Nos. 2019-2192, -2258

United States Court of Appeals for the Federal Circuit

TECSEC, INC.,

Plaintiff-Appellant,

v.

ADOBE INC.,

Defendant-Cross-Appellant,

SAS INSTITUTE, INC., SAP AMERICA, INC., SAP AG, CISCO SYSTEMS, INC., SYBASE, INC., SOFTWARE AG, SOFTWARE AG, INC., ORACLE CORPORATION, ORACLE AMERICA, INC.,

Defendants.

Appeals from the United States District Court for the Eastern District of Virginia in No. 1:10-cv-00115-LO-TCB, Judge Liam O'Grady.

PRINCIPAL AND RESPONSE BRIEF OF CROSS-APPELLANT

Tara D. Elliott
Michael A. Morin
Gabriel K. Bell
Rachel Weiner Cohen
LATHAM & WATKINS LLP
555 Eleventh Street, NW
Suite 1000
Washington, DC 20004
(202) 637-2200
tara.elliott@lw.com

Counsel for Cross-Appellant Adobe Inc.

November 18, 2019

CERTIFICATE OF INTEREST

Counsel for Appellee certifies the following:

1. The full name of every party or amicus curiae represented by me is:

   Adobe Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

   None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

   Latham & Watkins LLP: Maximilian A. Grant, Dale Chang, Brett M. Sandford, Gabrielle LaHatte.

   Christian & Barton, LLP: Michael W. Smith, Roman Lifson, David B. Lacy.

   Constantine Cannon LLP: Henry C. Su.

   Allen & Overy LLP (asterisk denotes no longer with the firm): Riccardo S. Macchiaroli*, Steven E. Adkins*.

   Greenberg Traurig LLP (asterisk denotes no longer with the firm): Vivian S. Kuo, William P. Nelson*, Christina M. Finn*, James F. Valentine*.

   Dewey & LeBoeuf LLP (asterisk denotes no longer with the firm): Lyle Roberts*, Andrew N. Stein*, Christina M. Finn*, Henry C. Bunsow*.

   Law Office of Craig C. Reilly: Craig C. Reilly.

Fenwick & West LLP (asterisk denotes no longer with the firm): Charlene M. Morrow, David Wallace*, Phillip J. Haack*, Virginia K. DeMarchi*, Rebecca A.E. Fewkes, Jeffrey A. Ware, Dargaye H. Churnet, Yixin Zhang*, Kunyu Ching*, Bryan A. Kohm, Amy E. Hayden*, Christopher L. Larson.

Howrey LLP (asterisk denotes no longer with the firm): Henry C. Bunsow*.

John Steele, Attorney at Law: John J. Steele.

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47.4(a)(5) and 47.5(b).

   The district court proceedings that were not subject to the Rule 54(b) judgment currently on appeal could be affected by this appeal. *See TecSec, Inc. v. SAS Institute, Inc., SAP America, Inc., SAP AG, Cisco Systems, Inc., Sybase, Inc., Software AG, Software AG, Inc., Adobe Inc., Oracle Corp., Oracle America, Inc.*, Case No. 1:10-cv-00115-LO/TCB.

Dated: November 18, 2019

Respectfully submitted,

/s/ Tara D. Elliott
Tara D. Elliott

TABLE OF CONTENTS

Page

CERTIFICATE OF INTEREST i

TABLE OF AUTHORITIES vi

STATEMENT OF RELATED CASES 1

JURISDICTIONAL STATEMENT 1

STATEMENT OF THE ISSUES 2

INTRODUCTION 3

STATEMENT OF THE CASE 5

A. The Parties 5

B. The Asserted Patents 6

C. The Accused Adobe Acrobat Products 7

D. The District Court Proceedings 8

1. The Non-Infringement Stipulation And Judgment In Favor Of Adobe 8

2. Other Summary Judgment Rulings 10

3. Adobe's Stipulation To A Single Instance Of Direct Infringement Of The Asserted Method Claims 10

4. The *In Limine* Ruling 11

5. The Jury Trial 13

6. Post-Trial 14

SUMMARY OF THE ARGUMENT 15

STANDARD OF REVIEW 19

ARGUMENT 19

Page

I. THE DISTRICT COURT'S RULINGS ON INDUCEMENT WERE A PROPER USE OF THE COURT'S POWER AND DISCRETION 19

A. The District Court Properly Granted Adobe's Motion *In Limine* 19

1. The District Court Properly Resolved An Evidentiary Issue To Ensure A Fair Trial 21

2. The Court Correctly Held That Adobe Could Not Induce Infringement From 2011-2013 As A Matter Of Law 25

3. The *In Limine* Ruling Is Not An Improper Or Untimely Summary Judgment Grant 31

B. The District Court Properly Excluded Third-Party Testimony 34

1. The Third-Party Testimony Was Irrelevant And Prejudicial 35

2. Any Alleged Error Was Harmless And Cannot Form The Basis For A New Trial 39

C. The District Court Properly Instructed The Jury 43

1. Jury Instruction No. 25 Was Proper 44

2. Jury Instruction No. 28 Was Proper 47

3. Any Alleged Error Was Harmless And Cannot Form The Basis For A New Trial 48

II. THE DISTRICT COURT PROPERLY GRANTED JUDGMENT AS A MATTER OF LAW OF NO DIRECT INFRINGEMENT DAMAGES 51

A. TecSec Chose Not To Present Any Evidence Of Direct Infringement Damages 51

B. TecSec's Other Arguments Are Unavailing 55

Page

III. ALTERNATIVELY, THE ASSERTED CLAIMS ARE INELIGIBLE UNDER § 101 59

A. The Asserted Claims Are Directed To An Abstract Idea 61

B. The Asserted Claims Add Nothing Inventive 68

C. The District Court's Contrary Conclusion Is Flawed 70

CONCLUSION 73

TABLE OF AUTHORITIES

Page(s)

CASES

Alice Corp. Pty. Ltd. v. CLS Bank International,
573 U.S. 208 (2014).....59, 60, 61, 65, 69

Allen Organ Co. v. Kimball International, Inc.,
839 F.2d 1556 (Fed. Cir. 1988) 27

Anchor Wall Systems v. Rockwood Retaining Walls, Inc.,
610 F. Supp. 2d 998 (D. Minn. 2009).....23, 24, 34

Apex Custom Homes, L.L.C. v. O'Kelley,
671 F. App'x 134 (4th Cir. 2016).....49

Apple, Inc. v. Motorola, Inc.,
757 F.3d 1286 (Fed. Cir. 2014) 52, 54, 57, 58

Bascom Global Internet Services, Inc. v. AT&T Mobility, LLC,
827 F.3d 1341 (Fed. Cir. 2016) 69, 70

Berkheimer v. HP Inc.,
881 F.3d 1360 (Fed. Cir. 2018) 19, 61

Bettcher Industries, Inc. v. Bunzl USA, Inc.,
661 F.3d 629 (Fed. Cir. 2011) 43, 46, 48, 49

Boston Scientific Corp. v. Johnson & Johnson,
550 F. Supp. 2d 1102 (N.D. Cal. 2008).....54, 57

Bowers v. National Collegiate Athletic Association,
563 F. Supp. 2d 508 (D.N.J. 2008).....32

Bridge & Post, Inc. v. Verizon Communications, Inc.,
778 F. App'x 882 (Fed. Cir. 2019).....67

Brobst v. Columbus Services International,
761 F.2d 148 (3d Cir. 1985) 32

BSG Tech LLC v. Buyseasons, Inc.,
899 F.3d 1281 (Fed. Cir. 2018) 68, 69, 70

Page(s)

Chaffin v. Braden,
No. 6:14-0027, 2018 WL 1794766 (S.D. Tex. Apr. 16, 2018) 27

Chamberlain Group, Inc. v. Techtronic Industries Co.,
935 F.3d 1341 (Fed. Cir. 2019) 69

Chaudhry v. Gallerizzo,
174 F.3d 394 (4th Cir. 1999) 19

Chiron Corp. v. Genentech, Inc.,
363 F.3d 1247 (Fed. Cir. 2004) 47

Cleveland Clinic Foundation v. True Health Diagnostics LLC,
859 F.3d 1352 (Fed. Cir. 2017) 28

Colassi v. Cybex International, Inc.,
221 F. App'x 973 (Fed. Cir. 2007) 31, 32

Colonial Trading, LLC v. Bassett Furniture Industries, Inc.,
530 F. App'x 218 (4th Cir. 2013) 49

Content Extraction & Transmission LLC v. Wells Fargo Bank, National Association,
776 F.3d 1343 (Fed. Cir. 2014) 62, 63

DDR Holdings, LLC v. Hotels.com, L.P.,
773 F.3d 1245 (Fed. Cir. 2014) 70

Del Mar Avionics, Inc. v. Quinton Instrument Co.,
836 F.2d 1320 (Fed. Cir. 1987) 59

DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.,
567 F.3d 1314 (Fed. Cir. 2009) 23, 24, 58

Devex Corp. v. General Motors Corp.,
667 F.2d 347 (3d Cir. 1981) 57, 58

Dow Chemical Co. v. Mee Industries, Inc.,
341 F.3d 1370 (Fed. Cir. 2003) 57, 58

DSU Medical Corp. v. JMS Co.,
471 F.3d 1293 (Fed. Cir. 2006) 26, 41

Page(s)

Electric Power Group, LLC v. Alstom S.A.,
830 F.3d 1350 (Fed. Cir. 2016) 60, 70

Energy Heating, LLC v. Heat On-The-Fly, LLC,
889 F.3d 1291 (Fed. Cir. 2018) 22, 24

Enfish, LLC v. Microsoft Corp.,
822 F.3d 1327 (Fed. Cir. 2016) 68

Ferring B.V. v. Barr Laboratories, Inc.,
437 F.3d 1181 (Fed. Cir. 2006) 28

Global-Tech Appliances, Inc. v. SEB S.A.,
563 U.S. 754 (2011).....26

Gustafson, Inc. v. Intersystems Industrial Products, Inc.,
897 F.2d 508 (Fed. Cir. 1990) 27, 54

Hana Financial, Inc., v. Hana Bank,
735 F.3d 1158 (9th Cir. 2013), *aff'd*, 574 U.S. 418 (2015).....33

HDM Flugservice GmBH v. Parker Hannifin Corp.,
332 F.3d 1025 (6th Cir. 2003) 24

Hollister Inc. v. Zassi Holdings, Inc.,
752 F. App'x 888 (11th Cir. 2018).....58

Huskey v. Ethicon, Inc.,
848 F.3d 151 (4th Cir.) 19

Innovation Sciences, LLC v. Amazon.com, Inc.,
778 F. App'x 859 (Fed. Cir. 2019) 67

Intellectual Ventures I LLC v. Capital One Bank (USA),
792 F.3d 1363 (Fed. Cir. 2015) 65

Intellectual Ventures I LLC v. Capital One Financial Corp.,
850 F.3d 1332 (Fed. Cir. 2017) 60, 67, 68

Intellectual Ventures I LLC v. Symantec Corp.,
838 F.3d 1307 (Fed. Cir. 2016) 60, 62, 65, 67, 71

Page(s)

Intercontinental Great Brands LLC v. Kellogg North America Co.,
869 F.3d 1336 (Fed. Cir. 2017) 28

Internet Patents Corp. v. Active Network, Inc.,
790 F.3d 1343 (Fed. Cir. 2015) 60

Interval Licensing LLC v. AOL, Inc.,
896 F.3d 1335 (Fed. Cir. 2018) 68

InTouch Technologies, Inc. v. VGo Communications, Inc.,
751 F.3d 1327 (Fed. Cir. 2014) 39, 40, 43

Keg Technologies, Inc. v. Laimer,
436 F. Supp. 2d 1364 (N.D. Ga. 2006).....54

Lassiter v. City of Philadelphia,
716 F.3d 53 (3d Cir. 2013) 21, 23

Lincoln National Life Insurance Co. v. Transamerica Life Insurance Co.,
609 F.3d 1364 (Fed. Cir. 2010) 38

Louzon v. Ford Motor Co.,
718 F.3d 556 (6th Cir. 2013) 33

Luce v. United States,
469 U.S. 38 (1984).....16, 21

Maddox v. Patterson,
905 F.2d 1178 (8th Cir. 1990) 24

Martin Marietta Corp. v. Fireman's Fund Insurance Co.,
852 F.2d 566, 1988 WL 76136 (4th Cir. July 22, 1988) 33

Meyer Intellectual Properties, Ltd. v. Bodum, Inc.,
690 F.3d 1354, 1358 (Fed. Cir. 2012) 33

Mid-America Tablewares, Inc. v. Mogi Trading Co.,
100 F.3d 1353 (7th Cir. 1996) 33

Mirror Worlds, LLC v. Apple Inc.,
692 F.3d 1351 (Fed. Cir. 2012) 36, 54

Page(s)

Odetics, Inc. v. Storage Technology Corp.,
185 F.3d 1259 (Fed. Cir. 1999) 22

Personalized Media Communications, LLC v. Amazon.Com, Inc.,
161 F. Supp. 3d 325 (D. Del. 2015), *aff'd*, 671 F. App'x 777 (Fed. Cir. 2016) 63

Power Integrations v. Fairchild Semiconductor International, Inc.,
843 F.3d 1315 (Fed. Cir. 2016) 26, 41, 43

Praxair, Inc. v. ATMI, Inc.,
543 F.3d 1306 (Fed. Cir. 2008) 40

Promega Corp. v. Life Technologies Corp.,
875 F.3d 651 (Fed. Cir. 2017) 51, 52, 54, 55, 57

RecogniCorp, LLC v. Nintendo Co.,
855 F.3d 1322 (Fed. Cir. 2017) .....*passim*

Royster v. Food Lion, Inc. (In re Food Lion, Inc.),
151 F.3d 1029, 1998 WL 322682 (4th Cir. 1998).....34

In re Salwan,
681 F. App'x 938 (Fed. Cir. 2017) 67

Sprint/United Management Co. v. Mendelsohn,
552 U.S. 379 (2008).....21

TecSec, Inc. v. Adobe Systems Inc.,
658 F. App'x 570 (Fed. Cir. 2016) 10, 64, 65

TecSec, Inc. v. International Business Machines Corp.,
466 F. App'x 882 (Fed. Cir. 2012) 9

TecSec, Inc. v. International Business Machines Corp.,
731 F.3d 1336 (Fed. Cir. 2013) 9, 64, 66, 71

TecSec, Inc. v. International Business Machines Corp.,
769 F. Supp. 2d 997 (E.D. Va. 2011) 9

Tegal Corp. v. Tokyo Electron Co.,
248 F.3d 1376 (Fed. Cir. 2001) 47

Page(s)

Therasense, Inc. v. Becton, Dickinson & Co.,
593 F.3d 1325 (Fed. Cir. 2010) 49

In re TLI Communications LLC Patent Litigation,
823 F.3d 607 (Fed. Cir. 2016) 70

Toshiba Corp. v. Imation Corp.,
681 F.3d 1358 (Fed. Cir. 2012) 36

Toshiba Corp. v. Imation Corp.,
990 F. Supp. 2d 882, 912 (W.D. Wis. 2013) 26, 27, 30, 39

Trading Technologies Internaional, Inc. v. eSpeed, Inc.,
595 F.3d 1340 (Fed. Cir. 2010) 16, 31

Two-Way Media Ltd. v. Comcast Cable Communications, LLC,
874 F.3d 1329 (Fed. Cir. 2017) 61, 62, 68, 69, 71

United States v. Cole,
631 F.3d 146 (4th Cir. 2011) 19, 20, 21

United States v. Cone,
714 F.3d 197 (4th Cir. 2013) 39, 43

United States v. Gibson,
No. 2:17cr126, 2018 WL 4903261 (E.D. Va. Oct. 9, 2018) 33

United States v. Romano,
849 F.2d 812 (3d Cir. 1988) 22

Vivid Technologies, Inc. v. American Science & Engineering, Inc.
200 F.3d 795 (Fed. Cir. 1999) 34

Voit Technologies, LLC v. Del-Ton, Inc.,
757 F. App'x 1000 (Fed. Cir. 2019) 67, 68

Volvo Trademark Holding Aktiebolaget v. Clark Mach. Co.,
510 F.3d 474 (4th Cir. 2007) 47, 50

Waterton Polymer Products USA, LLC v. Edizone, LLC,
No. 2:12-cv-17TS, 2014 WL 12600697 (D. Utah Nov. 25, 2014).....59

Page(s)

WCM Industries, Inc. v. IPS Corp.,
721 F. App'x 959 (Fed. Cir. 2018) 27

Williams v. Johnson,
747 F. Supp. 2d 10 (D.D.C. 2010) 33, 34

STATUTES

28 U.S.C. § 1295(a)(1) 1

28 U.S.C. § 1331 1

28 U.S.C. § 1338(a) 1

35 U.S.C. § 101 .....2, 4

35 U.S.C. § 284 56

35 U.S.C. § 287(a) 14

OTHER AUTHORITIES

Fed. R. Civ. P. 56(b) 34

Fed. R. Evid. 103(d) 21, 22, 25, 29

Fed. R. Evid. 403 .....21, 22, 29

STATEMENT OF RELATED CASES

There have been three prior appeals in the same civil action before this Court:

1. *TecSec, Inc. v. Int'l Bus. Machs. Corp.*, 466 F. App'x 882 (Fed. Cir. 2012) (Judges Linn, Dyk, and Prost) (Rule 36 affirmance).
2. *TecSec, Inc. v. Int'l Bus. Machs. Corp.*, 731 F.3d 1336 (Fed. Cir. 2013) (Judges Moore, Linn, and Reyna) ("*TecSec I*").
3. *TecSec, Inc. v. Adobe Sys. Inc.*, 658 F. App'x 570 (Fed. Cir. 2016) (Judges Prost, Linn and Taranto) ("*TecSec II*").

The district court proceedings that were not subject to the Rule 54(b) judgment currently on appeal could be affected by this appeal. *See TecSec, Inc. v. SAS Institute, Inc., SAP America, Inc., SAP AG, Cisco Systems, Inc., Sybase, Inc., Software AG, Software AG, Inc., Adobe Inc., Oracle Corp., Oracle America, Inc.*, Case No. 1:10-cv-00115-LO/TCB.

JURISDICTIONAL STATEMENT

The district court had jurisdiction under 28 U.S.C. §§ 1331 and 1338(a) and entered final judgment on July 3, 2019. TecSec appealed on July 18, 2019. Adobe timely cross-appealed on July 29, 2019. This Court has jurisdiction under 28 U.S.C. § 1295(a)(1).

STATEMENT OF THE ISSUES

TecSec's Appeal

1. Whether the district court's rulings and instructions on inducement were proper and should be affirmed. Specifically:

a. Whether the district court properly precluded TecSec from arguing that Adobe intended to induce infringement after the court's claim construction order under which TecSec stipulated Adobe could not infringe.

b. Whether the district court properly excluded irrelevant and prejudicial testimony from outside of the time period when inducement liability could have been found.

c. Whether the district court properly instructed the jury with instructions that TecSec acknowledged were accurate statements of law.

2. Whether the district court properly vacated the jury's damages award for Adobe's direct infringement where TecSec pursued a single damages theory based on *indirect* infringement, the jury found no indirect infringement, and TecSec presented no evidence of direct infringement damages.

Adobe's Cross-Appeal

3. In the alternative, whether the asserted claims are ineligible under 35 U.S.C. § 101 because they are directed to an abstract idea and add nothing inventive.

INTRODUCTION

Far from a case of cascading errors and abuses of discretion by the district court, the record reveals a more straight-forward set of truths. After nearly ten years of litigation, years of discovery, tens of thousands of documents produced, scores of subpoenas to Adobe's customers, extensive party and third-party depositions, and a five-day trial, TecSec could point to *only a single instance* where the alleged invention was ever used by an Adobe employee. Even that one use was during a period (presuit) that TecSec admitted that there were no damages available due to its failure to mark. In the end, with one of the best-selling software programs on the market, and extensive party and customer discovery, TecSec was able to establish exactly *zero* uses of the alleged "invention"—multi-level encryption—during the relevant damages period.

Despite failing to prove any use or demand for its "invention" during the relevant period, TecSec plays the victim, complaining that it should have been awarded millions in damages. But TecSec has only itself to blame. After all, it was TecSec who sought to argue that Adobe intended to infringe while preventing Adobe from presenting exculpatory evidence—such as TecSec's stipulation that Adobe did *not* infringe. It was TecSec who, having failed to secure any other evidence of use, attempted to present irrelevant and prejudicial testimony from a third party, outside the damages period. It was TecSec who failed to object to what it now claims was

improper argument about the court's jury instructions. And it was TecSec who chose not to present evidence of damages for direct infringement by Adobe's employees (which would have been nominal at best), and instead pursue Adobe's entire sales base, under an ultimately meritless indirect infringement theory.

TecSec must live with the choices it made. The district court's rulings were not only within its discretion, but necessary to avoid prejudice, juror confusion, and a purely speculative damages award. TecSec's complaints boil down to classic evidentiary disputes that are squarely within the district court's purview. The district court correctly resisted TecSec's invitations to fix its case, and instead exercised the sort of sound discretion and balancing expected and encouraged of trial courts in managing the fair disposition of justice.

The district court's judgment should be affirmed. Alternatively, the asserted claims are invalid for lack of eligible subject matter under 35 U.S.C. § 101. The claims focus on "an abstract end-result"—managing access to objects using multiple layers of encryption and labels—and "'generalized steps to be performed on a computer using conventional computer activity,'" rather than any "'specific means or method' for improving technology." *RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1326 (Fed. Cir. 2017) (citations omitted). Therefore, if this Court reaches Adobe's cross-appeal, it should find the asserted claims ineligible under § 101.

STATEMENT OF THE CASE

A. The Parties

Adobe Inc. ("Adobe") is a multinational computer software company headquartered in San Jose, California. Appx12927-12930 (692:1-695:17). Adobe was founded in December 1982 by John Warnock and Charles Geschke. Appx12930-12931 (695:18-696:15). Adobe has historically focused on the creation of multimedia and creativity software products, with a more recent foray towards digital marketing software. Appx12931-12934 (696:13-699:12).

Adobe has a long history of innovation. In 2009, the White House awarded Adobe's founders the National Medal of Technology and Innovation—the highest honor bestowed by the government on scientists, engineers and inventors—for their outstanding technology contributions for the improvement of the economic, environmental, and social well-being of the United States. Appx12930-12931 (695:18-696:4). Because of its substantial investments in research and development, Adobe has received many patents embodied in their successful products—including 200 patents that read on Adobe Acrobat, the product accused of infringement in this case. *See, e.g.*, Appx13237-13238 (1002:20-1003:3) (Sullivan).

TecSec owns the four asserted patents. As its founder and expert readily acknowledged, TecSec and its products have not been commercially successful. Appx12657 (422:3-5) (Scheidt); Appx13408-13409 (1173:24-1174:4) (Jones).

B. The Asserted Patents

The asserted patents (also referred to as the "DCOM patents") are U.S. Patent Nos. 5,369,702 (the "'702 patent"), 5,680,452, 5,717,755, and 5,898,781 (collectively, the "asserted patents"). Appx224-300. The '702 patent was filed in 1993 and issued in November 1994; the other three are continuations with the same specification. Appx225; Appx244; Appx264; Appx283.[1]

The asserted patents relate to "multi-level encryption," *i.e.*, "nesting" one encrypted object within another. Appx3-4; Appx8. By its own admission, TecSec did not invent encryption or nesting objects within other objects. *See* Appx234 (1:41-2:4); Appx12676 (441:4-8) (TecSec's founder and chief scientist, Scheidt), Appx12678 (443:19-22) (Scheidt). Nor did TecSec invent access control, key-based encryption, or labeling—all were well-known. *See* Appx234 (1:61-2:4, 2:31-61). There is no dispute that the asserted patents' only purported contribution is multi-level encryption. *See* Appx239 (cl. 1) ("multi-level multimedia security"); Appx12675 (440:12-14) (Scheidt) (agreeing that "TecSec is claiming the concept of multi-level encryption"); Appx12871 (636:5-13) (Wagner) (TecSec's damages expert).

[1] References hereafter are to the '702 patent.

For example, claim 1 of the '702 patent provides:

> 1. A method for providing multi-level multimedia security in a data network, comprising the steps of:
>
> A) accessing an object-oriented key manager;
>
> B) selecting an object to encrypt;
>
> C) selecting a label for the object;
>
> D) selecting an encryption algorithm;
>
> E) encrypting the object according to the encryption algorithm:
>
> F) labelling the encrypted object:
>
> G) reading the object label;
>
> H) determining access authorization based on the object label; and
>
> I) decrypting the object if access authorization is granted.

Appx239.

C. The Accused Adobe Acrobat Products

Acrobat is the flagship product that drives the creation, viewing, and editing of portable electronic documents within Adobe. Appx12934 (699:7-12). There are eleven versions of Acrobat, and Acrobat Document Cloud. TecSec only accuses versions 5 to 11 of infringement. Appx12725 (490:13-25).

Adobe initially released Acrobat in June 1993, over a year before the first asserted patent issued. Appx12939 (704:17-22). Acrobat 2 (released in 1994, also before the first patent issued) included a password protection feature, and was the first Acrobat product to allow a user to encrypt a PDF. Appx12940-12941 (705:1-706:8). Like other commercially-available products available at the time, while

Acrobat 4 (released in 1999) and subsequent versions were not designed to perform multi-level encryption, users could manipulate them to "create the effect of multi-level encryption" using other available features. Appx12943-12944 (708:25-709:20), Appx12954 (719:1-18).

There is no evidence, however, that any Acrobat user actually manipulated Acrobat to use the accused functionality during the relevant damages period (February 5, 2010, to March 3, 2011). *See* Appx12878-12879 (643:11-644:19) (Wagner); Appx12798-12799 (563:23-564:24) (Jones). There is no evidence that Adobe advertised or promoted multi-level encryption to its customers. *See, e.g.*, Appx12886 (651:5-18) (Wagner). And the only alleged use of the accused functionality by an Adobe employee occurred in February 2009, before TecSec filed this lawsuit. Appx13032 (797:11-14) (Landwehr); *see infra* at 41-47.

D. The District Court Proceedings

On February 5, 2010, TecSec sued thirteen defendants in this case. TecSec's claims against IBM proceeded to dispositive motion practice while its claims against the other defendants, including Adobe, were severed and stayed. *See* Appx1836; Appx27001 & n.2.

1. The Non-Infringement Stipulation And Judgment In Favor Of Adobe

On March 3, 2011, the district court construed certain claim terms (including "multimedia") and granted IBM summary judgment of non-infringement.

Appx27011, Appx27028-27030; *see* Appx27011-27074 (published at *TecSec, Inc. v. Int'l Bus. Machs. Corp.*, 769 F. Supp. 2d 997 (E.D. Va. 2011)). This Court summarily affirmed. *TecSec, Inc. v. Int'l Bus. Machs. Corp.*, 466 F. App'x 882 (Fed. Cir. 2012).

On April 23, 2012, based on the same claim construction order, TecSec and the remaining defendants (including Adobe) stipulated to non-infringement:

> [U]nder the Court's construction of the term "multimedia" as set forth in the Memorandum Opinion, the Defendants have not infringed and do not infringe the asserted claims of the DCOM Patents . . . .

Appx27076 ¶ 4. Accordingly, on April 23, 2012, the district court entered judgment of non-infringement in favor of Adobe and the other defendants. Appx27081-27082. And in doing so, confirmed the stipulation of non-infringement. Appx27082. TecSec appealed. On October 2, 2013, this Court found the district court's constructions too limiting, and vacated and remanded. *TecSec, Inc. v. Int'l Bus. Machs. Corp.*, 731 F.3d 1336, 1346 (Fed. Cir. 2013) ("*TecSec I*"). The four asserted patents expired on October 18, 2013, while the appeal was still pending on a petition for rehearing, which this Court denied on December 26, 2013. On remand, the district court ordered TecSec to proceed against Adobe only, with a trial set for December 2018. Appx27084.

2. Other Summary Judgment Rulings

In May 2015, the district court further construed the claims and, based on those constructions, granted Adobe summary judgment of non-infringement. Appx27086-27127. On an appeal of that decision, this Court again found certain constructions too limiting, and vacated and remanded. *TecSec, Inc. v. Adobe Sys. Inc.*, 658 F. App'x 570, 572, 580 (Fed. Cir. 2016) ("*TecSec II*").

Subsequently, Adobe moved for summary judgment of no inducement liability, but the district court found that material fact issues precluded summary judgment. Appx10298-10299. Adobe also sought summary judgment of ineligibility under § 101. Appx1841-1871. On May 23, 2017, the district court held that the representative claims (claims 1 and 8 of the '702 patent) recited eligible subject matter. Appx12. The district court then issued an additional claim construction order, declining to further construe certain claim terms. Appx28173-27187. Adobe subsequently sought reconsideration of the § 101 ruling, Appx7992-8001, which the court denied, Appx10298-10299.

3. Adobe's Stipulation To A Single Instance Of Direct Infringement Of The Asserted Method Claims

In August 2018, to streamline the issues for trial, Adobe stipulated to direct infringement of the asserted method claims on "one occasion." Appx10307; *see also* Appx11994-11995 ¶ 14. That "one occasion" referred to an Adobe employee's "manipulat[ion]" of the accused Acrobat software (as described in that employee's

2009 blog post) that resulted in direct infringement of the asserted method claims. *See* Appx13031-13032 (796:17-797:14) (Landwehr); Appx13305-13308 (1070:5-1073:20); Appx10307-10308; Appx11994-11995 ¶ 14. However, Adobe expressly disputed any allegations of direct infringement "beyond *the* instance," Appx10308 (emphasis added), and never stipulated to infringing the asserted *system* claims. *See* Appx10307-10309. Therefore, TecSec's repeated statement that Adobe stipulated that "every version of the accused Acrobat products . . . infringe every asserted claim of the DCOM patents" (Blue Br. 14; *see id.* at 1, 7, 43) is false.

4. The *In Limine* Ruling

TecSec sought to argue at trial that Adobe had specific intent to induce infringement, including from the district court's March 3, 2011 claim construction order to the patents' expiration. *See* Appx10849-10853. TecSec simultaneously sought to bar Adobe from presenting the key exculpatory evidence showing the lack of such intent in that time period—*i.e.*, the court's claim March 3, 2011 construction, TecSec's stipulation that Adobe did *not infringe*, and the resulting non-infringement judgment for Adobe. *See* Appx10429-10432 (emphasis added).

Adobe moved *in limine* to prevent that inequitable result. Adobe argued that the district court should either (1) preclude TecSec from asserting that Adobe induced infringement or willfully infringed from March 3, 2011, to October 18, 2013, or, alternatively, (2) permit Adobe to rebut that argument with the court's

claim construction order and TecSec's non-infringement admission. Appx10429-10432. Adobe explained that, otherwise, it would be "unjust" to Adobe and "misleading" to the jury. Appx10431-10432.

The district court agreed with Adobe. On November 21, 2018, after a hearing and additional briefing, the court precluded TecSec from arguing that Adobe induced infringement or willfully infringed after March 3, 2011. Appx26-29; Appx27229-27230 (3:13-4:12), Appx27260-27263 (34:13-37:9); Appx27211-27213.[2] The district court reached that conclusion on two independent bases.

First, the court held that "allowing TecSec to argue induced or willful infringement during the time period when [the claim construction order] and TecSec's stipulation were in effect would taint the trial and any verdict with undue prejudice and juror confusion." Appx28. The court explained:

> On the one hand, it would be substantially and unduly prejudicial to Adobe to allow TecSec to argue induced and willful infringement during that time period but not allow Adobe to show the jury the Court's Order and TecSec's stipulation that gave Adobe a reasonable belief that its products were not infringing. On the other hand, it would also be substantially and unduly prejudicial and confusing for the jury to see a prior ruling in this case and TecSec's stipulation that Adobe's products did not infringe.

Appx28-29.

[2] TecSec does not challenge the court's holding of no willfulness during that time.

Second, the court held that, "[a]s a matter of law, Defendant Adobe lacked the requisite intent to induce infringement or willfully infringe during the time period where the Court had reasonably, though erroneously, ruled in Adobe's favor on infringement and TecSec had entered a stipulation of non-infringement." Appx27. The court explained that this Court has upheld *in limine* rulings to preclude such arguments at trial that lack factual or legal support "even though the rulings amounted to de facto summary judgments." Appx28.

On December 7, 2018, after holding another hearing, the district court denied TecSec's request for reconsideration. Appx37; Appx12203-12215 (2:12-14:13). The court rejected TecSec's argument that the March 3, 2011 claim construction order and resulting non-infringement ruling were related only to IBM and that "there was no decision related to Adobe whatsoever." Appx12205 (4:13-18). The court explained:

> The argument that they didn't rely upon the [March 2011] order is just completely nonsensical. Of course they relied on the order. They got an order [in April 2012] saying we don't infringe and our products don't infringe, and we're going to the Federal Circuit, and it's all based on the 2011 work.

Appx12213 (12:9-13); *see* Appx12206 (5:15-19), Appx12213-12214 (12:14-13:17).

5. The Jury Trial

In December 2018, the district court held a five-day jury trial. In light of various evidentiary rulings (which TecSec does not challenge on appeal), TecSec

stipulated to "not seek damages in this trial for the time period pre-dating the filing of the present lawsuit (*i.e.*, February 5, 2010)." Appx11998. During trial, the court granted Adobe judgment as a matter of law that (1) Adobe did not willfully infringe the asserted patents and (2) TecSec failed to comply with the marking requirements of 35 U.S.C. § 287(a). Appx45-51; Appx27302-27306. TecSec does not challenge these rulings. By not challenging the marking ruling, TecSec concedes that it cannot recover pre-suit damages. *See* 35 U.S.C. § 287(a).

On December 19, after two days of deliberation, the jury found that the patents were directly infringed and not invalid, and awarded TecSec $1.75 million. Appx38-44. The jury also found that Adobe did not induce infringement. Appx41.

6. Post-Trial

On June 18, 2019, the district court granted Adobe's post-trial motion to vacate the jury's damages award for lack of sufficient evidence. Appx55-60. The court explained that TecSec's damages theory and evidence were based not on "Adobe's own use of Adobe Acrobat," rather entirely on Adobe's *customers*—which was inapt because the jury found Adobe did not induce infringement. Appx57-58. "For example, there was no testimony regarding the number of Adobe employees in the United States or the number of times Adobe Acrobat was installed by Adobe employees during the damages period." Appx58.

TecSec did not file any post-trial motions for judgment as a matter of law or a new trial. *See* Appx60. Against this procedural backdrop, TecSec appeals.

SUMMARY OF THE ARGUMENT

1. The district court's rulings regarding induced infringement—(a) its *in limine* ruling, (b) its evidentiary exclusion at trial, and (c) its jury instructions—were proper, and not an abuse of discretion.

First, the district court properly granted Adobe's motion *in limine*. TecSec wanted to have it both ways at trial. TecSec sought to argue that Adobe intended to induce infringement from the court's exonerating March 3, 2011 claim construction order, under which TecSec stipulated that Adobe did not infringe, to the October 18, 2013 date of patent expiration. TecSec simultaneously sought to preclude Adobe from introducing the documents that would show Adobe lacked the requisite intent—*i.e.*, the exculpatory claim construction order, TecSec's non-infringement stipulation, and the resulting non-infringement judgment in favor of Adobe. The district court held that excluding those documents would be unduly prejudicial to Adobe. But the court also recognized that *allowing* those documents would be unduly prejudicial to *TecSec*. So the court reasonably precluded TecSec from presenting argument and evidence that Adobe intended to induce infringement after March 3, 2011. That evidentiary ruling was not an abuse of discretion. TecSec does not address that discretionary balancing—and that alone warrants affirmance. In

addition, the court correctly held that Adobe lacked the requisite intent to induce infringement as a matter of law during that time period. The court was empowered to make that determination when and how it did.

TecSec argues that the district court committed procedural error because its *in limine* order is, in effect, a ruling on an untimely summary judgment motion. But this Court has repeatedly confirmed that an *in limine* ruling *can* be a "de facto summary judgment." *See*, *e.g.*, *Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1349, 1361 (Fed. Cir. 2010). Likewise, here, the district court's ruling was a proper tool to streamline proceedings by screening infirm theories that should not go to the jury. *See Luce v. United States*, 469 U.S. 38, 41 n.4 (1984). And there was nothing untimely about it—the district court addressed it in due course with the other *in limine* rulings.

TecSec also contends that the district court improperly took a disputed fact issue from the jury. However, as discussed, the district court properly exercised its discretion in balancing, and avoiding, competing prejudicial effects as well as juror confusion. Moreover, the district court also correctly held that Adobe lacked the requisite specific intent to induce infringement as a matter of law. Courts have held that such intent was necessarily lacking in similar circumstances. *Infra* at 26-30. Remarkably, TecSec argues that Adobe could not possibly have believed that

Acrobat did not infringe under the March 3, 2011 construction, even though TecSec *itself* stipulated that Acrobat did not infringe.

Second, the district court did not abuse its discretion by excluding irrelevant and prejudicial testimony from a third-party about his alleged use of Acrobat outside of the damages period under Federal Rule of Evidence 403. And even if there was error (there was not), it would be harmless and insufficient grounds for a new trial on inducement. TecSec also argues that the exclusion allowed Adobe to make misleading statements in its closing argument. But that argument is without merit and, in any event, waived (as TecSec never objected to the closing argument below).

Third, the district court's jury instructions were factually and legally correct. TecSec does not contend that the instructions misstate the law. Nor could it. TecSec instead contends that two instructions are "misleading." But, contrary to TecSec's argument, the instructions did not "imply[]" that the 2009 blog post was irrelevant or "misle[a]d the jury" into finding no induced infringement. Blue Br. 42-43. In any event, any alleged error (there was none) in the jury instructions would be harmless and would not warrant a new trial on inducement. Also, TecSec argues that the instructions led to misleading closing argument statements, but that objection, again, was never made below—and, in any event, is unavailing as TecSec cannot show any prejudice.

2. The district court also correctly entered judgment as a matter of law that TecSec was entitled to no damages for direct infringement—*i.e.*, damages based on Adobe's employees' (rather than its customers') use of the claimed invention. TecSec elected not to present evidence of direct infringement damages. TecSec instead chose to pursue a single damages theory based on Adobe's alleged induced infringement—*i.e.*, damages based on Adobe's sales of Acrobat to customers. That gamble did not pay off. The jury only found direct infringement, and correctly found that Adobe did *not* induce infringement. Therefore, by TecSec's own strategic choice, there was no record evidence—from either party—to support the jury's award of damages based on direct infringement. The district court correctly held TecSec to that deliberate choice and vacated the jury's award of direct infringement damages.

3. For the foregoing reasons, this Court should affirm and need not consider Adobe's cross-appeal. But if this Court does reach Adobe's cross-appeal, the asserted claims are invalid for lack of patent-eligible subject matter under § 101 because they are directed to an abstract idea—managing access to objects using multiple layers of encryption and labels—and require only conventional computer functionality, not any specific improvement in computer technology.

STANDARD OF REVIEW

Under Fourth Circuit law, the district court's evidentiary exclusions are reviewed for abuse of discretion and are overturned only if they are "arbitrary and irrational." *United States v. Cole*, 631 F.3d 146, 153 (4th Cir. 2011). The district court's jury instructions are reviewed for abuse of discretion. *Chaudhry v. Gallerizzo*, 174 F.3d 394, 408 (4th Cir. 1999). The district court's judgment as a matter of law is reviewed *de novo*. *Huskey v. Ethicon, Inc.*, 848 F.3d 151, 156 (4th Cir. 2017). The district court's summary judgment decision on § 101 is reviewed *de novo*. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365 (Fed. Cir. 2018).

ARGUMENT

I. THE DISTRICT COURT'S RULINGS ON INDUCEMENT WERE A PROPER USE OF THE COURT'S POWER AND DISCRETION

The district court's evidentiary rulings (*in limine* and at trial) were legally sound and not an abuse of discretion. The court's jury instructions accurately state the law (and TecSec does not contend otherwise) and are not misleading. And TecSec's challenges to the closing argument are waived (as TecSec never objected below) and, in any event, lack merit.

A. The District Court Properly Granted Adobe's Motion *In Limine*

TecSec stipulated that Adobe could not infringe the asserted patents under the district court's March 3, 2011 claim construction order, and the district court entered judgment of non-infringement in favor of Adobe on that basis. Appx27075-27076;

supra at 8-9. TecSec nonetheless sought to argue at trial that Adobe intended to induce infringement after March 3, 2011 because this Court subsequently vacated the claim construction order and non-infringement judgment. *Supra* at 11-13. At the same time, TecSec sought to preclude Adobe from presenting that exculpatory evidence—the claim construction order, non-infringement stipulation, and non-infringement judgment—to show a lack of intent. *Id*. The district court declined to let TecSec have it both ways, precluding TecSec from arguing that Adobe intended to induce infringement after March 3, 2011. *Id*.

The district court's decision was based on two independent grounds, either of which warrants affirmance. First, the court weighed the prejudicial effects to both parties: if TecSec could argue that Adobe "intended to infringe" after March 3, 2011, Adobe would be entitled to defend itself by introducing the exculpatory evidence. But, on the other hand, introduction of that exculpatory evidence would "taint the trial and any verdict with undue prejudice [to TecSec] and juror confusion." Appx28. As a result, the district court concluded, TecSec could not argue that Adobe intended to induce infringement after March 3, 2011. Appx26-29. That balancing was proper, reasonable, and not "'arbitrary and irrational.'" *Cole*, 631 F.3d at 153. The court's decision can be affirmed on that basis alone. TecSec does not argue otherwise. Second, the court properly held that Adobe lacked the requisite intent as a matter of law after March 3, 2011. Contrary to TecSec's

argument, the court did not take a disputed fact issue from the jury. Nor was the court's ruling an improper grant of summary judgment.

1. The District Court Properly Resolved An Evidentiary Issue To Ensure A Fair Trial

"[C]ourts of appeals," including this Court, "afford broad discretion to a district court's evidentiary rulings," given its "familiarity with the details of the case and its greater experience in evidentiary matters." *Sprint/United Mgmt. Co. v. Mendelsohn*, 552 U.S. 379, 384 (2008). Under Federal Rule of Evidence 403, for example, the district court "may exclude relevant evidence if its probative value is substantially outweighed by a danger of," among other things, confusion and unfair prejudice. The district court has "inherent authority" to make such exclusionary rulings *in limine* to streamline proceedings and ensure a fair trial. *Luce*, 469 U.S. at 41 n.4. Indeed, the district court is charged with ensuring "by any means" that "inadmissible evidence is not suggested to the jury." Fed. R. Evid. 103(d); *see also, e.g.*, *Lassiter v. City of Philadelphia*, 716 F.3d 53, 55-56 (3rd Cir. 2013) (Fed. R. Civ. P. 16 empowers court to "supervise the pretrial phase of litigation . . . [by] sifting the issues and reducing the delays and expense of trial" (citations omitted)). Evidentiary exclusions are reviewed for abuse of discretion and will be upheld unless "'arbitrary and irrational.'" *Cole*, 631 F.3d at 153 (citation omitted).

Here, the district court properly exercised its broad discretion to prevent prejudice to either party, avoid jury confusion, and simplify the issues for trial by

precluding evidence and argument about Adobe's alleged intent to infringe from March 3, 2011 through the patents' expiration on October 18, 2013. *See* Appx28-29; *supra* at 11-13; Appx27261 (35:8-9) ("I think the proceedings and the path of this case merit the elimination of any reference during that period of time."). As the court found, if TecSec were allowed to argue an intent to infringe during that period, then the court would have to allow Adobe to show the jury the exculpatory claim construction order, TecSec's non-infringement stipulation, and the resulting non-infringement judgment. Appx28-29. On the other hand, as the court also found, it would "be substantially and unduly prejudicial [to TecSec] and confusing for the jury to see [those documents]." Appx28-29. The district court properly resolved this conundrum—created by TecSec's unreasonable desire to have it both ways—consistent with its duty to "screen" confusing and prejudicial evidence from the jury. *United States v. Romano*, 849 F.2d 812, 815 (3d Cir. 1988); *see* Fed. R. Evid. 103(d), 403.

This Court routinely affirms similar rulings. In *Energy Heating, LLC v. Heat On-The-Fly, LLC*, for example, this Court affirmed the exclusion of testimony for "an advice of counsel defense," precluding defendant from "hav[ing] it both ways" by introducing untimely and prejudicial testimony. 889 F.3d 1291, 1303 (Fed. Cir. 2018); *see also Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1276 (Fed. Cir. 1999) (affirming exclusion "of evidence of an earlier trial" and "arguments

foreclosed by appeal" because they "had 'significant potential to confuse the jury'" (citation omitted)); *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1332 (Fed. Cir. 2009) (no abuse of discretion in excluding later reversed non-infringement summary judgment ruling, as "risk of jury confusion [wa]s apparent").

Other courts likewise recognize that such rulings are within the trial court's discretion. In *Lassiter*, the Third Circuit affirmed the district court's dismissal of plaintiff's complaint as time barred, finding that the court "acted within the scope of its authority by raising the statute of limitations issue . . . at an early stage . . . to prevent the needless waste of judicial resources." 716 F.3d at 56. And, in *Anchor Wall Systems v. Rockwood Retaining Walls, Inc.* (a decision the district court relied upon but TecSec does not address), the court endorsed *in limine* rulings to preclude evidence regarding a defendant's intent to induce infringement while an order or stipulation of non-infringement is in effect. 610 F. Supp. 2d 998, 1004, 1007 (D. Minn. 2009). The court explained that resolving this issue *in limine* "prevented any entanglement of the Order with issues set for trial—and, in turn, eliminated the risk of severe[] prejudic[e]," while also "allow[ing] [the plaintiff] to present its damage claim." *Id.* at 1007-08.

Here, as in such cases, the *in limine* evidentiary ruling was well within the district court's broad discretion. In doing so, the district court properly avoided the severe prejudice from "entanglement of the [claim construction order and non-

infringement stipulation] with issues set for trial," *id.* at 1007, eliminated the "risk of jury confusion," *DePuy*, 567 F.3d at 1332, and prevented TecSec from "hav[ing] it both ways" on inducement, *Energy Heating*, 889 F.3d at 1303.

TecSec does not address this discretionary basis for the court's *in limine* ruling. *See* Blue Br. 21-32. TecSec argues in passing that "Adobe did not seek to exclude any evidence proffered by TecSec that Adobe contends is irrelevant or inadmissible." *Id.* at 29. Any suggestion by TecSec that the district court *sua sponte* weighed and excluded the evidence is unfounded. Adobe argued that TecSec's evidence was inadmissible because it was unduly prejudicial, asked the court to exclude it, and the court agreed. *See* Appx10602; Appx10429-10432; Appx11687; *supra* at 11-12.[3] Regardless, even if the *in limine* ruling was *sua sponte*, "it is clearly within the trial court's discretion to exclude evidence sua sponte." *Maddox v. Patterson*, 905 F.2d 1178, 1180 (8th Cir. 1990); *see also HDM Flugservice GmBH v. Parker Hannifin Corp.*, 332 F.3d 1025, 1034 (6th Cir. 2003) ("[C]ourts may exclude evidence sua sponte."); Fed. R. Evid. 103(d).

TecSec also argues that Adobe admitted that the excluded evidence is "'highly probative.'" Blue Br. 25 (quoting Appx11687-11688). That argument misses the mark. The "highly probative evidence" that Adobe asked the district court to admit

[3] Whether Adobe argued that the evidence is irrelevant is inconsequential because Rule 403 empowers the court to exclude relevant evidence that is unduly prejudicial.

was the 2011 claim construction order, TecSec's non-infringement stipulation, and the resulting non-infringement judgment. *Supra* at 8-9, 11-12. Adobe sought admission of that evidence *only* if "TecSec insist[ed] on arguing to the jury that Adobe intended to [induce] infringe[ment]" after March 3, 2011. Appx10432. Alternatively, Adobe asked the Court to preclude TecSec from presenting argument or evidence of induced infringement during that period. Appx10429. The court properly exercised its discretion in granting that relief to avoid undue prejudice and substantial confusion. That alone warrants affirmance.

2. The Court Correctly Held That Adobe Could Not Induce Infringement From 2011-2013 As A Matter Of Law

The district court's decision was correct for another reason. "As a matter of law, Defendant Adobe lacked the requisite intent to induce infringement" following the March 3, 2011 claim construction order. Appx27. Therefore, even under TecSec's proposed *de novo* standard of review—itself a departure from what TecSec described as an "abuse of discretion" (Blue Br. 2)—TecSec's argument still fails. Not only was the district court's inducement decision a proper exercise of discretion after balancing evidentiary considerations, but the district court correctly and independently determined, as a legal matter, that Adobe could not be liable for induced infringement for the period and under the circumstances TecSec proffered. Appx27.

Liability for inducing infringement arises only if a defendant commits an affirmative act to encourage infringement with "knowledge that the induced acts constitute patent infringement." *Power Integrations v. Fairchild Semiconductor Int'l, Inc.*, 843 F.3d 1315, 1332 (Fed. Cir. 2016) (citations omitted); *see also Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 765-66 (2011). A defendant must have the "specific intent to encourage another's infringement." *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc in relevant part). Here, as the district court explained, the court had "reasonably, though erroneously" issued a claim construction under which TecSec itself stipulated that Adobe could not infringe. Appx27; *see* Appx27076. Accordingly, Adobe necessarily lacked the requisite knowledge and intent to induce infringement while the March 3, 2011 claim construction was in effect—*i.e.*, through the patents' expiration on October 18, 2013.

Courts have recognized that, as a matter of law, there can be no intent to induce infringement in similar circumstances. For example, in *Toshiba Corp. v. Imation Corp.*, the court held that "no reasonable fact finder could find that defendants formed the requisite intent to induce infringement between the time [a] court ruled in their favor on summary judgment and the time the Federal Circuit reversed that decision." 990 F. Supp. 2d 882, 912 (W.D. Wis. 2013). In that case, "[d]efendants simply could not have 'known' that they were inducing infringement

when they had a judicial declaration telling them that they weren't." *Id.* Similarly, in *Chaffin v. Braden*, the court granted summary judgment of no induced infringement because defendant lacked the requisite intent based on a prior summary judgment of non-infringement, even though the underlying claim construction was later reversed. No. 6:14-cv-0027, 2018 WL 1794766, at *5 (S.D. Tex. Apr. 16, 2018). In those cases, there was no suggestion that the district court "completely abdicated its duty to fairly and objectively resolve the parties' dispute," *Toshiba*, 990 F. Supp. 2d at 912, or issued an "unreasonable" construction, *Chaffin*, 2018 WL 1794766, at *5. And TecSec makes no such arguments. Here, as in those cases, the district court correctly held that Adobe could not induce infringement as a matter of law between March 3, 2011, and October 18, 2013. Appx26-27.

TecSec contends that the district court took "a disputed factual issue away from the jury"—improperly "accept[ing] Adobe's attorneys' representation" that Adobe "*reasonably*" believed it did not infringe—for three main reasons. Blue Br. 28-29. Those reasons are unavailing.

First, according to TecSec, "[t]his Court has repeatedly held that a party's intent is a factual issue that must be resolved by the trier of fact." *Id.* at 30 (citing *WCM Indus., Inc. v. IPS Corp.*, 721 F. App'x 959, 970 (Fed. Cir. 2018); *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510-11 (Fed. Cir. 1990); *Allen Organ Co. v. Kimball Int'l, Inc.*, 839 F.2d 1556, 1567 (Fed. Cir. 1988)). However,

in those cases, unlike here (and in cases like *Toshiba*, and *Chaffin*), there were no stipulations or operative court rulings under which infringement was foreclosed, much less where the patentee *admitted* there was no infringement. Also, those cases do not address inducement *at all*—they address willfulness (*WCM* and *Gustafson*) and inequitable conduct (*Allen*).

Moreover, this Court has held that there are circumstances where, for willfulness or inequitable conduct, there can be no intent as a matter of law. *See, e.g.*, *Ferring B.V. v. Barr Labs., Inc.*, 437 F.3d 1181, 1190-94 (Fed. Cir. 2006) ("[T]he district court properly granted summary judgment on the issue of intent."); *Intercontinental Great Brands LLC v. Kellogg N. Am. Co.*, 869 F.3d 1336, 1352 (Fed. Cir. 2017) (affirming summary judgment of no inequitable conduct because "the district court properly concluded that the . . . intent standard could not be met"); *see also, e.g.*, *Cleveland Clinic Found. v. True Health Diagnostics LLC*, 859 F.3d 1352, 1364 (Fed. Cir. 2017) ("It was not an abuse of discretion for the district court to dismiss Cleveland Clinic's induced infringement claims and deny leave to amend."). Likewise, here, the district court correctly held that Adobe necessarily lacked the requisite intent as a matter of law.

Second, TecSec argues that "Adobe admitted" this is a fact issue for the jury. Blue Br. 29. TecSec mischaracterizes Adobe's prior argument. Adobe argued that the claim construction order, non-infringement stipulation, and resulting non-

infringement judgment were "*dispositive* of . . . induce[ment]" as a matter of law. Appx10429 (emphasis added); *see also, e.g.*, Appx10429-10432. The argument on which TecSec relies was made to demonstrate that such evidence "is highly probative" and, "*[i]f TecSec opens this door*, the jury is entitled to consider such exculpatory evidence." Appx10431-10432 (emphasis added). The district court properly exercised its discretion to close that door and exclude TecSec's confusing and prejudicial evidence, before trial. *See supra* at 21-25; Fed. R. Evid. 103(d), 403.

Third, TecSec goes even further, arguing that it was *impossible* for Adobe to believe it did not infringe under the March 3, 2011 claim construction, Blue Br. 30-31, and that the district court did *not* "*rule[] in Adobe's favor on infringement*," *id.* at 26. This argument is meritless. TecSec itself stipulated that Adobe *did not infringe* under that construction of "multimedia" and the district court entered judgment in favor of Adobe on that basis. *Supra* at 8-9. As the district court explained, it would be "completely nonsensical" to think that Adobe did not rely on those rulings. Appx12213 (12:9-10); *see* Appx12213 (12:10-13) ("Of course they relied on the order. They got an order saying we don't infringe and our products don't infringe, and we're going to the Federal Circuit, and it's all based on the 2011 work."). Therefore, "[a]s a practical matter," Adobe "simply could not have

'known' that they were inducing infringement when they had a judicial declaration telling them that they weren't." *Toshiba*, 990 F. Supp. 2d at 912.[4]

Moreover, TecSec's assertion that Adobe had no "witness or evidence" on this issue (Blue Br. 30) is untrue. Adobe had a witness—Dr. Doug Brotz, an Adobe Fellow and technical advisor on IP matters—who would have attested to Adobe's good-faith belief of non-infringement. *See* Appx27298; Appx10390. Adobe identified Dr. Brotz as a witness it "will call" at trial, Appx27298 (capitalization normalized), but the court's ruling disposing of TecSec's inducement claims from March 2011 to October 2013 made his testimony unnecessary.

Nor did "Adobe stipulate[] to infringement" (Blue Br. 30) during the relevant time period (2011 to 2013). It was only years later (in 2018) that Adobe admitted a single instance of infringement of the asserted method claims under a *different* claim construction (*i.e.*, after this Court had twice rejected the district court's constructions and the resulting non-infringement judgments in favor of Adobe). Appx10307. That has no bearing on the fact that Adobe lacked the necessary intent to induce infringement from March 2011 to 2013.

---

[4] TecSec will not even concede that Adobe lacked the requisite intent after TecSec itself stipulated to non-infringement (on April 23, 2012) or the court's non-infringement judgment. *Cf.* Blue Br. 31 ("2012 stipulation . . . could have impacted Adobe and caused them to have a good faith basis of non-infringement.").

3. The *In Limine* Ruling Is Not An Improper Or Untimely Summary Judgment Grant

TecSec also argues that the district court abused its discretion because its *in limine* ruling was a "*de facto* grant of summary judgment." Blue Br. 28. TecSec is wrong. As discussed, the district court's ruling was a proper exercise of its broad discretion to manage trials and "screen" confusing and prejudicial evidence. *Supra* at 21-25. Indeed, as the district court recognized, because "'[t]he main purpose of a motion in limine is to streamline the trial by keeping irrelevant or improper evidence out of the courtroom,'" it is "proper for a [c]ourt at the motion in limine stage to preclude arguments at trial, such as the one at issue, without factual or legal support." Appx28 (citation omitted).

And, even if "the district court's grant of the motion in limine was indeed a 'de facto summary judgment,'" that does not make it "improper." *Colassi v. Cybex Int'l, Inc.*, 221 F. App'x 973, 977 (Fed. Cir. 2007). This Court "has upheld such rulings on motions in limine even though the rulings amounted to de facto summary judgments." Appx28. For example, in *Trading Technologies*, this Court "affirm[ed] the district court's de facto summary judgment" order granting plaintiff's "motion in limine to preclude [defendant] from asserting an on-sale bar defense at trial." 595 F.3d at 1361, 1349. Similarly, in *Colassi*, this Court affirmed the grant of a "motion in limine to preclude [defendant] from arguing non-infringement under the reverse doctrine of equivalents," rejecting the argument that it "was a 'de facto summary

judgment' because it amounted to a determination that the reverse doctrine of equivalents did not apply." 221 F. App'x at 976-77. The district court relied on *Trading Technologies* and *Colassi*, but TecSec chose to ignore them in its Opening Brief.

TecSec's cited cases do not suggest a different outcome. Indeed, several even confirm that the district court's *in limine* ruling was proper. For example, in *Bowers v. NCAA*, the court rejected an *in limine* motion that (unlike Adobe's motion) sought to "weigh the sufficiency of the evidence," but held that motions *in limine* (like Adobe's motion) *could* be used to resolve "evidentiary questions or purely legal determinations regarding the availability of a claim or defense as a matter of law." 563 F. Supp. 2d 508, 532 & n.17 (D.N.J. 2008). *Bowers*, therefore, supports the district court's ruling here, which properly disposed of TecSec's inducement claim by resolving an "evidentiary question[]" and, alternatively, finding that it failed as a matter of law. *Supra* at 19-30.

In *Brobst v. Columbus Services International*, the Third Circuit held that the district court improperly used an *in limine* ruling to dismiss a certain claim because "the motion in limine was based on other grounds" and the non-movant, therefore, lacked sufficient notice. 761 F.2d 148, 154 (3d Cir. 1985). Here, in contrast, TecSec had ample notice: the district court granted the relief Adobe sought, and which TecSec opposed multiple times, in multiple briefs and multiple hearings. *See supra*

at 11-13. Indeed, the Fourth Circuit has distinguished *Brobst* on those grounds, rejecting the argument (which TecSec makes here) "that the district court erred in failing to give notice that it would consider the motion *in limine* as a motion for summary judgment." *Martin Marietta Corp. v. Fireman's Fund Ins. Co.*, 852 F.2d 566, 1988 WL 76136, at *2 (4th Cir. July 22, 1988).

TecSec's other cited cases are also inapposite and nonbinding. The only case applying Fourth Circuit law is a criminal case that says nothing about whether an *in limine* ruling can be a de facto summary judgment grant. *United States v. Gibson*, No. 2:17-cv-126, 2018 WL 4903261, at *3 (E.D. Va. Oct. 9, 2018). Another case, unlike here, did not involve "any rulings relating to the admissibility of evidence at trial." *Louzon v. Ford Motor Co.*, 718 F.3d 556, 562 (6th Cir. 2013).[5]

TecSec further argues that Adobe "needed to raise th[is] issue in its prior summary judgment motion or seek leave to file another summary judgment motion" and, as such, it was "untimely" to raise it in a motion *in limine*. Blue Br. 24-25.

---

[5] *See also Mid-America Tablewares, Inc. v. Mogi Trading Co.*, 100 F.3d 1353, 1362-63 (7th Cir. 1996) (disapproving of *in limine* rulings to find insufficient evidence); *Meyer Intellectual Props., Ltd. v. Bodum, Inc.*, 690 F.3d 1354, 1378 (Fed. Cir. 2012) (similar); *Hana Fin., Inc., v. Hana Bank*, 735 F.3d 1158, 1162 n.4 (9th Cir. 2013) (movant "improperly s[ought] a dispositive ruling on trademark priority"), *aff'd*, 574 U.S. 418 (2015); *Williams v. Johnson*, 747 F. Supp. 2d 10, 14 (D.D.C. 2010) (movant improperly asked the court to "'bar[ ] the district from litigating its claimed defense'" and address the substantive issue of "whether Plaintiff was required to provide notice under" the District of Columbia Whistleblower Protection Act).

Those arguments are incorrect. As TecSec's own cited cases recognize, "the Federal Rules of Civil Procedure do *not* require parties to file motions for summary judgment" at all, let alone at any particular time. *Williams*, 747 F. Supp. 2d at 15 n.4 (emphasis added); *see also* Fed. R. Civ. P. 56(b) (party "may" move for summary judgment); *Anchor Wall*, 610 F. Supp. 2d at 1007 (issue "clearly could [be] raised . . . at the pretrial hearing on the parties' motions in limine" despite not being raised at summary judgment). And the district court, which is empowered to manage its own docket, did not consider it untimely, even if it was a "de facto summary judgment[]." Appx28; *see, e.g.*, *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.* 200 F.3d 795, 803 (Fed. Cir. 1999) ("A district court has broad powers of case management . . . ."); *Royster v. Food Lion, Inc. (In re Food Lion, Inc.)*, 151 F.3d 1029, 1998 WL 322682, at *11 (4th Cir. 1998) ("[T]his court will afford the district court significant latitude in its handling of pretrial matters and in its case management directives."). The district court's *in limine* ruling should be affirmed.

B. The District Court Properly Excluded Third-Party Testimony

TecSec next contends that the district court erred by excluding Mr. Johnson's third-party testimony. Blue Br. 32-34. But that evidentiary ruling was proper and, in any event, any alleged error is harmless and does not warrant a new trial.

1. The Third-Party Testimony Was Irrelevant And Prejudicial

The district court properly exercised its broad discretion in excluding Mr. Johnson's testimony under Rule 403. Mr. Johnson's testimony regarding his alleged use of Acrobat to perform multi-level encryption had (at best) minimal probative value after the court's *in limine* ruling. Appx12425-12431 (190:19-192:15, 193:14-196:1); *see* Appx12716 (481:16-17); Appx26684-26690 (Johnson). For example, TecSec failed to establish that Mr. Johnson manipulated an accused version of Acrobat to perform multi-level encryption during the relevant damages period—February 5, 2010 to March 3, 2011 (*i.e.*, before the period for which the district court's *in limine* ruling foreclosed inducement). Mr. Johnson's testimony could not link the alleged infringement to that specific time frame or even to the accused Acrobat product. *See, e.g.*, Appx26687 (61:12-19, 64:5-11); *see also* Appx12781-12782 (546:24-547:11) (Jones) (testifying that Johnson did not use Acrobat 8). Indeed, TecSec's technical expert Dr. Jones could only surmise that, based on Mr. Johnson's deposition testimony, it is "a reasonable conclusion" that he performed the claimed steps during the relevant damages period. Appx12781-12782 (546:7-547:13) (Jones). And the district court correctly found that the minimal probative value was substantially outweighed by the danger (and unfair prejudice to Adobe) of confusing the jury by allowing evidence of purported infringement—untied to any

accused product and from outside the relevant damages period—and misleading the jury to find inducement. Appx12430 (195:18-21).

TecSec's three arguments do not show any error, much less an abuse of discretion. First, TecSec argues that Mr. Johnson's testimony should have been admitted because the district court improperly "limit[ed] the damages period to February 5, 2010 to March 10 [sic, March 3], 2011." Blue Br. 38. That argument fails for the reasons discussed. *Supra* at 19-34.

Second, TecSec argues that the district court "conflat[ed] the issue of damages with the issue of infringement liability" because Mr. Johnson's testimony is "direct and circumstantial evidence of infringement liability" during the relevant damages period. Blue Br. 39. TecSec is wrong. Mr. Johnson's testimony is not direct evidence because, as discussed, TecSec did not establish when his purported use occurred. *Supra* at 35. Nor is it circumstantial evidence. "Circumstantial evidence must show that at least one person directly infringed an asserted claim during the relevant time period," *Toshiba Corp. v. Imation Corp.*, 681 F.3d 1358, 1364 (Fed. Cir. 2012) (citation omitted), and no such evidence exists here. Isolated acts outside of the damages period are not circumstantial evidence of alleged infringement "during the [damages] period." *Id.*; *see also Mirror Worlds, LLC v. Apple Inc.*, 692 F.3d 1351, 1358-59 (Fed. Cir. 2012). Therefore, Mr. Johnson's testimony is neither direct nor circumstantial evidence of inducement liability during the relevant

damages period. And, in any event, the district court appropriately weighed and excluded it under Rule 403 as confusing, misleading, and unduly prejudicial. *Supra* at 35-36; Appx12430 (195:18-21).

Third, TecSec asserts that the jury should have been permitted to hear Mr. Johnson's testimony "within the context of his other testimony" that allegedly "constitutes circumstantial evidence of inducement." Blue Br. 39. But this "other testimony" confirms that admitting Mr. Johnson's testimony would have led to juror confusion and unfair prejudice to Adobe. For example, TecSec asserts that "Mr. Johnson had tested Acrobat *security features* on every version of Acrobat since version 5 (except version 8)." Blue Br. 39 (emphasis added). But that says nothing about whether he used Acrobat to perform multi-level encryption—the subject of the asserted claims. *See supra* at 6-7. TecSec's attempt to conflate "multi-level encryption" with unspecified use of "security features" (which TecSec admits it did not invent or patent) confirms that Mr. Johnson's testimony would be confusing, misleading, and prejudicial.[6]

Similarly, TecSec asserts that the jury should have been allowed to consider Mr. Johnson's excluded testimony "alongside the evidence showing how many times Adobe's 2009 website blog post was viewed." Blue Br. 39; *see id.* at 46

[6] It also runs afoul of the district court's *in limine* order precluding TecSec from "conflating the value of 'security' generally with the value of TecSec's claimed technology," *i.e.* multi-level encryption. Appx34 (capitalization normalized).

(asserting blog was "accessed by Acrobat users nearly 1,000 times"). That assertion, however, is irrelevant for inducement purposes because a user cannot directly infringe the asserted method claims by merely accessing Adobe's blog post. Instead, there must be evidence that the user performed each claimed step—*i.e.*, performed "multi-level encryption." *Lincoln Nat'l Life Ins. Co. v. Transamerica Life Ins. Co.*, 609 F.3d 1364, 1370 (Fed. Cir. 2010) (It "is axiomatic that a method claim is directly infringed only if each step of the claimed method *is performed*." (citation omitted)). But there was no such evidence here. *See, e.g.*, Appx12878 (643:15-25) (Wagner) ("Q. As of your deposition in this case, you have seen no evidence of actual use of the accused functionality by any user, right? A. Yes."); Appx12798-12799 (563:23-564:24) (Jones).

Moreover, the "nearly 1,000" blog hits that TecSec relies on (Blue Br. 46) occur "over a four-year period from 2010 through 2013" with hits logged outside of the relevant damages period. Appx13216 (981:17-24) (Sullivan); Appx13227-13228 (992:24-993:5) (Sullivan). Also, TecSec cannot identify the number of actual viewers (they could be a small number of repeat viewers, such as TecSec's counsel) or whether any viewer even viewed the "multi-level encryption" portion of the blog post, which is the last of five "packaging options" described. Appx24459-24460; *see also* Appx12889-12891 (654:19-656:23) (Wagner). Therefore, it would be particularly prejudicial to permit the jury "to see and hear Mr. Johnson's

characterization of the April 15, 2011 post." Blue Br. 39.[7] The entire discussion is divorced from any actual direct infringement analysis, let alone induced infringement. And critically, Mr. Johnson could not tie any relevant activity, including the blog post itself, to the permissible damages period. *Supra* at 35-36.

2. Any Alleged Error Was Harmless And Cannot Form The Basis For A New Trial

TecSec argues that excluding Mr. Johnson's testimony prejudiced its inducement case because it removed "probative evidence of direct infringement" and "Adobe's counsel repeatedly argued during closing that there is no evidence of direct infringement during the relevant damages period." Blue Br. 40-41. At the outset, TecSec waived any challenge to statements made by Adobe's counsel during closing argument because TecSec failed to object at the time. *See, e.g.*, *InTouch Techs., Inc. v. VGo Commc'ns, Inc.*, 751 F.3d 1327, 1355 n.9 (Fed. Cir. 2014) (appellant waived challenge to "improper statements [made] in . . . closing argument" by "fail[ing] to raise any objections at that time"); *United States v. Cone*, 714 F.3d 197, 217 (4th Cir. 2013) ("We have long held that the failure to object to

[7] *Toshiba*, 990 F. Supp. 2d at 906, 909-10 (cited at Blue Br. 46) does not compel a different conclusion. That court found that "*taking down* of a statement from defendant's FAQ page on its website," (Blue Br. 46 (emphasis added)), was relevant to inducement, not that passively leaving a blog post on the internet was sufficient to find active inducement where, as here, there is no evidence of direct infringement.

. . . statements made during closing arguments constitutes a waiver of that claim of error."); *see also Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1328 (Fed. Cir. 2008).[8]

Moreover, even if the exclusion was improper (and it was not), the evidentiary ruling was harmless, and not prejudicial, because it would not have changed the outcome. With or without Mr. Johnson's testimony, the evidentiary record could not support a finding of inducement during the relevant period for three independent reasons.

First, there was substantial evidence that Adobe customers did not use Acrobat to perform multi-level encryption during the relevant period. For example, TecSec's damages expert acknowledged that he "ha[d] seen no evidence of actual use of the accused functionality by any user." Appx12878 (643:22-25) (Wagner); *see also* Appx12879 (644:17-19) (Wagner) (confirming he "didn't see any evidence of actual use" in the "thousands of pages of documents" he reviewed). TecSec's technical expert, Dr. Jones, also failed to identify any Adobe customer—other than Mr. Johnson (whose use of Acrobat was outside of the relevant period, *supra* at 35-36)—that manipulated Acrobat to perform multi-level encryption. Appx12798-12799 (563:23-564:24) (Jones). Likewise, Adobe's Solutions Consulting Manager,

---

[8] This Court in *InTouch* also noted that, as here, "the jury instructions clearly stated that '[a]rguments and statements by lawyers are not evidence.'" 751 F.3d at 1355 n.9; *see* Appx13439 (1204:15-18).

Rick Borstein, testified that he was not aware of any Acrobat customers manipulating Acrobat to perform multi-level encryption. *See, e.g.*, Appx26669 (55:5-8); *see also* Appx26667-26669 (49:8-49:14, 54:20-22).[9]

Second, to establish induced infringement, TecSec had to show that Adobe made "an affirmative act to encourage infringement with the knowledge that the induced acts constitute patent infringement." *Power Integrations*, 843 F.3d at 1332; *see also DSU*, 471 F.3d at 1306 (patentee must show defendant "knowingly induced infringement and possessed specific intent to encourage another's infringement"). But the record contains no evidence that Adobe possessed the requisite specific intent to induce Mr. Johnson—or any third party—to directly infringe.

Third, TecSec also had to show that there was "a successful communication between the alleged inducer and the third-party direct infringer," and that the alleged inducement, as opposed to other factors, actually led at least one customer to directly infringe. *Power Integrations*, 843 F.3d at 1330-32. TecSec failed to make that showing. There is no evidence that Adobe made a successful communication to Mr. Johnson (or any third party) during the relevant time period, much less any evidence to allow the jury to conclude that Mr. Johnson (or any third party) purportedly

[9] There is also no evidence that any Adobe employee used TecSec's purported invention within the damages period. *See, e.g.*, Appx13037 (802:10-12) (Baartz-Bowman) ("Q. [H]ave you in all your time at Adobe or beforehand ever used multi-level encryption? A. No, I have not."); Appx12972 (737:3-14) (Ydens) (similar); Appx13022-13023 (787:24-788:10) (Landwehr) (similar).

directly infringed the asserted claims because of Adobe's alleged inducement (as opposed to other factors). *See, e.g.*, Appx12889 (654:14-20) (Wagner) ("Q. And since 2009 there are no other documents from Adobe that are promoting this multi-level encryption feature, fair? A. Not that I have seen."); Appx12886 (651:5-18) (Wagner) (admitting there is no evidence that Adobe advertises multi-level encryption).

The only alleged "communication[]" that TecSec relies on is the fact that Adobe "posted a blog in 2009 instructing customers how to perform multi-level security." Blue Br. 30, 33. But there is no evidence that Mr. Johnson (or any other alleged direct infringer) even read this blog post, much less that it caused him to perform multi-level encryption. *See* Appx12891-12892 (656:24-657:2) (Wagner) ("And as far as you're aware, you're aware of no customer in the world who used multi-level encryption as result of Mr. Landwehr's blog, right? A. That's true."). And Mr. Johnson testified that he did not interact with Adobe about Acrobat security features. *See* Appx26688 (67:20-24) (Johnson). Moreover, TecSec's damages expert admitted there is no evidence of Adobe promoting the accused functionality—*i.e.*, "communicating"—during the relevant period. Appx12889 (654:14-17) (Wagner) ("Not that I have seen."). Thus, even if Mr. Johnson's alleged direct infringement—the only purported evidence of alleged third-party infringement (*see* Appx12798-12799 (563:23-564:24) (Jones))—was during the

relevant timeframe or with an accused version of Acrobat (and there is no evidence it was), TecSec's inducement claim still fails as a matter of law because no reasonable jury could find a "successful communication" between Adobe and Mr. Johnson, or any other unidentified and non-existent alleged direct infringer, that caused any direct infringement. *Power Integrations*, 843 F.3d at 1331.

C. The District Court Properly Instructed The Jury

TecSec further argues that a new trial on inducement is warranted because Jury Instruction Nos. 25 and 28 purportedly "misled" the jury, especially in view of Adobe's closing argument. Blue Br. 41-42. Again, however, TecSec has waived any challenge to the closing argument by not objecting at that time. *See InTouch*, 751 F.3d at 1355 n.9; *Cone*, 714 F.3d at 217; *supra* at 39-40.

Regardless, a new trial is not warranted. This Court orders a new trial based on errors in jury instructions "only when errors in the instructions as a whole clearly misled the jury" in the full context of what happened at trial—*i.e.*, "the movant [must] establish that the instructions were legally erroneous *and* that the errors had a prejudicial effect." *Bettcher Indus., Inc. v. Bunzl USA, Inc.*, 661 F.3d 629, 638 (Fed. Cir. 2011) (emphasis added). Here, TecSec does not even contend that the court misstated the law. And there is nothing "misleading" about Jury Instruction Nos. 25 and 28—they accurately reflected both the facts and the law and had no prejudicial effect.

1. Jury Instruction No. 25 Was Proper

Jury Instruction No. 25 states:

> Adobe has agreed that when the accused Adobe Acrobat software was manipulated to create an encrypted first PDF file, attach the encrypted first PDF file to a second PDF file, encrypt the second PDF file, and decrypt the encrypted first PDF file, there was direct infringement of the asserted claims by the user. Adobe agrees that this occurred on at least *one occasion*, by Adobe itself.
>
> The parties agree that the one time for which Adobe has admitted infringement—that is, Adobe's use in connection with creating a February 2009 blog post—occurred before TecSec filed its lawsuit in February of 2010.

Appx12076 (emphasis added).

This instruction refers to Adobe's one admitted act of direct infringement of the asserted method claims—John Landwehr's experimenting with Acrobat in February 2009 in connection with posting his blog—before TecSec filed suit in 2010. *See* Appx12076; Appx24459-24460; Blue Br. 43. The instruction accurately reflects Adobe's stipulation. In a pre-trial statement, Adobe stipulated that "when the accused Adobe Acrobat software was manipulated to [perform the claimed steps], there was direct infringement of the asserted claims by the user," and "that this occurred on at least one occasion, by Adobe itself." Appx10307.[10] That statement was repeated verbatim in the Parties' Stipulation of Uncontroverted Facts.

[10] Adobe made clear that it would dispute at trial allegations of "direct infringement by Adobe beyond *the instance*." Appx10308 (emphasis added).

See Appx11994-11995 ¶ 14. And there is no dispute that the "one occasion" referenced in those statements refers to the February 2009 blog post by Mr. Landwehr, an Adobe employee. *See* Appx13032 (797:11-14) (Landwehr); Appx13305-13308 (1070:5-1073:20) (oral argument on Jury Instruction No. 25). Therefore, Jury Instruction No. 25 accurately reflects Adobe's stipulation. TecSec fails to show anything misleading—let alone legally erroneous—about the instruction.

First, TecSec argues that it "never agreed that Adobe only admitted to a single act of infringement that occurred" before this lawsuit and that Adobe "stipulated that every version of the accused Acrobat products infringed every asserted patent." Blue Br. 43-44. TecSec is conflating the parties' stipulation that Adobe "installed" each version of the accused product (which relates only to alleged infringement of the *system* claims), Appx11994 ¶ 13, with the stipulation of a single instance of "direct infringement" of the *method* claims, Appx11994-11995 ¶ 14. Instruction No. 25 reflects the latter, as the first paragraph of the instruction (which TecSec omits) makes clear. *See, e.g.*, Appx12076 (stating that manipulating a PDF to perform multi-level encryption constituted infringement "on . . . one occasion, by Adobe itself"); *supra* at 44-45. Instruction No. 25 properly recognizes that Adobe only admitted infringement of the asserted method claims on "one occasion," which undisputedly occurred before this lawsuit. Appx12076; Appx11994-11995 ¶ 14.

The trial testimony confirms that TecSec is mischaracterizing Adobe's stipulation. At trial, Mr. Landwehr testified that he directly infringed the asserted method claims (outside the relevant time period) by experimenting with the claimed method in connection with posting his blog in February 2009. *See* Appx13031 (796:5-15) (Landwehr); Appx24459. TecSec's counsel elicited testimony from Mr. Landwehr on cross-examination that directly connects Adobe's stipulation to his February 2009 blog post. *See* Appx13032 (797:11-14) (Landwehr) ("My understanding is that for this one file on this one blog post, that the Adobe lawyers have acknowledged that the process used to manipulate Acrobat does intersect and align with the claims."). Mr. Landwehr's testimony thus confirms that Adobe only stipulated to infringement one time—when Mr. Landwehr manipulated Acrobat to perform multi-level encryption in February 2009, almost a year before the damages period began, which is accurately reflected in Instruction No. 25.

Second, TecSec argues that Jury Instruction No. 25 misleadingly "implies" that "Adobe's 2009 blog is irrelevant for infringement purposes because it occurred *before* the lawsuit was filed." Blue Br. 44. But there is nothing "misleading," *id.*, much less inaccurate, about this instruction—and TecSec has not "shown that the language . . . caused any confusion when applied by the jury to the facts of this case." *Bettcher*, 661 F.3d at 642. Nor could it. There is no dispute that Mr. Landwehr posted the blog in February 2009, a year before TecSec filed this lawsuit in February

2010. Moreover, isolated acts outside of the damages period—such as Mr. Landwehr's 2009 blog—are not circumstantial evidence of alleged infringement during the damages period. *Supra* at 36-39. The district court properly and accurately instructed the jury on Adobe's stipulation of one act of infringement of the asserted method claims.

2. Jury Instruction No. 28 Was Proper

Jury Instruction No. 28 states that "[e]vidence of mere inaction, or a failure to stop or prevent infringement, does not constitute inducement." Appx12079. That instruction is legally correct. Indeed, it tracks, almost verbatim, this Court's decision in *Tegal Corp. v. Tokyo Electron Co.*, 248 F.3d 1376, 1379 (Fed. Cir. 2001). That alone is dispositive. *See, e.g.*, *Volvo Trademark Holding Aktiebolaget v. Clark Mach. Co.*, 510 F.3d 474, 485 (4th Cir. 2007) (rejecting challenge to jury instruction where appellant "failed to demonstrate how the instructions were legally inaccurate"); *Chiron Corp. v. Genentech, Inc.*, 363 F.3d 1247, 1259 (Fed. Cir. 2004) (rejecting challenge to jury instruction "because the district court instructed the jury on the proper standard for the written description requirement" and noting that instruction "need not use identical language to this court's opinions in its instructions").

TecSec asserts that it "never alleged . . . that Adobe induced infringement from failing to act," but rather alleged that Adobe actively induced infringement.

Blue Br. 45. That does not make Instruction No. 28 legally erroneous. TecSec also asserts that Adobe allegedly actively induced infringement by posting a blog that was "accessed by Acrobat users nearly 1,000 times." *Id.* at 46. But that is overstated (*see supra* at 37-39, 42-43) and, in any event, irrelevant for inducement purposes. As discussed, (1) a user cannot directly infringe the asserted method claims by merely accessing the blog and, here, (2) there is no evidence showing that an Adobe customer performed each step of multi-level encryption during the relevant damages period. *Supra* at 38-41.

3. Any Alleged Error Was Harmless And Cannot Form The Basis For A New Trial

Even if Instruction Nos. 25 or 28 were erroneous (and they were not), a new trial on inducement is not warranted because any error was harmless. "[W]hen [an] error in a jury instruction could not have changed the result, the erroneous instruction is harmless." *Bettcher*, 661 F.3d at 642 (citation omitted). For example, an error is harmless "where the evidence in support of the verdict was so overwhelming that the same verdict would necessarily be reached absent the error, or the error was cured by an instruction." *Id.* (citation omitted).

Here, TecSec does not attempt to explain why any errors in Instructions Nos. 25 and 28 were prejudicial. TecSec's argument is based principally on the district court's *in limine* ruling and evidentiary ruling excluding Mr. Johnson's testimony. Blue Br. 46-48. But, as discussed, those rulings were proper. *Supra* at 19-30, 43-

48. In any event, any errors in the instructions would be harmless for two separate reasons.

First, "the evidence in support of the [no inducement] verdict was so overwhelming that the same verdict would necessarily be reached absent the error." *Bettcher*, 661 F.3d at 642 (citation omitted); *see also Apex Custom Homes, L.L.C. v. O'Kelley*, 671 F. App'x 134, 135 (4th Cir. 2016) ("[A]ny error [in jury instruction] was harmless because the jury heard sufficient evidence to reach its verdict"). Even if the district court gave TecSec's requested instruction, the jury would still find no inducement. As discussed, TecSec presented no evidence that an Adobe customer performed multi-level encryption during the damages period (*supra* at 40-41) and there is insufficient evidence of intent and causation to find inducement (*supra* at 41-43). *See also* Appx12879 (644:1-19) (Wagner). TecSec's failure to present such evidence renders harmless any alleged error in the instructions. *See, e.g.*, *Therasense, Inc. v. Becton, Dickinson & Co.*, 593 F.3d 1325, 1333 (Fed. Cir. 2010) ("[T]he same verdict . . . would necessarily be reached absent the error, because claims 11 and 12 would have been obvious . . . as a matter of law."); *Apex*, 671 F. App'x at 135.

Second, any alleged error is harmless in the context of the entire jury instructions. "[A] single instruction to a jury may not be judged in artificial isolation, but must be viewed in the context of the overall charge." *Colonial Trading, LLC v.*

Bassett Furniture Indus., Inc., 530 F. App'x 218, 224 (4th Cir. 2013) (citation omitted). "[I]t is well settled that a trial court has broad discretion in framing its instructions to a jury," and thus the court's "jury instructions will not furnish a basis for reversal of an adverse verdict so long as, taken as a whole, they 'adequately state the controlling law.'" *Volvo*, 510 F.3d at 484 (citation omitted).

Here, the district court specifically instructed the jury that it was "not to single out one instruction alone as stating the law, but consider the instructions as a whole." Appx12049. The district court gave three other instructions on inducement (*see* Appx12077, Appx12078, Appx12080), some of which TecSec admits "come[] straight out of the AIPLA model instructions" and "set[] forth the proper standard for inducement" (Blue Br. 44). Because these instructions on inducement "adequately stated the controlling law"—and because TecSec does not contend that Instruction Nos. 25 or 28 misstate the law—any alleged error is harmless. *See, e.g.*, *Colonial*, 530 F. App'x at 223 ("As the district court's subsequent instructions adequately stated the controlling law, . . . any misstatement was harmless.").[11]

* * * * *

[11] In addition, even if the instructions "provided Adobe with a platform to mischaracterize the law" (Blue Br. 47) during closing argument (they did not) and even if TecSec had not waived any challenge to the closing argument (it did), there is no prejudice in the closing argument because the jury was specifically instructed that "any difference . . . between the law as stated by counsel and that stated by the Court in the[] instructions, [is] to be governed by the instructions." Appx12049.

In sum, the district court's rulings relating to evidence of inducement—its *in limine* order, evidentiary ruling, and jury instructions—were proper and well within the court's discretion. They should be affirmed.

II. THE DISTRICT COURT PROPERLY GRANTED JUDGMENT AS A MATTER OF LAW OF NO DIRECT INFRINGEMENT DAMAGES

The district court also properly held that there was not substantial evidence to support a direct infringement damages award. TecSec's damages theory and evidence was entirely dependent on Adobe's purported indirect infringement. But the jury found that Adobe did *not* indirectly infringe. That leaves the record "devoid" of damages evidence—by TecSec's own choosing. Because TecSec pursued a single (ultimately, infirm) all-or-nothing damages theory and failed to present other evidence of damages, the district court properly awards no damages.

A. TecSec Chose Not To Present Any Evidence Of Direct Infringement Damages

"In patent cases, '[t]he burden of proving damages falls on the patentee,' . . . and '[t]he [patentee] must show his damages by evidence.'" *Promega Corp. v. Life Techs. Corp.*, 875 F.3d 651, 660 (Fed. Cir. 2017) (alterations in original) (citations omitted). "Damages 'must not be left to conjecture by the jury. They must be proved, and not guessed at.'" *Id.* (citation omitted).[12] Accordingly, "in a case

[12] TecSec did not challenge the court's instruction that "TecSec has the burden to prove each element of its damages claim, including the amount of the damages." Appx13468 (1233:20-22); *see* Appx13470 (1235:13-15).

completely lacking any evidence on which to base a damages award, the record may well support a zero royalty award." *Apple, Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1328 (Fed. Cir. 2014). For example, "a patent owner may waive its right to a damages award when it deliberately abandons valid theories of recovery in a singular pursuit of an ultimately invalid damages theory." *Promega*, 875 F.3d at 666.

Here, as the district court correctly held, there is no evidence whatsoever—let alone substantial evidence—to support the jury's damage award for Adobe's direct infringement. Appx59. The reason is simple: TecSec chose to present a single, infirm damages theory based only on Adobe's alleged *indirect* infringement—*i.e.*, sales of Acrobat to Adobe customers—and presented no damages theory based on Adobe's direct infringement, *i.e.*, use by Adobe's employees. Appx57-59.[13] As the district court explained, "[b]ecause Adobe Acrobat does not infringe TecSec's system claims until it is installed, the testimony of a reasonable royalty based on sales to customers alone cannot support any award of direct infringement damages." Appx57. For the jury to have "non-speculatively" found direct infringement

[13] That TecSec only sought damages from February 2010 to March 2011 confirms there is no evidence of direct infringement damages. After all, when the Court ruled that Adobe did not induce infringement from March 2011 through October 2013, TecSec elected not to pursue damages for that period altogether, rather than seek direct infringement damages. TecSec never would have done so if there were any evidence or expert testimony on direct infringement damages for that time period.

damages, there needed to be "evidence of a royalty base tied solely to Adobe's own use of Adobe Acrobat"—but, as the court correctly found, there was none. Appx58.

Before trial, TecSec's counsel conceded that its expert's only "damages theory is based on a hypothetical negotiation, which includes a royalty rate and a *revenue base*." Appx27288-27289 (62:25-63:3).[14] At trial, TecSec's expert confirmed that damages were tied only to Adobe's "sales of accused products." Appx12866 (631:6-13) (Wagner) (emphasis omitted); *see also* Appx12840 (605:4-5) ("[H]ere I have used a measure of sale of the accused products as what would trigger royalty products."), Appx12842-12844 (607:14-609:2), Appx12854-12856 (619:12-621:14), Appx12863 (628:18-25). And, during closing argument, TecSec's counsel exclusively argued for damages based on Adobe's sales of Acrobat to customers. *See* Appx13499-13500 (1264:25-1265:2) ("[T]hat is all that TecSec is asking for here, a reasonable royalty based on the sales of Acrobat products."); Appx13500-13501 (1265:22-1266:1); Appx13504 (1269:1-5). Likewise, Adobe's expert, Dr. Ryan Sullivan, never testified about damages based on direct infringement. *See* Appx13209-13255 (974:15-1020:24) (Sullivan). Because he was

[14] Adobe moved to preclude TecSec's damages expert, Mr. Wagner, from testifying about direct infringement damages because he failed to disclose any such opinion in his reports. Appx10436-10437; Appx27286-27290 (60:14-62:11, 63:21-64:9). The district court denied that motion as moot only in view of TecSec's representation that "Mr. Wagner's testimony at trial will be limited to the statements he made in his expert report." Appx30. Thus, it is not surprising that Mr. Wagner never testified at trial about direct infringement damages.

responding to Mr. Wagner's opinions, he only presented damages opinions based on Adobe's indirect infringement. Therefore, the district court properly found that the record "completely lack[s] any evidence on which to base a damages award." *Apple*, 757 F.3d at 1328.

This Court has found that a zero damages award is warranted in similar circumstances. For example, in *Gustafson*, this Court affirmed the trial court's "award[] [of] no damages to Gustafson because none were proven." 897 F.2d at 509-10. And, recently, in *Promega*, this Court held that the patent owner "waive[d] its right to a damages award" by "abandon[ing] valid theories of recovery in a singular pursuit of an ultimately invalid damages theory." 875 F.3d at 666.[15] That is precisely the case here: TecSec failed to prove any direct infringement damages and instead pursued damages based singularly on indirect infringement damages—which was ultimately for naught when the jury found no indirect infringement. As in *Gustafson* and *Promega*, zero damages are warranted in this case.

TecSec argues that *Promega* is distinguishable because "TecSec did not strategically drop direct infringement in favor of indirect infringement (or vice

---

[15] *See also, e.g.*, *Mirror Worlds*, 692 F.3d at 1353 (noting that district court found that even if there had been sufficient evidence for infringement, there was no substantial evidence for jury's damage award); *Keg Techs., Inc. v. Laimer*, 436 F. Supp. 2d 1364, 1370-71 (N.D. Ga. 2006) (zero damages "[i]n light of the absence of competent evidence supporting the award of . . . a reasonable royalty"); *Bos. Sci. Corp. v. Johnson & Johnson*, 550 F. Supp. 2d 1102, 1122 (N.D. Cal. 2008) ("no evidence on which to base an award of damages").

versa), such that one would be the alternative recovery to the other." Blue Br. 62. That argument is belied by the record which, as discussed, confirms that TecSec "deliberately abandon[ed]" direct infringement damages in favor of damages based on indirect infringement. *Promega*, 875 F.3d at 666; *supra* at 52-54; *infra* at 52-54.

B. TecSec's Other Arguments Are Unavailing

Lacking record evidence to which it can direct this Court, TecSec offers a number of other arguments to rescue the unsupported damages award the district court vacated. TecSec's remaining arguments are nonetheless unavailing.

First, TecSec argues that the jury's damage award was sufficiently supported because it "fell between" both parties' experts' "damages numbers," was "less than half of the amount proposed by TecSec's expert," and was purportedly not "excessive." Blue Br. 55-56. That misses the point. As discussed, both experts' evidence was premised on *indirect* infringement and there was no evidence of damages for Adobe's alleged *direct* infringement. *Supra* at 52-54. Therefore, any award of direct infringement damages is "inherently speculative and unsupported by the record." Appx59.

Second, TecSec argues that, to recover damages, "there is no requirement . . . to present expert testimony." Blue Br. 57. That is true, but irrelevant. Adobe never argued, and the district court never held, that expert testimony on direct infringement damages was "require[d]" for TecSec to recover damages. *Id.* Instead, the district

court correctly noted that "the record is . . . devoid of qualified testimony regarding" direct infringement damages, *and* that there was no other evidence that could support the jury's damages award. Appx59. The district court described in detail different types of factual evidence that TecSec could have—but did not—adduce at trial to support a damages award for direct infringement. *See, e.g.*, Appx59. For example, that TecSec actually *had* an expert but did not use him to opine on direct infringement damages is demonstrative of TecSec's deliberate choice not to pursue damages for direct infringement. *See* Appx12829 (594:15-16) (Wagner); Appx27288-27289 (62:25-63:3). Although TecSec now attempts to rely on testimony about one Adobe employee's use of Acrobat—not the claimed invention of multi-level encryption—TecSec fails to address the district court's finding that "the evidence adduced at trial demonstrated, *at most*, a *de minimis* value of TecSec's invention to Adobe." Appx58 n.1 (emphasis added); *see also, e.g.*, Appx12887 (652:4-6) (Wagner) (agreeing that "the accused functionality is not critical to Acrobat's success"); Appx12886 (651:5-18) (Wagner) (admitting there is no evidence that Adobe advertises multi-level encryption); *supra* at 41 n.9 (Adobe employees did not use purported invention within damages period).

Third, TecSec argues that the district court was "*compelled*" by 35 U.S.C. § 284 to award damages for Adobe's direct infringement. Blue Br. 50. This Court's precedent forecloses that argument, as this Court has repeatedly held that zero

damage awards are proper in circumstances like the ones here. *See Promega*, 875 F.3d at 666; *Apple*, 757 F.3d at 1328. The plain text of § 284 does not compel a different conclusion. It requires the court to "award the claimant" at least a "reasonable royalty." 35 U.S.C. § 284. Although § 284 "requires the award of a reasonable royalty, . . . to argue that this requirement exists even in the absence of any evidence from which a court may derive a reasonable royalty goes beyond the possible meaning of the statute.'" *Devex Corp. v. Gen. Motors Corp.*, 667 F.2d 347, 363 (3d Cir. 1981) (cited at *Apple*, 757 F.3d at 1328 n.7). In fact, the statute contemplates that the award must be "reasonable under the circumstances." 35 U.S.C. § 284. Where, as here, a patentee fails to prove its damages theory (*Gustafson*) or deliberately presents one ultimately infirm damages theory to the exclusion of others (*Promega*), it is "reasonable" to award zero damages.

The cases TecSec cites are not to the contrary; instead, those cases confirm that the record here does not support a damage award. Blue Br. 50-52. In *Dow Chemical Co. v. Mee Industries, Inc.*, this Court held that § 284 raises "a *presumption* of damages where infringement has been established," 341 F.3d 1370, 1381 (Fed. Cir. 2003) (emphasis added), not that it "compel[s]" a damages award, (Blue Br. 50 (emphasis omitted)). That decision contemplates that "th[e] presumption may be rebutted" where, as here, "the patentee fails to put on 'any evidence from which a court may derive a reasonable royalty.'" *Bos. Sci.*, 550 F.

Supp. 2d at 1122 (citation omitted). Moreover, in *Dow*, the district court erred by reducing damages to zero without considering "*other evidence in the record*, including the evidence supporting [the patentee's damages expert's] excluded opinions," 341 F.3d at 1381 (emphasis added), whereas, here, there is no "other evidence in the record," that could support an award of direct infringement damages.

In *Apple*, this Court reversed a zero damages award and indicated that it would be rare for a record to support a "zero royalty" award. 757 F.3d at 1328 n.7. But, as discussed, in *Apple* this Court expressly stated that "a case completely lacking any evidence on which to base a damages award" would be such a case. *Id.* at 1328; *see also id.* at 1328 n.7 ("In the absence of any evidence as to what would constitute a reasonable royalty in a given case, a fact finder would have no means of arriving at a reasonable royalty, and none could be awarded." (quoting *Devex*, 667 F.2d at 361)); *Hollister Inc. v. Zassi Holdings, Inc.*, 752 F. App'x 888, 895 (11th Cir. 2018) (awards of zero damages are proper under *Apple* where the "record supports a zero royalty award" (citation omitted)). That is the case here.

And, in *DePuy*, this Court affirmed the jury's 0% royalty rate *despite* the "statutory damages floor" in § 284 because the patentee waived the issue by not raising a timely objection at trial. 567 F.3d at 1335. A similar rationale applies here:

TecSec waived any minimum statutory damages by choosing a single damages theory that did not pan out.[16]

Fourth, TecSec argues that the court improperly usurped the jury's fact-finding role. Blue Br. 53-54. To the contrary, the jury has a role where—as in the string of cases that TecSec cites—there is sufficient evidence from which the jury could make a given finding. Here, the court properly found there was *no* competent evidence of direct infringement damages to support the jury's award. TecSec's cited district court cases do not suggest the court here usurped the jury's role by vacating an award that was not supported by any evidence. Indeed, one of TecSec's cases contemplates this situation: "[i]n the absence of any evidence as to what would constitute a reasonable royalty . . . none could be awarded." *Waterton Polymer Products USA, LLC v. Edizone, LLC*, No. 2:12-cv-17, 2014 WL 12600697, at *1 (D. Utah Nov. 25, 2014) (citation omitted). This Court should affirm the district court's judgment in full.

III. ALTERNATIVELY, THE ASSERTED CLAIMS ARE INELIGIBLE UNDER § 101

Alternatively, the asserted claims ineligible under § 101. The district court erred in holding otherwise. Appx3-13. The familiar two-step framework of *Alice*

---

[16] *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320, 1327 (Fed. Cir. 1987), says nothing about the propriety of a zero damages award; this Court vacated a royalty award and remanded for determination of lost profits—which is inapplicable because "TecSec did not pursue . . . lost profits." Blue Br. 62.

Corp. Pty. Ltd. v. CLS Bank International, governs whether computer-based claims are ineligible. 573 U.S. 208, 217-27 (2014).

At step one, the Court determines whether the asserted claims are directed to an abstract idea. *Id.* at 218. That is, the Court must determine whether the claims' "focus"—their "character as a whole," *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016), or "essential, 'most important aspect'"—is an abstract idea, *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1348 (Fed. Cir. 2015). *See also*, *e.g.*, *Intellectual Ventures I LLC v. Capital One Fin. Corp.* ("*Capital One II*"), 850 F.3d 1332, 1338-41 (Fed. Cir. 2017) ("focus" of computer claims is abstract idea). Implementing the idea in a "'particular technological environment'" using conventional computer technology does not make "the claims "'any less abstract.'" *Intellectual Ventures I LLC v. Symantec Corp.* ("*Symantec*"), 838 F.3d 1307, 1314, 1315-16 (Fed. Cir. 2016) (citations omitted). In making this inquiry, the Court considers whether the claims focus on a "'specific implementation of a solution to a problem in the software arts'"—"'a specific means or method' for improving technology"—or instead focus on "an abstract end-result" or "'generalized steps to be performed on a computer using conventional computer activity.'" *RecogniCorp*, 855 F.3d at 1326.

At step two, the Court determines whether the claim elements, individually or collectively, add "'significantly more'" to the abstract idea—something

"'inventive'"—that is "sufficient to 'transform' the claimed abstract idea into a patent-eligible application." *Alice*, 573 U.S. at 217-22 (citation omitted). Implementing an abstract idea with "well-understood," "routine," or "conventional" activities—or limiting the idea to a particular technological environment—contributes nothing inventive. *Id.* at 225-26 (citation omitted). Nor may claims simply recite "generic functional language to achieve [the] purported solutions" without claiming "'*how* the desired result is achieved.'" *Two-Way Media Ltd. v. Comcast Cable Commc'ns, LLC*, 874 F.3d 1329, 1339 (Fed. Cir. 2017) (citation omitted). "[A]n inventive concept must be evident in the claims." *RecogniCorp*, 855 F.3d at 1327. Patent claims are frequently found ineligible as a matter of law on summary judgment or the pleadings where there are no relevant factual disputes. *See, e.g.*, *Berkheimer*, 881 F.3d at 1368. Here, claims 1 and 8 of the '702 patent—which are undisputedly representative of the asserted claims of all patents for purposes of § 101 (Appx4; Appx1886)—are ineligible because they are directed to an abstract idea and add nothing inventive.

A. The Asserted Claims Are Directed To An Abstract Idea

The representative claims are directed to the abstract idea of managing access to objects using multiple layers of encryption and labels. *See* Appx1853, Appx1857. Representative claim 1 recites in highly generalized, result-oriented terms basic method steps for (1) encrypting an object, (2) labeling the encrypted object,

(3) reading the label to determine whether the user is authorized to decrypt the object and, if so, (4) decrypting the object. Appx239. Representative 8 recites a "system" for performing those same functions. Appx239-240. Neither claim explains *how* objects are encrypted, *how* labels are generated, or *how* authorization is determined. *See generally* Appx239-240.

The specification admits that managing access using encryption and labels are commonplace computer tasks. *See* Appx234 (1:28-60) (describing commonplace "[c]ryptographic systems" that "have evolved to fill the needs of companies and individuals wanted to protect . . . proprietary commercial information"), Appx234 (2:31-61) (describing known systems using "secure labelling" to "limit access to the transmitted message"); *see also* Appx7980 (Clark) ("The claimed invention simply takes existing encryption, label, and object embedding technology, and applies them with predictable results."). Such "'generalized steps to be performed on a computer using conventional computer activity' are abstract." *RecogniCorp*, 855 F.3d at 1326 (citation omitted); *see, e.g.*, *Symantec*, 838 F.3d at 1319 ("computer virus screening" was abstract idea as it "was a long prevalent practice in the field of computers"). Moreover, the fact that encoding and controlling access to data and objects is activity "humans have always performed"—long predating computers—further confirms that the claim is directed to an abstract idea. *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat'l Ass'n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014); *see,*

e.g., *RecogniCorp*, 855 F.3d at 1326 (computer encoding and decoding are akin to "Morse code"); *see also* Appx234 (1:14-30) (asserted patents aim to thwart "commercial 'sp[ies]'" seeking to steal "commercially valuable information").

The only purported contribution is nesting encrypted objects within other encrypted objects, thereby providing "multi-level" encryption. Appx239 (preamble of claims 1 and 8); *see TecSec I*, 731 F.3d at 1345-46; Appx234 (2:65-66), Appx235 (4:25-28); Appx12675-12676 (440:12-14, 441:4-8) (Scheidt); *supra* at 6-7. But merely performing an abstract idea multiple times is still abstract. *See, e.g.*, *RecogniCorp*, 855 F.3d at 1327 ("combining" abstract ideas still abstract). And such nesting is itself an abstraction, analogous to longstanding human activity. *See Content Extraction*, 776 F.3d at 1347. Indeed, "[d]ouble encryption . . . has been in practice since the Cold War." *Personalized Media Commc'ns, LLC v. Amazon.Com, Inc.*, 161 F. Supp. 3d 325, 333 (D. Del. 2015), *aff'd*, 671 F. App'x 777 (Fed. Cir. 2016) (citation omitted). It is akin to locking the glove compartment and the car door, or storing multiple locked boxes within a locked safe. *See* Appx235 (3:33-37) (analogizing to everyday objects, such as "[y]our car," which "may contain other objects").

The specification itself depicts the multilevel security as a series of nested objects secured by keys:

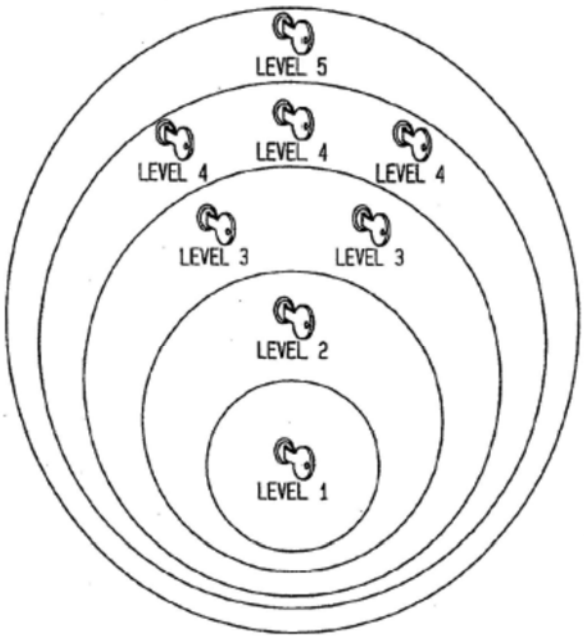


FIG. 3

Appx228.

The claim terms' broad constructions confirm that the claims are directed to abstract ideas. *See* Appx1853-1854. An "object" is "any distinct, separate entity," Appx27009 and *any* type of data can be encrypted. *TecSec I*, 731 F.3d at 1346 (recitation of "'multi-level multimedia security'" "does not limit the type of data that may be encrypted"). A "label" is anything that determines who, what, or where is authorized to receive the object. *TecSec II*, 658 F. App'x at 580 ("series of letters or numbers, separate from but associated with the sending of an object, which identifies the person, location, equipment, and/or organization which is permitted to receive

the associated object" (citation omitted)). Moreover, the district court expressly declined to limit other terms to particular implementations. *See* Appx27175-27177, Appx27180-27186 (declining to further construe, among other things, "multi-level multimedia security," order of claim steps, "object-oriented," and "access authorization"); Appx27138-27151, Appx27153-27155, Appx27157-27162; Appx7998-7999.

The representative claims recite certain additional features, but those also do not make the claims non-abstract. For example, claim 1's "object-oriented key manager" is merely a "software component that manages the encryption of an object by performing one or more of the functions of generating, distributing, changing, replacing, storing, checking on, and destroying cryptographic keys." *TecSec II*, 658 F. App'x at 582. But such "key management" functions are conventional. Appx234 (1:61-66). Claim 8 is couched as a computer "system," but is "no different from the method claim[] in substance," and thus "fail[s] for substantially the same reasons." *Alice*, 573 U.S. at 226. Claim 8's recited components ("encryption algorithm module," "object labelling subsystem," "decryption algorithm module," and "object label identification subsystem") merely require conventional computer technology "configured to implement the same idea" as in claim 1, which makes it "no less abstract." *Symantec*, 838 F.3d at 1314; *see also id.* at 1316-19 ("receipt mechanism," "rule engine," and "distribution mechanism"); *Intellectual Ventures I LLC v. Capital*

One Bank (USA), 792 F.3d 1363, 1371 (Fed. Cir. 2015) ("'software' 'brain'").[17] Likewise, this Court held that claim 8's two "means" terms ("system memory means" and "digital logic means") are not means-plus-function and instead connote familiar structures: "system memory means" includes any memory component (*e.g.*, "RAM") used for "storing data" and "digital logic means" merely refers to "digital circuits that perform Boolean algebra." *TecSec I*, 731 F.3d at 1347-48.[18] Those functions are the epitome of routine, longstanding computer functionality.

This Court has found ineligible similar claims for encoding, converting, encrypting, and controlling access to data. For example, in *RecogniCorp*, the claims recited a computerized image encoding/decoding method that (1) "displays images on a first display," (2) "assigns image codes to the images through an interface using a mathematical formula," and (3) decodes and "reproduces the image based on the codes." 855 F.3d at 1326 (citation omitted). This Court held that they were "directed to the abstract idea of encoding and decoding image data"—an "abstract concept long utilized to transmit information"—and ultimately ineligible. *Id.* at 1326. In *Capital One II*, the ineligible claims recited an "apparatus for manipulating XML documents" with components for (1) parsing the XML data into "data objects" and

---

[17] *See* Appx12756-12761 (521:21-522:4, 523:6-17, 525:14-22, 526:4-9, 526:12-24), Appx12766-12767 (531:7-532:19) (Jones) (modules merely perform recited functions).

[18] *See* Appx12761 (526:4-9), Appx12766 (531:14-18) (Jones).

"record types" nested within other record types (2) presenting the data in a "dynamic document," and (3) modifying the data. 850 F.3d at 1339. And in *Symantec*, the ineligible claims recited (1) examining an electronic message, (2) identifying a "characteristic" thereof, and (3) appending delivery instructions to route the message based on that characteristic. 838 F.3d at 1313-16.[19] In each, the claims were directed to abstract concepts because they provided no "'specific means or method' for improving technology" and instead recited "'generalized steps to be performed on a computer using conventional computer activity.'" *RecogniCorp*, 855 F.3d at 1326 (citations omitted); *see also Capital One II*, 850 F.3d at 1342 ("only a result-oriented solution, with insufficient detail for how a computer accomplishes it").

The same is true here. The representative claims recite conventional computer processing activity that is just as abstract and functional as the concepts and claims in those cases. The claims do not provide any particular improved technology for encrypting, nesting, or labeling data—just "a result-oriented solution, with

---

[19] *See also Bridge & Post, Inc. v. Verizon Commc'ns, Inc.*, 778 F. App'x 882, 888-89 (Fed. Cir. 2019) (claims for "encrypting" a "request identifier", "embedding" it in an "HTTP extensible field," and "decod[ing]" it); *Innovation Scis., LLC v. Amazon.com, Inc.*, 778 F. App'x 859, 861 (Fed. Cir. 2019) (claims purporting to "overcome[] the lack of adequately secure encryption and decryption"); *In re Salwan*, 681 F. App'x 938, 939 (Fed. Cir. 2017) (claims reciting "providing user authorization to access . . . data"); *Voit Techs., LLC v. Del-Ton, Inc.*, 757 F. App'x 1000, 1003 (Fed. Cir. 2019) (claims with "generic computer components performing conventional compression techniques").

insufficient detail for how a computer accomplishes it." *Capital One II*, 850 F.3d at 1342; *see* Appx7980 (Clark) (no "improvement on encryption, labels, object embedding, or multilevel systems"); Appx12676 (441:4-8) (Scheidt).[20] Therefore, any purported benefits of the claims flow not from improved computer technology, but from "performing an abstract idea in conjunction with . . . well-known" computer technology. *BSG Tech LLC v. Buyseasons, Inc.*, 899 F.3d 1281, 1288 (Fed. Cir. 2018). That is the hallmark of claims that are directed to an abstract idea.[21]

B. The Asserted Claims Add Nothing Inventive

At *Alice* step two, the representative claims add nothing inventive to the abstract idea of managing access to objects using multiple layers of encryption and labels. The claims implement the idea using conventional computer components (such as memory devices and computer circuits) and functions (such as encrypting and labeling data to control access and performing key management). *Supra* at 6-7, 62, 65-66. Those are the same types of features that this Court has repeatedly found

---

[20] *See also Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1345 (Fed. Cir. 2018) ("result-centric" steps with no details on "*how* to engineer or program") (emphasis in original); *Two-Way Media*, 874 F.3d at 1337 ("result-based functional language" that "does not sufficiently describe how to achieve these results"); *Voit*, 757 F. App'x at 1003 ("generic computer components performing conventional compression techniques" with no particular improvement in "compression techniques or the functioning of the computer").

[21] The claimed inventions are thus unlike the type of "specific . . . improvement[s] in computer capabilities" that might confer patent eligibility. *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335-36 (Fed. Cir. 2016).

merely implement the abstract idea in a "particular technological environment"—which does not make the claims eligible. *See, e.g.*, *RecogniCorp*, 855 F.3d at 1327-28 (encoding and decoding computer data is non-inventive); *Two-Way Media*, 874 F.3d at 1334-35 (converting and transmitting data is non-inventive).

Identifying subcomponents, with names coined to describe their functions, also adds nothing inventive. *See supra* at 65-66 & n.17. And providing "multilevel" encryption is itself part of the abstract concept. *See, e.g.*, *BSG*, 899 F.3d at 1290 ("[A] claimed invention's use of the ineligible concept to which it is directed cannot supply the inventive concept that renders the invention 'significantly more' than that ineligible concept."); *Chamberlain Grp., Inc. v. Techtronic Indus. Co.*, 935 F.3d 1341, 1348-49 (Fed. Cir. 2019) (step two inquiry looks at elements apart from abstract idea, "not whether the entire claim as a whole was 'well-understood, routine [and] conventional'" (citation omitted)).

Even when these basic functions and components are viewed "'as an ordered combination," there is no "specific implementation" or "specific improvements" in computer technology that might provide an inventive concept. *Bascom Glob. Internet Servs., Inc. v. AT&T Mobility, LLC*, 827 F.3d 1341, 1348-49 (Fed. Cir. 2016) (citation omitted). The claims' arrangement merely tracks the necessary steps for performing the abstract idea using conventional functionality "with predictable result" (Appx7980)—which does not confer eligibility. *See, e.g.*, *Alice*, 573 U.S. at

225-26; *BSG*, 899 F.3d at 1291; *In re TLI Commc'ns LLC Patent Litig.*, 823 F.3d 607, 615 (Fed. Cir. 2016); *see also* Appx7980 (Clark) ("The invention does not provide any improvement on encryption, labels, object embedding, or multilevel systems. . . . [T]he use of a combination of these technologies, including the use of all three, were well-known in the prior art."). The claims provide no computer-specific solution to a uniquely computer-based problem, unlike the few cases in which this Court found claims eligible at *Alice* step two, such as *Bascom*, 827 F.3d at 1350 (specific improved architecture for filtering and customizing internet content), and *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1255-58 (Fed. Cir. 2014) (specific solution to computer problem with no real world analogue). At most, the claims state the "desired results"—*i.e.*, managing access to objects using multiple layers of encryption and labels—no "particular ways of achieving . . . them," which adds nothing inventive. *Elec. Power*, 830 F.3d at 1356; *see also supra* at 67-68 & n.20.

C. The District Court's Contrary Conclusion Is Flawed

The district court reached the wrong result. At least three critical flaws contributed to the court's contrary conclusion.

First, the district court simply misread *TecSec I*. The district court held that the decision provided "stronger evidence still" that the claims are not abstract because this Court found that the specification provided "precise implementation[s]"

and "'detailed disclosure'" for certain means-plus-function terms. Appx5-6, Appx12 & n.3 (quoting *TecSec I*, 731 F.3d at 1349). Critically, however, those terms did *not* include the only two "means" terms found in the representative claims. *Compare TecSec I*, 731 F.3d at 1347-48 (holding that the two "means" terms in claim 8 are *not* means-plus-function), *with id*. at 1349 (addressing "means" terms in *other* claims that *are* means-plus-function). To the contrary, this Court expressly found that the "system memory means" and "digital logic means" terms were *not* means-plus-function terms at all and, instead, could be conventional structures. *Supra* at 66. Therefore, contrary to the district court's misreading, *TecSec I* further confirms that the claims are *in*eligible.

Second, the district court held that the representative claims were eligible because they "do[] not preempt all multi-level encryption methods"—*i.e.*, "some, but not all, multi-level encryption methods could infringe the DCOM patents." Appx11-12; *see* Appx11 (do not "foreclose all forms of multi-level security"); Appx10 ("'[P]reemption is the touchstone of the § 101 inquiry." (citation omitted)). That was legal error. It is well-established that "the absence of complete preemption does not demonstrate patent eligibility." *Symantec*, 838 F.3d at 1321 (citation omitted); *see also Two-Way Media, LLC*, 874 F.3d at 1339 (where claims are ineligible under *Alice*, "preemption concerns are fully addressed and made moot"). Moreover, the claims' generalized language and vacuous components in this case *do*

broadly encompass any number of implementations that the patentee never invented. *Supra* at 61-62, 64-66, 67-68.

Third, the district court found that the claims provide a "specific solution to implementing the multiple levels of nested security through the 'object-oriented key manager.'" Appx10. However, as discussed, nesting is part of the abstract idea (*supra* at 61-64) and the "key manager" is a generalized component performing the type of computer functions that the specification admits are routine (*supra* at 65). Notably, the district court did not liken the representative claims to any claims found eligible by any court (Supreme Court, Federal Circuit, or district court). For good reason: the representative claims do not provide the type of specific improvement in computer technology that this Court has found eligible, and instead fall squarely within the type of results-based claims with "generalized steps to be performed on a computer using conventional computer activity" that this Court has found ineligible. *RecogniCorp*, 855 F.3d at 1326 (citation omitted); *see supra* at 61-70.

CONCLUSION

The Court should affirm the district court's judgment or, alternatively, hold that the asserted claims are ineligible under § 101.

Respectfully submitted,

/s/ Tara D. Elliott

Tara D. Elliott
Michael A. Morin
Gabriel K. Bell
Rachel Weiner Cohen
LATHAM & WATKINS LLP
555 Eleventh Street, NW
Suite 1000
Washington, DC 20004
(202) 637-2200
tara.elliott@lw.com

Counsel for
Cross-Appellant Adobe Inc.

November 18, 2019

CERTIFICATE OF SERVICE

I hereby certify that on November 18, 2019, I caused the foregoing Principal And Response Brief of Cross-Appellant Adobe Inc. to be served by electronic means through the Court's CM/ECF system on counsel for all parties who are registered CM/ECF users.

/s/ Tara D. Elliott
Tara D. Elliott

CERTIFICATE OF COMPLIANCE WITH RULE 32

Pursuant to Fed. Cir. R. 28.1(c) and Fed. R. App. P. 32(g), I hereby certify that this brief complies with the type-volume limitations of Fed. R. App. P. 28.1(e) and Fed. Cir. R. 28.1(b)(2)(A) because it contains 16,493 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b).

I further certify that this brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) because this brief was prepared using Microsoft Word 2016 in 14-point Times New Roman font.

/s/ Tara D. Elliott
Tara D. Elliott