—typically the patentee—to proffer expert testimony based on a survey conducted specifically for the litigation to support its damages calculation or other contentions. For example, a survey might show the alleged value of the accused feature or the alleged invention, estimate the percentage or overall volume of use of the accused feature or product, or estimate the extent to which a feature drives sales of the product into which it is incorporated. See, e.g., *Lucent*, 580 F.3d at 1333–34. The opposing party often objects to the reliability of the survey on the grounds that it does not comply with generally accepted and peer-reviewed methodologies for conducting surveys. For example, the party opposing the survey may argue that the questions were not properly formulated or balanced, that the process by which responses were tabulated were subjective or were otherwise unreliable, that the sample was not representative, that the sample size was

too small, and the like. *See, e.g., Lucent Techs., Inc. v. Microsoft Corp.*, 837 F. Supp. 2d 1107, 1122–24 (S.D. Cal. 2011).

Unlike much of the expert testimony offered in patent cases, survey-based opinions arise from a field with well-documented and peer-reviewed methodologies on which a court can and should rely to evaluate the reliability of the particular survey in question. *See generally* Shari Seidman Diamond, *Reference Guide on Survey Research*, in *Reference Manual on Scientific Evidence* 361 (Federal Judicial Center and National Research Council of the National Academies, 3d ed. 2011). Moreover, provided that the survey accords with accepted, peer-reviewed methodologies, criticisms of the particular methodology used, the survey design, its reliability, and the conclusions drawn typically go to the weight, not the admissibility, of the survey results. *See, e.g., Microsoft Corp. v. Motorola, Inc.*, 904 F. Supp. 2d 1109, 1120 (W.D. Wash. 2012) (applying Ninth Circuit standards for admissibility of survey material). This principle, however, has limits. Irrational results, especially when presented without a reasonable explanation of the criteria used to design the survey, may in some circumstances be sufficient for exclusion. *See, e.g., Oracle Am., Inc. v. Google, Inc.*, 2012 U.S. Dist. LEXIS 33619, 2012 WL 850705, at *11 (N.D. Cal. Mar. 13, 2012) (excluding conjoint analysis where the expert included three patented features among the seven studied features, failed to include important non-patented features among the seven tested features, and failed to provide any reasonable criteria for the selection). Moreover, simply confirming that the expert reliably applied an accepted, peer-reviewed methodology is not sufficient to determine admissibility—the other requirements for admissibility of expert testimony must also be met. This is especially important to keep in mind, because expert opinions relating to surveys are typically layered—for example, one might have an underlying survey showing how respondents ranked certain tested features (first layer), an opinion interpreting those results and offering a conclusion about the extent to which the tested features drive customer demand (second layer), and an opinion relying on the conclusions about the extent to which the *tested features* drive customer demand to draw conclusions about the extent to which the *patented features* are the basis for consumer demand for the allegedly infringing product (third layer). Even if the first- and second-layer opinions are reliable, the third-layer opinion may not be. For example, valid survey results and valid conclusions about features tested in the survey may not support conclusions about the use, value, or effect on customer demand of the *patented* feature if the features *tested* do not match the features *patented*. As one district court observed:

At some point, a description of a patent in a survey may vary so much from what is claimed that the survey no longer “relate[s] to any issue in the case” and is “not relevant and, ergo, non-helpful.” *Daubert*, 509 U.S. at 591. Such survey evidence would not “help the trier of fact” and therefore must be excluded under Rule 702(a). Moreover, at some point, discrepancies between the scope of the patent claims and the survey questions may be so confusing to the jury as to substantially outweigh the survey’s probative value, thus requiring the Court to exclude such material under Rule 403.

Apple Inc. v. Samsung Elecs., Co., 2014 U.S. Dist. LEXIS 24506, 2014 WL 794328 (N.D. Cal. Feb. 25, 2014) (holding, based on the particular facts of the case, that the

disparity between the scope of the claims and the scope of the survey questions did not warrant exclusion of the conclusions the expert drew from the survey results).

Thus, a court considering a *Daubert* challenge to “survey opinions” should consider carefully not just the methodology used to conduct the survey, but also whether the conclusions drawn by the survey expert (and experts relying on the opinion of the survey expert) about the data are both consistent with the issues that the survey was designed to measure and genuinely helpful to evaluate the ultimate factual or legal issue in support of which it is proffered. To assist them with this fact-intensive and context-specific exercise, courts should require the party challenging the “survey opinion” to identify what precisely is being challenged (i.e., in the example above, the survey data (first layer), the intermediate conclusions about the tested features (second layer), or the ultimate conclusions about the patented invention (third layer) and require the party proffering the testimony to identify how precisely the challenged material is proposed to be used.

7.4.4 Motions Seeking to Prevent Lay Witness Opinions and Expert Witness Fact Testimony

Because of the multifaceted role that expert witnesses play in patent cases, it can be difficult to draw the appropriate distinction between a technical expert witness and a technically skilled fact witness, such as an inventor. In addition to her opinions, an expert witness may have personal knowledge of facts relevant to disputed issues. Further complicating trial management, fact witnesses may be just as credentialed as expert witnesses and all too willing to offer their opinions about a multitude of subjects.

To manage this situation, the court should employ a simple guiding principle: the relationship between fact testimony and expert testimony does not change simply because a fact witness has a technical background or the expert witness has personal knowledge of relevant facts. To the extent that the witness has personal knowledge of relevant facts, she may testify about them whether or not they are technical in nature, so long as the fact-witness disclosure requirements are met. She may also testify as to lay witness opinions, but may not offer opinions of an expert nature unless she is disclosed as an expert witness. If a witness is to offer expert opinions at trial, she must satisfy both the disclosure requirements (Fed. R. Civ. P. 26(a)(2)(B) for retained experts, and 26(a)(2)(C) for other witnesses offering expert opinions, including most employee witnesses) and the reliability standards for expert testimony.

7.5 Managing Patent Trials Through Motions *In Limine*

As discussed throughout this guide, active management of patent cases is crucial at every stage of the litigation. But nowhere is such management more important than during a jury trial—just ask a befuddled juror required to apply an infringement analysis to a multiplicity of claims and accused products amid a bewildering set of technical facts. Motions *in limine* provide the court with an opportunity to estab-

lish procedures and substantive limitations that will streamline the evidence, shorten the trial, and reduce jury confusion.

Courts should consider a number of questions with respect to each motion:

- Is this a motion that needs to be decided now, or should it wait for additional context and information to be elicited at trial?
- What is the relationship between the substantive issue for which the party seeks to exclude evidence and other substantive issues in the case?
- Is the evidence sought to be excluded potentially relevant to multiple issues?
- Is the motion effectively dispositive?
- Should the motion have been brought at the summary judgment stage?

The court should bear in mind that although substantive to some degree, these motions largely implicate procedural requirements and the balancing test of Federal Rule of Evidence 403. For this reason, some courts choose to hear motions *in limine* at the outset of a trial so that they are better acquainted with the disputes that are likely to arise, and then continue some portion of them until the issues are fleshed out during the course of the proceeding. If the court takes this path, it should admonish counsel to ask for a sidebar before introducing evidence that was the subject of a continued motion. In addition, courts should be wary of simply deferring *all* evidentiary decisions because resolving them during trial can extend and interrupt the proceedings and place additional burdens on the jury.

7.5.1 Maintaining the Integrity of the Infringement/ Validity Framework

Patent cases incorporate a number of legal standards that can be difficult for an advocate to explain and even more difficult for a jury to apply. For example, as discussed in § 14.4.1.4, to determine whether an accused product infringes a particular claim, one must compare each limitation of that claim with the accused product to assess whether the limitation is satisfied, either literally or under the doctrine of equivalents. *See, e.g., Aquatex Indus., Inc. v. Techniche Sols.*, 419 F.3d 1374, 1382 (Fed. Cir. 2005). This analysis must be applied to each accused product and for each claim. In the context of a complex technology, this exercise is virtually guaranteed to confuse at least some members of a jury. No wonder, then, that parties make significant efforts to identify shortcuts to proving infringement and validity.

The first constellation of frequently filed, patent-specific motions arises as a response to these efforts. Typically styled, in whole or in part, as seeking to focus the evidence on the required legal standard, these motions ultimately seek to close shortcuts to proving infringement and invalidity. Because these issues arise in nearly every patent case, a substantial portion of pretrial filings, including motions *in limine*, is often pitched to the court as attempts to require the opposing party to adhere to the proper legal standard. But, of course, not all motions pitched that way actually aim to maintain the integrity of the legal standards. Indeed, they often seek to preclude legitimate evidence relevant to a different issue by contending that it im-

properly alters the infringement or validity analysis. This section highlights four commonly brought motions implicating these issues.

7.5.1.1 Motion to Bar a Comparison Between the Accused Product and an Embodying Product (or Between Prior Art and an Embodying Product)

This motion is typically brought by the accused infringer to prevent the patentee from comparing the accused product to the patentee's product, but not exclusively so. The movant generally argues that the comparison should be barred under Federal Rule of Evidence 403 because the comparison has no probative value as to infringement, and there is a substantial risk of jury confusion resulting in an improper infringement analysis.

From a substantive standpoint, a party clearly cannot be permitted to argue that a comparison between commercial products shows that the patent is or is not infringed. Of course, no sophisticated litigant would openly offer the comparison for this purpose. Instead, the respondent typically argues that the comparison has probative value for an issue other than infringement. For example, a patentee may argue that the comparison is probative of whether the infringement was willful because it shows that the accused infringer copied the patentee's product. Alternatively, after putting on evidence concerning differences between the accused products and claim limitations, an accused infringer might argue that the comparison will help the jury understand the evidence that has already been presented.

In either case, the risk of confusion is high because it is easier in most cases to compare two products than to compare the product with the often-confusing language of a patent claim. For this reason, allowing comparisons with an embodying product creates an especially high risk of confusion. Thus, at a minimum, the party that wishes to make such a comparison must be instructed that it cannot argue or attempt to imply that the comparison itself bears on infringement. Note that one or both of the parties may appropriately refer to embodying products in other contexts that do not implicate the concerns and potential confusion outlined above. For example, a patentee may refer to a commercial embodiment to argue that the alleged invention was commercially successful, thus rebutting an argument that the alleged invention was obvious. Likewise, an accused infringer may refer to a commercial embodiment to argue that the asserted claims are invalid, because a product or process embodying them was offered for sale in the United States more than a year before the application for the patent was filed.

Because of the risks of confusion, the court should consider deferring its ruling on a motion to exclude a comparison between the accused product and an embodying product until it can fully appreciate the context in which the jury will see the comparison. If the court elects to defer this or any other motion *in limine*, it should impose strict conditions on how the motion will be addressed during trial. For example, it should bar the parties from using the comparison in opening statements, and it should instruct the parties that the dispute over this evidence absolutely will not be addressed in the presence of the jury. Instead, the party offering the evidence

should be required to notify the court on the day preceding the trial day when it will offer the evidence. The court should hear the motion before trial begins for that day. If the offering party or the court believes that testimony yet to be elicited will provide relevant context, the court should require the offering party to provide an offer of proof rather than hear the motion in the middle of the trial day. These measures, strictly enforced, will help prevent the disputed evidence from being “inadvertently” elicited in the jury’s presence.

7.5.1.2 Motion to Bar Presentation of Embodying Products as Physical Exhibits

A more extreme version of the motion discussed above is to ask the court to bar introduction of the embodying product as a physical exhibit. The movant typically argues that the embodying product should be excluded under Federal Rule of Evidence 403 because it has no probative value for infringement, but this risks confusing the jury and resulting in an improper infringement analysis. The party seeking to offer the embodiment as a physical exhibit typically responds with one of two arguments. One typical argument is that the sample is relevant to an issue other than infringement. For example, a patentee might argue that the physical sample is a prototype corroborating profiling development work and is thus highly relevant to the patent’s priority date, which is in turn relevant to invalidity. Another typical argument is that a physical embodiment will help the jury understand the technology and thus understand the infringement and invalidity issues that it will have to decide.

Even if the embodying product has no legal relevance, this does not mean that it should be excluded, *per se*. The court should not discount the importance of providing the jury with a mechanism that will help it understand the technology and technical issues in dispute. It is entirely appropriate to admit a physical sample for this purpose. Whether the physical sample in question will help illuminate the relevant technical issues for the jury depends entirely on the context in which it is offered. In addition to evaluating the difficulty of the technology and the issues in dispute, the court may find it helpful to evaluate the quality of the other tools offered to the jury. The court should attempt to gauge the jury’s response to these tools before admitting this evidence solely for understanding the surrounding technology. As a result, the court should consider deferring resolution of the motion until it is in a position to evaluate these factors.

7.5.1.3 Motion to Bar Evidence that the Accused Infringer Has Patents of Its Own

This motion is brought by the patentee to prevent the accused infringer from introducing its own patents into evidence. The typical argument is that there is no legitimate purpose for introducing the patents because they are not relevant to any disputed issue. Thus, their introduction is a “frolic and detour” that will waste time. Moreover, the argument typically points to the risk that the jury will be confused by the introduction of the new patents and the technologies they claim. This risk is

heightened dramatically, patentees typically argue, when the patents in question claim improvements over the patent being asserted (e.g., the asserted patent claims a car with round wheels and the improvement patents claim a car with round *rubber* wheels). In such a case, there is a risk that the jury will misinterpret the existence of an improvement patent as grounds for finding no infringement. Juries can fail to grasp the fundamental concept that multiple patents can cover a single product, and thus fail to appreciate that the existence of an improvement patent does not shield its holder from liability for infringement of a more basic patent. *See, e.g., Bio-Tech. Gen. Corp. v. Genentech, Inc.*, 80 F.3d 1553, 1559 (Fed. Cir. 1996).

Of course, this argument founders if the accused infringer identifies a legitimate purpose for introducing its own patents. For example, a patent in which the accused infringer described its products as being different from the asserted patent may be relevant to the reverse doctrine of equivalents or to a lack of the intent required for inducement. In addition, the figures or description contained in an accused infringer's patent may help the jury understand aspects of the accused products better than any other piece of evidence available. This may be important where the technology is particularly complex or abstract.

Depending on the argument for relevance advanced by the accused infringer, the court may benefit from deferring the motion until some evidence has been elicited so that it may better gauge whether the purpose advanced is legitimate or pretextual. If legitimate, the court can head off jury confusion by including in its instructions the admonition that a patent gives its holder the right to exclude others from making the invention, not the right to practice it, and illustrating this point with concrete examples.

7.5.1.4 Motion to Bar Argument that Patent Is Not Infringed Because It Is Invalid

In this motion, the patentee seeks to prevent the accused infringer from arguing that it does not infringe the patent because the patent is invalid or unenforceable. Infringement and validity are separate issues that should be decided separately. *See, e.g., Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83, 96 (1993); *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.3d 1524, 1535 (Fed. Cir. 1987); *see also MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 131 n.10 (2007). Likewise, infringement and enforceability are distinct issues. *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1213 (Fed. Cir. 1987). As a result, this motion should be granted.

7.5.2 Untimely Disclosures

The second constellation of frequently made motions *in limine* concerns evidence that is asserted to have been disclosed in an untimely fashion. Untimely disclosures, whether relating to documents, expert opinions, or fact witnesses, are certainly not unique to patent cases. Indeed, tardy disclosures in patent cases often result from the same root causes, and have the same effects, as tardy disclosures in oth-

er cases. But one characteristic sets patent cases apart—the relativity of the parties’ basic contentions.

In patent cases, there is a fundamental tension between infringement and invalidity: the broader the claim, the more likely it is to be infringed, but the less likely it is to be valid, and vice versa. This tension causes parties to take positions that are relative to the other party’s positions. For example, a defendant may argue that an asserted claim does not cover its products because claim limitation X is different from product element Y, but that if Y is within the scope of X as the patentee asserts, then the claim is invalidated by prior art that also contains element Y. Likewise, a patentee may argue that a claim element is missing from a prior art reference, but if present as the defendant asserts, additional products containing that element infringe. More subtly, the products and prior art at issue determine which disputes are joined at the claim construction, summary judgment, and trial stages. As a result, the discovery (or exclusion from evidence) of a single prior art reference, for example, may fundamentally affect the invalidity and infringement arguments of both parties. For this reason, several jurisdictions have established local rules that require parties to exchange infringement and invalidity contentions at certain points during discovery. *See* Appendix D (summary of districts with Patent Local Rules or standard practices that affect patent cases). Courts in jurisdictions that have not adopted such rules should consider implementing similar procedures through a standing or scheduling order.

The relativity of the parties’ contentions affects the way that courts should evaluate and redress complaints of untimely disclosed evidence in several ways. First, it is important that the court resolve these motions as quickly as possible—in any event before opening statements. Whether a belated disclosure is justifiable and/or excusable depends on facts that should be available to the court before trial, and so trial evidence is not likely to shed light on the proper result. Moreover, because the admission or exclusion of the evidence could fundamentally alter both parties’ trial strategies, it is important that the court resolve such disputes before the parties lay out their trial themes during opening statements.

Second, a seemingly untimely disclosure may be justified in light of the circumstances. For example, the discovery and production of a prior art reference on the day before discovery closes may be timely, depending on the court’s rules, but it also may warrant supplementation of interrogatory responses or disclosure of additional evidence by the opposing party after discovery closes. In cases in which the court holds claim construction proceedings after discovery closes, an unexpected construction may trigger a cascade of new contentions and evidence.

A third, related, point is that the court should treat each belated disclosure independently. Indeed, it is often inequitable to treat both parties’ disclosures the same way. For example, one party’s belated expert report may be justified in light of the circumstances, while the opposing party’s belated report is unjustified. Not only would applying parity to this situation be unfair, but the addition of new facts may also create new inequities. Instead, the court should first determine which belated disclosures, if any, will be excused, and then evaluate what, if any, remedial disclosures are necessary to prevent prejudice to the receiving party. For example, the

court may find that it is equitable to allow a party to rebut the other party's belated report, but not to allow it to supplement its existing reports on other issues.

Finally, although the standards for disclosure vary between districts, a court should remember that the general purpose of infringement contentions and invalidity contentions is not to provide a level of detail on par with an expert report. *See, e.g., Fenner Invs., Ltd. v. Hewlett-Packard Co.*, 2010 U.S. Dist. LEXIS 17536, 2010 WL 786606 (E.D. Tex. Feb. 26, 2010). Rather, the purpose of infringement and validity contentions is to provide notice of infringement and invalidity theories and identify evidence sufficient to illustrate how the party intends to apply those theories to the evidence, with the full scope of proof and evidence of infringement and invalidity being set forth in expert reports—prepared and served after the completion of fact discovery. *Id.*

With these principles in mind, we turn to three commonly filed motions *in limine* arising from belated disclosures.

7.5.2.1 Motion to Preclude Undisclosed Fact Witnesses

This motion seeks to exclude witnesses identified on a party's trial witness list who were not disclosed in that party's initial/supplemental disclosures or interrogatory responses. It largely implicates the same issues as do similar motions in other types of cases and should typically be handled the same way. The court should nevertheless consider the above discussion in evaluating whether the witness disclosure was timely in light of the circumstances.

7.5.2.2 Motion to Preclude Undisclosed Prior Art

In evaluating a patentee's motion to exclude undisclosed or belatedly disclosed prior art, the court should be aware of at least two patent-specific issues. The first, which derives from the Patent Act itself, is that an accused infringer must disclose the prior art that it intends to assert at trial at least 30 days prior to the first day of trial. § 282(c).⁶ The second is the substantial effect that admitting or excluding even one reference could have on the litigation. These issues are discussed in turn.

6. Section 282(c) provides, in pertinent part, that:

In an action involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires.

Accused infringers attempting to inject new prior art into evidence after the close of discovery typically invoke § 282(c) as justification for allowing the reference despite the late disclosure. Patentees typically respond that § 282(c) does not excuse compliance with federal rule, local rule, and court-imposed deadlines. Patentees have the better argument. “[A]lthough § 282 sets a minimum period for the identification of prior art to be introduced as evidence of anticipation, a specific judicial directive for the timing of discovery establishes the procedures to which the parties are bound.” *ADT Corp. v. Lydall, Inc.*, 159 F.3d 534, 551 (Fed. Cir. 1998). Thus, the court should evaluate this failure to comply with its discovery schedule through the same lens as it would any other transgression to determine whether the circumstances justified the belated disclosure.

Accused infringers attempting to excuse a failure to serve a § 282(c) disclosure complying with the statute typically argue that the prior art was disclosed sufficiently through earlier discovery responses. Patentees typically argue that this is insufficient because compliance with judicially established deadlines cannot excuse a failure to comply with a statutory requirement. The patentees typically have the better of this argument, too, although it can be a much closer case. A failure to comply with § 282(c) may be grounds for exclusion, even if the prior art was produced in discovery or identified in discovery responses. *Ferguson-Beauregard v. Mega Sys. LLC*, 350 F.3d 1327, 1347 (Fed. Cir. 2003). But exclusion is not required. *See, e.g., Eaton Corp. v. Appliance Valves Corp.*, 792 F.2d 874, 879–80 (Fed. Cir. 1986); *but see Applera Corp. v. MJ Research, Inc.*, 389 F. Supp. 2d 344, 351 (D. Conn. 2005) (excluding prior art for failure to comply with § 282 and noting that the Federal Rules have tightened since *Eaton* was decided). In this situation, the court should measure whether the purpose of the rule—that the patentee be advised that the prior art will be *asserted at trial*—has been served. *Eaton*, 792 F.3d at 879 (“What counts is notice of intent to rely.”). If the patentee knew of the accused infringer’s intent to rely on the art at trial, then it *may be* equitable, depending upon the circumstances, to excuse the failure to comply with § 282(c). For example, in a jurisdiction that requires invalidity contentions by local rule, it does not seem equitable to require a later document specifically titled “Section 282 Notice” to admit a prior art reference that had been identified earlier in the case as part of those contentions. A court may well find that the invalidity contentions serve the purposes of the statute.

This motion implicates broader issues, as well: whether the belated disclosure is justifiable in light of some action on the part of the patentee or the court, and the extent to which allowing the reference will have downstream effects. Like a newly disclosed theory of infringement, a newly identified prior art reference could potentially drive the parties to refine or outright alter their positions on any issue, to add or drop claims, and to affect expert testimony presented at trial. As a result, allowing the addition of even one new prior art reference after the close of discovery can trigger a cascade of new evidence or arguments. For example, a new piece of prior art asserted as part of a combinatorial obviousness attack can require new arguments about motivations to combine, secondary considerations of non-obviousness, and the proper application of *Georgia-Pacific* factors in a damages analysis. This, in turn, can cause experts to stray beyond the bounds of their reports (to comment on evi-

dence presented at trial) and can spawn a whole host of related evidentiary issues. In light of this follow-on effect, the court might reasonably require substantial justification before excusing the belated disclosure of prior art.

On the other hand, allowing supplemental art can be an appropriate remedy to counterbalance discovery violations on the part of the patentee. For example, in many cases patent owners will (either with or without permission) change their infringement theories after claim construction, during expert depositions (and after expert reports), or as trial approaches. Where those changes have been either allowed or tolerated, it might be appropriate to allow the defendant to inject new prior art into the proceedings. This is true because, in many cases, a defendant's invalidity theory will depend on how the plaintiff intends to read the asserted claims on the accused product. Late changes to an infringement theory present particular difficulties where the defendant intends to make a "practicing the prior art" defense. The equities will vary with every fact pattern, so there is no "best" approach other than to consider carefully how the decision is likely to affect the trial as a whole.

7.5.2.3 Motion to Preclude Untimely Expert Opinions

The third type of commonly filed motion centers around whether and to what extent experts are permitted to testify at trial beyond the expert reports prepared according to the schedule set forth in Federal Rule of Civil Procedure 26 or by the court's scheduling order. Typically, this motion comes in one of three forms.

7.5.2.3.1 Opinions Not Disclosed in Reports

The first variant seeks to preclude experts from testifying about issues that were not identified in any timely served report. Commonly, these opinions come to light through a declaration filed in support of a summary judgment motion or a supplemental report served after the close of expert discovery.

Although the court should address this type of motion as soon as possible, many courts do not address the untimeliness of opinions included in summary judgment declarations at the summary judgment stage. Instead, they keep silent on the issue or explicitly defer a ruling until later in the case. The danger in this approach is that it effectively decides the issue in favor of admissibility: without guidance from the court, the receiving party deposes the expert, the prejudice argument is weakened, and the court ultimately allows the opinions, either alone or in connection with a trade-off that allows both parties to disclose opinions outside the normal schedule. Although a one-for-one exchange of reports may appear fair on its face, for the reasons discussed above, it may significantly handicap the receiving party. It also allows the disclosing party to circumvent the court's schedule and undermines the court's ability to manage its docket.

When belated opinions are styled as "supplemental reports," the danger is that the court will treat supplemental reports as interchangeable and adopt an "all-in or all-out" approach. While sometimes appropriate, this approach risks significant prejudice—the scope of opinions set forth in supplemental reports may differ signif-

icantly, one report may have downstream effects while the other does not, and one belated disclosure may be justified while the other is not.

7.5.2.3.2 Affirmative Opinions Disclosed in Rebuttal Reports

The second variant seeks to exclude affirmative opinions that were disclosed for the first time in “rebuttal” reports served pursuant to Federal Rule of Civil Procedure 26(a)(2)(C) or the court’s scheduling order. As Rule 26(a)(2)(C) states, these “rebuttal” disclosures are made “solely to contradict or rebut” expert opinions disclosed by the other side. Thus, it is clearly improper to label affirmative opinions as “rebuttal” in nature and to evaluate them under that standard. Instead, the court should treat such disclosures for what they are: “supplemental” opinions, which should be evaluated according to the principles set forth in § 7.5.2.3.2.

7.5.2.3.3 Limit Experts to Their Reports

The third variant seeks to prevent experts from testifying on direct examination about opinions that go beyond their reports. In principle, this motion should be granted. But, in practice, it is often difficult to draw a clear line. On the one hand, experts should not be limited to a recitation of their reports. On the other hand, the more flexibility the expert has to restate her opinions, the more likely it is that the ultimate opinion will contain substantive differences that prejudice the other party. Furthermore, context can be important to discern which departures from the report are appropriate and which are not.

For these reasons, the court should attempt to resolve this motion early, but may need to defer decision concerning certain issues until trial. Rather than grant a blanket motion stating that experts are limited to reports, which will encourage objections during the expert’s testimony, the court should address this general subject on an issue-by-issue basis. It can do so in several ways. First, if a party has concerns directed at certain issues—e.g., a function-way-result analysis of potential equivalents—before trial, the party should be required to brief these issues specifically in its motions *in limine*. If specific concerns arise during trial, but before the expert is put on the stand (e.g., through exchange of graphics or witness binders), the party opposing the testimony should be required to raise the issue in advance, outside the presence of the jury, to allow the court to evaluate the issue before the expert is called to testify. Finally, parties calling an expert should be encouraged to resolve potential disputes in advance. One way to do so would be to require an expert to move on to a completely different subject when an objection about scope is made so that the objection can be resolved outside the presence of the jury. By implementing these procedures, the court can prevent surprise testimony and reduce the number of disputes that are joined in the jury’s presence.

7.5.3 Precluding Claims/Defenses

A third constellation of motions seeks to preclude a party from presenting evidence concerning a particular claim or defense. Four examples illustrate common issues:

Doctrine of Equivalents: The accused infringer brings a motion to preclude the patentee from presenting any evidence concerning the doctrine of equivalents. The thrust of the argument is often that there is no expert testimony (or no expert testimony that is sufficiently detailed to be admissible, *see* § 7.4.3.3.1) explaining why the element of the accused product has “insubstantial differences” from the relevant claim limitation. Without such testimony, so the argument goes, there is no evidence to show that the differences are insubstantial and, therefore, no way to prove infringement under the doctrine of equivalents. Thus, evidence or argument directed at the doctrine should be precluded as prejudicial and likely to confuse the jury.

Prosecution History Estoppel: Another common motion is predicated on prosecution history estoppel. Under that doctrine, a plaintiff who makes a narrowing amendment during prosecution is barred from relying on the doctrine of equivalents to “recapture” the scope that he surrendered. *See Trading Techs. Int’l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1355 (Fed. Cir. 2010) (“Under prosecution history estoppel, a patentee may not seek to recapture as an equivalent subject matter surrendered during prosecution.”); *PODS, Inc. v. Porta Stor, Inc.*, 484 F.3d 1359, 1367 (Fed. Cir. 2007) (“prosecution history estoppel limits the range of equivalents available to a patentee by preventing recapture of subject matter surrendered during prosecution of the patent”) (internal citations omitted). In many cases, prosecution history estoppel arises when an applicant adds a limitation in an attempt to distinguish prior art. It can also arise, however, where an applicant makes an express disclaimer of claim scope in an argument to the examiner. *See Medtronic Inc. v. Guidant Corp.*, 465 F.3d 1360, 1373 (Fed. Cir. 2006) (“unmistakable assertions made to the Patent Office in support of patentability can give rise to a surrender for purposes of the recapture rule”) (internal citations omitted).

Obviousness: The patentee brings a motion to preclude the accused infringer from presenting evidence that a claim is obvious in light of one or more prior art references. Typically, the patentee makes one of two arguments:

- that the accused infringer identified no evidence that one of ordinary skill in the art had a motivation to combine the references (note that evidence of a specific motivation to combine reference for obviousness purposes is no longer required, although the Supreme Court has stated that it may be helpful to the analysis; *see KSR*, 550 U.S. at 418; *see also* § 14.3.5.2); or
- that the accused infringer identified no adequate expert testimony to explain the elements of obviousness. Thus, evidence or argument directed at the specific obviousness combination—or obviousness generally—would be irrelevant, prejudicial, and likely to confuse the jury. But note that obviousness is a legal issue that does not always require expert testimony, although it may be helpful. *Moleculon Res. Corp. v. CBS, Inc.*, 793 F.2d 1261, 1270 (Fed. Cir.

1986) (argument that expert testimony is required “borders on the frivolous”).

Damages: The accused infringer brings a motion to preclude any evidence of damages prior to the filing of the lawsuit (or the date on which the patentee provided notice of the patent, if earlier). Typically, the accused infringer argues that § 287 bars pre-notice damages unless the patentee marks products covered by the patent with the patent number, and that the patentee has identified no evidence of the required “marking.” Therefore, evidence concerning pre-notice damages would be irrelevant and prejudicial. The patentee may argue in response that a reasonable royalty analysis depends on the “time of first infringement,” and pre-notice activities must be addressed as part of that analysis.

As these examples illustrate, there is often no clean line between a true motion *in limine* and a summary judgment motion in disguise. One way to resolve this question is to focus on the differences between the motion *in limine* and summary judgment processes. At the summary judgment stage, the briefs are longer, contain more factual detail, and present a fuller explication of the relevant legal standards than at the motion *in limine* stage. Likewise, summary judgment arguments tend to be longer, and the court typically takes much more time to resolve a summary judgment motion than it does a motion *in limine*. When presented with a borderline motion *in limine*, the court should consider whether the issue would benefit from fuller examination. In most cases it will and the court should deny the motion. *See Kimball ex rel. Kimball v. RJ Reynolds Tobacco Co.*, 2006 U.S. Dist. LEXIS 27138, 2006 WL 1148506 (W.D. Wash. Apr. 26, 2006) (“The court assumes that counsel is aware of the differences between dispositive motions and motions *in limine*. The court is thus surprised and disappointed to find numerous dispositive motions pending only days before trial.”).

Merely denying the motion, though, deprives the court of an opportunity to weed out issues for which a party will not be able to carry its burden of proof. As a result, the court should advise parties during the initial case-management conference that it will treat certain exclusion/preclusion motions, such as those identified above, as summary judgment motions. *See* § 2.5; Appendix 2.1; Appendix 2.2a. With fair warning, parties may elect to bring these motions at the summary judgment stage, giving the court an opportunity to resolve these disputes with adequate time for evaluating the record.

7.5.4 Miscellaneous Patent-Related Motions

In addition to the three constellations of motions discussed above, several other motions *in limine* with patent-specific implications arise in many cases.

7.5.4.1 Motion to Bar Evidence/Argument Inconsistent with Claim Construction

This motion can be brought by either party and asserts that the opposing party seeks to reargue, or present evidence that conflicts with, the court’s construction of a

particular claim term. Typically, the moving party argues that claim construction is an issue of law to be decided by the court and that arguing or presenting inconsistent evidence to the jury intrudes into the province of the court. Consequently, the argument goes, a party should not be permitted to ask the jury to construe a claim term or to present evidence that clearly implicates a contrary construction.

Taken at face value, the movant's argument is sensible—claim construction is a legal exercise that must be performed by the court. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996); § 5.2. This motion is often more complicated, however, because parties also employ this reasoning to exclude legitimate arguments and evidence directed at issues that do not rely on claim construction. For example, a written description defense is premised on a comparison between the construed claim and the originally filed specification to determine whether the patentee was in possession of the claimed invention at the time the application was filed. *See, e.g., Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1320–21 (Fed. Cir. 2003). Even if an accused infringer were to argue that the inventor was not in possession of the invention as claimed because the construed claim lacks a limitation corresponding to a feature of the embodiments discussed in the specification, the jury should not rewrite the court's claim construction, at least expressly. The argument is directed to a different issue. Likewise, a non-infringement defense based on the reverse doctrine of equivalents is premised on a comparison of the accused product to the originally filed application. *See, e.g., Scripps Clinic & Research Found. v. Genentech*, 927 F.2d 1565, 1581 (Fed. Cir. 1991). Therefore, an accused infringer offering evidence of that comparison is not seeking to rewrite the court's claim construction, but rather to satisfy a different legal standard.

Because the argument that an alleged infringer is seeking to diverge from the court's claim construction is so easily used to thwart a genuine defense, it is important that the court evaluate carefully whether there is a legitimate purpose for introducing the evidence or making the argument, and not simply take the motion at face value. Moreover, because the decision may have far-reaching effects (especially if the court's ruling has the effect of precluding a defense), the court should rule on this motion before trial begins.

7.5.4.2 Motion to Preclude Reference to an Expert's Contrary Claim-Construction Opinion

Experts in patent cases are often asked to provide opinions at multiple stages in the case. They will, for example, often be asked at the claim-construction stage to offer an opinion directed to explaining how a person having ordinary skill in the art would have understood a term at the time the patent application was filed. Once the court has construed the claims, the experts will be asked at the “expert discovery” stage to offer opinions applying the court's construction to reach conclusions related to infringement and validity. When multiple experts offer conflicting opinions about claim construction, at least one expert's opinion is necessarily at odds with the court's ultimate construction.

This motion is brought to prevent one party from cross-examining the other party's expert based on statements made to support a losing claim-construction position. Typically, the argument is that the opinion has no relevance to infringement or validity. Moreover, the jury is likely to misunderstand why the expert is "changing" positions—because she must apply the court's construction—and might unfairly discount the expert's credibility. One counter-argument is that the substance of the claim construction reveals inconsistencies beyond the meaning applied to the claim term. For example, an expert might opine at the claim-construction stage that a prior art technique was widely known, but opine later in the case that the technique was known only to a few artisans. In this example, the inconsistency—and the blow to credibility—has nothing to do with the ultimate conclusion that the expert reached about claim construction; the testimony is simply inconsistent. As a result, the court should consider allowing the use of such prior opinions based on a case-by-case balancing of probative value and potential prejudice. In some instances, the court should consider deferring decision on the motion until the direct examination of the expert is complete so as to better appreciate the import of the alleged inconsistency.

7.5.4.3 Motion to Bar Evidence/Argument About Dropped Claims/Patents

This motion is brought by the patentee and seeks to preclude any reference to the fact that the patentee initially asserted more claims or patents than it is pursuing at trial. Typically, the patentee argues that the claims/patents were dropped for efficiency and that this change does not reflect the merits of the liability arguments concerning those claims/patents in any way. As a result, the argument goes, this fact has no probative value. Moreover, there is a substantial risk of prejudice because the jury is likely to assume that the claims were dropped because the patentee believed them to be invalid or not infringed.

Accused infringers typically argue that the fact that the patentee dropped claims or patents does have probative value, at least when willful infringement or an antitrust counterclaim is asserted. In the former situation, the fact that the patentee initially asserted additional/different patents or claims before pursuing the patents/claims asserted at trial may affect the reasonableness of the accused infringer's response. Therefore, as the argument goes, this fact is relevant to whether the accused infringer reasonably believed that it had a right to continue its allegedly infringing conduct. In the antitrust counterclaim scenario, the counterclaim plaintiff may seek to show that the patentee has engaged in an unwarranted campaign to instill fear, uncertainty, and doubt into the marketplace by falsely asserting patent infringement.

There is no clear-cut way to resolve this motion. The outcome is highly fact-dependent. The accused infringer may in some cases legitimately seek to use the information to rebut willfulness or for some other purpose. Even so, this motion should be decided before opening statements. In most cases, waiting for testimony to be elicited during trial will not provide additional clarity about which side has the better argument. For antitrust counterclaims, this issue weighs in favor of bifurcating

the trial (affirmative patent infringement claims tried first; antitrust counterclaims addressed in a second trial phase) so as to avoid confusing the jury.

7.5.4.4 Motion to Bar Disclosure that the Patentee Seeks an Injunction

This motion is brought by the patentee and seeks to preclude any evidence or argument to the jury disclosing that the patentee seeks an injunction. Because a request for an injunction seeks equitable relief, it is decided by the court, rather than by the jury. Typically, the patentee argues that disclosing the request for an injunction has no probative value and would prejudice the plaintiff by potentially generating sympathy that could affect the jury's decision on liability. The accused infringer often responds that mentioning the possibility of an injunction is no more prejudicial than disclosing the size of the damages award sought (which, of course, is disclosed, unless the case is bifurcated), and that the information may be relevant to other issues in the case, such as the accused infringer's state of mind for willfulness (e.g., that the accused infringer evaluated the patent seriously because it knew the plaintiff would be seeking an injunction). If the relevance to an issue before the jury is shown, the motion should generally be denied. But the court should evaluate the motion carefully to discern whether, given the specific facts of the case, the risk of prejudice trumps the probative value of the argument or evidence.

7.5.4.5 Motion to Preclude Reference to Related Proceedings in the Patent Office

This motion is often, although not always, brought by the patentee who seeks to preclude any reference to a pending reexamination or reissue involving the patent-in-suit. Typically, the argument is that the parallel proceedings have no relevance until they are completed—when the claims are ultimately issued intact, modified, or rejected. Moreover, there is considerable risk that the jury will misunderstand the significance of the proceedings and will inappropriately weigh this evidence. In response, the opposing party typically counters that the parallel proceeding has substantial probative value concerning invalidity or inequitable conduct. For example, if the Patent Office decides to reexamine the patent-in-suit because of a particular prior art reference, that fact supports the argument that the reference is material, which is relevant to inequitable conduct. Conversely, if the Patent Office reissued a patent over a prior art reference, this supports the argument that the reference is not material. *See, e.g., Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1237 (Fed. Cir. 2003).

One common dispute that has arisen since the passage of the AIA concerns the admissibility of Patent Trial and Appeal Board (PTAB) decisions to institute, or not institute, an *inter partes* review (IPR) or covered business method review (CBMR). In this context, a patentee typically argues that a non-institution decision is probative of the patent's validity because the standard for institution (effectively, more likely than not that one or more claims is invalid) is lower than the burden for prov-

ing invalidity at trial (clear and convincing evidence of invalidity). While this argument has some surface appeal, its ultimate persuasiveness depends on the specific positions being advanced before the district court in comparison with those advanced in the IPR/CBMR petition. It is strongest where the prior art and positions being advanced at trial overlap exactly with those made in the IPR/CBMR petition; it is weakest where the prior art and positions do not overlap at all. Where, as in most cases, there is some but not complete overlap, the district court should conduct typical Rule 403 balancing based on the specific facts. Weighing the factors, district courts have come down on both sides of admissibility. Some permitted the patentee to refer to the denial. *See, e.g., Universal Elecs. Inc. v. Universal Remote Control Inc.*, 2014 U.S. Dist. LEXIS 182754, 2014 WL 10253110 (C.D. Cal. Apr. 21, 2014) (denying defendant’s motion *in limine* to preclude any evidence regarding the USPTO’s decision not to institute *inter partes* review of one of the patents-in-suit and rejecting defendant’s argument that “introducing evidence of the PTO’s rejection of [d]efendant’s *inter partes* review petition would be irrelevant because the legal standards applicable to an *inter partes* review are different than those that apply here, and that it would increase the complexity of the trial and confuse the jury” because “[a]ny potential confusion can be addressed by appropriate jury instructions on the standard of proof applicable to patent invalidity defenses and counterclaims.”). Others precluded the use of the IPR/CBMR denial. *See, e.g., Rembrandt Wireless Techs., LP v. Samsung Elecs. Co., Ltd.*, 2015 U.S. Dist. LEXIS 20306, *19, 2015 WL 627430 (E.D. Tex. Jan. 30, 2015); *Interdigital Commc’ns, Inc. v. Nokia Corp.*, 2014 U.S. Dist. LEXIS 182856, 2014 WL 8104167 (D. Del. Sept. 19, 2014) (holding that the PTAB’s decision not to institute trial—“made by lawyers who are not persons of ordinary skill in the art”—was of marginal relevance and should be excluded under Federal Rule of Evidence 403)).

Courts typically preclude defendants from referencing decisions to institute IPR/CBM proceedings on the basis that a finding that one or more of the claims is likely invalid says little or nothing about whether there is clear and convincing evidence that the patent is invalid. *See, e.g., Intellectual Ventures I LLC v. Symantec*, 2015 U.S. Dist. LEXIS 2841, at *3, 2015 WL 82052 (D. Del. Jan. 6, 2015). But in both the institution and noninstitution contexts, courts should distinguish between allowing a party to reference the Patent Office’s decisions or the existence of the IPR/CBMR process on the one hand from referencing statements made by a party (whether the patentee or the challenger) on the other hand. For example, even where a court elects to preclude a defendant from mentioning the existence of an IPR or reexamination proceeding, the purpose of that proceeding, or decisions by the Patent Office or PTAB during that proceeding, courts should—and typically do—permit the defendant to introduce statements made by the patentee in the course of those proceedings that bear on arguments being made by the parties in litigation. *See, e.g., id.* (precluding reference to reexamination proceedings but permitting introduction of “portions of the reexamination history or us[e of] same for impeachment, provided, however, that such evidence or use must be done in such a way as not to reference any reexamination”).

Regardless of the district court's initial posture as to the use of materials related to, requested for, or instituted during post-issuance proceedings, a party might introduce evidence or make arguments that could open the door to their use at trial. For example, a patentee's statements about prior art already having been considered by the Patent Office or excessive discussion of the presumption of validity *might* open the door to evidence showing that asserted claims currently stand rejected by the Patent Office or the PTAB in view of prior art asserted at trial. Likewise, a defendant's statements about the Patent Office not having all the relevant information, or having not considered a specific prior art reference, during the original prosecution *might* open the door for the patentee to present evidence showing that the PTAB denied a request to institute an IPR on the prior art asserted at trial. But in all cases, whether the statements genuinely open the door to the use of the material depends on precisely what was argued or presented and precisely how the material proffered rebuts that evidence or argument. In other words, it is highly fact-specific.

As this discussion illustrates, evidence related to post-issuance Patent Office proceedings will often have some probative value, but also some potential for prejudice. Accordingly, the court should consider carefully what evidence relating to the parallel proceedings can be used and for what exact purpose. In many instances, this judgment may be better informed once trial has begun, when the court can evaluate the precise context in which the evidence will be presented.

7.5.4.6 Motion to Preclude Evidence Concerning Undisclosed Opinions of Counsel

Historically, the parties in many patent cases have asked the court to decide whether, and to what extent, the fact that an opinion of counsel relating to the patent-in-suit was obtained or not obtained, or disclosed or not disclosed, can be presented to the jury. There is no duty for an accused infringer to obtain an opinion of counsel. *In re Seagate*, 497 F.3d at 1371. Moreover, the Federal Circuit has made clear that the jury can no longer be instructed that it may draw an adverse inference from the accused infringer's decision not to obtain an opinion of counsel, or not to rely on one at trial. *Knorr-Bremse*, 383 F.3d at 1345. But the en banc court in *Knorr* expressly reserved the question whether non-disclosure is one of the facts making up the totality of the circumstances that is considered in determining willfulness. *Id.* at 1346–47. Likewise, it left unresolved the extent to which a jury should consider a decision not to obtain an opinion. *Id.* Subsequent cases have suggested that these factors may be considered as part of the totality of the circumstances. *See, e.g., Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1347 (Fed. Cir. 2011). In 2011, however, Congress resolved these questions definitively when it enacted the AIA, which contains revised § 298. That section provides that “The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.” § 298. In light of this provision, the court should grant a motion *in limine* that seeks to exclude evidence that an accused in-

fringer failed to obtain, or to disclose in the litigation, an opinion of counsel regarding the asserted patent, when that evidence is proffered for the purpose of establishing willful infringement or indirect infringement. If such evidence is proffered for some other purpose, the court should weigh carefully whether the asserted probative value of such evidence outweighs the prejudice that led Congress to enact this prohibition.

7.5.4.7 Motion to Preclude Evidence Based on Estoppel Resulting from Post-Grant Proceedings

In the AIA, Congress enacted two new post-grant proceedings to replace *inter partes* reexaminations: post-grant reviews (which must be filed within nine months of issuance or reissuance of a patent) and *inter partes* review. Both new proceedings carry with them provisions that estop the party that brought them against the patent (or the real party in interest or privy) from asserting—either in a civil action in district court or in an action brought before the International Trade Commission—“that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that [post-grant review or *inter partes* review].” *See, e.g.*, AIA §§ 315 (*inter partes*), 325 (post-grant); § 14.2.5.8.1. Congress also enacted a third post-grant review process directed at business method patents (covered business method review (CBMR)), which has a more limited estoppel provision: it estops the party bringing the challenge from relitigating any issue that it actually raised in the CBMR. For all of these proceedings, the estoppels take effect once a “final written decision” has been issued in the proceeding. Because these new post-grant proceedings were not instituted until September 16, 2012, the first wave of estoppels arising from post-grant proceedings was expected in 2014. Because the success rate for instituted proceedings has thus far been high, courts have not yet seen a substantial number of estoppel issues arising from post-grant proceedings. We expect, however, that the incidence of these issues will rise over time.

In the estoppel context, courts are likely to be presented with motions *in limine* brought by a patentee seeking to exclude argument and evidence related to invalidity arguments that were presented, or allegedly should have been presented, during a post-grant proceeding. Resolving motions directed to prior art or other invalidity arguments that were explicitly considered by the Patent Office during the proceeding should be straightforward. Motions directed to prior art or argument that the patentee alleges *should have been* raised during the proceedings will be more difficult. Although no specific standard has yet been delineated, courts should consider, among other facts, whether the basis of invalidity now asserted could actually have been raised in the post-grant proceeding (note that post-grant reviews consider a different universe of invalidity arguments than *inter partes* reviews); whether the prior art or another basis for invalidity was actually known by the requesting party when the request was made; if it was not known, the efforts made to discover bases for invalidity and the difficulty of uncovering, at that time with the resources available, the basis for invalidity now asserted; and whether expert testimony, discovery,

positions taken by the patentee during litigation, and other aspects of litigation were reasonably necessary to discover the basis for invalidity or appreciate its significance.

As a practical matter, this last point is especially important. Often in litigation, the accused infringer makes the argument that prior art discloses the asserted patent claims only as those claims are interpreted by the patentee in furtherance of its infringement allegations. In other words, if properly construed, the patent claims cover neither the accused product nor the prior art, but if construed as broadly as the patentee contends, then the patent claims cover the prior art. This type of conditional argument may not arise until litigation because the patentee may not take such positions until well into the case, and long after a request for a post-grant proceeding is filed. Similarly, what diligence may be reasonable to expect of an accused infringer engaged in litigation, for example in the context of preparing patent local rule invalidity contentions, may well be unreasonable to expect of an entity before litigation begins. Conversely, reserving for potential litigation prior art that the accused infringer had identified and knew was significant to the validity of the patent claims at the time it filed the post-grant proceeding request conflicts with the clear purpose of the statute, which is to reduce the likelihood of parallel litigation. As this discussion illustrates, motions of this kind are likely to be fact-intensive. The court should weigh these and other factors pertinent to the given situation and evaluate such motions on a case-by-case basis.

7.5.4.8 Motion to Preclude Reference to Presumption of Validity

As previously noted, it is now generally considered improper to instruct a jury on the presumption of validity aside from instruction on the “clear and convincing” burden of proof. *See* § 7.9.4.3. For this same reason, defendants often ask courts to enter an order forbidding a plaintiff from mentioning the presumption of validity. The court has broad discretion to decide for itself whether such a reference is likely to be confusing or to undermine the court’s efforts to clarify concepts through its jury instructions. Courts have granted this motion to align better the arguments presented by the attorneys with the court’s jury instructions. *See, e.g., Alloc, Inc. v. Pergo, Inc.*, 2007 U.S. Dist. LEXIS 5183, 2007 WL 5289735 (E.D. Wis. Nov. 21, 2007) (“In the interest of making concepts as clear to the jury as possible, the court will direct that the parties refrain from referring to the ‘presumption of validity,’ since the parties may refer to the same concept as the Alloc Parties’ burden of proof.”); *Voda v. Cordis Corp.*, 2006 U.S. Dist. LEXIS 97321, 2006 WL 5347777 (W.D. Okla. May 10, 2006) (“The court will instruct the jury on the appropriate burden of proof. Defendant’s motion to preclude plaintiff from referring to the presumption of validity is therefore GRANTED.”).

7.5.4.9 Motion to Preclude Use of “Patent Troll” and Other Pejorative Terms Related to Nonpracticing Entities

As public and political discourse regarding nonpracticing entities expands, evidentiary disputes regarding the propriety of referring to nonpracticing entities as

“patent trolls” and related monikers are increasing. District courts will sometimes grant motions to preclude the accused infringer from referring to a non-practicing entity by such terms. Plaintiffs will typically argue that such references are derogatory, prejudicial, and confusing to the jury. Accused infringers will respond that such terms convey to the jury aspects of a non-practicing entities’ characteristics that are relevant to secondary considerations of non-obviousness and damages calculations.

In a recent case, a district court granted the plaintiff’s motion *in limine* to preclude the accused infringer from using at trial the terms “patent troll,” “pirate,” “bounty hunter,” “bandit,” “paper patent,” “stick up,” “shakedown,” “playing the lawsuit lottery,” “corporate shell game” or “a corporate shell.” *GPNE Corp. v. Apple, Inc.*, ECF No. 319 at 2:17-24, No. 5:12-cv-02885-LHK (N.D. Cal. June 24, 2014). The district court also ruled, however, that, at trial, the accused infringer could refer to the plaintiff, the asserted patent, and the patentee’s activities as a “non-practicing entity,” “licensing entity,” “patent assertion entity,” “a company that doesn’t make anything” or “a company that doesn’t sell anything.” Citing Fed. R. Evid. 403, the district court found that its ruling “strikes the balance” between such competing considerations. *Id.* Similarly, the district court in *Intellectual Ventures I LLC v. Symantec Corp.*, ruled that the defendant was precluded from disparaging the plaintiff’s business model and practices, but was permitted to present evidence and argument that the plaintiff does not practice the patents-in-suit, “which is relevant to damages” and for which issue the “concerns of Federal Rule of Evidence 403 do not outweigh the probative value of the evidence.” 2015 U.S. Dist. LEXIS 2841, 2015 WL 82052 (D. Del. Jan. 6, 2015).

Appendix 7.1 Sample Pretrial Order for Patent Cases

IN THE UNITED STATES DISTRICT COURT
FOR THE _____ DISTRICT OF _____

Plaintiff,

vs.

Defendant.

Civil Action No. _____

PROPOSED PRETRIAL ORDER

[Instructions to parties and counsel provided in this document are enclosed within brackets and should be omitted from the document when the Proposed Pretrial Order is prepared for submission.]

Trial Counsel for the Parties

[Each party shall identify the names, law firms, addresses, telephone numbers, and email addresses for the attorneys who will try the case on behalf of that party.]

Jurisdiction

[The parties shall identify the basis for the Court's jurisdiction.]

Nature of the Action

[The parties shall provide a brief description of the nature and background of the action.]

The Parties' Contentions

[Plaintiff shall provide an identification and brief description of its contentions. In a patent-infringement case, Plaintiff's statement (or in a declaratory judgment action, Defendant's statement) shall include at least the following information:

- (1) The specific patent claims to be asserted at trial (i.e., the set or subset of previously-identified asserted claims);

- (2) The specific products to be accused of infringement at trial (i.e., the set or subset of previously-identified accused products);
- (3) Whether the patentee intends to rely at trial on the doctrine of equivalents to establish infringement for any claim;
- (4) Whether the patentee intends to assert indirect infringement at trial and, if so, under what theory (i.e., contributory infringement and/or inducement) and as to which claims and products;
- (5) The type of infringement damages to be sought at trial (i.e., lost profits, reasonable royalty, or both); and
- (6) If the accused infringer asserts that one or more of the asserted patent claims is obvious, whether the patentee intends to rely on any “secondary indicia” of non-obviousness to rebut this contention and, if so, which specific indicia (e.g., commercial success of _____ (product), recognition as shown by _____ (award), etc.).

Defendant shall provide an identification and brief description of its contentions. In a patent-infringement case, Defendant’s statement (or in a declaratory judgment action, Plaintiff’s statement) shall include at least the following information:

- (7) Whether the accused infringer intends to assert at trial that one or more of its products does not infringe one or more asserted claims; and
- (8) Whether the accused infringer intends to assert at trial that one or more of the asserted patent claims is invalid. If so, the accused infringer shall provide at least the following additional information:
- (9) The specific patents, publications, devices, or other prior art to be asserted at trial as anticipating or rendering obvious one or more of the asserted claims (i.e., the set or subset of previously-identified asserted prior art);
- (10) Whether the accused infringer will assert at trial that one or more asserted claims is invalid under 35 U.S.C. § 101; and
- (11) Whether the accused infringer will assert at trial that one or more asserted claims is invalid under 35 U.S.C. § 112 and, if so, the specific grounds to be asserted (i.e., written description, lack of enablement, and/or indefiniteness).]

Uncontested Facts and Stipulations

[The parties shall identify undisputed facts that are relevant to their contentions, as set forth in Section IV, and stipulations regarding trial procedures (e.g., exchange of demonstratives, disclosure of deposition designations and objections, and the like), the subject matter to be tried, or that otherwise bear on the trial.]

Contested Legal and Factual Issues

[Each party shall identify the specific issues of fact and law that are relevant to their contentions, as set forth in Section IV, and are contested.]

Jury and Non-Jury Issues

[The parties shall identify whether they request trial by a jury or by the Court. If the case is to be tried to a jury, the parties shall identify any equitable, legal, or other issues that they contend should be decided by the Court, through a bench trial or otherwise.]

List of Witnesses

[Each party shall submit with the Proposed Pretrial Order a list of witnesses that it will call or may call at trial, and specify for each such witness: a) whether that witness is expected to testify live or by deposition; b) whether the witnesses will provide factual or expert testimony; and c) any objections that have been made to the witness being called to testify. Plaintiff's witness list shall be submitted as Exhibit 8A to the Proposed Pretrial Order; Defendant's witness list shall be submitted as Exhibit 8B.]

List of Exhibits

[Each party shall submit with the Proposed Pretrial Order a list of exhibits that it may seek to offer into evidence at trial, along with the objections, if any, that have been made to each such exhibit. Plaintiff's exhibit list shall be submitted as Exhibit 9A to that proposed order; Defendant's exhibit list shall be submitted as Exhibit 9B.]

List of Pending Motions

[Each party shall identify the motions that it has filed that remain pending with the Court.]

Jury Instructions

[If the case is to be tried to a jury, the parties shall submit a joint set of preliminary instructions as Exhibit 11A to the Proposed Pretrial Order and a joint set of final instructions as Exhibit 11B to the Proposed Pretrial Order. The Court may use these proposed instructions to charge the jury, or may modify them or use other instructions as is warranted. The parties should exchange proposed preliminary instructions and proposed final instructions in accordance with the Court's scheduling order, and, in any event, well in advance of the submission of the Proposed Pretrial Order. The parties should meet-and-confer as necessary to reach agreement regarding a joint set of instructions. In Exhibits 11A and 11B submitted with the Proposed Pretrial Order, each instruction shall be separately numbered and no more than one instruction may be included on a single printed page (though some instructions may span multiple pages). Where the parties disagree about whether a particular instruction should be given, or about the specific language to be used in an instruction, the party proposing the instruction shall include it in the set, in the place in which it would appear if adopted, with the notation "PROPOSED BY PLAINTIFF [OR DEFENDANT]" and shall provide a brief (i.e., 1 to 2 paragraph) explanation why this instruction should be adopted, including citations to all relevant authority. Immediately following this proposed instruction, the party opposing the instruction shall

include on a separate page a similarly brief explanation why the proposed instruction should not be adopted, including citations to all relevant authority. Where the parties propose competing language for an instruction, this same procedure shall be followed consecutively for each proposed version of the instruction, such that the consecutive pages for that instruction appear as follows: 1) Instruction X, Proposal A; 2) Objection to Proposal A; 3) Instruction X, Proposal B; 4) Objection to Proposal B.]

Verdict Form

[If the case is to be tried to a jury, the parties shall submit as Exhibit 12 to the Proposed Pretrial Order a proposed verdict form. If the parties are unable to agree on a verdict form, each party shall submit a proposed verdict form, along with a short (no more than 2 pages) explanation why its proposed form should be adopted, including citations to all relevant authority. Plaintiff's proposed verdict form and accompanying argument shall be submitted as Exhibit 12A to the Proposed Pretrial Order; Defendant's proposed verdict form and accompanying argument shall be submitted as Exhibit 12B to that proposed order.]

Trial Length and Logistics

[Each party shall specify the number of hours that it contends is appropriate for each party for each of the following: a) voir dire, b) opening statements, c) presentation of evidence, and d) closing arguments. If any party intends to request phasing, bifurcation, or other procedure concerning the trial length or ordering of evidence, that party shall include such request in its statement herein, along with a short explanation of the basis for the request. A party opposing the request may include a similarly short statement explaining briefly its opposition to the request. If the request is the subject of a motion presently pending before the Court, the parties shall identify that request in this section, but omit the short statements concerning that request.]

Dated: _____.

[Counsel Signatures]

Appendix 7.2

Proposed Final Pretrial Order—Patent

(Chief Judge Leonard P. Stark, District of Delaware)

REVISED June 2014

[Note: Throughout, material in brackets is provided as guidance to counsel as to the Court's practices and/or matter that needs to be addressed in the Proposed Final Pretrial Order.]

PROPOSED FINAL PRETRIAL ORDER- PATENT

This matter comes before the Court at a final pretrial conference held pursuant to Rule 16 of the Federal Rules of Civil Procedure.

Plaintiff(s) Counsel: [List name, address, telephone number, and e-mail address]^[7]

Defendant(s) Counsel: [List name, address, telephone number, and e-mail address]^[8]

I. Nature of the Case

[The parties should prepare a brief statement of the nature of the case including identification of the parties and their claims. This statement may be used by the Court to explain the case to prospective jurors during the process of jury selection.]

II. Jurisdiction

This is an action for [state the remedy sought, such as damages or injunctive or declaratory relief].

The jurisdiction of the Court is not disputed [or, if the issue has not previously been raised, the basis on which jurisdiction is contested] and is based on [state the statutory, constitutional, or other basis of jurisdiction].

III. Facts

A. Uncontested Facts

Any party, with prior notice to all other parties, may read any or all of the uncontested facts to the jury or Court, and will be charged for the time used to do so.

The following facts are not disputed or have been agreed to or stipulated to by the parties:

[This section should contain a comprehensive statement of the uncontested facts which the parties intend to make part of the evidentiary record, either by reading to the jury, or in a bench trial reading to the Court and/or filing with the Court in conjunction with post-trial briefing.]

B. Contested Facts

[Identify the facts in issue, with a brief statement of what each party intends

7. For simplicity, "Plaintiff(s)" refers throughout this form order to the party asserting infringement of its patent(s).

8. For simplicity, "Defendant(s)" refers throughout this form order to the party accused of infringement.

to prove in support of its claims and/or defenses. These summaries should be sufficient to identify for the Court the essential facts in issue and to fairly notify the other parties of what counsel expects to prove at trial.]

IV. Issues of Law

[Include a statement of the issues of law which any party contends remain to be litigated, and a citation of authorities relied upon by each party.]

[The Court will preclude a party from seeking relief based on claims and defenses not described in the draft pretrial order.]

V. Witnesses

[Indicate which witnesses will testify in person and which by deposition. Indicate if there are any objections to a witness and, if so, briefly state the basis for the objection.] Any witness not listed will be precluded from testifying, absent good cause shown.

In the absence of an alternative agreement between the parties, fact witnesses will be sequestered. Also, unless the parties reach an alternative agreement, the order of the presentation of evidence will follow the burden of proof.

[The presumptive order of proof is:

Phase I: Plaintiff case-in-chief on infringement and damages

Phase II: Defendant response on infringement and damages, and case-in-chief on invalidity

Phase III: Plaintiff rebuttal on infringement and damages, and response on validity

Phase IV: Defendant rebuttal on invalidity]

A. List of Witnesses the Plaintiff Expects to Call

1. Expert witnesses

[For any expert witness, the Plaintiff shall indicate the precise subject matter on which it will ask the Court to recognize the witness's expertise. At trial, the Plaintiff should offer the witness as an expert on that same subject matter. No deviations as to the described subject matter will be permitted without approval of all parties or the Court, on good cause shown.]

2. Non-expert witnesses

B. List of Witnesses Defendant Expects to Call

1. Expert witnesses

[For any expert witness, the Defendant shall indicate the precise subject matter on which it will ask the Court to recognize the witness's expertise. At trial, the Defendant should offer the witness as an expert on that same subject matter. No deviations as to the described subject matter will be permitted without approval of all parties or the Court, on good cause shown.]

2. Non-expert witnesses

C. List of Witnesses Third Parties Expect to Call

[If there are any third parties to the action, they should include a list of witnesses like those contained in Parts A and B above.]

D. Testimony by Deposition

[Counsel should confer prior to the pretrial conference to determine which testimony will be offered by deposition (including videotape depositions), to agree on

the designation of those portions of the depositions to be offered into evidence, and to identify objections.] This pretrial order contains the maximum universe of deposition designations, counter-designations, and objections to admission of deposition testimony; none of the foregoing shall be supplemented without approval of all parties or leave of the Court, on good cause shown.

If there are objections that remain to be resolved, the party calling the witness by deposition shall, no later than two (2) calendar days before the witness is to be called at trial, submit, on behalf of all parties: (i) a copy of the entire deposition testimony of the witness at issue, clearly highlighting the designations, counter-designations, and pending objections; and (ii) a cover letter clearly identifying the pending objections as well as a brief indication (i.e., no more than one sentence per objection) of the basis for the objection and the offering party's response to it. Failure to comply with these procedures, absent an agreement by the parties and approval by the Court, will result in waiver of the use of the deposition testimony or waiver of objection to the use of the deposition testimony.

All irrelevant and redundant material, including colloquy between counsel and objections, will be eliminated when the deposition is read or viewed at trial.

When the witness is called to testify by deposition at trial, the party calling the witness shall provide the Court with two copies of the transcript of the designations and counter-designations that will be read or played. The parties will be charged for all time that elapses from the time the witness is called until the next witness is called, according to the proportions to be provided by the parties.

E. Impeachment with Prior Inconsistent Testimony

[The parties shall provide their position(s) as to whether the Court should allow objections to the use of deposition and other prior testimony for impeachment purposes, including objections based on lack of completeness and/or lack of inconsistency.]

F. Objections to Expert Testimony

[The parties shall provide their position(s) as to whether the Court should rule at trial on objections to expert testimony as beyond the scope of prior expert disclosures, taking time from the parties' trial presentation to argue and decide such objections; or whether the Court should instead defer ruling on all such objections unless renewed in writing following trial, subject to the proviso that a party prevailing on such a post-trial objection will be entitled to have all of its costs associated with a new trial paid for by the party that elicited the improper expert testimony at the earlier trial.]

VI. Exhibits

A. Exhibits

[The parties are to provide a list of pre-marked exhibits which each party intends to offer at trial, along with citations to the Federal Rules of Evidence to note any objections thereto lodged by any other party.] This pretrial order contains the maximum universe of exhibits to be used in any party's case-in-chief, as well as all objections to the admission of such objections, neither of which shall be supplemented without approval of all parties or leave of the Court, on good cause shown. Exhibits not listed will not be admitted unless good cause is shown.

No exhibit will be admitted unless offered into evidence through a witness, who must at least be shown the exhibit. At some point before the completion of the wit-

ness' testimony, any party that has used an exhibit with the witness and wishes that exhibit to be admitted into evidence must formally move the exhibit into evidence, by exhibit number. Exhibits may not be published, displayed, or otherwise shown to the jury until after they have been admitted into evidence. Once admitted, counsel may publish exhibits to the jury without requesting to do so.

A party will provide exhibits to be used in connection with direct examination by 6:00 p.m. the day before their intended use, and objections will be provided no later than 8:00 p.m. the night before their intended use. If good faith efforts to resolve the objections fail, the party objecting to the exhibits shall bring its objections to the Court's attention prior to the witness being called to the witness stand. Failure to comply with these procedures, absent an agreement by the parties and approval by the Court, will result in waiver of the use of an exhibit or waiver of objection to the exhibit.

Exhibits not objected to will be received into evidence by the operation of the Final Pretrial Order without the need for additional foundation testimony, provided they are shown to a witness.

On or before the first day of trial, counsel will deliver to the Courtroom Deputy a completed AO Form 187 exhibit list for each party.

B. Demonstrative Exhibits

The parties will exchange demonstratives to be used in opening statements by 8:00 p.m. two nights before opening statements. The parties will provide any objections to such demonstratives by 12:00 p.m (noon) on the day before opening statements.

A party will provide demonstrative exhibits to be used in connection with direct examination by 6:00 p.m. the night before their intended use, and objections will be provided no later than 8:00 p.m. the night before their intended use. If any of the demonstratives change after the deadline, the party intending to use the demonstrative will promptly notify the opposing party of the change(s).

The party seeking to use a demonstrative will provide a color representation of the demonstrative to the other side in PDF form. However, for video or animations, the party seeking to use the demonstrative will provide it to the other side on a DVD or CD. For irregularly sized physical exhibits, the party seeking to use the demonstrative will provide a color representation as a PDF of 8.5 x 11 copies of the exhibits.

This provision does not apply to demonstratives created during testimony or demonstratives to be used for cross-examination, neither of which need to be provided to the other side in advance of their use. In addition, blow-ups or highlights of exhibits or parts of exhibits or testimony are not required to be provided to the other side in advance of their use.

If good faith efforts to resolve objections to demonstrative exhibits fail, the objecting party shall bring its objections to the Court's attention prior to the opening statements or prior to the applicable witness being called to the witness stand. Failure to comply with these procedures, absent an agreement by the parties and approval by the Court, will result in waiver of the use of an exhibit or waiver of objection to the exhibit.

VII. Damages

[Include an itemized statement of all damages, including special damages.]

VIII. Bifurcated Trial

[Indicate whether the parties desire a bifurcated trial, and, if so, why.]

IX. Motions in Limine

Motions in limine shall not be separately filed. All in limine requests and responses thereto shall be set forth in the proposed pretrial order. Each SIDE shall be limited to three (3) in limine requests, unless otherwise permitted by the Court. The in limine request and any response shall contain the authorities relied upon; each in limine request may be supported by a maximum of three (3) pages of argument and may be opposed by a maximum of three (3) pages of argument, and the side making the in limine request may add a maximum of one (1) additional page in reply in support of its request. If more than one party is supporting or opposing an in limine request, such support or opposition shall be combined in a single three (3) page submission (and, if the moving party, a single one (1) page reply), unless otherwise ordered by the Court. No separate briefing shall be submitted on in limine requests, unless otherwise permitted by the Court.

X. Discovery

Each party has completed discovery.

XI. Number of Jurors

There shall be eight jurors. The Court will conduct jury selection through the “struck juror” method, beginning with the Court reading voir dire to the jury panel in the courtroom, continuing by meeting with jurors individually in chambers or at sidebar and there addressing any challenges for cause, and concluding with peremptory strikes.

XII. Non-Jury Trial

[If the parties desire a detailed opinion from the Court post-trial, counsel should include a proposed post-trial briefing schedule, including page limits, in the draft pretrial order.]

Along with their initial briefs, each party shall provide proposed Findings of Fact, separately stated in numbered paragraphs, constituting a detailed listing of the relevant material facts the party believes it has proven, in a simple narrative form, along with citations to the record. The proposed Findings of Fact shall be limited to a maximum of ___ pages. No separate Conclusions of Law shall be filed.

XIII. Length of Trial

The trial will be timed. Unless otherwise ordered, time will be charged to a party for its opening statement, direct and redirect examinations of witnesses it calls, cross-examination of witnesses called by any other party, closing argument, its argument on any motions for judgment as a matter of law, and all sides’ argument on objections a party raises (outside the presence of the jury) to another party’s exhibits and demonstrative exhibits.

The Courtroom Deputy will keep a running total of trial time used by counsel. If any party uses all of its allotted trial time, the Court will terminate that party’s trial presentation.

Considering the Court’s procedures for counting time, and considering the nature and extent of the parties’ disputes, the parties request_ hours for their trial

presentation. [Indicate the number of hours the parties request for their trial presentations. On days other than those involving jury selection, jury instructions, or deliberations, a typical day involves between 5 ½ and 6 ½ of trial time. In a typical bench trial, each day will involve between 6 and 7 hours of trial time. If the Court has previously set a maximum number of days that will be reserved for trial in this matter, the Court will not, absent good cause shown, allocate more hours for trial presentations than can be accommodated within the number of days reserved.]

XIV. Motions for Judgment as a Matter of Law

[The parties shall provide their position(s) as to how they will make motions for judgment as a matter of law, whether it be immediately at the appropriate point during trial or at a subsequent break, whether the jury should be in or out of the courtroom at the time such motions are made and/or argued, and whether such motions may be supplemented in writing.]

XV. Amendments of the Pleadings

[Indicate any amendments of the pleadings desired by any party, along with a statement whether the proposed amendment is objected to and, if objected to, the grounds for the objection.]

XVI. Additional Matters

[List any additional issues requiring resolution prior to trial, including whether the parties anticipate requesting that the courtroom be closed to the public for a portion of any specified witness' testimony.]

XVII. Settlement

[Provide a certification that the parties have engaged in a good faith effort to explore the resolution of the controversy by settlement, including a description of the overall extent of such efforts and identification of the date of the most recent substantive discussions regarding settlement.]

IT IS HEREBY ORDERED that this Final Pretrial Order shall control the subsequent course of the action, unless modified by the Court to prevent manifest injustice.

DATED: _____

UNITED STATES DISTRICT JUDGE

APPROVED AS TO FORM AND SUBSTANCE:

ATTORNEY FOR PLAINTIFF(S)

ATTORNEY FOR DEFENDANT(S)