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Practical Implications from the Federal Circuit's Rare *en Banc* Reversal in *Apple v. Samsung*

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Introduction

In a precedential opinion issued *en banc* on Friday, October 7, 2016, the Federal Circuit overturned a panel decision, affirming and reinstating the district court's judgment and the jury's verdict. The majority opinion scrutinized and at times scolded the panel for taking on a role well outside of its appellate function and erroneously relying on extrinsic evidence to modify an agreed to and unappealed claim construction and hold claims invalid for obviousness. The majority characterized the appellate court's function as "limited" and "requiring appropriate deference be applied to the review of fact findings."

Practical Implications

Any *en banc* decision is a major one, and if the dissents are to be believed, this case is no different. Given that the dissenters saw "no" or "scant" evidence where the majority saw "substantial" evidence, the decision leaves behind confusion as to the court's role in reviewing the evidence and as to the quantum and type of necessary record evidence needed to support a jury verdict. Although the dissenting opinions make much of alleged "profound changes" to the law of obviousness, the majority states that it is affirming existing obviousness law. This may mean that, in practice, the decision is narrowly limited to its specific facts and no practice changes are necessary.

However, the majority decision reflects the recent theme of greater deference to the district court and the jury, as observed in the Supreme Court's decisions in *Teva* and *Halo*. Greater deference suggests that future panels may hesitate to overturn district court decisions, a change that would be notable. Moreover, appellants should consider highlighting implicit factual findings (particularly those related to motivation to combine and secondary considerations) made by the jury and district court in an effort to ensure that the legal conclusion following from those findings is unassailable. Although the opinions were silent on this issue, the same can be said of appeals from the Patent Trial and Appeal Board, which finds facts in its proceedings and is subject to the same standard of appellate review as jury findings.

Background

In the underlying district court case, Apple alleged infringement of U.S. Patent Nos. 5,946,647 (the "'647 patent"), 8,046,721 (the "'721 patent"), and 8,074,172 (the "'172 patent"), among others. The district court granted summary judgment of infringement of the '172 patent, which covered Apple's slide-to-unlock technology. After a 13 day trial in May 2014, the jury found that Samsung infringed the '647 patent and the '721 patent (the quick links and autocorrect patents, respectively). The jury also found that Apple infringed one Samsung patent. Although Apple requested \$2.19 billion, the jury awarded Apple only \$120 million in infringement damages. Following trial, Samsung filed a motion for judgment as a

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matter of law (“JMOL”) that the ’721 and ’172 patents were obvious as a matter of law and that the ’647 and ’721 patents were not infringed, in relevant part. The district court denied JMOL, and Samsung appealed the district court’s summary judgment and denial of JMOL.

In February of this year, a Federal Circuit three-judge panel vacated Apple’s \$120 million jury verdict, ruling that the slide-to-unlock and autocorrect patents were invalid and that Samsung did not infringe the patent tied to Apple’s quick links feature. The panel decision, authored by Judge Dyk, ruled that Apple failed to prove Samsung infringed the quick links patent and that the slide-to-unlock and autocorrect patents were invalid as obvious. The opinion affirmed the jury’s finding that Apple infringed Samsung’s patent and affirmed the \$158,400 damages award against Apple.

Apple petitioned the Federal Circuit for *en banc* review. At the forefront of its petition, Apple questioned the panel’s decision to reverse nearly every jury finding of fact that favored Apple. On October 7, 2016, the full Federal Circuit, sitting *en banc* reinstated the initial \$120 million district court jury verdict, without additional briefing or argument by either party or external stakeholders.

Majority

The Federal Circuit granted *en banc* rehearing primarily to reestablish the boundaries of appellate jurisdiction and correct what it saw as legal errors in the panel’s February 2016 decision. In a majority decision written by Judge Moore, the court reaffirmed that the Federal Circuit cannot consider evidence outside the record or engage in fact finding, relying mainly on the Supreme Court’s decision in *Teva Pharms., Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015).

First the Federal Circuit considered whether the record at the district court level contained substantial evidence that Samsung products meet the “analyzer server” and “linking actions” limitations of the ’647 patent. “During the *Markman* hearing, neither Apple nor Samsung had sought a construction of ‘analyzer server’ or ‘linking actions’ . . .” *Apple Inc. v. Samsung Elecs. Co., Ltd.*, No. 2015-1171, slip op. at 8 (Fed. Cir. Oct. 7, 2016) (*en banc*). Because the Court previously addressed the constructions of both terms in *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286 (Fed. Cir. 2014), the parties agreed to give the *Motorola* constructions to the jury. These issues, while unappealed, were addressed by the Federal Circuit because the panel, in reviewing infringement of the ’647 patent, looked to “extra-record extrinsic evidence” such as “dictionary and encyclopedia entries to inform its understanding of how the shared library code *in Samsung’s phones* work.” *Id.* at 4 (emphasis in original).

Ultimately, the Federal Circuit determined that Apple’s expert provided substantial evidence that shared library code and client programs in the accused devices are “definitely separate.” *Id.* at 16. Similarly, with regard to the “linking actions” limitation, Apple presented substantial evidence that the accused devices contain a specified connection between a detected structure and a computer subroutine that causes the CPU to perform a sequence of operations. Samsung’s expert also testified on these issues. However, the Federal Circuit “leave[s] credibility issues to the jury.” *Id.* at 16, n.10. Therefore, the Federal Circuit deferred to the jury’s finding that the accused devices met the “analyzer server” and “linking actions” limitations and on that basis affirmed infringement of the ’647 patent and the district court’s denial of JMOL as to the ’647 patent.

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Next, the Federal Circuit turned to the commonly known “slide-to-unlock” feature of the '721 patent. Samsung appealed the district court’s denial of JMOL that claim 8 would have been obvious. The crux of the obviousness argument on review depended on whether a person of skill in the art would have been motivated to combine the unlocking mechanisms from a wall mounted touchscreen for home appliances with the unlocking mechanism for a smartphone. Based off of extensive expert testimony that the phone designers were primarily attempting to solve the problem of accidental activation (also known as pocket-dialing), the Federal Circuit found that substantial evidence supported the jury’s implicit factual finding that a person of skill in the art would not be motivated to combine the teachings of wall mounted home appliance art with smartphone unlocking technology. The court also concluded that substantial evidence supported the jury’s implicit factual findings on secondary considerations, citing significant industry praise, commercial success, and in particular, undeniable evidence that Samsung admittedly failed to come up with an unlocking feature “better than” Apple’s. *Id.* at 35. In combination, these objective indicia were “particularly strong in this case” and “powerfully weigh[ed] in favor of validity.” *Id.* at 43. Thus, considering these jury factual findings, on *de novo* review of the ultimate legal determination the court held that Samsung failed to establish by clear and convincing evidence that claim 8 of the '721 patent would have been obvious. The Federal Circuit further remanded the issue of willfulness in light of the Supreme Court’s recent decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016).

Finally, the Federal Circuit addressed whether the district court committed clear error in construing “keyboard,” the term underlying its grant of summary judgment on infringement and whether substantial evidence supported the jury’s verdict and district court’s subsequent denial of JMOL as to obviousness of the '172 patent, which featured Apple’s autocorrect technology. The Federal Circuit affirmed the district court’s grant of summary judgment that Samsung’s accused devices infringe claim 18 of the '172 patent because the term “keyboard” properly included “both physical and virtual keyboards.” *Id.* at 51. As to validity, the Federal Circuit agreed that Samsung did not prove by clear and convincing evidence that claim 18 would have been obvious to a skilled artisan, saying:

Even in cases in which a court concludes that a reasonable jury could have found some facts differently, the verdict must be sustained if it is supported by substantial evidence on the record that was before the jury. But as an appellate court, it is beyond our role to reweigh the evidence or consider what the record might have supported, or investigate potential arguments that were not meaningfully raised. Our review is limited to whether fact findings made and challenged on appeal are supported by substantial evidence in the record, and if so, whether those fact findings support the legal conclusion of obviousness.

Id. at 50. The Federal Circuit found that substantial evidence supported the jury’s implicit factual findings because Apple’s expert testimony demonstrated the significant difference between the prior art word completion and Apple’s autocorrect word replacement. In addition, Apple’s survey evidence on secondary considerations, when weighed by the jury against the testimony of Samsung’s expert, supported this conclusion. Based on these factual findings, and because the evidence does not “afford[] only one reasonable conclusion contrary to that of the jury,” the Federal Circuit affirmed the district court’s denial of JMOL as to the obviousness of the '172 patent.

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Dissents

The majority opinion sparked strong dissents from Chief Judge Prost and Judges Dyk and Reyna, the members of the original appellate panel overturned by the majority. All three opinions questioned the *en banc* court's unusual approach of deciding the case without further briefing from the parties, amici, or the government—with Chief Judge Prost going so far as to call it a “procedural irregularit[y].” *Apple Inc. v. Samsung Elecs. Co., Ltd.*, No. 2015-1171, slip op. at 1 (Fed. Cir. Oct. 7, 2016) (Prost, J. dissenting).

Although echoing the concerns raised in the other dissents about motivation to combine and secondary considerations, Chief Judge Prost's dissent focused on the substantial evidence standard and dug into the majority's cited evidence. Starting with the majority's holding that substantial evidence supports the jury's implicit finding that there was no motivation to combine the prior art references to reach the '721 patent, Chief Judge Prost instead looked to the context of the expert opinion and the references themselves to conclude that there was “a stark lack of evidence.” *Id.* at 8. Labeling it “arguably dicta,” Chief Judge Prost went on to dispute the majority's holding that secondary considerations weigh in favor of nonobviousness. *Id.* at 9. She noted that the Federal Circuit has only once held that secondary considerations outweigh strong evidence of obviousness and found fault mainly with the nexus between Apple's evidence and the patented slide-to-unlock feature. Similarly, Chief Judge Prost took issue with the majority's holding that substantial evidence supports the jury determination of nonobviousness of the '172 patent, arguing that the number of underlying factual findings to a legal conclusion is irrelevant because the Federal Circuit “not infrequently” overturns jury findings of nonobvious (and thus, the underlying factual findings to that conclusion). *Id.* at 15. Once again looking contextually at the expert statements and the references, she argued that the scope and content of the prior art certainly discloses each and every limitation of the asserted claim. Far from substantial evidence, in Chief Judge Prost's view, “there is no evidence” that the prior art references fail to disclose the claimed elements. *Id.* at 18. She also faulted the secondary considerations evidence for lack of nexus to the patented feature. Accordingly, she concluded that both the '721 and '172 patents are obvious as a matter of law.

Finally, Chief Judge Prost addressed the construction of the “analyzer server” limitation in the '647 patent. She argued that “structurally separate” without more, cannot meet the “separate” requirement of the construction because two program routines must always occupy different places in memory. Therefore, she concluded that Apple's evidence showing storage in a different memory location is legally insufficient to show infringement, and that “no reasonable jury could find otherwise.” *Id.* at 23.

Although Judge Dyk “agree[s]” with Chief Judge Prost's dissent based on the “flimsy nature” of the majority's cited evidence, Judge Dyk takes a different tack, writing separately to argue that the majority opinion “will have a significant and immediate impact on the future resolution of obviousness issues.” *Apple Inc. v. Samsung Electronics Co., Ltd.*, No. 2015-1171, slip op. at 2 (Fed. Cir. Oct. 7, 2016) (Dyk, J. dissenting). He focused his opinion on the ways in which he believes the majority opinion is inconsistent with *KSR International Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007), such as by turning motivation to combine and weight of secondary considerations into jury questions, treating minimal advances as nonobvious, holding that a known problem is insufficient motivation to combine and that there must be evidence of a specific motivation to combine, dismissing prior art evidence on the basis that it concerns a different, even if related, device than the patented invention, and elevating

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secondary considerations to outweigh a strong case of obviousness involving minimal advances over the prior art. He further argued that the secondary considerations evidence here lacks nexus to the patented improvement over the prior art. Judge Dyk concluded by calling out the majority for its “improper and unwise” failure to give the parties’ agreed construction (that the analyzer server program run separately, not just be stored separately) any weight, instead sticking to its own interpretation of the construction. *Id.* at 18.

Judge Reyna argued mainly that *en banc* review should not have been granted in the first instance. He advanced the theory that the majority improperly undertook *en banc* review because it disagreed with the panel decision but not because it was necessary to secure or maintain uniformity or to decide a question of exceptional importance (the proper bases for *en banc* review). He proposed a few issues he believed would be more appropriately the subject of *en banc* review, including to explain “what the substantial evidence standard means and how it is applied [to] review the factual findings underlying jury verdicts,” whether an analysis involving secondary considerations is a one- or two- step process, and how much weight should be accorded to secondary considerations in the obviousness analysis. *Apple Inc. v. Samsung Elecs. Co., Ltd.*, No. 2015-1171, slip op. at 7 (Fed. Cir. Oct. 7, 2016) (Reyna, J. dissenting).

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