

No. 09- 0910 06 FEB 19 2010

IN THE OFFICE OF THE CLERK
Supreme Court of the United States

MICROSOFT CORPORATION,
Petitioner,

v.

LUCENT TECHNOLOGIES, INC.,
Respondent.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

In this case, the Federal Circuit affirmed a verdict of patent infringement over a challenge to the sufficiency of the evidence. After reviewing the record, the Federal Circuit pointed only to expressly speculative expert testimony and lawyer characterization of the evidence (not the evidence itself) to support the verdict. In affirming the verdict, the Federal Circuit itself characterized this speculative and argumentative “evidence” as “less than the weight of the evidence,” but “just more than a mere scintilla.” The questions presented are:

1. Whether a jury verdict of patent infringement can stand when it is supported only by speculative “evidence” and lawyer argument, or whether the standards for entry of judgment as a matter of law that apply in all other federal cases should apply equally in patent cases.
2. Whether a new trial is required in a patent infringement case, as in all other cases, when the verdict is found to be contrary to the weight of the evidence.

PARTIES TO THE PROCEEDING

In addition to the parties identified in the caption, Dell Inc. (“Dell”) was a Defendant/Counterclaimant-Appellant in the case below. Dell and Plaintiff/Counterclaim Defendant-Cross Appellant Lucent Technologies, Inc. settled their dispute while the Federal Circuit proceedings were pending, and Dell’s appeal was dismissed.

RULE 29.6 STATEMENT

Petitioner Microsoft Corporation is a publicly held company. No entity owns more than 10% of petitioner’s stock.

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PETITION FOR A WRIT OF CERTIORARI

Microsoft Corporation respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App. 1a-71a) is reported at 580 F.3d 1301. The court's order denying rehearing en banc (App. 147a-148a) is unreported. The opinion of the district court (App. 72a-146a) is reported at 580 F. Supp. 2d 1016.

JURISDICTION

The court of appeals entered judgment on September 11, 2009. App. 1a. Microsoft timely filed a Petition for Rehearing En Banc on October 13, 2009. The court denied rehearing on November 23, 2009. App. 148a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254.

FEDERAL RULE OF CIVIL PROCEDURE INVOLVED

At the time the decisions below were rendered, Federal Rule of Civil Procedure 50(a)-(b) provided:

(a) *Judgment as a Matter of Law.*

(1) *In General.* If a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue, the court may:

(A) resolve the issue against the party; and

(B) grant a motion for judgment as a matter of law against the party on a claim or defense that, under the controlling law, can be maintained or defeated only with a favorable finding on that issue.

(2) *Motion*. A motion for judgment as a matter of law may be made at any time before the case is submitted to the jury. The motion must specify the judgment sought and the law and facts that entitle the movant to the judgment.

(b) *Renewing the Motion After Trial; Alternative Motion for a New Trial*. If the court does not grant a motion for judgment as a matter of law made under Rule 50(a), the court is considered to have submitted the action to the jury subject to the court's later deciding the legal questions raised by the motion. No later than 10 days after the entry of judgment—or if the motion addresses a jury issue not decided by a verdict, no later than 10 days after the jury was discharged—the movant may file a renewed motion for judgment as a matter of law and may include an alternative or joint request for a new trial under Rule 59. In ruling on the renewed motion, the court may:

- (1) allow judgment on the verdict, if the jury returned a verdict;
- (2) order a new trial; or
- (3) direct the entry of judgment as a matter of law.

STATEMENT OF THE CASE

In this case, generally applicable procedural standards were modified by the Federal Circuit to

create a special rule for patent litigation. Respondent alleged that various of petitioner's software products indirectly infringed respondent's patent covering a method for entering information into fields on computer-based forms by using certain onscreen tools. It is settled that there can be no liability for indirect infringement unless the patentee establishes direct infringement. Petitioner argued in the trial court and on appeal that respondent had failed to present any "legally sufficient evidentiary basis" for finding direct infringement by end-users of petitioner's software products. Fed. R. Civ. P. 50(a)(1) (2009). The Federal Circuit acknowledged that the only "evidence" of direct infringement in the record was speculation by respondent's expert and arguments by respondent's lawyers. Yet it did not order that judgment as a matter of law ("JMOL") be entered in petitioner's favor because such "circumstantial evidence," though "something less than the weight of the evidence,' ... was just 'more than a mere scintilla.'" App. 26a-27a (quoting *Consolo v. Fed. Mar. Comm'n*, 383 U.S. 607, 620 (1966); *Consol. Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938)).

The other courts of appeals do not affirm judgments under these circumstances. Speculative testimony, whether standing alone or combined with lawyerly spin, is not a "legally sufficient evidentiary basis" for a judgment. *See infra* pp. 14-18. What is more, even if such "evidence" could amount to something "more than a mere scintilla," the fact that the appellate court acknowledged that the verdict was against the "weight of the evidence" required at least a new trial on infringement. *See infra* pp. 25-27.

This is not the only case in which the Federal Circuit has adopted a rule that alters the standards

for post-judgment review generally applicable in federal litigation. A panel of the Federal Circuit recently created novel and impractical procedural requirements for review of jury findings. *i4i Ltd. P'ship v. Microsoft Corp.*, 589 F.3d 1246, 1272-73 (Fed. Cir. 2009).

This approach to post-judgment review of jury verdicts in patent infringement cases threatens to eviscerate the important protections provided by Rules 50 and 59 and creates procedural rules for patent cases separate and apart from the rules that apply in all other cases. In this case, this unique patent-specific approach has allowed a patentee to obtain a judgment of infringement of a patent that at best covers only an insignificant feature of highly complex computer software, on the basis of which it is seeking an outsized damages award. While the Federal Circuit correctly reversed the more-than-\$350,000,000 award the jury returned in this case and remanded for a new trial on damages, allowing unproven claims of infringement to stand by applying a novel and wholly insufficient standard of review only encourages patentees to pursue meritless claims. Studies have shown that juries disproportionately favor patentees, finding infringement and awarding damages at a far higher rate than judges. Thus, beyond being legally unjustified, the weakening of post-judgment review in patent cases is particularly harmful, and it is all the more important that this Court grant review to ensure that the corrective force of Rules 50 and 59 is not undermined in such cases.

A. The Facts

Respondent asserted infringement of claims 19 and 21 of U.S. Patent No. 4,763,356 (the "Day patent"). App. 2a. Those claims disclose a method for entering information into fields on computer-based forms. *Id.*

at 7a-9a. The supposed innovation of the Day inventors was the use of predefined onscreen tools to fill in computerized form fields. *Id.* at 8a. In essence, a computer displaying a form might have a variety of empty fields identifying the kind of information to be inserted in the field (*e.g.*, name, address, date, etc.). The patent describes a method which requires indicating the field the user is about to fill in and concurrently displaying a particular tool the user will operate to fill that field. The patent requires that the tools available to the user include both a menu of alternatives (*i.e.*, a list of different possibilities, as in the various possible states for an address) and a composition tool (*e.g.*, an on-screen number pad, which the patent describes as allowing a user to compose numbers). After the predefined tool has been used, the patent recites the step of inserting the information derived from using the tool into the indicated field. *Id.*

Respondent conceded that petitioner did not, and could not, directly infringe either claim: both require a computer (*see* JA1116, 17:27-28), and petitioner produces only software (*see* JA7430; JA7438). Instead, respondent argued that users of three Microsoft products—Microsoft Outlook, Microsoft Money, and Windows Mobile—infringed the patent and that petitioner was liable for contributory and induced infringement. *See* App. 27a-35a. Because the Federal Circuit addressed the evidence only as to Outlook, *id.* at 27a, this petition will likewise focus on Outlook.¹

Microsoft Outlook is software that integrates several applications for managing personal

¹ The overwhelming proportion of the damages sought in the case concerned sales of Outlook.

information. JA8073. Outlook is most commonly used for its email capabilities. JA8074-75. Outlook users can send, receive, store, and organize email and maintain email contacts. JA8073. No use of Outlook's email application infringes the patent.

Outlook's Contacts application is an electronic "rolodex" that interacts with Outlook's email function to obtain and use contact information. JA8076. Outlook's Tasks application enables users to keep to-do lists. Its Notes application allows users to create the electronic equivalent of Post-It notes. No use of these applications infringes the patent either.

The only application respondent's expert identified as even capable of infringing use is Outlook's Calendar module, *see* App. 22a, 54a-55a, and the record is undisputed that users can take advantage of all of the calendar's functions without infringing the patent. The calendar enables users to record and track appointments. JA8076. There are a variety of ways to create new appointments without infringing, including highlighting a time segment on the calendar and typing in appointment information, or using the plan-a-meeting function. *Id.* In addition, Outlook enables users to call up a "new appointment form" to create appointments, and it is this form that respondent claims can be used to infringe. But even the new appointment form can be used without infringing.

The new appointment form contains fields for the subject, location, date, and start and end times of an appointment. JA8077. The date can be entered into the form in several ways. If a user clicks on a date from the monthly or weekly calendar view, the form defaults to that date. If the user clicks on a time within the single-day view, the form defaults to that day's date. If the user selects a new appointment

from the pull-down options, the form defaults to the current day. JA7440; JA8076-77. These default methods do not infringe. Users can also override the default settings by typing in a date in a variety of formats. JA8077-78. This method, too, does not infringe.

Alternatively, by clicking on a “down arrow” adjacent to the date field on the new appointment form, the user can bring up the date-picker, which is an onscreen image resembling a page of a monthly calendar. App. 22a. By clicking on a date in that onscreen calendar, the user can select that date for the form. Entry of the date using the date-picker tool is the only use of Outlook alleged to infringe. *Id.* at 22a, 54a-55a.

In sum, users of Outlook are alleged to infringe only when they use the calendar function, and only when they use one particular way of filling one field (the date) on one form used to create a new appointment. The overwhelming majority and frequency of uses of Outlook are not alleged to implicate the patent at all. And no Outlook function—not even use of the new appointment form—*requires* infringement of the patent to work. App. 28a. All of this was undisputed at trial. JA7500; JA8075-76.

At trial, respondent failed to produce a single witness, other than its expert, who had used the allegedly infringing date-picker. Indeed, Lucent’s expert conceded that Lucent “didn’t produce any evidence to this jury that anybody other than Lucent’s trial team and its witnesses ... actually performed every single step of [claims 19 and 21 of the Day patent].” JA7517; *see also* App. 23a. Its expert’s *only* testimony concerning actual use of the patented method by anyone (other than himself or his

wife) was openly speculative: “[i]t’s hard to imagine that we’re the only two people in the world that ever used it.” See App. 24a.

At trial and on appeal, respondent pointed to certain instruction manuals which its lawyers characterized as instructing users on how to employ Outlook in a way that infringes. See Lucent Response Br. 21 (filed Feb. 2, 2009) (citing record materials). But those materials at most referred to how the products generally employed on-screen forms, which it was conceded was insufficient to infringe. See Microsoft Reply Br. 31-32 & n.11 (filed Mar. 17, 2009). None of those materials instructed users to employ the allegedly infringing date-picker feature when using the new appointment form in Outlook’s Calendar application.

The jury found that Microsoft had indirectly infringed the Day patent by selling the accused software, and that the patent was not invalid. It awarded Lucent royalty damages of \$358,693,056.18 for all three products. Following the jury verdict, Microsoft filed a renewed motion for judgment as a matter of law or, in the alternative, a new trial. Microsoft challenged the verdict as to infringement, validity, and damages. The district court rejected each challenge. App. 145a.

B. The Decision Below

As relevant here, the Federal Circuit affirmed the judgment of infringement, concluding that the evidence of infringement was “just barely sufficient.” App. 24a-25a. The appellate court “agree[d] with Microsoft that there was little, if any, direct evidence of infringement.” *Id.* at 23a. Specifically, it recognized that the *only* direct evidence of use of the allegedly infringing capability of any of the accused

products was by respondent's trial team, including its expert and his wife. *Id.* at 23a-24a. The court acknowledged that this direct evidence of infringement was insufficient to support the verdict. *Id.* ("If that were the only evidence of performing the claimed method, we would likely have to reverse.")² But, the court concluded, respondent's "circumstantial evidence was just adequate" to support the verdict. *Id.* at 24a.

The circumstantial evidence upon which the court relied consisted of (1) the imaginings of respondent's expert, and (2) the arguments of respondent's lawyers regarding what was in the instructional materials respondent had submitted. Specifically, respondent's expert "testified that '[i]t's hard to imagine that we're the only two people [the expert and his wife] in the world that ever used'" infringing features of the software. App. 24a.³ As for the instructional materials, the appellate court never cited, much less quoted, a single item in the record directing users to the allegedly infringing date-picker function in the new appointment form of Outlook's calendar. Instead, the court referred generally to "the dissemination of instruction manuals for the Microsoft products." *Id.* The *only* time the court suggested that those instructional materials directed users to the allegedly infringing date-picker is when the court quotes respondent's brief: "*As Lucent notes,*

² The exchange quoted in the opinion concerning respondent's expert's and his wife's use of Quicken on a Dell computer is not at all relevant to infringement by *Microsoft*. Quicken is not a Microsoft product, and Dell, which was a separate defendant in the case, settled while the appeal was pending.

³ Once again, this testimony, quoted by the court in *Microsoft's* appeal, concerns respondent's expert's speculation about the use of a *non-Microsoft* product, specifically Quicken.

‘Microsoft ... instructed its customers to use the accused products in an infringing way.’” *Id.* (emphasis added). In the panel’s view, the combined force of respondent’s lawyers’ spin on the evidence and the expert’s speculation regarding use by others was sufficient to support the verdict. *Id.* (“The circumstantial documentary evidence, supplementing the expert’s testimony, was just barely sufficient ...”).

The court went out of its way to make clear how close to insufficient the evidence was. The court acknowledged that “Lucent’s circumstantial evidence of infringement was ‘something less than the weight of the evidence,’ *Consolo v. Fed. Maritime Comm’n*, 383 U.S. 607, 620 (1966), yet it was just ‘more than a mere scintilla,’ *Consol. Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938).” App. 26a-27a. In short, in the court’s view, the evidence is the smallest quantum imaginable—*just* more than a scintilla—to survive JMOL. Moreover, even though the court concluded that the verdict was against the weight of the evidence, it incorrectly failed to order a new trial.

As noted above, the court ultimately vacated the damages award and remanded for a new trial solely on damages. As part of its damages analysis, the court once again acknowledged that respondent had failed to provide any evidence regarding the number of consumers who have ever used Outlook’s allegedly infringing feature: the date-picker for the calendar’s new appointment form. As the court acknowledged, “the evidence of record is conspicuously devoid of any data about how often consumers use the patented date-picker invention.” App. 58a. Respondent submitted no evidence that might have provided some basis to suggest how often, if at all, “the date-picker is used to fill out a form.” *Id.* at 58a-59a

Ultimately, the Federal Circuit did not and could not point to any evidence that the date-picker contributed any value to Outlook.

REASONS FOR GRANTING THE PETITION

In this case, the Federal Circuit adopted and applied new and unique substantive standards for post-trial review of jury verdicts of infringement. Unlike every other circuit, the Federal Circuit here concluded that speculative testimony and lawyer argument provide a sufficient evidentiary basis to support a jury verdict. Further, even on its own evaluation of the record, the Federal Circuit acknowledged that the verdict was contrary to the weight of the evidence, but nonetheless allowed the verdict to stand rather than order a new trial. These modifications to legal standards that are not unique to patent law are contrary to Congress's intent and threaten to undermine the rational and orderly enforcement of the patent laws. This Court should accept review to restore uniformity to the standards for post-trial review of jury verdicts, and to ensure that patent litigation is governed by the same standards that have been deemed fair and appropriate for all litigation.

I. SPECULATIVE EXPERT TESTIMONY AND ATTORNEY ARGUMENT ARE INSUFFICIENT TO SUPPORT A JURY VERDICT.

1. To establish that Microsoft indirectly infringed the Day patent, Lucent was required to prove, among other things, that users of Microsoft's software directly infringed the patent. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341, (1961) ("it is settled that if there is no *direct* infringement of a patent there can be no *contributory* infringement"); *Dynacore Holdings Corp. v. U.S.*

Philips Corp., 363 F.3d 1263, 1277 (Fed. Cir. 2004) (“[A]bsent direct infringement of the claims of a patent, there can be neither contributory infringement nor inducement of infringement.”). Under settled law, evidence that an accused infringer sold a product capable of or adapted for infringing use is insufficient to establish indirect infringement. *Id.* at 1275 (“[S]ale of an article which though adapted to an infringing use is also adapted to other and lawful uses, is not enough to make the seller an indirect infringer.”) (brackets omitted) (quoting *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 442 (1984)); see also *Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1311 (Fed. Cir. 2006). The patentee must also prove that the product was actually used to infringe.

Of Outlook’s numerous functions, the sole allegedly infringing use of the program was use of the date-picker tool in the new appointment form for Outlook’s calendar. App. 22a, 54a-55a. Thus, to establish that petitioner indirectly infringed the Day patent, respondent was required to show that users of Outlook actually used the date-picker feature.

Respondent, however, offered “little, if any, direct evidence of infringement.” App. 23a. The testimony of respondent’s expert that he and his wife performed all the steps of the claimed method, which the Federal Circuit quoted, did not even relate to a Microsoft product. It related to Quicken, which concerned the claim against Dell. *Id.* at 23a-24a (quoting JA7517). And, even accepting, as the Federal Circuit apparently did, that this testimony related to Microsoft at all, the appellate court properly concluded that it could not alone suffice to support the verdict. *Id.* at 24a.

Instead, the court relied on the supposed “circumstantial evidence” of infringement. The first item of “circumstantial evidence” was express speculation by respondent’s expert. When asked whether he had “produce[d] any evidence to this jury that anybody other than Lucent’s trial team and its witnesses ... actually performed every single step of the claim,” Lucent’s expert replied that he and his wife had used the software in an infringing manner, and that “[i]t’s hard to imagine that we’re the only two people in the world that ever used it.” App. 23a-24a. At the outset, it is important to note that this speculation about what Lucent’s expert could “imagine” is not even about any Microsoft product, much less specifically about Outlook and the use of the date-picker on the new appointment form in Outlook’s calendar. *See id.* at 23a. But even brushing that aside, this testimony amounts to no testimony at all. Saying that it is “hard to imagine” that nobody has used the feature is the equivalent of saying that there is no obligation to present evidence that the feature was used. Yet the Federal Circuit treated this testimony as positive, albeit “circumstantial,” evidence that the feature had actually been used.

What makes respondent’s showing so nakedly inadequate is that the proof here was not particularly difficult to acquire, if any such proof exists. Either users of Outlook used the date-picker feature or they did not. Respondent’s unwillingness or inability after years of litigation to present even one witness who would testify to such actual use precludes any possibility of a proper finding of the requisite direct infringement. In these circumstances, Rules 50 and 59 are supposed to prevent juries from imposing liability.

This is why no other court of appeals would have credited such speculative testimony when considering whether a plaintiff had satisfied its burden to present sufficient evidence to support a jury verdict. “JMOL is appropriate when the jury could have relied only on speculation to reach its verdict.” *Lakeside-Scott v. Multnomah County*, 556 F.3d 797, 803 (9th Cir. 2009), *petition for cert. filed*, 78 U.S.L.W. 3090 (Aug. 10, 2009) (No. 09-176). As the Ninth Circuit—whose law governed this case, App. 5a-6a—has explained:

“[A] reasonable inference “cannot be supported by only threadbare conclusory statements instead of significant probative evidence.” *Barnes v. Arden Mayfair, Inc.*, 759 F.2d 676, 680-81 (9th Cir. 1985) (internal quotation marks omitted); *see also Genthe v. Lincoln*, 383 F.3d 713, 716 (8th Cir. 2004) (noting within the context of a motion for JMOL that an inference is reasonable “when it may be drawn from the evidence without resort to speculation” (internal quotation marks omitted)); *Willis v. Marion County Auditor’s Office*, 118 F.3d 542, 545 (7th Cir. 1997) (noting within the context of a motion for JMOL that a “mere scintilla is not enough” to sustain a verdict for the prevailing party). Consequently, JMOL is appropriate when the jury could have relied only on speculation to reach its verdict.

Lakeside Scott, 556 F.3d at 802-03 (footnote omitted). Other circuits agree: speculation cannot support a jury verdict. *See Hinz v. Neuroscience, Inc.*, 538 F.3d 979, 984 (8th Cir. 2008) (“[W]hen the record contains no proof beyond speculation to support the verdict, then judgment as a matter of law is appropriate.”); *Borges Colón v. Román-Abreu*, 438 F.3d 1, 14 (1st Cir. 2006) (“[T]he plaintiff is not entitled to inferences

based on speculation and conjecture. The party who bears the burden of proof must have presented more than a mere scintilla of evidence in its favor to withstand a motion for judgment as a matter of law.”) (citations and internal quotation marks omitted); *Myrick v. Prime Ins. Syndicate, Inc.*, 395 F.3d 485, 489 (4th Cir. 2005) (“if the verdict in favor of the non-moving party would necessarily be based upon speculation and conjecture, judgment as a matter of law must be entered”); *Grochowski v. Phoenix Const.*, 318 F.3d 80, 89 (2d Cir. 2003) (“[T]here is only speculation to establish what hours these plaintiffs worked. Accordingly, the district court correctly granted the defendants’ motion for judgment as a matter of law”); *Rafferty v. NYNEX Corp.*, 60 F.3d 844, 851 (D.C. Cir. 1995) (per curiam) (“We conclude that Telco and NYNEX are entitled to judgment as a matter of law on Rafferty’s misrepresentation claim because Rafferty cannot show non-speculative injury reasonably traceable to the alleged misrepresentations.”); *Maltby v. Winston*, 36 F.3d 548, 559 (7th Cir. 1994) (where verdict “would have been based on pure speculation,” “[t]he district court did not err in entering judgment as a matter of law”); *Lightning Lube, Inc. v. Witco Corp.*, 4 F.3d 1153, 1200 (3d Cir. 1993) (affirming JMOL where plaintiff’s “attempt to create a wide-ranging corporate scheme out of isolated events rests on speculation only”). And it makes no difference if the speculation comes in the form of supposed “expert” testimony. See *Huss v. Gayden*, 571 F.3d 442, 460 (5th Cir. 2009) (“the say-so of an expert is not necessarily grounds to deny judgment as a matter of law”), *petition for cert. filed*, No. 09-842 (Jan. 18, 2010); cf. also *Bragdon v. Abbott*, 524 U.S. 624, 653 (1998) (“expert testimony must have a traceable, analytical basis in objective fact before it may be considered on summary judgment”).

Likewise, courts have made clear at the summary judgment stage that speculation cannot create a genuine issue of material fact for the jury.⁴ See *Manis v. Lawson*, 585 F.3d 839, 845 (5th Cir. 2009) (“The expert’s subsequent speculation that deadly force was unjustified is insufficient to create a genuine, material fact issue.”); *Shiver v. Chertoff*, 549 F.3d 1342, 1343 (11th Cir. 2008) (per curiam) (“Speculation does not create a *genuine* issue of fact.”); *Smock v. Nolan*, 361 F.3d 367, 370 (7th Cir. 2004) (“Speculation and conjecture are insufficient to defeat a motion for summary judgment.”); *Beaird v. Seagate Tech., Inc.*, 145 F.3d 1159, 1170 (10th Cir. 1998) (“speculation ... will not suffice for evidence”) (omission in original); *Ross v. Commc’ns Satellite Corp.*, 759 F.2d 355, 364 (4th Cir. 1985) (“wholly speculative assertions will not suffice” to defeat summary judgment), *overruled on other grounds by Price Waterhouse v. Hopkins*, 490 U.S. 228 (1989).

To be sure, the appellate court did not rely *exclusively* on the expert’s speculative testimony. But that testimony was *essential* in the Federal Circuit’s view; the other “evidence” served to “supplement[] the expert’s testimony,” pushing the evidence as a whole, in the court’s view, “just barely” above the level required by Rule 50. App. 24a-25a. Further, the other so-called “circumstantial” evidence upon which the Federal Circuit relied would no more have been credited by any other circuit than the speculative expert testimony.

⁴ This Court has explained that the inquiry as to JMOL and summary judgment is “the same: whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one party must prevail as a matter of law.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 251-52 (1986).

For the final push over its low “just barely” bar, the Federal Circuit generally referred to “instruction manuals for the Microsoft products,” App. 24a, but pointed to nothing in any of the materials in the record that actually directed any user of Outlook to the date-picker feature in the new appointment form for the Outlook calendar. In fact, the only instruction manuals Lucent cited dealt with use of Outlook generally—not use of the allegedly infringing date-picker. See Lucent Response Br. 21 (citing record materials). Generic instruction manuals that do not teach an infringing use are not circumstantial evidence of direct infringement by users. Compare *Golden Blount, Inc. v. Robert H. Peterson Co.*, 438 F.3d 1354, 1363 (Fed. Cir. 2006) (instruction manual constituted circumstantial evidence of direct infringement only where the manual “taught the infringing configuration”), and *Arthrocare Corp. v. Smith & Nephew, Inc.*, 406 F.3d 1365, 1377 (Fed. Cir. 2005) (finding circumstantial evidence of direct infringement in defendant’s instruction to purchasers that “care should be taken to” use the product in an infringing manner). Indeed, the *only* place where the Federal Circuit says that the manuals instruct “customers to use the accused products *in an infringing way*,” App. 24a, is when the Federal Circuit quotes *Lucent’s brief on appeal*.

An attorney’s argument on appeal can no more support a jury verdict than speculative expert testimony. It is axiomatic that such materials are not evidence at all, much less sufficient evidence to support a verdict. See *United States v. Sandini*, 888 F.2d 300, 311 (3d Cir. 1989) (“the arguments of counsel are simply not evidence”); accord *United States v. Thompson*, 482 F.3d 781, 785 (5th Cir. 2007); *Lingar v. Bowersox*, 176 F.3d 453, 460-61 (8th

Cir. 1999); *United States v. Johnston*, 690 F.2d 638, 643 (7th Cir. 1982) (en banc).

The Federal Circuit's conclusion that this record presented "just 'more than a mere scintilla' of evidence" in support of the jury's infringement verdict places that court at variance with all the other circuits. App. 26a-27a. The other circuits would have concluded that there is no evidence of direct infringement at all on this record, as they would have refused to credit the materials upon which the Federal Circuit relied. Indeed, the Federal Circuit all but announced that it was modifying Rule 50's requirement of a "sufficient evidentiary basis" when it cited the scintilla standard from this Court's decision in *Consolidated Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938). In *Consolidated Edison*, this Court interpreted the then-current iteration of 29 U.S.C. § 160(e) (1936), which stated that "the findings of the [National Labor Relations] Board as to the facts, if supported by evidence, shall be conclusive." 305 U.S. at 229. The Court interpreted "evidence" in the statute to mean "substantial evidence," which it explained was "more than a mere scintilla." *Id.* The case concerned judicial review of *agency action* and had nothing to do with Rule 50. And even if it had, the opinion nowhere suggests that speculative testimony or attorney argument, alone or together, amount to even a mere scintilla of evidence, much less more.

2. Depriving post-judgment review of all meaning in this fashion threatens the efficient, fair and rational operation of the judicial system wherever it occurs. But the costs are especially significant when idiosyncratic rules are applied in patent cases. There is strong evidence that the patent litigation process already contains a strong jury bias in favor of

patentees. The principal protection against that known, built-in bias is meaningful post-judgment enforcement of the standards governing the requisite evidentiary support for jury awards.

Empirical evidence establishes that juries find in favor of patentees over accused infringers, and award substantial infringement damages, a significant majority of the time:

Recent statistics show that patentees are far more likely to prevail in a jury trial than a bench trial, and that the damages awarded by juries are markedly higher than damages awarded by judges. According to one recent study, patentees won 44% of bench trials compared to 79% of jury trials. The average jury award is more than ten times greater than the average bench award of damages.... [O]f the sixty-five to seventy patent cases that go to trial every year, patentees win approximately 75% of the cases.

While only a small percentage of cases go to trial, the results of those cases are significant in that they represent generally high success rates and large awards of damages, the threat of which allows the patent owner to negotiate a more favorable settlement.

Gary M. Hnath & Timothy A. Molino, *The Roles of Judges and Juries in Patent Litigation*, 19 Fed. Cir. B.J. 15, 16 (2009) (footnotes omitted); see also Kimberly A. Moore, *Judges, Juries, and Patent Cases—an Empirical Peek Inside the Black Box*, 99 Mich. L. Rev. 365, 387 (2000) (“the patent-holder win rates follow the pattern predicted by popular perception—namely, higher win rates for the patent holder in jury trials, but not in judge trials”); Adam Shartzter, *Patent Litigation 101: Empirical Support*

for the Patent Pilot Program's Solution to Increase Judicial Experience in Patent Law, 18 Fed. Cir. B.J. 191, 214 (2008) (citing an “eleven-fold increase in patent cases filed in the Eastern District of Texas between 2001 and 2007” and describing the “favorability of the Eastern District of Texas for patent litigants” because “Plaintiff-Patentees in the Eastern District of Texas win 90% of jury trials,” and because juries in that district “rarely invalidate a patent”).

This known bias in favor of patentees in jury trials casts special doubt on those cases, such as this one, where a reviewing court *acknowledges* that the evidence supporting the verdict is so close to insufficient that it amounts to “*just* ‘more than a mere scintilla.’” App. 26a-27a (emphasis added). And it also should raise the focus of reviewing courts for precisely the kind of speculative, unsupported “evidence” and argument that might lead a jury to render a verdict that lacks genuine evidentiary support. Without such review—the same review applied to all other cases—the patent litigation system will continue to distort patent enforcement, forcing defendants with legitimate and even strong defenses to settle rather than risk an outsized, even if not defensible, jury award.

This Court has previously stepped in to correct decisions that established procedural rules for patent cases that materially depart from the rules applicable in all other litigation. For example, in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), this Court reversed the Federal Circuit’s “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.” *Id.* at 391. Instead, the Court held that the generally applicable four-part test for injunctive relief “appl[ies] with equal force to disputes arising under

the Patent Act.” *Id.* There was no “general rule,’ unique to patent disputes.” *Id.* at 393. Likewise, in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007), this Court rejected a Federal Circuit holding that Article III jurisdiction applies differently to patent licensees than to other licensees; contrary to the Federal Circuit’s holding restricting the ability of patent licensees to challenge the validity, enforceability or scope of the licensed patent while still performing their license obligations, this Court found that Article III permits such challenges. *Id.* at 122, 137.⁵ These decisions implement Congress’s intent when it created the Federal Circuit: that a single court of appeals and uniform substantive law for patent cases was desirable, but that such a court ought not to create separate procedural rules for patent cases alone; the standard rules of litigation ought to apply. See *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 856-58 (Fed. Cir.

⁵ In still more recent cases, this Court has reversed Federal Circuit decisions applying patent law doctrines that improperly expanded the scope of patent rights. See *Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S.Ct. 2109 (2008) (reversing Federal Circuit and holding that patent exhaustion doctrine, which provides that authorized sale of a patented item terminates patent rights to that item, applies to method patents); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007) (reversing Federal Circuit and holding that infringement liability does not exist under 35 U.S.C. § 271(f) for sales of computer software to foreign computer manufacturers); *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (rejecting Federal Circuit rulings that obviousness can be proved only by showing a teaching, suggestion, or motivation to combine the prior art); *Merck KGaA v. Integra Lifesciences I, Ltd.*, 545 U.S. 193, 195, 208 (2005) (reversing Federal Circuit and holding that uses of patented inventions in preclinical research, the results of which are not ultimately included in a submission to the Food and Drug Administration, are exempted from infringement by 35 U.S.C. § 271(e)(1)).

1991); *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574-75 (Fed. Cir. 1984) (per curiam) (“Since our mandate is to eliminate conflicts and uncertainties in the area of patent law, we must not, in doing so, create unnecessary conflicts and confusion in procedural matters.”), *overruled on other grounds by Richardson-Merrell Inc. v. Koller*, 472 U.S. 424 (1985).

More directly relevant to JMOL standards, this Court has suggested that the Federal Circuit should *promote*—not cut back—the resolution of patent cases as a matter of law. Discussing the doctrine of equivalents, this Court explained that

[w]here the evidence is such that no reasonable jury could determine two elements to be equivalent, district courts are obliged to grant partial or complete summary judgment. If there has been a reluctance to do so by some courts due to unfamiliarity with the subject matter, *we are confident that the Federal Circuit can remedy the problem.*

Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co., 520 U.S. 17, 39 n.8 (1997) (emphasis added, citations omitted). Despite this Court’s confidence, the decision below makes clear that further guidance is necessary to ensure that, when appropriate, patent cases are resolved as a matter of law by applying the same standards that apply to all other cases.

3. The unique, patent-specific post-judgment review standards applied in this case are not an isolated aberration. As other recent decisions demonstrate, litigants in the Federal Circuit often face rulings that cast doubt on what were thought to be settled principles of law.

Much attention has been paid, for example, to inconsistent rulings from different panels of the Federal Circuit on questions of damages. Compare *ResQNet.com, Inc. v. Lansa, Inc.*, ___ F.3d ___, 2010 WL 396157, at *9 (Fed. Cir. Feb. 5, 2010) (per curiam) (vacating damages award where plaintiff's expert "offer[ed] little or no evidence of a link between the re-bundling licenses and the claimed invention"), with *i4i*, 589 F.3d at 1269-73 (rejecting argument that expert had improperly used price of incomparable technology to establish royalty rate as "disagreements ... with [the expert's] conclusions, not his methodology," and "go[ing] to the weight, not admissibility, of his opinion"; declining to undertake reasonableness review of damages award). See also *ResQNet*, 2010 WL 396157, at *14 (majority opinion in *ResQNet* "distort[s] the principles of this court's decisions, including such recent rulings as [*Lucent*] and [*i4i*]") (Newman, J., dissenting). Indeed, the Chief Judge of the Federal Circuit organized the preparation of a handbook to provide guidance "for trial courts ... when deciding issues of compensatory damages in patent infringement cases." 2010 Emerging Issues 4839, *Compensatory Damages Issues in Patent Infringement Cases: A Handbook for Federal District Court Judges* 3 (Jan. 2010). But unauthoritative "handbooks" are no substitute for the consistent application of general principles of law in published opinions. And that is just as true with respect to the standards for post-judgment review of the record on infringement as it is for review of damages awards.

Further, in *i4i*, the Federal Circuit held that a patent infringement defendant cannot obtain post-trial review of a damages award for excessiveness by filing a motion for new trial, but rather must have

filed a pre-verdict motion for JMOL challenging the reasonableness of an award which had not yet been rendered. 589 F.3d at 1272-73. Here, again, the Federal Circuit adopted a unique, patent-only rule of procedure. Every other circuit has held that the traditional “grossly excessive” standard applies when reviewing denials of new trial motions.⁶

In short, this Court’s intervention is needed to establish clear rules for post-judgment review in patent cases. This Court’s review in this case will serve the same salutary purpose that its review in *eBay* and *MedImmune* served: it will ensure that important and generally applicable procedural rules are applied in the same manner in patent cases as they are in all others. Evidence that could not

⁶ See *Wells v. Dallas Indep. Sch. Dist.*, 793 F.2d 679, 683-84 (5th Cir. 1986); *Whitfield v. Meléndez-Rivera*, 431 F.3d 1, 15-16 (1st Cir. 2005) (reversing denial of new trial under “grossly excessive” standard); *Gumbs v. Pueblo Int’l, Inc.*, 823 F.2d 768, 773 (3d Cir. 1987) (same); *Rodgers v. Fisher Body Div., Gen. Motors Corp.*, 739 F.2d 1102, 1105-06 (6th Cir. 1984) (same); *Herrington v. County of Sonoma*, 834 F.2d 1488, 1503 (9th Cir. 1987) (same); see also *Scala v. Moore McCormack Lines, Inc.*, 985 F.2d 680, 683-84 (2d Cir. 1993) (reversing denial of new trial where award was “so excessive “as to shock the judicial conscience””); *Fitzgerald v. Mountain States Tel. & Tel. Co.*, 68 F.3d 1257, 1261-62, 1264-66 (10th Cir. 1995) (same); *Cline v. Wal-Mart Stores, Inc.*, 144 F.3d 294, 305 (4th Cir. 1998) (reversing denial of new trial where “comparison of the factual record and the verdict” showed damages verdict was “against the clear weight of the evidence”) (internal quotation marks omitted); *EEOC v. AIC Sec. Investigations, Ltd.*, 55 F.3d 1276, 1285 (7th Cir. 1995) (reviewing whether verdict was “monstrous[]”); *Hollins v. Powell*, 773 F.2d 191, 197 (8th Cir. 1985) (reversing denial of new trial where award was “monstrous” or “shocking”); *Peyton v. DiMario*, 287 F.3d 1121, 1126 (D.C. Cir. 2002) (reviewing whether “the verdict is so inordinately large as to obviously exceed the maximum limit of a reasonable range”).

support a verdict in non-patent cases ought not support a patent infringement verdict either. Only this Court can correct the distortion to the patent litigation system that the Federal Circuit's decision here creates.

II. ON THE FEDERAL CIRCUIT'S OWN VIEW OF THE EVIDENCE, A NEW TRIAL IS REQUIRED.

The distortion of post-judgment standards is particularly clear in this case. As noted above, the Federal Circuit concluded that the evidence presented by respondent was the absolute least possible that could evade entry of JMOL. App. 26a-27a (“it was *just* ‘more than a mere scintilla’”) (emphasis added). As noted above, this conclusion is based on evidence that no other court of appeals would have considered at all. But even if one were to accept the Federal Circuit's view, the Federal Circuit still observed that respondent's “evidence of infringement was ‘something less than the weight of the evidence.’” *Id.* at 26a. The Federal Circuit simply failed to acknowledge that respondent's evidentiary failure required at least a new trial on infringement.

The Federal Circuit cited this Court's decision in *Consolo v. Federal Maritime Commission*, 383 U.S. 607, 620 (1966), when referring to the weakness of the evidentiary record. In *Consolo*, this Court considered the standard of review to be applied by a court of appeals reviewing agency action under the Administrative Procedure Act. *Id.* at 619-20. In that context, the Court stated that agency action may be upheld based on “something less than the weight of the evidence.” *Id.* at 620. But this case, of course, does not involve review of an agency decision. The importation of an administrative law standard to

post-judgment review here presents yet another inappropriate modification of generally applicable procedural rules in patent cases.

Under applicable Ninth Circuit law, the Federal Circuit, under its view of the record, should have ordered a new trial. Although the Ninth Circuit reviews a district court's denial of a motion for new trial for abuse of discretion, *see* App. 5a-6a (citing *Pavao v. Pagay*, 307 F.3d 915, 918 (9th Cir. 2002)), a district court in the Ninth Circuit does not have discretion to deny a new trial once it is determined that the verdict is against the clear weight of the evidence: the district judge has "the duty, ... to set aside the verdict of the jury, even though supported by substantial evidence, where, in his conscientious opinion, the verdict is contrary to the clear weight of the evidence." *Murphy v. City of Long Beach*, 914 F.2d 183, 187 (9th Cir. 1990) (emphasis added) (quoting *Moist Cold Refrigerator Co. v. Lou Johnson Co.*, 249 F.2d 246, 256 (9th Cir. 1957)).

In the Ninth Circuit, a new trial would be required where, as the Federal Circuit found, the verdict was supported by less than the weight of the evidence and only by *just* more than a mere scintilla. The decisions of other courts of appeals are in agreement. *See, e.g., King v. McMillan*, __ F.3d __, 2010 WL 376614, at *9 (4th Cir. Feb. 3, 2010) (where "the verdict is against the clear weight of the evidence, is based on false evidence or will result in a miscarriage of justice, [the district court] must set aside the verdict, even if supported by substantial evidence, and grant a new trial"); *Astro-Med, Inc. v. Nihon Kohden Am., Inc.*, 591 F.3d 1, 13 (1st Cir. 2009) (new trial warranted "if the verdict, though rationally based on the evidence, was so clearly against the weight of the evidence as to amount to a manifest miscarriage of justice"); *Nolan*

v. Memphis City Sch., 589 F.3d 257, 264 (6th Cir. 2009) (new trial should be granted “if the verdict is against the clear weight of the evidence” and is “unreasonable”); *Escue v. N. Okla. Coll.*, 450 F.3d 1146, 1156-57 (10th Cir. 2006) (denial of new trial will be reversed if verdict is “clearly, decidedly or overwhelmingly against the weight of the evidence”); *Springer v. Henry*, 435 F.3d 268, 274 (3d Cir. 2006) (“new trial should be granted only where the ‘great weight’ of the evidence cuts against the verdict and ‘where a miscarriage of justice would result if the verdict were to stand’”). This Court should grant review to make clear that the JMOL and new trial standards that apply to all other cases in the federal courts apply to patent cases as well.

CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

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