IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

TESCO CORPORATION	§	
	§	
Plaintiff,	§	C.A. NO. 4:08-cv-02531
	§	
v.	§	
	§	JURY TRIAL DEMANDED
WEATHERFORD INTERNATIONAL, INC., NATIONAL OILWELL VARCO, L.P.; OFFSHORE ENERGY SERVICES, INC.; and FRANK'S CASING CREW AND RENTAL TOOLS, INC.	§	
	§	
Defendants.	§	

DEFENDANT FRANK'S POST-TRIAL MOTION FOR SUMMARY JUDGMENT ON OBVIOUSNESS BASED UPON TESCO PRIOR ART BROCHURES

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DEFENDANT FRANK'S POST-TRIAL MOTION FOR SUMMARY JUDGMENT ON OBVIOUSNESS BASED UPON TESCO PRIOR ART BROCHURES

Defendant Frank's Casing Crew and Rental Tools, Inc. ("Frank's") respectfully moves under Fed. R. Civ. P. 56(c) for summary judgment that the asserted claims of Tesco Corporation's ("Tesco's") Patents-in-Suit are invalid as obvious under 35 U.S.C. § 103(a) over Tesco's April 2002 Brochure in view of Tesco's August 2002 Visions Brochure, which qualify as prior art printed publications under 35 U.S.C. § 102(b).

I. NATURE OF CASE AND STAGE OF PROCEEDINGS

In 2008, Tesco sued Defendants Frank's, Weatherford International, Inc., National Oilwell Varco, L.P., and Offshore Energy Services, Inc. for allegedly infringing U.S. Patent Nos. 7,140,443[1] (the "'443 Patent") and 7,377,324[2] (the "'324 Patent") (collectively the "Patents-in-Suit"). After Tesco, and this Court (via summary judgment) narrowed the asserted claims to claims 13, 25, 27, 55, and 59 of the '443 Patent and claims 1, 12, and 14 of the '324 Patent ("Asserted Claims"), the case went to trial in October – November 2010 and an inconsistent jury verdict was rendered.[3] During the trial, new and important Tesco documents surfaced.[4] This Court subsequently granted additional discovery and has now opened a period for motions for summary judgment.[5]

The Asserted Claims of the '443 and '324 Patents are invalid because there are no material facts to prevent the conclusion that the asserted claims are obvious under 35 U.S.C. § 103(a).

II. STATEMENT OF THE ISSUE

Whether Defendant Frank's is entitled to summary judgment because the Asserted Claims of the Tesco Patents-in-Suit are invalid under the obviousness test of 35 U.S.C. § 103(a).

III. SUMMARY OF ARGUMENT

Defendant Frank's is entitled to summary judgment that the asserted claims of the Patents-in-Suit are invalid under 35 U.S.C. § 103(a) as obvious over Tesco's April 2002

[1] Trial Ex. 1, U.S. Pat. No. 7,140,443.
[2] Trial Ex. 2, U.S. Pat. No. 7,377,324.
[3] Doc. No. 504, Jury Verdict.
[4] Trial Tr. at 2511:1-11.
[5] Doc. No. 597, Order entered Apr. 12, 2011; Doc. No. 705, Order entered Feb. 10, 2012.

Brochure[6] in view of Tesco's August 2002 Visions Brochure.[7] There is no dispute of material fact that what was known to a person of ordinary skill in the art and the April 2002 Brochure disclose every element of the asserted claims except for the relocation of the link arms from the top drive to the "pipe engaging apparatus," known as the Casing Drive System or CDS. In disclosing relocation of the link arms to the pipe engaging apparatus, the August 2002 Visions Brochure combines with the Tesco April 2002 brochure to invalidate the asserted claims under 35 U.S.C. § 103(a).

Contrary to Tesco's attempt to confuse the issue, the August 2002 Brochure does not need to be enabled in order to qualify as prior art under an obviousness determination. In any event, the jury did not find the missing piece of the puzzle—the relocation of the link tilt—to be non-enabling. Moreover, Tesco has failed to prove that any alleged commercial success or copying is attributed to or directed to the point of novelty of the patented invention—the location of the link tilt to the pipe engaging apparatus. Finally, any asserted secondary considerations by Tesco are inadequate to overcome the strong evidence of obviousness of the Patents-in-Suit. Therefore, the Asserted Claims of the Patents-in-Suit are invalid as obvious under 35 U.S.C. § 103(a).

IV. STATEMENT OF UNCONTESTED FACTS

A. The April 2002 Brochure Discloses Every Element of the Asserted Claims Except the Location of the Link Arms

Both the "external casing drive assembly" and "internal casing drive assembly" referred to in the Background section of the Patents-in-Suit are illustrated in Tesco's April 2002 Casing Running Service brochure ("April 2002 Brochure").[8] This brochure discloses detailed schematics of both the internal and external casing drive assembly, including the actuator

[6] Trial Ex. 669, Apr. 2002 Tesco CRS Brochure.

[7] Court's Trial Ex. 1 (original print of Aug. 2002 Tesco Visions Brochure); Trial Ex. 4008 (copy).

[8] Trial Ex. 669 at TESCOSD0017008-09, TESCOSD00170011-14.

assemblies, and a photo and description of the casing drive assembly attached to a top drive and its "Elevator Link Tilt Feature."[9] The April 2002 Brochure further states that "[p]rior to running casing, a Casing Drive System is attached to the Top Drive and together with the Elevator Link Tilt feature provides a means of casing pickup and makeup."[10]

It is undisputed that the April 2002 Brochure is prior art to the Patents-in-Suit.[11] It is also undisputed that every element of the Asserted Claims is disclosed in the April 2002 brochure except for relocation of the link arms down from the top drive to the pipe engaging apparatus.[12] This missing element of moving the link arms down onto the pipe engaging apparatus is clearly supplied by the August 2002 Visions Brochure.[13] The evidence for each element of the asserted claims is shown in the chart in Exhibit A.

Warren Schneider, Tesco's former Director of Tubular Services submitted a declaration stating that the prior art pipe handling device from the April 2002 Brochure included a top drive and a pipe handling device that included a pair of link arms pivotally coupled to the top drive, a pair of corresponding hydraulic cylinder actuators coupled between the top drive and the link arms, and an elevator coupled to the other ends of the link arms.[14] Schneider further stated that the patented invention provided "a pipe handling device directly mounted to the pipe engagement device…instead of mounting it onto the top drive."[15] Schneider stated that there

[9] *Id.* at TESCOSD0017011-13.

[10] *Id*. at TESCOSD0017011.

[11] Doc. No. 496, Jury Instructions, at 16; Ex. B, Warren July 14, 2010 Dep. (Expert Witness), at 235:12-15 ("Q: And this brochure would be prior art to the patents in suit, correct? … A: It's my understanding that it would."); Ex. I, Gibson Dep. at 211:17-214:7.

[12] Wooley Trial Tr., at 1808:8-1811:9.

[13] Court's Trial Ex. 1 (original print of August 2002 Tesco Visions Brochure); Trial Ex. 4008 (copy).

[14] Trial Ex. 180, Schneider Decl., at 6.

[15] *Id*. at 7.

was a known problem with the prior art device: the link arms were too short and operators were forced to rent or buy longer link arms, and that the patented invention solved this problem.[16]

Matthew Brown, who was Tesco's General Manager of Research and Development and former Lead Mechanical Engineer for Tesco's Engineering Department[17] was involved in the development of the link tilt system and also testified that the only differences between the patented invention and the prior art was moving the link arms down and shortening the link arms.[18]

Tesco's own Tommy Warren testified that in the April 2002 Brochure the Tesco casing drive tools (CDS) had a pipe engaging apparatus, a main body, a pipe gripping mechanism, and an antirotation device with a channel key.[19] Warren also admitted that the April 2002 Brochure included a pipe handling system comprising pipe elevators, link arms, and a drive system for tilting the links.[20]

Co-inventor Nikiforuk testified that the April 2002 brochure described the CDS system as eliminating the power tongs, large casing elevators, the stabbing board, working platform and fill-up tools.[21]

Keith Beierbach, the other named inventor of the Patents-in-Suit, testified that the April 2002 Brochure disclosed the anti-rotation device comprising a channel key that fits into a guide slot extending from the top drive "claimed in [the] '443 and '324 patent."[22]

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[16] *Id*.

[17] Ex. C, Brown Dep. at 5:12-18, 6:5-14.

[18] *Id*. at 173:20-175:8.

[19] Warren Trial Tr., at 313, 443:5-10, 444:5-20; Ex. D, Warren July 13, 2010 Dep. (30(b)(6)) at 60:14-61:9, 65:13-66:20.

[20] Ex. B, Warren July 14, 2010 Dep. (Expert Witness) at 191:1-22.

[21] Nikiforuk Trial Tr., at 757-58. Tesco's former Director of Tubular Services, Warren Schneider, described these same advantages as driving customer demand for the patented product, which further erodes Tesco's claims of commercial success. Trial Ex. 180, Schneider Decl., at 13.

[22] Ex. E, Beierbach Dep. at 132:20-25, 136:2-10, 138:5-22; Trial Ex. 65, Tesco's Apr. 2002 Brochure.

B. The Scope of Prior Art Admitted in the Background of the Tesco Patents

In an obviousness inquiry, it is necessary to look beyond the four corners of the prior art references to the background knowledge possessed by a person having ordinary skill in the art.[23] Therefore, evidence of what was known prior to the alleged invention is relevant to this obviousness inquiry even if that knowledge extends beyond the prior art document. The Background section of the Patents-in-Suit generally describes the prior art devices that were available prior to the alleged invention and/or available more than one year prior to the filing of the patent application on November 8, 2002, the "Critical Date."[24] These include: (1) a top drive, (2) a pipe engaging apparatus having either an internal or external pipe gripping mechanism connected to the top drive to grip a joint of pipe to be driven axially or rotationally by the top drive, (3) link arms pivotally connected to the top drive, and (4) an elevator supported on the link arms suspended from the top drive for handling pipe from the V-door into a position to be gripped by the pipe gripping mechanism.[25] The Patents-in-Suit further state that the prior art "[p]ipe engaging apparatus . . . can be, for example, an external casing drive assembly" or "an internal casing drive assembly as is available from TESCO Corporation."[26]

The Background section of the Patents-in-Suit, which is certainly admitted prior art, also describes the method of picking up a joint of pipe or casing using an elevator attached to link arms, hoisting the top drive to pull the joint off the V-door, and engaging the joint with the gripping mechanism.[27]

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[23] *KSR Int'l Co. v. Teleflex Inc.,* 550 U.S. 398, 401, 418 (2007).

[24] Trial Ex. 1 at 1:10-45; *see also* Doc. No. 334, Pl. Tesco's Resp. to Def. NOV's Mot. for Summ. J. of Invalidity Due to Obviousness, at 14.

[25] Trial Ex. 1 at 1:10-45.

[26] *Id.* at 4:42-44, 6:24-26.

[27] *Id.* at 1:24-45.

Tesco has consistently maintained that the Patents-in-Suit relate to the link arms being attached below the top drive on the pipe engaging apparatus.[28] Tesco's Tommy Warren confirmed that the following elements are disclosed in the Background section of the Patents-in-Suit: an engaging apparatus including an internal or external pipe gripping mechanism connected below the top drive to grip the joint of pipe such as casing, and an elevator supported on link arms for engaging the pipe joints, and the method for using the system described.[29] Warren further admitted that pipe handling systems or "link tilts" have been used since the early '80s and were developed to move pipe from the V-door to the well center.[30] This is exactly what the CDS with link tilt accomplishes.

Kevin Nikiforuk, one of the named inventors of the Patents-in-Suit, also testified that the following elements were known in the prior art: pipe engaging apparatus including pipe gripping mechanisms connected below the top drive to grip a joint of pipe to be driven axially and/or rotationally by the top drive, link arms that pivot about where they are connected, elevators, and link tilt systems that swing out mechanically (often powered by a hydraulic cylinders).[31]

Q. And that's all historical information in the background section of the patent; correct?

A. It appears to be.

Q. So all of these things existed in time and were used as described by the background section of the patent prior to the invention which is at issue in this case; correct?

A. I guess so, yes.

Q. And all those -- those things include top drive, pipe engaging apparatus, pipe-gripping mechanism, V-door, link arms, elevators. All of those things are described here in the background section; correct?

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[28] Doc. No. 334, Pl. Tesco's Resp. to Def. NOV's Mot. for Summ. J. of Invalidity Due to Obviousness, at 3-4.

[29] Warren Trial Tr., at 316-20.

[30] Ex. B, Warren July 14, 2010 Dep. at 199:4-200:19, 201:11-21.

[31] Nikiforuk Trial Tr., at 738-39, 748-54.

A. Yes, sir.

Q. Thank you, sir. Do you agree that there were link tilt systems before the patent at issue in this case?

A. Yes, sir.

Q. Now, for the jury, "link tilt" means that there is a mechanical device that actually moves the link arms out; correct?

A. Yes.

Q. Or back. And it's often a hydraulic cylinder or something like that?

A. Correct.

Q. So they're not swung out manually. They're swung out automatically by machine; correct?

A. Mechanically.

Q. And that existed before the Tesco tool; correct?

A. Yes, sir.

Q. All right. These link arms would pivot around where they were connected; correct?

A. Yes, sir.[32]

C. The August 2002 Brochure Taught Relocation of the Link Tilt from the Top Drive to the Pipe Engaging Apparatus

All of the elements of the Asserted Claims are disclosed in Tesco's April 2002 Brochure as well as in the prior art disclosed in the Background section of the Patents-in-Suit. The only difference between this prior art and the Asserted Claims is the pivotal connection of the link arms to the pipe engaging apparatus (CDS) rather than the top drive. It is undisputed that the

[32] *Id.* at 753:7-754:11.

August 2002 Visions Brochure that surfaced during the trial disclosed the link tilt pivotally connected to the pipe engaging apparatus.[33]

Kevin Nikiforuk, after reviewing a low quality, scanned image of the August 2002 Brochure, testified that the tool displayed was indeed his invention.[34] This was before the parties or the Court had access to any original print of the August 2002 Brochure of Court Ex. 1, which showed the claimed invention even more clearly.[35] Also, the person who actually created the rig image shown in the August 2002 Brochure was Larry Olez, who affirmatively testified that the CDS with link tilt is shown in the image in the August 2002 Brochure with the link arms on the pipe engaging apparatus.[36] Tesco had requested (indirectly) that Olez remove from the graphic the depiction of the link tilt assembly on the top drive and replace with a depiction of the link tilt assembly on the pipe engaging apparatus.[37]

V. LEGAL STANDARDS

A. Summary Judgment

A motion for summary judgment requires the Court to determine whether the moving party is entitled to judgment as a matter of law based on the evidence thus far presented.[38] "Summary judgment is appropriate when, drawing all justifiable inferences in the nonmovant's favor, there exists no genuine issue of material fact and the movant is entitled to judgment as a matter of law."[39] "[A] dispute about a material fact is genuine . . . if the evidence is such that a

[33] Boyadjieff Trial Tr., at 2161:24-2162:14.

[34] Nikiforuk Trial Tr., at 776-81.

[35] Compare the quality of Trial Ex. 4008 (from which Nikiforuk identified his invention) to actual Court Trial Ex. 1 (the original August 2002 Brochure).

[36] Ex. F, Olez Dep. at 14:19-21, 15:10-16:1, 36:1-37:23.

[37] *Id.* at 40:3-42:20, 85:24-88:23.

[38] *See* Fed. R. Civ. P. 56(c)(2).

[39] *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.,* 617 F.3d 1296, 1302 (Fed. Cir. 2010).

reasonable jury could return a verdict for the nonmoving party."[40] The Court may not make credibility determinations or weigh the evidence,[41] but "the court should give credence to the evidence favoring the nonmovant as well as that 'evidence supporting the moving party that is uncontradicted and unimpeached, at least to the extent that that evidence comes from disinterested witnesses.'"[42] Hearsay, conclusory allegations, unsubstantiated assertions, and unsupported speculation are not competent summary judgment evidence.[43]

B. Obviousness Under 35 U.S.C. § 103

Anticipation under 35 U.S.C. § 102 requires that a "single prior art reference" disclose each claim limitation sufficiently to enable one of ordinary skill in the art to make the invention without undue experimentation.[44] This is essentially the argument Tesco has made regarding the August 2002 Visions Brochure, but Tesco improperly attempted to apply the test for anticipation in the context of the obviousness issue. An obviousness determination under 35 U.S.C. § 103 allows consideration of multiple references or events in order to invalidate a claim. Therefore, every element of a claimed invention does not have to be disclosed or enabled in a single prior art reference in order for the claimed invention to be rendered obvious.

Tesco misled the jury and this Court in arguing that the Patents-in-Suit cannot be invalidated by the August 2002 Visions Brochure because it does not enable a person of ordinary skill in the art to make and use the claimed invention.

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[40] *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 248 (1986).

[41] *Reeves v. Sanderson Plumbing Prods., Inc.,* 530 U.S. 133, 150 (2000).

[42] *Id.* at 151.

[43] Fed. R. Civ. P. 56(e)(1); *see, e.g., McIntosh v. Partridge,* 540 F.3d 315, 322 (5th Cir. 2008); *Eason v. Thaler,* 73 F.3d 1322, 1325 (5th Cir. 1996); *see also Little v. Liquid Air Corp.,* 37 F.3d 1069, 1075 (5th Cir. 1994) (noting that a non-movant's burden is "not satisfied with 'some metaphysical doubt as to the material facts'") (citing *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.,* 475 U.S. 574, 586 (1986)).

[44] *Orion IP, LLC v. Hyundai Motor Am.*, 605 F.3d 967, 975 (Fed. Cir. 2010).

35 U.S.C. § 103(a) provides that a patent "may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." To determine whether a patent is invalid due to obviousness, "the court must consider (1) the scope and content of the prior art; (2) the difference between the prior art and the claimed invention; (3) the level of ordinary skill in the art; and (4) any objective evidence of nonobviousness."[45] This is the *Graham* analysis. The person of ordinary skill in the art for an obviousness determination is presumed to have read, understood, and remembered every existing reference from the prior art.[46]

Subject matter that is prior art under 35 U.S.C. § 102 can be combined in support of invalidity under § 103(a).[47] Therefore, printed publications under § 102(b) may qualify as prior art under § 103(a) obviousness analysis.

In *KSR*, the U.S. Supreme Court endorsed a flexible approach in evaluating obviousness under the *Graham* analysis.[48] The Court rejected the rigid application of the "'teaching, suggestion, or motivation' test (TSM test), under which a patent claim is only proved obvious if 'some motivation or suggestion to combine the prior art teachings' can be found in the prior art, the nature of the problem, or the knowledge of a person having ordinary skill in the art."[49] Rather, the Supreme Court in *KSR* held that "any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the

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[45] *Transocean,* 617 F.3d at 1303 (citing *Graham v. John Deere Co. of Kansas City,* 383 U.S. 1, 17-18 (1966)).

[46] *Standard Oil Co. v. Am. Cyanamid Co.*, 774 F.2d 448, 454 (Fed. Cir. 1985).

[47] *Riverwood Int'l Corp. v. R.A. Jones & Co.,* 324 F.3d 1346, 1354 (Fed. Cir. 2003) ("[t]he term 'prior art' as used in § 103 refers at least to the statutory material named in 35 U.S.C. § 102. *In re Wertheim,* 646 F.2d 527, 532 (CCPA 1981).").

[48] *KSR Int'l Co. v. Teleflex Inc.,* 550 U.S. 398 (2007).

[49] *Id*. at 407.

elements in the manner claimed."[50] The Court further held that the fact that a combination was obvious to try also meets the obviousness test of § 103.[51] Indeed, the Court advised that if an improvement is no more than a "predictable use of prior art elements according to their established functions", then it is obvious.[52]

"Obviousness is a question of law with underlying fact issues."[53] Thus, while the ultimate issue of invalidity due to obviousness is a question of law for the Court, the four *Graham* factors are factual questions.[54]

1. Secondary Considerations as Objective Evidence of Obviousness

To rebut a *prima facie* case of obviousness made under the clear and convincing burden of proof normally carried by the alleged infringer, [55] the patentee can present objective indicia supporting nonobviousness, but it must correspond with and be attributable to the claimed invention.[56] Secondary considerations only support nonobviousness if they have a nexus to the alleged invention.[57]

Given a strong *prima facie* showing of obviousness, even "substantial evidence" of secondary considerations such as commercial success may be inadequate to overcome a strong "*prima facie* obviousness showing."[58] Secondary considerations cannot render an unpatentable

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[50] *Id*. at 420.

[51] *Id*. at 421.

[52] *Id*. at 401.

[53] *Transocean*, 617 F.3d at 1303.

[54] *See Eli Lilly and Co. v. Zenith Goldline Pharm., Inc.,* 471 F.3d 1369, 1377 (Fed. Cir. 2006); *Okajima v. Bourdeau,* 261 F.3d 1350, 1354 (Fed. Cir. 2011); *see also Transocean,* 617 F.3d at 1303 ("whether there was a reason to combine certain references" is a question of fact).

[55] *See Microsoft Corp. v. i4i Ltd. P'ship,* 131 S. Ct. 2238, 2242 (2011).

[56] *See Muniauction, Inc. v. Thomson Corp.,* 532 F.3d 1318, 1327-28 (Fed. Cir. 2008).

[57] *Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1311-12 (Fed. Cir. 2006).

[58] *Leapfrog Enters., Inc. v. Fisher-Price, Inc*., 485 F.3d 1157, 1162 (Fed. Cir. 2007).

invention patentable.[59] Since the Supreme Court's *KSR* decision, the Federal Circuit has repeatedly found claims invalid when presented with a strong *prima facie* case of obviousness, "even in the face of considerable evidence of secondary considerations."[60]

C. Enablement Under 35 U.S.C. § 103

Federal Circuit precedent is clear that, contrary to Tesco's assertions, a prior art reference does not need to be enabled to qualify as prior art under § 103(a).[61] Prior art may be used as grounds for obviousness for whatever it discloses.[62] In order to render patent claims obvious, the prior art references, as a whole, must enable one skilled in the art to make or use the claimed apparatus or method.[63] Therefore, despite Tesco's attempt to mislead the Jury and this Court,[64] the August 2002 Visions brochure need not be enabled in order to qualify as prior art and may be used for whatever it discloses, that is, moving the link arms from the top drive to the pipe engaging apparatus.

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[59] *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57, 61 (1969) (considering secondary considerations but holding that "those matters without invention will not make patentability").

[60] *Rothman v. Target Corp.,* 556 F.3d 1310, 1322 (Fed. Cir. 2009); *accord, e.g.*, *Leapfrog Enters.*, 485 F.3d at 1162; *Boston Scientific Scimed, Inc. v. Cordis Corp,* 554 F.3d 982, 992 (Fed. Cir. 2009); *Muniauction*, 532 F.3d at 1328 (holding that a "strong" *prima facie* obviousness case could not be rebutted, even by secondary considerations with a nexus to the claims); *Sundance, Inc. v. Demonte Fabricating Ltd.*, 550 F.3d 1356, 1367 (Fed. Cir. 2008).

[61] *Therasense, Inc. v. Becton, Dickinson and Co*., 593 F.3d 1289, 1297 (Fed. Cir. 2010), reversed on other grounds; *Symbol Tech., Inc. v. Opticon, Inc.,* 935 F.2d 1569, 1578 (Fed. Cir. 1991).

[62] *Amgen Inc. v. Hoechst Marion Roussel, Inc*., 314 F.3d 1313, 1357 (Fed. Cir. 2003).

[63] *Therasense*, 593 F.3d at 1297 (emphasis added).

[64] See e.g., Doc. No. 665, Pl. Tesco's Resp. to OES's Notice to the Ct. Regarding Tesco's Resp. to NOV's Notice Regarding Tesco's Resp. to Frank's Sealed Notice of (1) Appeal by Tesco of the PTO Rejection of the '324 Patent and (2) Status of Post-Trial Disc., at 6, 7, 9 ("At trial, Tesco affirmatively proved the rendering in the August 2002 brochure cannot be prior art because it is not enabling through, *inter alia*, the testimony from Dr. Wooley and Tommy Warren.").

VI. TESCO HAS THE BURDEN TO PROVE VALIDITY BY A PREPONDERANCE OF EVIDENCE

A. The Court's Jury Instruction—Tesco's Burden of Proof

Prior to final argument, this Court instructed the jury that Tesco must prove by a preponderance of the evidence that the asserted patent claims were valid.[65]

The jury interrogatory for the obviousness issue was the following:

> "Has Tesco proven by a preponderance of the evidence that any of the following claims are valid because they were not obvious to a person of ordinary skill in the art?
> *Answer "yes" or "no" for each patent claim listed below."*[66]

B. Defendants Only Bear the Burden of Proof If the Court Lifts the Sanction

This Court sanctioned Tesco by altering the burden of proof, which typically requires the challenger to the patent to prove invalidity by clear and convincing evidence.[67] Frank's urges the Court to maintain the sanctioned burden of proof for consistency and because Frank's continues to be harmed by Tesco's failure to produce important documents during pre-trial discovery, when Frank's could have deposed not only Tesco witnesses, but also Conoco, PriMarc, and other witnesses on the evidence now available. Even if new depositions were taken now, the trial remains tainted and cannot be purged of error.[68] This Court has postponed the depositions justified by the post-trial production until after its ruling on motions for summary judgment, thus the harm to Frank's continues because this motion for summary judgment is filed without any post-trial deposition testimony taken on the documents produced post-trial. The sanctioned burden of proof should remain in place.[69]

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[65] Doc. No. 496, Jury Instructions, at 3.

[66] Doc. No. 504, Verdict Form, at 30.

[67] *Microsoft Corp. v. i4i Ltd. Partnership,,* 131 S. Ct. 2238, 2242 (2011).

[68] Frank's preserves its right to reinstate its prior motions for new trial.

[69] Doc. No. 649, Order, at 2. (Frank's notes that the Court's Order of September 1, 2011, contemplated depositions after post-trial document production was complete.)

VII. TESCO'S ASSERTED CLAIMS WERE OBVIOUS AT THE TIME TESCO'S "INVENTION" WAS MADE

In *KSR*, the Supreme Court held that "any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed."[70] It is undisputed that the known problem with the prior art such as depicted in Trial Ex. 669 was that the top drive link arms were not long enough to reach below the pipe engaging apparatus.[71] There were two simple solutions to this problem, move the link arms down or use longer link arms.[72] Tesco tried to use longer link arms, but they were uncontrollable.[73] The only other option was to move the link arms down.[74] Inventor Nikiforuk testified:

> Q. . . . Now, if -- if you think that link arms are too long and you want to make them shorter, you have to attach them lower, don't you, sir? Otherwise, they wouldn't reach where you want them to go?
>
> A. They would have to be lower, yes.[75]

This was an obvious solution to the known problem.[76] This "predictable use of prior art elements according to their established functions" renders the patented invention obvious.[77]

A. Obvious to Try

Under *KSR,* when a combination of elements is "obvious to try," the combination is obvious under § 103.[78] "When there is a design need or market pressure to solve a problem and

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[70] *KSR Int'l Co.,* 550 U.S. at 420.
[71] Trial Ex. 180, Schneider Decl., at 7.
[72] Boyadjieff Trial Tr., at 2262:2-17.
[73] Nikiforuk Trial Tr., at 704:10-705:9.
[74] Boyadjieff Trial Tr., at 2262:2-17.
[75] Nikiforuk Trial Tr., at 759:10-14.
[76] Boyadjieff Trial Tr., at 2263:2-5; *KSR Int'l Co.,* 550 U.S. at 420.
[77] *KSR Int'l Co.,* 550 U.S. at 401.
[78] *Id*. at 421.

there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp."[79] Here, relocating the link tilt from the top drive to the pipe engaging apparatus was "obvious to try." In fact, as early as November of 2001, a Tesco employee not listed as an inventor recognized that "[n]one of this works unless you have a CDA that is shorter than elevator links."[80]

Obviousness is a legal determination. "Where, as here, the prior art's content, the patent claim's scope, and the level of ordinary skill in the art are not in material dispute and the claim's obviousness is apparent, summary judgment is appropriate."[81]

B. Graham Factor #1: There is No Credible Dispute of Material Fact Regarding the Scope and Content of the Prior Art

As detailed above, it is undisputed that Tesco's April[82] and August[83] 2002 Brochures are prior art to the Patents-in-Suit under 35 U.S.C. § 102(b) and that together, they disclose each and every element of the claimed invention, leaving the only issue as whether it was obvious to combine the April 2002 brochure with the feature of relocation of the link tilt as disclosed in the August brochure.

Tesco continues to focus on the jury's verdict finding that Tesco has "proven by preponderance of the evidence that Tesco's August 2002 brochure could [not] have enabled a person of ordinary skill in the art to make and use the claimed invention" (emphasis added).[84] However, a prior art reference is not required to be enabling in order to qualify as a prior art

[79] *Id.*

[80] Trial Ex. 83 at TESCOSD0018070 (handwriting in left margin).

[81] *KSR Int'l Co.*, 550 U.S. at 404.

[82] Trial Ex. 669.

[83] Court's Trial Ex. 1.

[84] Doc. No. 504, Jury Verdict, at 30.

reference for obviousness under § 103.[85] Tesco's enablement argument only applies to anticipation under § 102. In an obviousness inquiry, a prior art reference "qualifies as a prior art, regardless, for whatever is disclosed therein."[86] That is, the August 2002 Brochure shows the link tilt moved down from the top drive onto the pipe engaging apparatus. There is no requirement that a person of ordinary skill in the art be able to make or use anything from the disclosure in the August 2002 Brochure as long as the subject matter is disclosed. Thus, the teaching of relocation of the link tilt to the CDS as shown in the August 2002 Brochure can be combined with the April 2002 Brochure, where the only missing element from the April 2002 brochure is moving the link tilt onto the pipe engaging apparatus. The August 2002 Brochure clearly discloses this missing element and does not need to be enabled to do so.

In his closing arguments, Glenn Ballard of Tesco repeatedly argued that the August 2002 Brochure was not enabling and that all of the elements of the claim must be in a single prior art reference and be enabled:[87]

> And remember, all of the elements of the claim must be in a single prior art reference and must enable you to make it or use it.[88]
>
> Now, the August brochure. All of the elements of the claims are not disclosed in the August brochure.[89]
>
> And the POSITA in the last question, to be enabling -- for that August brochure to be enabling, it's got to -- it's got to have -- allow somebody to make and use that thing from that -- from that August brochure, only from that August brochure . . . .[90]

[85] *Therasense, Inc*, 593 F.3d at 1297; *Symbol Tech., Inc,* 935 F.2d at 1578.

[86] *Amgen,* 314 F.3d at 1357 (citing *Symbol Techs.,* 935 F.2d at 1578; *Reading & Bates Constr. Co. v. Baker Energy,* 748 F.2d 645, 652 (Fed. Cir. 1984)).

[87] Ballard Trial Tr., at 2722:10-17, 2723:8-9, 2726:14-18, 2776:6-7.

[88] *Id*. at 2722:15-17.

[89] *Id* at 2723:8-9.

[90] *Id* at 2726:14-18 (emphasis added).

> . . . the August brochure is not enabling. It could not teach anybody to make the invention in one single place.[91]

Contrary to Tesco's arguments, the jury verdict on enablement does not debilitate an obviousness grounds for invalidity. Because the Court did not include any jury instruction on the meaning of enablement, it is the jury question of III.C. that Tesco has relied on in attempting to defeat the August 2008 brochure as a prior art reference. The question to the jury in III.C. was directed to the claimed invention:

> C. Has Tesco proven by a preponderance of the evidence that Tesco's August 2002 brochure could not have enabled a person of ordinary skill in the art to make and use the claimed invention?
>
> 81. "Yes".[92]

This jury interrogatory is not directed to the alleged inventive feature of location of the link tilt on the pipe engaging apparatus. It is directed to the "claimed invention," which includes the entire structure of the pipe engaging apparatus (CDS), link arms and location of the link arms. The only feature of the August brochure needed for the application of obviousness is the location of the link arm—which is discernible to any "average Joe," and even more understood by a person of skill in the art as a matter of law.

Therefore, despite Tesco's attempt to mislead the Jury and this Court, the August 2002 Visions brochure need not be enabled in order to qualify as prior art and may be used for whatever it discloses, that is, moving the link arms from the top drive to the pipe engaging apparatus.

Contrary to Tesco's arguments, there is no law that requires the prior art to be a certain size. In *In re Wyer,*[93] the CCPA, the predecessor to the Federal Circuit, held that microfilm is a

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[91] *Id* at 2776:6-7.

[92] Doc. No. 504, Jury Verdict, at 30.

[93] 655 F.2d 222 (CCPA 1981).

printed publication and constituted prior art. If microfilm is a printed publication and can only be viewed with small equipment, how can Tesco possibly argue the depiction in the August 2002 Brochure is too small? There is simply no law, and Tesco has not pointed to any that stands for the proposition that if, in its native form, a publication is too small to be adequately seen with the naked eye, it cannot be magnified to whatever necessary to see what it shows.

In its Sur-Reply to NOV and OES's Reply Regarding OES's Notice to the Court that Tesco's August 2002 Brochure is Anticipatory Prior Art, Tesco argues that *Wyer* is distinguishable because everyone knows microfilm must be blown up to be seen.[94] Tesco is wrong on several grounds: (1) the location of the link arm of the CDS is visible to the naked eye, as evidenced by Nikiforuk's testimony;[95] (2) magnifying glasses are a dime a dozen, and any curious person could plainly see the location; and (3) Tesco actually sent to Conoco (prior to the Critical Date) the same graphic of the Rig 101 (Alpha) from the August 2002 Brochure in a Power Point,[96] and of course a Power Point is intended to be viewed on a monitor for a computer having the capability of zooming in on an image or blown up on a projection screen.

C. Graham Factor #2: There is No Dispute Regarding the Level of Ordinary Skill in the Art

The parties do not dispute and there is no factual issue regarding the level of ordinary skill in the art.[97]

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[94] Doc. No. 696 at 9-10.

[95] Nikiforuk Trial Tr., at 777:10-23. Nikiforuk's testimony was based on his review of the low quality scanned image of Tr. Ex. 4008 rather than the print of Court Ex. 1. Compare the quality of Trial Ex. 4008 (from which Nikiforuk identified his invention) to Court's Trial Ex. 1 (the original August 2002 Brochure).

[96] Ex. G, Sept. 19, 2002 Power Point Obtained from Conoco COP00517-535, at 518.

[97] Tesco's Tommy Warren testified regarding the definition of a person of ordinary skill in the art, and Frank's does not dispute this definition: "[A] person that is, they're experienced in drilling rig operations and knows about top drives; he knows about casing running processes and equipment. He's a person that has mechanical aptitude. He could be a person that has a college degree. That might help him learn, you know, what he needs to know faster; but when we look at the actual inventors on this patent, that seems to suggest that you don't really need a college degree to be a person skilled in the art. The more important thing is just that you have experience and

As stated *supra*, it is clearly the law that a person of ordinary skill in the art is presumed to have knowledge and understand all relevant prior art.[98]

D. Graham Factor #3: There is No Difference Between the Claimed Invention and the Prior Art Combination of the April and August 2002 Tesco Brochures

There is no dispute that the combination of a link tilt system used with a top drive as well as a pipe engaging apparatus for attachment to the top drive existed prior to the Tesco invention. The Background section of the Patents-in-Suit, the April 2002 Brochure, and the testimony of Tesco's witnesses make this clear. Tesco's claimed inventive concept or novelty of the Patents-in-Suit is moving the pivotal connection of the link arms down from the top drive to the pipe engaging apparatus. This exact concept is indisputably disclosed in Tesco's prior art August 2002 Brochure.

Many times obviousness is proven by combining two or more unrelated prior art references. Here, however, we have two pieces of prior art created by Tesco and depicting the same type of tool (a casing drive system). The only modification necessary to achieve the alleged invention was to move the link arms down from the top drive and onto the casing drive system (pipe engaging apparatus), which is taught in Tesco's prior art August 2002 Brochure—an obvious combination under 35 U.S.C. § 103.

E. Graham Factor #4: Tesco's Secondary Considerations Evidence is Insufficient

The alleged secondary considerations argued by Tesco are inadequate to overcome the strong evidence of obviousness.[99] Given that Tesco is unable to make even a *prima facie* showing of validity under its preponderance of the evidence burden of proof, any alleged

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mechanical aptitude to understand the equipment and the safety issues involved . . . ." Warren Trial Tr., at 2371:21-2372:10.

[98] *Standard Oil Co.,* 774 F.2d at 454.

[99] *Leapfrog Enters.*, 485 F.3d at 1162.

evidence of secondary considerations such as commercial success is inadequate to overcome a conclusion of obviousness.[100] Secondary considerations cannot render an unpatentable invention patentable.[101] Since the Supreme Court's *KSR* decision, the Federal Circuit has repeatedly found claims invalid under the clear and convincing standard when presented with a strong *prima facie* case of obviousness, "even in the face of considerable evidence of secondary considerations."[102] This is the case we have here. The strong evidence of obviousness as disclosed in Tesco's own prior art brochures cannot be overcome by Tesco's evidence of alleged commercial success or copying.

Moreover, Tesco has failed to prove that any alleged commercial success or copying is attributable to or directed to the relocation of the link tilt beyond what was in the prior art (CDS). That is, Tesco has failed to prove there is any nexus between the commercial success and the claimed invention. While Warren testified to commercial success, he was never able to point to any factual evidence that any commercial success was attributable to the link tilt being mounted onto the CDS, as opposed to attributable to the CDS itself. In contrast, Defendants have shown that any alleged commercial success is attributable to the land market as opposed to the patented invention.[103] Expert George Boyadjieff testified as follows:

> . . . if it's so obvious to do this, why wasn't it done? Well, there's very good reason for that. And the reason

[100] *Id.*

[101] *Anderson's-Black Rock*, 396 U.S. at 61 (considering secondary considerations but holding that "those matters without invention will not make patentability").

[102] *Rothman,* 556 F.3d at 1322 ("Indeed, a strong *prima facie* obviousness showing may stand even in the face of considerable evidence of secondary considerations." (emphasis added)); *accord, e.g.*, *Leapfrog Enters*, 485 F.3d at 1162 (finding that despite "substantial evidence of commercial success, praise, and long-felt need, . . given the strength of the *prima facie* obviousness showing, the evidence on secondary considerations was inadequate to overcome a final conclusion" of obviousness.); *Boston Scientific Scimed,* 554 F.3d at 992; *Muniauction*, 532 F.3d at 1328 (holding that a "strong" *prima facie* obviousness case could not be rebutted, even by secondary considerations with a nexus to the claims); *Sundance*, 550 F.3d at 1368 ("Secondary considerations of nonobviousness—considered here by the district court—simply cannot overcome this strong *prima facie* case of obviousness." (emphasis added)).

[103] Boyadjieff Trial Tr., at 2260.

> is there wasn't small land rigs of which the device was invented for. They didn't have top drives. So it didn't make any sense.
>
> In the year 2000 a company called Helmerich & Payne started building rigs called flex rigs, and they were the first to build rigs with top drives, and they were small land rigs. And we -- of course, Varco supplied the top drive and lots of equipment for those rigs, and I went to the rig-up yard to see the very first one rigged up. And I think it would have been late 2000, early 2001; and they were the first small land rigs to be built with top drives.
>
> So there was no motivation for an inventor to combine these obvious things until such time as these land rigs began to have top drives; and in fact, Tesco in this brochure you gave says that they built this rig -- this rig -- they're going to build this casing rig with a permanent top drive; and they made an important statement about that indicating that rigs hadn't been built with top drives up to this particular point. And they were quite proud of being able to do that.[104]

Further, Tesco's own former Director of Tubular Services, Warren Schneider, and Tommy Warren both described the advantages of the patented invention that "drove customer demand," such as elimination of the stabber and enhanced performance through the improved ability to get casing to the bottom through trouble-zones[105]—which advantages are described in the prior art April 2002 Brochure[106] where the link tilt is shown attached to the top drive. Therefore, because they were described in the prior art these advantages that allegedly "drove customer demand" could not have been attributable to the patented invention.

VIII. CONCLUSION

[104] Boyadjieff Trial Tr., at 2260:1-20; Boyadjieff refers to the following statement in the August 2002 Brochure, Court's Ex. 1: "All Tesco rigs have permanent Top Drives that remain in place when the mast is raised and lowered. This significantly reduces rig-down and rig-up time for moves."

[105] Trial Ex. 180, Schneider Decl., at 13; *see also* Ex. H, Expert Witness Report of Tommy Warren at 5.

[106] Trial Ex. 669 at TESCOSD0017009 and 17011.

Frank's urges the Court to grant summary judgment finding that Tesco has failed to meet its burden of proof that the asserted claims of the Patents-in-Suit are not invalid as obvious under 35 U.S.C. § 103(a).

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Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3). Any other counsel of record will be served by email this 2nd day of April, 2012.

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