

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

DIGITAL REG OF TEXAS, LLC,

Plaintiff,

v.

ADOBE SYSTEMS, INC., et al.,

Defendants.

No. C 12-1971 CW

ORDER ON POST-
VERDICT MOTIONS
(Docket Nos. 710,
712, 742, 743)

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Plaintiff Digital Reg of Texas, LLC, moves for judgment as a matter of law (JMOL) that its claims in dispute with regard to U.S. Patent No. 6,389,541 (the '541 patent) are not invalid, and that Defendant Adobe Systems, Inc., infringed that patent. In the alternative, Digital Reg moves for a new trial with regard to the '541 patent. Adobe opposes both motions, and also cross-moves for JMOL that it did not infringe the '541 patent. For the reasons set forth below, Digital Reg's motions for JMOL and for a new trial are DENIED; and Adobe's motion for JMOL is DENIED.

BACKGROUND

In this patent infringement case, Digital Reg sued Adobe, alleging infringement of the '541 patent and U.S. Patent No. 6,751,670 (the '670 patent).¹ Adobe denied that it infringed, and argued that the asserted claims were invalid.

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¹ Neither party seeks relief with regard to the '670 patent.

At trial, the jury made the following findings:

Direct Infringement			
Patent No.	Claim No.	Adobe Product	Jury Finding
'670 patent	Claim 45	Activation	Not infringed
'670 patent	Claim 45	LiveCycle	Not infringed
'670 patent	Claim 52	LiveCycle	Not infringed
Indirect Infringement			
Patent No.	Claim No.	Adobe Product	Jury Finding
'541 patent	Claim 1	Activation	No decision
'541 patent	Claim 2	Activation	No decision
'541 patent	Claim 4	Activation	No decision
'541 patent	Claim 13	Activation	No decision
'670 patent	Claim 45	Activation	Not infringed
'541 patent	Claim 1	Flash	No decision
'541 patent	Claim 2	Flash	No decision
'541 patent	Claim 4	Flash	No decision
'541 patent	Claim 13	Flash	No decision
'541 patent	Claim 1	LiveCycle	Not infringed
'541 patent	Claim 2	LiveCycle	Not infringed
'541 patent	Claim 4	LiveCycle	Not infringed
'541 patent	Claim 13	LiveCycle	Not infringed
'670 patent	Claim 45	LiveCycle	Not infringed
'670 patent	Claim 52	LiveCycle	Not infringed
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Invalidity - Anticipation		
Patent No.	Claim No.	Jury Finding
'670 patent	Claim 32	Not anticipated
'670 patent	Claim 45	Not anticipated
'670 patent	Claim 52	Not anticipated
Invalidity - Obviousness		
Patent No.	Claim No.	Jury Finding
'541 patent	Claim 1	Obvious
'541 patent	Claim 2	Obvious
'541 patent	Claim 4	Obvious
'541 patent	Claim 13	Obvious
'670 patent	Claim 32	Obvious
'670 patent	Claim 45	Obvious
'670 patent	Claim 52	Obvious

Having found each of the disputed patent claims to be obvious, and therefore invalid, the jury awarded Digital Reg no damages.

The parties made their initial motions for JMOL on September 4, 2014, and their renewed motions for JMOL on October 6, 2014. The renewed motions are now fully briefed.

DISCUSSION

I. Motions for JMOL

A. Legal Standard

A motion for judgment as a matter of law after the verdict renews the moving party's prior Rule 50(a) motion for judgment as a matter of law at the close of all the evidence. Fed. R. Civ. P. 50(b). Judgment as a matter of law after the verdict may be

1 granted only when the evidence and its inferences, construed in
2 the light most favorable to the non-moving party, permits only one
3 reasonable conclusion as to the verdict. Josephs v. Pac. Bell,
4 443 F.3d 1050, 1062 (9th Cir. 2006). Where there is sufficient
5 conflicting evidence, or where reasonable minds could differ over
6 the verdict, judgment as a matter of law after the verdict is
7 improper. See, e.g., Kern v. Levolor Lorentzen, Inc., 899 F.2d
8 772, 775 (9th Cir. 1990); Air-Sea Forwarders, Inc. v. Air Asia
9 Co., 880 F.2d 176, 181 (9th Cir. 1989).

10 C. Digital Reg's Motions

11 Digital Reg moves for JMOL on the grounds that (1) the
12 evidence presented at trial was legally insufficient to support
13 the jury's finding of invalidity of the '541 patent; and (2) a
14 reasonable jury could only have concluded that Adobe indirectly
15 infringed the '541 patent.

16 1. Invalidity

17 Under 35 U.S.C. § 103(a), a patent is invalid "if the
18 differences between the subject matter sought to be patented and
19 the prior art are such that the subject matter as a whole would
20 have been obvious at the time the invention was made to a person
21 having ordinary skill in the art to which said subject matter
22 pertains." To avoid being obvious, a patent must be "more than
23 the predictable use of prior art elements according to their
24 established functions." KSR Int'l Co. v. Teleflex Inc., 550 U.S.
25 398, 417 (2007). To determine obviousness, "the invention must be
26 considered as a whole and the claims must be considered in their
27 entirety." Kahn v. General Motors Corp., 135 F.3d 1472, 1479
28 (Fed. Cir. 1998).

1 Although obviousness is a question of law that the Court
2 decides de novo, the Court nonetheless "treats with deference the
3 implied findings of fact made by the jury." Apple, Inc. v.
4 Samsung Elecs. Co., 2014 U.S. Dist. LEXIS 127973, at *97 (N.D.
5 Cal.) (citing Kinetic Concepts, Inc. v. Smith & Nephew, Inc., 688
6 F.3d 1342, 1360 (Fed. Cir. 2012)). The underlying factual
7 inquiries are "(1) the scope and content of the prior art; (2) the
8 level of ordinary skill in the pertinent art; (3) the differences
9 between the claimed invention and the prior art; and (4) evidence
10 of secondary factors, such as commercial success, long-felt need,
11 and failure of others." Retractable Techs., Inc. v. Becton, 653
12 F.3d 1296, 1310 (Fed. Cir. 2011) (citing Graham v. John Deere Co.,
13 383 U.S. 1, 17-18 (1966)).

14 Because the jury made no express findings of fact, the Court
15 must "discern the jury's implied factual findings by interpreting
16 the evidence consistently with the verdict and drawing all
17 reasonable inferences in [the non-moving party's] favor." Dystar
18 Textilfarben GmbH v. C.H. Patrick Co., 464 F.3d 1356, 1361 (Fed.
19 Cir. 2006). In doing so, the Court "presume[s] that the jury
20 resolved the underlying factual disputes in favor of the verdict,"
21 and accepts those factual findings "if they are supported by
22 substantial evidence." Kinetic Concepts, 688 F.3d at 1356-57.
23 The Court then considers de novo whether the legal conclusion of
24 obviousness was "correct in light of the presumed jury fact
25 findings." Id. at 1357.

26 a. Evidence of Obviousness

27 Digital Reg argues that there was insufficient evidence at
28 trial for a finding of obviousness because (1) the prior art did

1 not disclose all of the elements claimed in the '541 patent and,
2 in particular, the prior art did not disclose the "token"
3 requirement;² (2) there was no teaching to modify or other
4 evidentiary basis of a motive to modify the prior art; (3) there
5 were differences in function between the claimed invention and the
6 prior art; and (4) the prior art teaches away from the missing
7 limitations. The Court is not persuaded.

8 First, the jury was presented with evidence that the prior
9 art disclosed or rendered obvious the "token" requirement.
10 Adobe's expert, Dr. Stephen Wicker, testified that the prior art
11 Schull patent does not disclose a yes/no indicator within the
12 token. Tr. 1273:9-1274:2. However, Dr. Wicker also testified
13 that the Schull patent disclosed generating a token after
14 receiving authorization through an independent channel, that such
15 permission could be moved from the server into the client program,
16 and that doing so would result in the use of a token. Tr. 1241:7-
17 13; 1272:13-1273:5; 1275:5-1276:8; 1281:24-1282:2; 1286:7-12;

18
19 ² Claim 1 of the '541 patent requires, among other things,
20 "receiving from the external source a token." Tr. Ex. 1.022. The
21 Court construed "token" as: "A file indicating whether the
22 transaction has been approved and access should be granted. A
23 token does not simply indicate that access should be granted, but
24 also contains a yes/no indicator exhibiting either approval or
25 rejection of the transaction." Final Jury Instructions at 29
26 (Docket No. 717). Claim 1 also requires, "based on the received
27 token, executing an installation process that generates at the
28 client a permission that is locked uniquely to the client and that
may be found by a later execution of the access checking process."
Tr. Ex. 1.022. The Court construed this element as: "Running an
installation program that creates a permission locally, which
permission is (1) locked uniquely to the client and (2) capable of
being found locally by a later execution of the access checking
process." Final Jury Instructions at 30.

1 1330:14-1331:5. In fact, Dr. Wicker twice expressly said that, in
2 light of the Schull patent, it would have been obvious that
3 permission could have been generated at the client:

4 Q. So, the, what is your opinion with respect
5 to invalidity?

6 A. OK. Well, basically, I think it would have
7 been obvious to create a yes/no indication, and
8 then send it to the client and have the password
9 generated at the client. In fact, you heard Dr.
Schull say that just a few moments ago. There
are things that are done at the server in his
invention that can be done at the client."

10 Tr. 1275:21-1276:2.

11 Q. You mentioned a couple of times with
12 respect to the receiving the token limitation and
13 the based on limitation that it would have been
14 obvious. If you can walk us through in just a
little bit more detail the analysis that you did
for that particular conclusion.

15 A. Okay. With regard to obviousness, I noted
16 that, first off, Schull does the generation at
17 the server. So, the secret, as he called it, the
seed, is encrypted at the server and sent to the
client. Okay?

18 So it's like Adobe. It is done at the server.

19 But the claims require that it be done at the
20 client. So I had to ask myself:

21 "Would a person of skill with his or her
22 ability, knowledge in reading the Schull patent
23 have thought it was obvious to do it at the
24 client?"

25 Well, I note that Dr. Schull actually talked
26 about doing things at the client. And it would
27 have been obvious to transmit that yes/no and let
28 the client do the work instead of the server.

Tr. 1281:9-1282:2. Dr. Wicker further testified that one of
ordinary skill in the art at the relevant time frame "would have
known how to use the software functionality that was in the server
to duplicate that functionality at a client. It is something that

1 would have been well within their abilities." Tr. 1330:13-1331:5.
2 His testimony as to the obviousness of the token requirement went
3 un rebutted at trial.

4 In addition, the jury was presented with evidence of a motive
5 to modify the prior art. Dr. Wicker testified that there would
6 have been an incentive to simplify matters at the server and push
7 certain functions out to the client. Tr. 1330:19-24.

8 Finally, the Court is not persuaded that the prior art
9 teaches away from the missing limitations. Both Professor Jon
10 Schull, the inventor of the Schull patent and an Adobe witness,
11 and Dr. Wicker testified that, although in the Schull patent the
12 permission is generated at the server and not at the client, it
13 was merely a design choice and permission could just as easily
14 have been generated at the client. Tr. 1241:4-13 (Professor
15 Schull); 1282:18-1283:2 (Dr. Wicker).

16 For these reasons, the Court finds and concludes that there
17 is sufficient evidence in the record to support the jury's
18 determination of obviousness of the '541 patent's disputed claims.

19 b. Secondary Indicia of Non-Obviousness

20 Digital Reg also argues that the jury was precluded from
21 considering secondary indicia of non-obviousness. In particular,
22 Digital Reg argues that the Court's decision to exclude the dollar
23 amount of its license agreement with RPX precluded the jury from
24 considering that agreement as an indicator of non-obviousness.
25 Again, the Court is not persuaded.

26 In deciding the parties' motions in limine, the Court found
27 that the RPX agreement was relevant to the determination of a
28 reasonable royalty, and on that basis denied Adobe's motion to

1 exclude entirely any evidence of the RPX license. Order on Mots.
2 in Limine at 11-12 (Docket No. 632). Nevertheless, the Court,
3 citing circumstances surrounding the RPX agreement that were
4 vastly different from those of other licensing agreements, found
5 that evidence of the exact dollar amount of the license would
6 "skew the jury's perception of a reasonable royalty, causing
7 unfair prejudice to Adobe." Id. at 12. Thus, the Court granted
8 Adobe's alternative motion and held that "Digital Reg may describe
9 the circumstances of the RPX license, but not the actual amount."
10 Id.

11 Digital Reg argues that the very fact that it has executed a
12 multi-million-dollar licensing agreement with RPX demonstrates
13 that the '541 patent was not obvious. Digital Reg overstates the
14 case. Although the jury was not presented with the precise dollar
15 amount of the RPX agreement, it heard testimony describing the
16 agreement, Tr. 325:13-327:4, 409:22-410:21, and specifically
17 stating that it was "much, much higher" in value than the other
18 license agreements in evidence. Tr. 327:1-4. Digital Reg offers
19 no reason to believe that the jury failed to consider this
20 information, and provides no authority that would require
21 disclosure to the jury of the precise dollar amount of the RPX
22 agreement. Although evidence of a multi-million-dollar licensing
23 agreement may be evidence of non-obviousness, the Federal Circuit
24 has "often held [that] evidence of secondary considerations does
25 not always overcome a strong prima facie showing of obviousness."
26 Perfect Web Techs., Inc. v. InfoUSA, Inc., 587 F.3d 1324, 1333
27 (Fed. Cir. 2009) (quoting Asyst Techs, Inc. v. Emtrak, Inc., 544
28 F.3d 1310, 1316 (Fed. Cir. 2008) (collecting cases)). Here, the

1 Court finds that the jury was allowed appropriately to consider
2 the RPX license. Nonetheless, the jury heard evidence sufficient
3 to support its finding of obviousness. Thus, Digital Reg is not
4 entitled to JMOL.

5 2. Indirect Infringement

6 Digital Reg argues that it is entitled to JMOL of indirect
7 infringement of the '541 patent because Adobe failed to present
8 evidence sufficient for a finding of non-infringement, and
9 therefore, no reasonable jury could have failed to find that the
10 patent was infringed. Here again, the Court is not persuaded.

11 Digital Reg first argues that Adobe's Activation, Flash, and
12 LiveCycle programs all contain the claimed token. However, the
13 jury heard Dr. Wicker's testimony that each of those products did
14 not use the claimed token. Tr. 715:23-716:1; 716:21-25; 723:24-
15 724:2; 724:11-14; 730:1-7. In addition, Digital Reg argues that
16 the accused products generate permission at the client. Again,
17 Dr. Wicker's testimony contradicts this assertion. Tr. 720:4-7;
18 724:15-725:6; 730:15-20. Although Digital Reg argues that the
19 permission generated at the server in the accused products is
20 merely "regenerated" at the client, Dr. Wicker disputed that
21 characterization. Tr. 720:5-16. Digital Reg further argues that
22 the accused products uniquely lock permission to the client.
23 Again, Dr. Wicker's testimony was that permission was locked at
24 the server, not at the client. Tr. 720:12-16; 724:23-725:1. In
25 light of Dr. Wicker's testimony, the Court is not persuaded that
26 the evidence requires a finding of infringement.

27 Specifically with regard to LiveCycle, Digital Reg argues
28 that its expert, Dr. Premkumar Devanbu, testified that LiveCycle's

1 source code demonstrates that LiveCycle seeks permission from the
2 client before requesting permission from an outside source, and
3 that Dr. Devanbu's testimony was unrebutted. However, the record
4 shows that both Dr. Wicker and Adobe employee Jonathan Herbach,
5 testified that LiveCycle seeks permission from an outside source
6 before checking for local permission. Tr. 727:25-729:18 (Dr.
7 Wicker); Tr. 894:1-897:8, 902:3-7 (Mr. Herbach). In light of the
8 testimony of Dr. Wicker and Mr. Herbach contradicting that of Dr.
9 Devanbu, the Court is not persuaded that the evidence requires a
10 finding of infringement.

11 For these reasons, JMOL of infringement is not appropriate,
12 and Digital Reg's motions are DENIED.

13 B. Adobe's Motions

14 Adobe moves for JMOL on the grounds that the evidence
15 presented at trial was legally insufficient to support a finding
16 that its Activation and Flash products infringed the '541 patent.
17 The jury was unable to reach a decision with regard to these
18 products.

19 Adobe argues (1) that Digital Reg failed to introduce
20 evidence sufficient for a reasonable jury to conclude that
21 Activation and Flash used a "token" as construed by the Court;
22 (2) that Digital Reg failed to introduce evidence sufficient for a
23 reasonable jury to conclude that Activation and Flash generated a
24 "permission" locally at the client; and (3) that Digital Reg
25 failed to introduce evidence sufficient for a reasonable jury to
26 conclude that Adobe intended to infringe the '541 patent.

27 The Court is not persuaded. For each of the arguments that
28 Adobe advances, Digital Reg cites to evidence in the record that

1 would be sufficient to support a finding of infringement.

2 Consequently, Adobe's motions are DENIED.

3 II. Digital Reg's Alternative Motion for New Trial

4 In the alternative, Digital Reg asks the Court to grant a new
5 trial with regard to the '541 patent as to both invalidity and
6 infringement.

7 A. Legal Standard

8 A new trial may be granted if the verdict is not supported by
9 the evidence. There is no easily articulated formula for passing
10 on such motions. Perhaps the best that can be said is that the
11 Court should grant the motion "[i]f, having given full respect to
12 the jury's findings, the judge on the entire evidence is left with
13 the definite and firm conviction that a mistake has been
14 committed." Landes Constr. Co., Inc. v. Royal Bank of Canada, 833
15 F.2d 1365, 1371-72 (9th Cir. 1987) (quoting 11 Wright & Miller,
16 Fed. Prac. & Proc. § 2806, at 48-49).

17 The Ninth Circuit has found that the existence of substantial
18 evidence does not prevent the court from granting a new trial if
19 the verdict is against the clear weight of the evidence. Landes,
20 833 F.2d at 1371. "The judge can weigh the evidence and assess
21 the credibility of witnesses, and need not view the evidence from
22 the perspective most favorable to the prevailing party." Id.
23 Therefore, the standard for evaluating the sufficiency of the
24 evidence is less stringent than that governing Rule 50(b) motions
25 for judgment as a matter of law after the verdict.

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1 B. Analysis

2 1. Validity

3 Digital Reg argues that it is entitled to a new trial on the
4 question of the obviousness of the '541 patent because (1) the
5 weight of the evidence at trial was contrary to the jury's finding
6 of obviousness; and (2) the Court erred in excluding the amount of
7 the RPX license from trial, thus depriving the jury of critical
8 evidence of non-obviousness. The Court is not persuaded.

9 As set forth in Part I.B.1.a, the jury's finding that the
10 asserted claims of the '541 patent were obvious was not contrary
11 to the clear weight of the evidence. In addition, as set forth in
12 Part I.B.1.b, the jury was not precluded from considering the RPX
13 agreement; rather, it merely was precluded from considering the
14 specific dollar value of the RPX agreement, while still being
15 informed that its value was "much, much higher" than that of other
16 licensing agreements. Digital Reg has provided no authority for
17 the proposition that excluding the dollar value alone, while
18 admitting other evidence about the RPX agreement, constitutes
19 grounds for a new trial.

20 2. Infringement

21 Digital Reg argues that it is entitled to a new trial on the
22 issue of infringement of the '541 patent because (1) the weight of
23 the evidence at the first trial is contrary to the jury's finding
24 that Adobe LiveCycle did not infringe the patent's disputed
25 claims; and (2) the jury failed to return an infringement verdict
26 with regard to Adobe Activation and Adobe Flash.

27 Here again, the Court is not persuaded that the jury
28 committed a mistake by finding that LiveCycle did not infringe the

'541 patent. As demonstrated in Part I.A.2, there was sufficient evidence for the jury to reach that decision. Nor need the Court order a new trial because the jury failed to reach a decision on the question of whether Activation and Flash infringe the '541 patent. The jury found the asserted claims of those patents to be invalid, which is "a complete defense to infringement." Radio Sys. Corp. v. Tom Lalor & Bumper Boy, Inc., 709 F.3d 1124, 1132 (Fed. Cir. 2013) (quoting Typewriter Keyboard Corp. v. Microsoft Corp., 374 F.3d 1151, 1157 (Fed. Cir. 2004)). Further, the Court finds above that Adobe did not infringe these claims as a matter of law.

For these reasons, Digital Reg's alternative motion for a new trial is DENIED.

CONCLUSION

For the reasons set forth above, Digital Reg's motions for judgment as a matter of law and for a new trial (Docket Nos. 712, 743) are DENIED. In addition, Adobe's motions for judgment as a matter of law (Docket Nos. 710, 742) are DENIED. Judgment will enter separately. Adobe may recover its costs from Digital Reg.

IT IS SO ORDERED.

Dated: November 17, 2014


CLAUDIA WILKEN
United States District Judge