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## **Death by a Thousand Cuts: The Slow Erosion of the Right to Trial by Jury in Patent Cases**

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# DEATH BY A THOUSAND CUTS: THE SLOW EROSION OF THE RIGHT TO TRIAL BY JURY IN PATENT CASES

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## INTRODUCTION

Juries have decided patent disputes for over two centuries. And yet the right to trial by jury in patent cases is now threatened, as recent developments have diminished the finality of jury verdicts and limited the issues that juries are allowed to decide in patent cases. In particular, commentators and litigants have amplified their concerns that the Federal Circuit is willing to more aggressively reexamine factual determinations made by juries and substitute its judgment on issues of fact for that of the jurors compared to the regional circuit courts of appeals. The *inter partes review* procedure established by Congress in the America Invents Act has effectively transferred most validity disputes from the jury to administrative law judges in the patent office. And district courts now decide issues of damages for future infringement, as well as fact-based disputes about whether a patent includes an “inventive concept” or merely claims

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*The content of this article should not be taken as legal advice or as an expression of the views of the firm, its attorneys or any of its clients. We hope the article spurs discussion in the legal community with insight into the experience of the authors.*

“well-known, routine, conventional” activities as of the date of the invention. The threat to the right to trial by jury in patent cases is not so much one of outright abolition; rather, the threat is based on recent trends limiting issues that juries decide and lessening the deference traditionally afforded to jury verdicts.

The Supreme Court recognized decades ago in *Beacon Theatres, Inc. v. Westover* that any limitation on the right to trial by jury must be at least done with eyes wide open: “Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care.”<sup>1</sup> This article, therefore, outlines the origins of the Seventh Amendment right to a jury trial and its application in patent cases, and identifies recent developments that are seemingly eroding this fundamental right.

*I. The Seventh Amendment’s guarantee of trial by jury provides for the purest form of democracy and has applied to patent infringement cases for over two centuries.*

The Seventh Amendment played an important role in this nation’s founding and symbolized the differences between democracy and the British monarchy. It was so fundamental that the Founding Fathers enshrined the right to a jury trial in the Bill of Rights:

In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any

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1. *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 501 (1959) (quoting *Dimick v. Schiedt*, 293 U.S. 474, 486 (1935)).

Court of the United States, than according to the rules of the common law.<sup>2</sup>

The right to trial by jury ensured that disputes are resolved by citizens based on their common sense and not by the whim or prejudice of the crown:

Trial by a jury of laymen rather than by the sovereign's judges was important to the founders because juries represent the layman's common sense, the 'passional elements in our nature,' and thus keep the administration of law in accord with the wishes and feelings of the community.<sup>3</sup>

For many citizens, serving on a jury is the "most significant opportunity to participate in the democratic process."<sup>4</sup> And the jury system guards against authoritarian rule by performing "the critical governmental functions of guarding the rights of litigants and ensuring the continued acceptance of the laws by all of the people."<sup>5</sup>

This historical right to a jury trial applies with equal force in patent cases. In the seminal case on claim construction, *Markman v. Westview Instruments, Inc.*, the Court reviewed the historical application of the Seventh Amendment to patent trials and concluded that "there is no dispute that infringement cases today must be tried to a jury, as their predecessors were more than

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2. U.S. CONST. amend. VII.

3. *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 343 (1979) (Rehnquist, J., dissenting); see also Debra Lyn Bassett, "I Lost at Trial—In the Court of Appeals!": *The Expanding Power of the Federal Appellate Courts to Reexamine Facts*, 38 HOUS. L. REV. 1129, 1131 (Winter 2001) ("One of the primary motivations behind the Declaration of Independence was the Crown's attempt to encroach upon the right to trial by jury.").

4. *Powers v. Ohio*, 499 U.S. 400, 407 (1991).

5. *Edmonson v. Leesville Concrete Co.*, 500 U.S. 614, 618 (1991).

two centuries ago.”<sup>6</sup> In fact, juries decided patent cases even before the Seventh Amendment was adopted. “In 1790, before the adoption of the Seventh Amendment in 1791, the patent statute in this country provided only for the award of damages in an action at law, with the right to a trial by jury.”<sup>7</sup>

*II. The Federal Circuit is more willing to review and reexamine factual determinations made by juries than other circuit courts of appeals.*

The Federal Circuit’s reputation for its willingness to substitute its judgment for that of the jury is not new. Over fifteen years ago, for instance, commentators observed that “the bar is expressing concern over the court’s decision-making procedures and its apparent willingness to take over the roles of patent examiner, advocate and trier of fact.”<sup>8</sup> This concern has become more acute as of late. In the last two years alone, parties have filed at least three petitions for a writ of certiorari with the Supreme Court and a petition for en banc rehearing by the Federal Circuit challenging whether the Federal Circuit has invaded the fact finder’s province in reviewing jury verdicts.<sup>9</sup> Since 2011,

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6. 517 U.S. 370, 376 (1996) (citing *Bramah v. Hardcastle*, 1 Carp. P. C. 168 (K. B. 1789)).

7. *In re Lockwood*, 50 F.3d 966, 976 n.12 (Fed. Cir. 1995) (citing *Root v. Railway Co.*, 105 U.S. 189, 191–92 (1881)).

8. William C. Rooklidge & Matthew F. Weil, *Judicial Hyperactivity: The Federal Circuit’s Discomfort with its Appellate Role*, 15 BERKELEY TECH. L.J. 725, 729 (2000).

9. *Petition for a Writ of Certiorari, ParkerVision Inc. v. Qualcomm Inc.*, No. 15-1092, at Introduction (Feb. 29, 2016) (“Instead of expressly finding facts, the Federal Circuit now applies the standard of review in an outcome-driven, haphazard manner.”); *Petition for a Writ of Certiorari, Alexsam, Inc. v. The Gap, Inc.*, No. 15-736 (Dec. 7, 2015) (“Instead of reviewing evidence which supports the jury’s presumed finding, the Federal Circuit instead looked for evidence that could have supported a different finding,

the Federal Circuit has reversed 19 jury verdicts of patent infringement and validity.<sup>10</sup> In doing so, the Federal Circuit has demonstrated a willingness to reexamine factual determinations made by juries to a greater degree than other circuit courts of appeals.

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and drew all inferences in favor of [the movant.]”); Apple’s Combined Petition for Panel Rehearing and Rehearing En Banc, *Apple Inc. v. Samsung Elecs. Co.*, Nos. 2015-1171, -1195, -1994, at 2 (Fed. Cir. Mar. 28, 2016) (arguing that the panel’s “appellate fact finding is contrary to the ‘substantial evidence’ standard and violates Apple’s Seventh Amendment right to have a jury decide the factual question of infringement”); Petition for a Writ of Certiorari, *Commil USA, LLC v. Cisco Sys., Inc.*, No. 15-1446, at 16 (May 27, 2016) (arguing that the Federal Circuit usurped the role of the jury).

10. *Commil USA, LLC v. Cisco Sys., Inc.*, 813 F.3d 994, 997 (Fed. Cir. 2015); *ParkerVision, Inc. v. Qualcomm Inc.*, 621 F. App’x. 1009, 1017 (Fed. Cir. 2015); *Mformation Techs., Inc. v. Research in Motion Ltd.*, 764 F.3d 1392, 1400 (Fed. Cir. 2014); *Phillip M. Adams & Assocs., LLC v. Dell Comput. Corp.*, 519 F. App’x 998, 1005 (Fed. Cir. 2013); *Mirror Worlds, LLC v. Apple Inc.*, 692 F.3d 1351, 1358 (Fed. Cir. 2012); *Cordis Corp. v. Boston Sci. Corp.*, 658 F.3d 1347, 1358 (Fed. Cir. 2011); *Smith & Nephew, Inc. v. Arthrex, Inc.*, 453 F. App’x 977, 981 (Fed. Cir. 2011); *Becton, Dickinson & Co. v. Tyco Healthcare Grp.*, 616 F.3d 1249, 1257–58 (Fed. Cir. 2010); *Calico Brand, Inc. v. Ameritek Imports, Inc.*, 527 F. App’x 987, 994 (Fed. Cir.), *decision clarified on reh’g*, 547 F. App’x 966 (Fed. Cir. 2013); *ABT Sys., LLC v. Emerson Elec. Co.*, 797 F.3d 1350, 1357 (Fed. Cir. 2015); *I/P Engine, Inc. v. AOL Inc.*, 576 F. App’x 982, 992 (Fed. Cir. 2014), *cert. denied*, 136 S. Ct. 54 (2015); *Inventio AG v. Otis Elevator Co.*, 497 F. App’x 37, 43 (Fed. Cir. 2012); *Alexsam, Inc. v. Gap, Inc.*, 621 F. App’x 983, 995 (Fed. Cir. 2015); *Sealant Sys. Int’l, Inc. v. TEK Glob., S.R.L.*, 616 F. App’x 987, 999 (Fed. Cir. 2015); *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1253 (Fed. Cir. 2014) (same); *ClearValue, Inc. v. Pearl River Polymers, Inc.*, 668 F.3d 1340, 1342 (Fed. Cir. 2012); *ArcelorMittal France v. AK Steel Corp.*, 700 F.3d 1314, 1323 (Fed. Cir. 2012); *Novozymes A/S v. DuPont Nutrition Biosciences APS*, 723 F.3d 1336, 1351 (Fed. Cir. 2013); *Centocor Ortho Biotech, Inc. v. Abbott Labs.*, 636 F.3d 1341, 1353 (Fed. Cir. 2011).

A. The Reexamination Clause of the Seventh Amendment prohibits appellate courts from reexamining factual determinations made by juries.

The Seventh Amendment prescribes the scope of appellate review of jury verdicts. It includes two clauses: the Preservation Clause and the Reexamination Clause. Under the Reexamination Clause, “no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.”<sup>11</sup> The Supreme Court has interpreted the Reexamination Clause to allow reviewing courts to vacate a jury’s verdict for insufficient evidence.<sup>12</sup> But it has also explained that in reviewing a motion for a directed verdict, a court of appeals “could *not* itself determine the issues of fact and direct a judgment for the defendant, for this would cut off the plaintiff’s unwaived right to have the issues of fact determined by a jury.”<sup>13</sup>

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11. U.S. CONST. amend. VII; *Int’l Terminal Operating Co. v. N.V. Nederl. Amerik Stoom. Maats.*, 393 U.S. 74 (1968) (reversing court of appeals decision because “[u]nder the Seventh Amendment, that issue should have been left to the jury’s determination”).

12. *See, e.g., Baltimore & Carolina Line, Inc. v. Redman*, 295 U.S. 654, 658 (1935). There is, however, disagreement within the Court as to whether the common law even permitted this practice. *See, e.g., Gasperini v. Ctr. for Humanities, Inc.*, 518 U.S. 415, 452 (1996) (Scalia, J., dissenting) (“Cases of this Court reaching back into the early 19th century establish that the Constitution forbids federal appellate courts to ‘reexamine’ a fact found by the jury at trial; and that this prohibition encompasses review of a district court’s refusal to set aside a verdict as contrary to the weight of the evidence.”); *Parsons v. Bedford*, 28 U.S. 433, 448 (U.S. 1830) (“The only modes known to the common law to re-examine such facts, are the granting of a new trial by the court where the issue was tried, or to which the record was properly returnable; or the award of a *venire facias de novo*, by an appellate court, for some error.”).

13. *Baltimore & Carolina Line, Inc. v. Redman*, 295 U.S. 654, 658 (1935) (emphasis added).

Rule 50 codifies this principle.<sup>14</sup> It limits a court's ability to reexamine a jury verdict unless the court "finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party."<sup>15</sup> Under Rule 50, a court may not find its own facts. Rather, the court's review is limited to reviewing facts found by the jury, and comparing the jury's factual findings to the evidence submitted.

In *Reeves v. Sanderson Plumbing, Inc.*,<sup>16</sup> the Court set out the rules that would guide lower courts in implementing this standard by outlining what evidence a court must disregard and must not disregard in reviewing a jury verdict governing under Rule 50. Specifically, "although the court should review the record as a whole, it must disregard all evidence favorable to the moving party that the jury is not required to believe."<sup>17</sup> The jury is only required to believe the moving party's evidence when it is "uncontradicted and unimpeached, at least to the extent that the evidence comes from disinterested witnesses."<sup>18</sup> Thus, a moving party's evidence that is contradicted, impeached, *or* offered by an interested witness is insufficient to overturn a jury verdict.<sup>19</sup>

B. The Federal Circuit has aggressively reexamined factual findings made by juries as of late.

Four recent cases exemplify the Federal Circuit's willingness to review factual determinations made by juries. The first

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14. See *Unitherm Food Sys. Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394, 402 n.4 (2006) ("Indeed, Rule 50 was drafted with such [Seventh Amendment] concerns in mind.").

15. FED. R. CIV. P. 50(a)(1).

16. 530 U.S. 133 (2000).

17. *Id.* at 151.

18. *Id.*

19. *Id.*

and most recent example is *Commil v. Cisco*. While that case had an unusual procedural posture,<sup>20</sup> the Federal Circuit ultimately reviewed and reversed a jury's finding of direct infringement, which served as the basis for the jury's award of \$63.8 million in damages. The Federal Circuit assessed each side's evidence regarding direct infringement.<sup>21</sup> At trial, Commil offered a technical expert who opined on how Cisco's routers were configured, and concluded that the accused products met the limitations of the claims as construed by the court.<sup>22</sup> Cisco chose not to call a technical expert in response.<sup>23</sup> Nor did it challenge Commil's expert under *Daubert*.<sup>24</sup> Instead, Cisco relied only on its own in-house engineer to rebut Commil's expert's explanation.<sup>25</sup>

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20. Commil tried its claims to a jury in the Eastern District of Texas twice. At the first trial, the jury found that the patent was valid and that Cisco directly infringed. *Commil USA, LLC v. Cisco Sys.*, No. 2:07-CV-341, 2010 U.S. Dist. LEXIS 144014, at \*4 (E.D. Tex. Dec. 29, 2010). The jury awarded Commil \$3.7 million in damages. *Id.* at \*4. Due to improper statements made by Cisco's trial attorneys, the district court ordered a new trial on induced infringement and damages. *Id.* at \*5–\*6. At the second trial, the jury again returned a verdict in Commil's favor, and awarded \$63.8 million in damages. *Commil USA, LLC v. Cisco Sys.*, No. 2:07-CV-341, 2011 U.S. Dist. LEXIS 159236 (E.D. Tex. May 20, 2011). The Federal Circuit reversed the jury verdict of indirect infringement, *Commil USA, LLC v. Cisco Sys.*, 720 F.3d 1361, 1364 (Fed. Cir. 2013), which the Supreme Court vacated, holding that a good faith belief in the invalidity of a patent does not negate intent to induce infringement. *Commil USA, LLC v. Cisco Sys.*, 135 S. Ct. 1920, 1922 (2015). All of this nearly ten-year history occurred before the Federal Circuit reached its decision on direct infringement.

21. See *Commil USA, LLC v. Cisco Sys., Inc.*, 813 F.3d 994, 996-97 (Fed. Cir. 2015).

22. *Id.* at 997.

23. *Id.* at 997.

24. *Id.* at 997.

25. *Id.* at 997.

In a curt, two-page discussion, the Federal Circuit concluded that the evidence did not support the jury's finding of direct infringement.<sup>26</sup> The court wrote, "[w]e begin with the running step. . . . Cisco contends that this step is never performed when its system is used, because its system employs a single copy of the protocol to support all the connected devices. *We agree with Cisco.*"<sup>27</sup> The court proceeded to credit the testimony of Cisco's fact witness, while disregarding Commil's expert's testimony. In other words, the Federal Circuit reversed the jury's finding of infringement and implicit rejection of Cisco's proffered evidence, and did so by (1) rejecting Commil's evidence on appeal, (2) accepting Cisco's evidence which had been impeached on cross examination, and (3) accepting Cisco's evidence even though it came from a Cisco employee—an interested witness.<sup>28</sup> Thus, the Federal Circuit's opinion was based on categories of evidence that *Reeves* required the court to disregard.

A second example is *Cordis Corp. v. Boston Scientific Corporation*, in which the Federal Circuit reexamined whether the jury's determination that an accused stent product included an "undulating" section.<sup>29</sup> After determining that the drawing of the stent that both parties "extensively relied" on was "unclear," the Federal Circuit opted to rely on other photographs and engineering drawings, made its own determination about the geometry of the design, and concluded that the stent "lack[s] the change in direction required for literal infringement."<sup>30</sup> The Federal Circuit, in turn, disregarded the expert testimony from

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26. *Id.* at 996–97.

27. *Id.* (emphasis added).

28. *See id.*

29. 658 F.3d 1347, 1357–59 (Fed. Cir. 2011).

30. *Id.* at 1358.

the patent holder and determined that the accused product did not infringe the asserted claim, like it did in the *Commil* case.<sup>31</sup>

The Federal Circuit also reweighed an expert's opinion in *ABT Systems, LLC v. Emerson Electric Company* when it reversed a jury verdict of no invalidity.<sup>32</sup> At issue in *ABT* was whether "at the time of the [patent holder's] invention, a person of ordinary skill would have combined elements from several prior art references."<sup>33</sup> The jury had determined that the accused infringer had failed to prove as much by clear and convincing evidence at trial.<sup>34</sup> The Federal Circuit recounted the patent holder's expert testimony and "his view" on the lack of a motivation to combine, but reached a contrary factual finding on appeal. Wrote the court, "[i]n *our view*, if, at the time of the invention claimed in the '017 patent, a person of ordinary skill had looked at [the] Vogelzang [prior art reference], he or she would have found it nearly obvious from that disclosure itself to set the periodic fan to run as a function of when the heating or cooling cycle ended."<sup>35</sup> The Federal Circuit, thus, explicitly substituted its finding of fact for that of the jury's (including with respect to factual determinations of non-obviousness),<sup>36</sup> and entered judgment of invalidity for the accused infringer.<sup>37</sup>

Finally, in *Johns Hopkins v. Datascope Corp.*, the Federal Circuit again disagreed with the expert's testimony about the

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31. *Id.* at 1358 ("Indeed, *absent the testimony* of [the patent holder's] expert regarding troughs and crests, and the corresponding testimony concluding infringement, *we find* very little evidence to support the jury's verdict that claim 25 was literally infringed." (emphasis added).).

32. 797 F.3d 1350 (Fed. Cir. 2015).

33. *Id.* at 1358.

34. *See id.* at 1354.

35. *Id.* at 1360 (emphasis added).

36. *Id.* at 1361–62.

37. *See id.* at 1362.

structure and operation of an accused product, and reversed the jury's finding of infringement.<sup>38</sup> The patent holder's expert in this case explained the structure and operation of an accused catheter.<sup>39</sup> The jury found infringement, and the district court denied the accused infringer's motion for judgment as a matter of law.<sup>40</sup> The Federal Circuit ultimately disagreed with the expert's testimony, not on *Daubert* grounds, but because it found portions of the expert's testimony "incredible" based on its assessment of its own application of geometry.<sup>41</sup> The jury's determination of infringement, therefore, was reexamined and reversed.<sup>42</sup>

This record of reversals has drawn a chorus of dissents. Judge Newman, who has served on the Federal Circuit since 1984, is perhaps the most vocal critic. In *Johns Hopkins*, for instance, Judge Newman emphasized her concern that "it is not our province to reweigh the evidence, when there was substantial evidence by which a reasonable jury could have reached its verdict."<sup>43</sup> Chief Judge Prost echoed a similar dissatisfaction in *Mirror Worlds*, explaining that the patent holder "introduced ample evidence to allow a reasonable jury to determine that the required steps were performed," and further that the majority "casually brushes" the patent holder's evidence aside.<sup>44</sup> Judge Gajarsa expressed his concern that "[t]he majority climbs Jacob's Ladder in search of perfection in the jury verdict, but, by

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38. 543 F.3d 1342 (Fed. Cir. 2008).

39. *Id.* at 1346–48, 1350–51.

40. *Id.* at 1344.

41. *Id.* at 1348.

42. *Id.* at 1349.

43. *Johns Hopkins v. Datascope Corp.*, 543 F.3d at 1351 (Newman, J., dissenting).

44. *Mirror Worlds, LLC v. Apple Inc.*, 692 F.3d 1351, 1365 (Fed. Cir. 2012) (Prost, J., dissenting).

substituting its own fact finding for that of the jury, it fails to allow the jury to perform its proper function.”<sup>45</sup> This trio of judges represents some of the most experienced members on the Federal Circuit.

C. Regional circuit courts of appeals have deferred more to factual findings by juries than the Federal Circuit.

The standard applied by the Federal Circuit stands alone compared to the standard applied by other courts of appeals. Other circuit courts of appeals more faithfully apply the *Reeves* standard and discard evidence from a moving party that is contradicted, impeached, or offered from an interested witness. The following cases are representative, and the analysis in these cases would all lead to a different result in *Commil v. Cisco*, as well as the various other cases in the section above.

The Fifth Circuit’s decision in *Wellogix, Inc. v. Accenture* is a prime example.<sup>46</sup> In *Wellogix*, the jury returned a \$26.2 million verdict for compensatory damages for Accenture’s trade secret misappropriation, along with a remitted award of \$18.2 million for punitive damages.<sup>47</sup> The Fifth Circuit deferred to the jury’s factual finding, notwithstanding its skepticism of the jury’s conclusions: “Had we sat in the jury box, we may have decided otherwise. ‘But juries are not bound by what seems inescapable logic to judges.’”<sup>48</sup> More particularly, *Wellogix* relied on expert testimony to support its claim for trade secret misap-

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45. *Becton, Dickinson & Co. v. Tyco Healthcare Grp.*, 616 F.3d 1249, 1265 (Fed. Cir. 2010) (Gajarsa, J., dissenting).

46. 716 F.3d 867 (5th Cir. 2013).

47. *Id.* at 874.

48. *Id.* at 872 (quoting *Morissette v. United States*, 342 U.S. 246, 276 (1952)).

propriation, and Accenture did not offer expert testimony in rebuttal.<sup>49</sup> When Accenture maintained on appeal that Wellogix's expert testimony was insufficient to establish that Accenture acquired Wellogix's trade secrets, the Fifth Circuit deferred to the wide latitude of experts to offer opinions and concluded that "the jury was reasonable in crediting his testimony."<sup>50</sup> The court reached the same conclusion when it rejected Accenture's claim that the expert's testimony about Accenture's use of the trade secrets could not support the jury's verdict.<sup>51</sup>

The Seventh Circuit's analysis in *Davis v. Wisconsin Department of Corrections* also demonstrates an application that conflicts with the regime adopted by the Federal Circuit in *Com-mil v. Cisco*.<sup>52</sup> The defendant in *Davis* sought to reverse a jury verdict based on an employment discrimination claim.<sup>53</sup> A core issue at trial and on appeal was whether a Department of Corrections memo contained a typographical error.<sup>54</sup> The defendants' witnesses testified that it did.<sup>55</sup> The Seventh Circuit refused to "reweigh the evidence or second-guess the jury's credibility determinations."<sup>56</sup> Specifically, the court applied *Reeves* and explained that the testimony from the defendants' four witnesses is of the sort that is "generally disregard[ed] when reviewing denials of posttrial relief because it is neither uncontradicted (the DOC memo contradicts it) nor d[id] it come from disinterested witnesses."<sup>57</sup>

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49. *Id.* at 877–78.

50. *Id.* at 876.

51. *See id.* at 877–78.

52. 445 F.3d 971 (7th Cir. 2006).

53. *See id.* at 972.

54. *Id.* at 975.

55. *Id.*

56. *Id.* at 978.

57. *Id.*

Certainly additional similar cases exist from other circuit courts. These two examples are representative of the conflicting application of *Reeves* among the Courts of Appeals. Had the Federal Circuit deferred to expert witnesses as the Fifth Circuit did in *Wellogix*, or disregarded evidence from the party moving under Rule 50 that was contradicted or from interested witnesses as the Seventh Circuit did in *Davis*, the jury verdicts in the four exemplary Federal Circuit cases above would have been affirmed.

### *III. The incremental restriction of the right to trial by jury in patent disputes.*

The Federal Circuit's review of jury verdicts on liability is not the only way the right to trial by jury is being encroached in patent cases. Recent legislative and judicial developments have also made it more difficult for patent holders to ensure that juries decide their cases. In particular, validity disputes have been shifted from juries to administrative judges; compensatory damages for future infringement in lieu of an injunction are decided by judges, not juries; and, judges resolve factual disputes about what was "well-known, routine, conventional" in deciding whether a patent claims an inventive concept for purposes of subject matter eligibility.

- A. *Inter Partes Review* has shifted disputes over validity between parties from the jury to administrative law judges.

Patent holders can no longer expect to have a jury decide an infringer's defense of invalidity. In 2011, Congress created the *inter partes review* (IPR) procedure in the Leahy-Smith America Invents Act, which affords interested parties—most often accused infringers—the ability to challenge a patent's validity in front of an Article I agency: the Patent and Trial Appeal Board

(PTAB).<sup>58</sup> The IPR procedure sits in stark contrast to an accused infringer's traditional method of challenging the validity of a patent. A petitioner in the IPR procedure has a lower burden of proof,<sup>59</sup> can obtain a broader construction of the claims,<sup>60</sup> and, most critically, is allowed to place factual determinations in the hands of three administrative judges at the PTAB instead of the ladies and gentlemen of the jury.

The results of this new venue for validity disputes have been nothing short of dramatic. The invalidation rate at the PTAB has been so high that the PTAB panels have been referred to as "death squads, killing property rights."<sup>61</sup> The Former Chief Judge at the PTAB embraced such a designation: "If we weren't, in part, doing some 'death squadding,' we would not be doing what the statute calls on us to do."<sup>62</sup> Such a characterization underscores the fundamental importance of the jury system. Juries have no such agendas; juries are made up of citizens who are called upon to resolve the particular factual disputes in a case between two parties.

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58. Pub. L. 112-29, 125 Stat. 284 (2011).

59. Compare 35 U.S.C. § 316(e) (setting burden of proof in IPR proceedings as preponderance of evidence), with *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 111 (2011) (requiring burden of clear and convincing evidence in district court).

60. Compare 37 C.F.R. § 42.100(b) (applying broadest reasonable construction in IPR proceedings), and *Cuozzo Speed Techs. v. Lee*, U.S., No. 15-446 (June 20, 2016), with *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (construing claims based on their ordinary meaning based primarily on the patent's specification).

61. Peter J. Pitts, *Patent Death Squads vs. Innovation*, WALL ST. J. (June 10, 2015), available at <http://on.wsj.com/1MsqErB>.

62. Ryan Davis, *PTAB's 'Death Squad' Label Not Totally Off-Base*, Chief Says, IPLAW360 (Aug. 14, 2014, 5:47 PM), <http://www.law360.com/arti-cles/567550/ptab-s-death-squad-label-not-totally-off-base-chief-says>.

The creation of the IPR procedure, with its attendant high-kill rate, has effectively shifted disputes from juries in district court to administrative judges at the PTAB. To be sure, the IPR process is not a traditional examination or reexamination that the Patent Office has historically undertaken; an “inter partes review is a trial, adjudicatory in nature and constituting litigation.”<sup>63</sup> Indeed, over 80% of all petitions for IPR are associated with co-pending district court litigation.<sup>64</sup> Thus, patent holders are now effectively denied a right to a jury’s determination of an accused infringer’s invalidity defense.<sup>65</sup>

B. The Federal Circuit has weakened the jury’s traditional role as the arbiter of damages.

This erosion of the jury’s province is also occurring with respect to damages for future infringement. In the wake of the Supreme Court’s decision in *eBay, Inc. v. MercExchange, LLC*,<sup>66</sup> the Federal Circuit was asked to decide whether a patent holder enjoys a Seventh Amendment right to a jury trial after a district court prescribed an ongoing royalty for future acts of infringement.<sup>67</sup> The Federal Circuit rejected the patent owner’s Seventh Amendment argument, and summarily concluded that “the fact

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63. *ScentAir v. Prolitec*, IPR2013-00179, Paper 9, at 4 (P.T.A.B. April 16, 2013).

64. Matt Cutler, *3 Years of IPR: A Look at the Stats*, IPLAW360 (Oct. 9, 2015, 3:59 PM), <http://www.law360.com/articles/699867/3-years-of-ipr-a-look-at-the-stats>.

65. The Constitutionality of the IPR procedure is at issue in a petition for certiorari at the Supreme Court. *See* Petition for a Writ of Certiorari, *MCM Portfolio, LLC v. Hewlett-Packard Co.*, No. 15-1330.

66. 547 U.S. 388 (2006).

67. *Paice v. Toyota Motor Corp.*, 504 F.3d 1293 (Fed. Cir. 2007), *reh’g en banc denied*.

that monetary relief is at issue in this case does not, standing alone, warrant a jury trial.”<sup>68</sup>

This conclusion appears to conflict with Supreme Court case law. “By the law the jury are judges of the damages.”<sup>69</sup> The Court explained in *Feltner* that compensatory damages are “traditionally associated with legal relief,” and therefore subject to the Seventh Amendment’s guarantee to trial by jury.<sup>70</sup> Under *Tull v. United States*, a two-prong test is applied to determine whether the right to trial by jury attaches to a cause of action.<sup>71</sup> First, “a court must compare the action with the analogous action brought in the courts of England during the eighteenth century, prior to the merger of law and equity. Second, a court must look to the remedy sought and determine whether it is legal or equitable in nature.”<sup>72</sup>

Applying this two part test, it is clear that damages for future patent infringement are compensatory. The first prong is clearly satisfied by findings of damages for patent infringement, as the Court explained that “there is no dispute that infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago.”<sup>73</sup> An analysis of the second prong makes clear that compensatory damages for future infringement are legal, not equitable, in nature.<sup>74</sup> Indeed, *eBay v.*

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68. *Id.* at 1316.

69. *Feltner, Jr. v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 352 (1998).

70. *See id.*

71. 481 U.S. 412, 417 (1987).

72. *See id.* (internal citations omitted).

73. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 376 (1996) (citing *Bramah v. Hardcastle*, 1 Carp. P. C. 168 (K. B. 1789)).

74. *See generally* Ronald J. Schutz & Patrick M. Arenz, *Unchartered Waters: Determining Ongoing Royalties for Victorious Patent Holders Denied an Injunction*, 11 SEDONA CONF. J. 75 (2010).

*MercExchange* explained that an injunction is unavailable if a patent holder fails to prove among other things that “remedies available at law, such as monetary damages, are adequate to compensate.”<sup>75</sup> An award of an ongoing royalty is therefore compensation for future acts of patent infringement. By allocating responsibility for making decisions on such awards in the first instance to the judiciary, the right of patent owners to have a jury decide these issues is being further eroded.

- C. The Federal Circuit’s recent case law on subject matter eligibility has further reduced the province of the jury in patent cases.

The concept of invention should be a quintessential fact issue: the comparison of a new idea with what was known before the conception and reduction to practice of that new idea. Nonetheless, in the wake of the explosion of decisions on subject matter eligibility following *Alice Corporation v. CLS Bank International*,<sup>76</sup> the Federal Circuit has empowered itself to determine whether a patent claims an “inventive concept” or not. The court has reached these decisions without regard to the jury’s traditional role of deciding fact disputes.

The Supreme Court applies a two-step test to determine patent eligibility.<sup>77</sup> The second step, most notably, is “a search for an ‘inventive concept’ — *i.e.*, an element or combination of elements that is ‘sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.’”<sup>78</sup> The Court has explained that a patent does not include an inventive concept if it only adds “well-understood,

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75. See 547 U.S. 388, 390 (2006).

76. 134 S. Ct. 2347, 2355 (2014).

77. *Id.*

78. *Id.* (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1294 (2012)).

routine, conventional” or generic activities.<sup>79</sup> While not coextensive with novelty, the Court has recognized that the issue of novelty over the prior art—a classic fact question for juries<sup>80</sup>—may overlap with the inventive step inquiry under § 101.<sup>81</sup> Even though § 101 is considered an issue of law, the Federal Circuit has acknowledged that it “may contain underlying issues of fact.”<sup>82</sup> Nevertheless, the Federal Circuit has implicitly determined that courts—not juries—make the underlying factual determinations about what is an “inventive concept,” and thus, what was “well-understood, routine, conventional” at the time of the claimed invention.

Such a role reversal for the Federal Circuit is new since the *Alice* decision. There is no better example than in the *Ultra-mercical, Inc. v. Hulu, LLC* series of decisions. Before the *Alice* decision, the Federal Circuit explained that fact issues prevented the court from finding a patent ineligible as a matter of law on

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79. *Alice*, 134 S. Ct. at 2359.

80. *Med. Instrumentation & Diagnostics Corp. v. Elekta AB*, 344 F.3d 1205, 1221 (Fed. Cir. 2003) (reversing summary judgment because “[t]he question of what a reference teaches and whether it describes every element of a claim is a question for the finder of fact. *Advanced Display Sys. v. Kent State Univ.*, 212 F.3d 1272, 1283 (Fed. Cir. 2000). The district court concluded that the Kall/Kelly reference was ‘ambiguous,’ which suggests to us that the issue of exactly what the reference teaches is something that should have been resolved by the jury. The district court improperly usurped the role of the jury in finding that the reference failed to raise a genuine issue of material fact.”); *Green Edge Enters., LLC v. Rubber Mulch etc., LLC*, 620 F.3d 1287, 1298 (Fed. Cir. 2010) (in an obviousness inquiry, “a jury should determine whether there are differences between the prior art and the claimed invention, among other factual inquiries”).

81. *See Mayo*, 132 S. Ct. at 1304.

82. *See Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1340–41 (Fed. Cir. 2013).

the pleadings. Former Chief Judge Rader explained that determinations of patentable subject matter almost always involve questions of fact:

If the question is whether “genuine human contribution” is required, and that requires “more than a trivial appendix to the underlying abstract idea,” and were not at the time of filing “routine, well-understood, or conventional,” *factual inquiries likely abound*. Almost by definition, analyzing whether something was “conventional” or “routine” involves analyzing facts. Likewise, any inquiry into the scope of preemption—how much of the field is “tied up” by the claim—by definition will involve historic facts: identifying the “field,” the available alternatives, and preemptive impact of the claims in that field. The presence of *factual issues* coupled with the requirement for clear and convincing evidence normally will render dismissal under Rule 12(b)(6) improper.<sup>83</sup>

Then the Supreme Court issued its opinion in *Alice*. Even though the Court did not address any issue about the fact-based inquiries involved in its test for an inventive concept, on remand the Federal Circuit reversed its decision in *Ultramercial*, determined those fact issues on its own, and found the patent ineligible to be patented.<sup>84</sup> The court reached this conclusion even though it recognized that some of the claim limitations “were not previously employed in this art.”<sup>85</sup> Thus, the court’s decision

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83. *Ultramercial, Inc. v. Hulu, LLC (Ultramercial II)*, 722 F.3d 1335, 1339 (Fed. Cir. 2013), *vacated and remanded*, *WildTangent, Inc. v. Ultramercial, LLC*, 134 S. Ct. 2870 (2014) (emphasis added).

84. *Ultramercial, Inc. v. Hulu, LLC (Ultramercial III)*, 772 F.3d 709, 715 (Fed. Cir. 2014).

85. *Id.*

included implicit factual findings on novelty, which a previous panel recognized could not be done. The Federal Circuit has followed this approach many times since.<sup>86</sup> As a result, courts—not juries—now decide and resolve underlying factual issues pertaining to subject matter eligibility, including whether a patent claims an “inventive concept” or unduly preempts a field.

### CONCLUSION

The Supreme Court has warned of the unwavering need to defend the right to trial by jury:

The right of jury trial in civil cases at common law is a basic and fundamental feature of our system of federal jurisprudence which is protected by the Seventh Amendment. A right so fundamental and sacred to the citizen, whether guaranteed by the Constitution or provided by statute, should be jealously guarded by the courts.<sup>87</sup>

And yet that right is not being jealously guarded in patent cases. Instead, the jury trial in patent cases is facing a death by a thousand cuts. Unless this trend is stopped, and courts and parties zealously protect the right to trial by jury, as other constitutional guarantees of other amendments enshrined in the Bill of Rights

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86. *See, e.g.,* Affinity Labs of Tex., LLC v. Amazon.com, Inc., 2016 U.S. App. LEXIS 17370 (Fed. Cir. Sep. 23, 2016); Affinity Labs of Tex. v. DirecTV, LLC, 2016 U.S. App. LEXIS 17371 (Fed. Cir. Sep. 23, 2016); Shortridge v. Found. Constr. Payroll Serv., LLC, No. 2015-1898, 2016 U.S. App. LEXIS 12837 (Fed. Cir. July 13, 2016); Ultramercial, Inc. v. Hulu, LLC, 772 F.3d 709 (2015); Internet Patents Corp. v. Active Network, Inc., 790 F.3d 1343, 1344 (Fed. Cir. 2015); OIP Techs., Inc. v. Amazon.com, Inc., 788 F.3d 1359, 1360 (Fed. Cir. 2015); Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A., 776 F.3d 1343, 1347 (Fed. Cir. 2014); buySAFE, Inc. v. Google, Inc., 765 F.3d 1350, 1355 (Fed. Cir. 2014).

87. Jacob v. City of New York, 315 U.S. 752, 752–53 (1942).

are protected, the Seventh Amendment guarantee will effectively vanish in patent cases.



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