No. 2014-1404

In the
United States Court of Appeals
for the Federal Circuit

NETAIRUS TECHNOLOGIES, LLC,
a California limited liability company

Plaintiff-Appellant,

v.

APPLE INC., a California corporation,

Defendant-Appellee.

Appeal from the United States District Court
for the Central District of California, Case No. 2:10-cv-03257
The Honorable **John A. Kronstadt**, Judge Presiding

REPLY BRIEF OF PLAINTIFF-APPELLANT NETAIRUS TECHNOLOGIES, LLC

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CERTIFICATE OF INTEREST

Counsel for NetAirus Technologies, LLC certifies the following:

1. The full name of every party or amicus represented by me is: NetAirus Technologies, LLC.

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: None.

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 are:

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SUMMARY OF THE ARGUMENT

Given the several critical legal errors that occurred here, this case can hardly be characterized as an example of our patent litigation system functioning at its best. (Apple Br. 1).

First, a new trial is warranted because the trial court read an ambiguous and objected to jury instruction on the issue of written description. The jurors were clearly confused by the instruction, asking questions as to whether they should only examine the detailed description in the patent or whether they should examine the claims as well. The trial court exacerbated the problem declining to instruct the jury that the original claims should be considered in making its determination as to whether the written description requirement was satisfied.

Second, the verdict on written description is not supported by sufficient evidence. There is ample evidence in the original claims, as well as the specification itself, that supports that the claim elements require a handset to communicate "selectively," to send and receive "e-mails" and to operate as a "PDA."

Third, as to obviousness, it is undisputed that the GSM standard described a base unit, not a handset, that selects the communication channel. When the GSM standard is analyzed in light of the construction of the claim term "communicate, selectively" (presented by the trial court and reiterated by Apple's own expert at

trial), the GSM standard simply does not teach critical elements of the claims. This alone warrants reversal.

Fourth, regarding infringement, it was undisputed that Apple satisfied the "transmit power level" claim limitation at least part of the time. Yet, the trial court declined to instruct the jury on the law of part-time infringement. This failure warrants a new trial. The uncontroverted testimony of Mr. Noellert and Apple's own probability curves would have changed the outcome if the jury had been instructed on part-time infringement.

ARGUMENT

I. A NEW TRIAL IS WARRANTED ON THE ISSUE OF WRITTEN DESCRIPTION

A. The Original Instruction Was Ambiguous And Confusing

Apple contends that the instruction given to the jury regarding written description "fairly and adequately covered the issue presented, correctly stated the law, and were not misleading." (Apple Br. 37). But, the instruction was ambiguous and confusing. (A00101; A13325 – A13329). The instruction did not indicate what specific aspects of the "original patent application" should be reviewed in determining whether there was adequate written description of the claimed inventions. (A00101).

NetAirus' proposed instruction correctly explained that the patent application includes all "words, structures, figures, diagrams, formulas, etc.

contained in the patent application." (A11897 – A11898). NetAirus' proposed instruction was correct under the law:

> Terms need not be used in haec verba, however…. Instead, we have explained that the written description requirement can be satisfied by "***words, structures, figures, diagrams, formulas, etc.***"

Koito Mfg. Co., Ltd. v. Turn-Key-Tech, LLC, 381 F.3d 1142, 1154 (Fed. Cir. 2004) (emphasis added). The trial court's refusal to give NetAirus' proposed instruction misled the jury and requires a new trial. *Delta-X Corp. v. Baker Hughes Prod. Tools*, 984 F.2d 410, 415 (Fed. Cir. 1993) (a new trial is warranted when "errors in the instructions as a whole clearly mislead the jury").

B. The Trial Court's Instruction To The Jury During Deliberations Was Erroneous

Apple contends (on pages 42-43) that the jury's question about written description has a straightforward answer: "An issued patent's claims do not suffice their own written description." But Apple's contention misses the point. The jurors were asking whether they were supposed to look at just the "Detailed Description" of the patent or whether they should look to something else, *i.e.*, the claims, to determine whether the written description requirement had been satisfied:

> Does the term ***"written description," asked in Question 4 of the Jury Verdict,*** refer to the words within the section termed "Detailed Description on Pg. 1306-00012 of Patent '380, OR to the words within the claims of the same patent?

(A13323; emphasis added). Question 4 of the Jury Verdict concerned invalidity for lack of written description. (A00006). Contrary to Apple's contention (p. 43), the jury was seeking guidance as to what it should examine in deciding the "written description" question:

> MR. DEAN NIRO: I think the jury is asking for some clarification of – and some instruction as you look at the original application, which includes all aspects of the application. That would include the entire written – the entirety of the writing of the patent, including the abstract. It would include the drawings, and also the claims as originally filed are part of the written description of that patent.
>
> THE COURT: I understand.
> Do you agree, Mr. Scarsi?
>
> MR. SCARSI: I don't believe that the original claims are part of the written description.
>
> THE COURT: I don't think that's what Mr. Niro said.
>
> MR. DEAN NIRO: No. The original claims are part of the written description of the patent. They should be included as part.

(A01522 – A01523).

The trial court's response to the jury's question highlights its error. It responded by saying the term "written description," as used in Question 4 of the Verdict Form, refers only to the drawings and detailed description contained in the '380 patent:

> The term "written description" as used in Question 4 of the Verdict Form means what is contained in the portion of the '380 Patent (Exhibit 1306) starting on its first page (1306-00001) through and including column 13, line 46, or its 17th page (1306-00017). This

> includes all text and figures on these pages. It does not include the claims, which begin on column 13, line 47, on page 17.

(A13324). NetAirus' counsel also brought to the trial court's attention *Hyatt v. Boone*, 146 F.3d 1348 (Fed. Cir. 1998) and *Northern Telecom v. Datapoint*, 908 F.2d 931 (Fed. Cir. 1990) for the legal proposition that the original claims are part of the specification and the trial court should instruct the jury as such. (A01528). Nevertheless, the trial court refused to instruct the jury that the original claims could be considered in the written description analysis. (A00026: "The Court declined to give the additional instruction …."; *see also* A01529 – A01530).

The trial court's incomplete and misleading instruction was legal error. The original claims are part of the written description analysis. *In re Gardner*, 480 F.2d 879 (CCPA 1973); *Ariad Pharmaceuticals, Inc. v. Eli Lilly and Co.*, 598 F.3d 1336, 1349 (Fed. Cir. 2010) ("… it is true that original claims are part of the original specification"). The case of *Crown Packaging Technology, Inc. v. Ball Metal Beverage Container Corp.*, 635 F.3d 1373 (Fed. Cir. 2011) is directly on point. In *Crown Packaging*, the district court, holding that there was no support for the language of the asserted claims in the specification, ignored the originally filed claims. This Court reversed:

> ***Crown's original claims clearly show*** that the applicants recognized and were claiming an improvement in metal usage by increasing the slope of the chuck wall over that used in the prior art without any additional limitation of narrowing the width of the reinforcing head.

* * * *

> ***These claims show, as Ariad recognized many original claims do, that the applicants had in mind the invention as claimed.*** And while Ball is correct in noting that the embodiment drawings in the specification all show chuck drive outside the reinforcing bead, that does not compel the conclusion that the written description is so narrowly tailored as to preclude Crown from claiming an embodiment that only utilizes the angled chuck wall solution.

Id. at 1381 (emphasis added). More recently, in *Scriptpro, LLC v. Innovation Assocs.*, 2014 U.S. App. LEXIS 15093 (Fed. Cir. 2014), this Court again stressed the importance of the original claims in determining whether the written description requirement has been satisfied:

> We note one last point: as originally filed, the application that matured into the '601 patent had claims that did not include a requirement of sensors. When a specification is ambiguous about which of several features are stand-alone inventions, the original claims can help resolve the ambiguity, though even original claims may be insufficient as a description or be insufficiently supported by the rest of the specification.

Id. at *15-16. Here, the disclosures in the specification were clarified by the claims of the '380 patent as originally filed. *Hyatt*, 146 F.3d at 1352 ("The claims as filed are part of the specification, and may provide or contribute to compliance with § 112.").

When, as here, a jury requested a clarification of an instruction, this Court must review the responsive instruction for "error on appeal," rather only for plain error. *United States v. Dorri*, 15 F.3d 888, 891 (9th Cir. 1993); see also *United*

States v. Petersen, 513 F.2d 1133, 1135-36 (9th Cir. 1975) (finding reversible error where "[the jury] asked for supplemental instruction on a vital point of law and the judge incorrectly answered their question.").

C. The Trial Court's Error In Not Mentioning The Original Claims Changed The Outcome Of The Trial

Apple argues that "any error in not mentioning the original claims in the jury instruction could not possibly have changed the outcome and was thus harmless." (Apple Br. 45). That statement ignores the plain language of the claims of the 1997 Application. (A06042). Had the trial court instructed the jury to examine the originally filed claims, the outcome would have been different. Originally filed claim 5 recites a handset selectively communicating with a wide area network or a local area base unit:

> 5. A portable wireless communication system including a ***microcomputer system to be operated by a user for voice and data communications to and from external wide area communications networks***, the wireless communications systems comprising of:
>
> * * * *
>
> b. ***means for handset communications*** adapted to communicate with the base unit wireless communication means, …
>
> * * * *
>
> 7. A portable wireless communication system of Claim 5, in which the user has the option to ***switch the electrical power level of the handset means to either high power levels for communications directly with the wide area communications network, or switch to lower power levels for communications to the base unit means.***

(A06041 -- A06042; emphasis added). Original claim 9 further demonstrates the PDA and email functionality:

> 9. A method for portable computing and wireless communicating of Claim 8, in which the user has the option to execute a plurality of application programs on the microcomputer means, typically including telephony programs, ***personal productivity programs, e-mail programs***, voice mail programs, Internet programs and other conventional PC programs.

(A06042 – A06043; emphasis added). Everything Apple argued was missing was all right there in the original claims (see A00027).

Apple contends (and the trial court concluded) that "NetAirus did not argue original claim 7 [or the other original claims] to the jury or highlight it in trial testimony." (Apple Br. 44; A00026 – A00027). However, the record demonstrates that in rebuttal, NetAirus did ask the jury to read the entire original application written in 1997 because ***all*** of the elements are there:

> One of the things I think that was quite interesting is, they said in closing that these features, these choices that we had to make, none of them are in the patent. ***Read it. We ask you to read it. Read it.***
> It talks about Wi-Fi in the form of L.A.N., cellular switching, video and audio, video camera, microprocessor, PDA, full Internet access, e-mail, voice mail, computer functions, microphone, hands-free use, thin and light weight, small size, earset, lithium ion batteries, less power when you transmit to the L.A.N., conference functions and more. ***It's all there. Written in 1997.***

(A01482 (emphasis added); see also A01430 – A01432). The original claims were admitted as an exhibit and submitted to the jury. (A06041 – A06044). The

original claims were clearly in dispute. (A00061). The "e-mail," "PDA" and "selectively" language contained in the original claims were discussed by NetAirus' expert. (A01249 – A01250; A06019 – A06021). As such, Apple's argument that the original claims only address one of the three claim elements is misguided. (Apple Br. 19; A14024 – A14025; A145660 – A14562). Likewise, the testimony of Mr. Ditzik cited by Apple concerns the "preamble" of the original claims -- not the body which was directed to a "handset." (p. 46). And the testimony of Mr. Blackburn cited by Apple (p. 46) equally misses the mark because Mr. Blackburn did not have the original claims before him when he testified. (A01249 – A01250).

Therefore, the trial court's refusal to instruct the jury to consider the original claims requires a new trial.

D. NetAirus Did Not Waive Any Objections To The Jury Instruction

Apple argues that NetAirus did not properly object to the written description instruction given by the trial court. (Apple Br. 35-36). That is incorrect. NetAirus and Apple proposed two competing instructions regarding the written description requirement. (Instruction Nos. 44[N] and 44[A]; A11897 – A11900). NetAirus relied on the Federal Circuit Bar Association Model Patent Jury Instructions (A11897 – A11898) and objected to Apple's proposed instruction on the basis that "the jury should be instructed based on the Federal Circuit Bar Association Model

Patent Jury Instruction B.4.2a (Feb. 2012)…." (A11900). Further, NetAirus specifically preserved its right to argue on appeal that the Federal Circuit Bar Association instructions were more appropriate:

> However, for purposes of appeal and to preserve all objections, NetAirus objects to the use of the Northern District of California model instructions. NetAirus reserves all rights to later argue that the Federal Circuit Bar Association model instructions should be used to guide the drafting of jury instructions instead of the Northern District of California model instructions.

(A12875). NetAirus maintained this objection throughout trial. *See Advanced Display Sys., Inc. v. Kent State Univ.*, 212 F.3d 1272, 1281 (Fed. Cir. 2000) (despite the absence of a JMOL motion, party could challenge judgment based on incorrect or erroneous instruction). NetAirus did not, as Apple contends (Apple Br. 36), waive any objection under Rule 51.

II. THERE WAS NOT SUBSTANTIAL EVIDENCE SUPPORTING THE VERDICT ON LACK OF WRITTEN DESCRIPTION

A. Dr. Rodriguez Used The Wrong Standard

Apple does not dispute the fact that Dr. Rodriguez recited the wrong standard for establishing the lack of written description. (Apple Br. 47; NetAirus Br. 28-29; A00188 – A00189). If there was any doubt whether Dr. Rodriguez "applied" the wrong legal standard, he reiterated, during re-direct, the erroneous standard he applied:

> Q. Now, during your direct examination, did you provide what your understanding is of the ***written description rule***?

A. Yes, I did.

Q. Can I just ask you to state that again so we heard it again?

A. Sure. As it was explained to me, my understanding is that the written description requirement requires that the inventor or patentee has to fully explain all the details of the claimed invention in the original patent application. So there's a portion of the patent that's referred to as the patent specification, which is separate from the patent claims, and the patent specification has to provide a written description of all the details of ***how you would design, build, implement, whatever, the claimed invention.***

(A01209 – A01211; emphasis added; A01113 – A01115). Not only did Dr. Rodriguez ignore the originally filed claims, he looked to whether one could make the claimed invention (enablement), not whether there was adequate written description. He applied the wrong standard -- his "conclusions about whether NetAirus' patent violate[d] the ***written description rule***" used the wrong "rule." (A01089; A00101).

The case of *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989) misses the mark (Apple Br. 41-42) because, unlike *Beckman*, there is no "substantial evidence" in this case to support the verdict, since Dr. Rodriguez applied the wrong legal standard. The *Beckman* case addressed a jury instruction, not whether there was substantial evidence to support the verdict. Here, the case of *Integra LifeSciences I, Ltd. v. Merck KGaA*, 496 F.3d 1334 (Fed. Cir. 2007) is directly on point. As in *Integra LifeSciences*,. Dr.

Rodriguez "provide[d] no factual evidence to support the verdict under the correct legal standard." *Id.* at 1341-42; see also *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 844 F. Supp. 336, 340 (S.D. Tex. 1994) (rejecting expert testimony regarding written description where the expert opinion applied an improper standard). The trial court should not have relied upon Dr. Rodriguez's testimony in upholding the jury's verdict. (*See* A00027 – A00029).

B. The Jury Verdict With Respect To The Written Description Requirement Is Not Supported By Substantial Evidence

When the 1997 Application is examined, it becomes clear that the written description verdict is not supported by substantial evidence. (*See* Apple Br. 27-35). The evidence shows that the original application of the '380 patent adequately describes a handset: (1) that selectively communicates between a wide area network and a local area network; (2) that functions as a PDA; and (3) that sends and receives e-mails.

Apple incorrectly contends that, since the specification of the '380 patent does not "disclose the claimed 'transmit power level' element in the handset, the claims fail the written description requirement…." (Apple Br. 29). The original claims, which are part of the 1997 Application, state that there is an "option to switch the electric power level of the ***handset*** means to either high power levels for communications directly with the wide area communications network, or switch to

lower power levels for communications to the base unit means." (A06042; *see also* Section I.C. above). Apple ignores the original claims.

With respect to e-mail and PDA functionality, Apple also ignores an alternative embodiment of the invention. (Apple Br. 30-34). For example, Figure 2 of the '380 patent shows the portable computer system with its various parts or components.

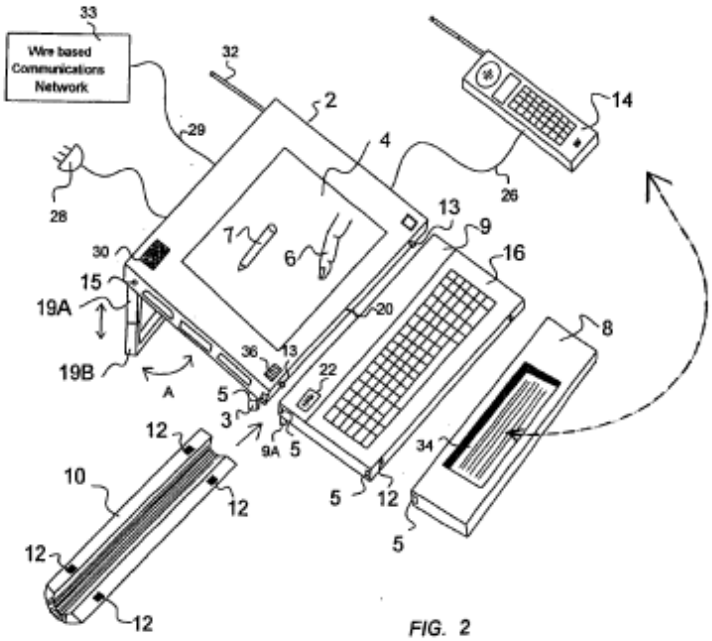


FIG. 2

(A00229; A00238 col. 5, lns. 9-11). The system discloses a handset that is capable of cellular communication with wide area networks. (A00238 col. 5, lns. 55-62). The specification also discloses an alternative embodiment in which the ***cellular handset is included as part of*** the portable computer system:

> Alternatively, cover section 8 consists of the handset itself, so that a separate cover section with recess would not be required.

(*Id.* col. 6, lns. 1-3). In this embodiment, the handset is part of the computer system such that the "RF transceiver in the wireless telephone would serve as the transceiver for the computer as well." (*Id.* col. 6, lns. 13-14). Put simply, everything is in one unit in this embodiment. (A00239 col. 8, lns. 19-25). The specification further describes the other capabilities of the system including e-mail:

> Other capabilities such as FAX send/receive, speech recognition, voice processing voice mail, telephony, and ***E-mail functions*** may be implemented in the computer system.

(A00238 col. 6, lns. 49-52). Mr. Ditzik testified that the specification discloses that the handset performed e-mail functionality:

> A. It means that the handset can send and receive speech, all kinds of – receive data, speech recognition capabilities, voice processing, voice mail, telephony communications and e-mail functions.
>
> Q. Was that disclosed in your patent as of 1997?
>
> A. Yes.

(A00575 – A00576).

Finally, Apple contends that Figure 8 is a "flow diagram of the computer system programs and operations." (Apple Br. 9). Apple cropped the quote. The complete quote (which may be the most important sentence in the specification for written description) goes on to state "… executing in the system of ***the embodiments disclosed*** herein." (A000241 col. 12, lns. 60-62). Figure 8 applies

to the handset, as well as the local base unit. A portion of Figure 8 is reproduced below:

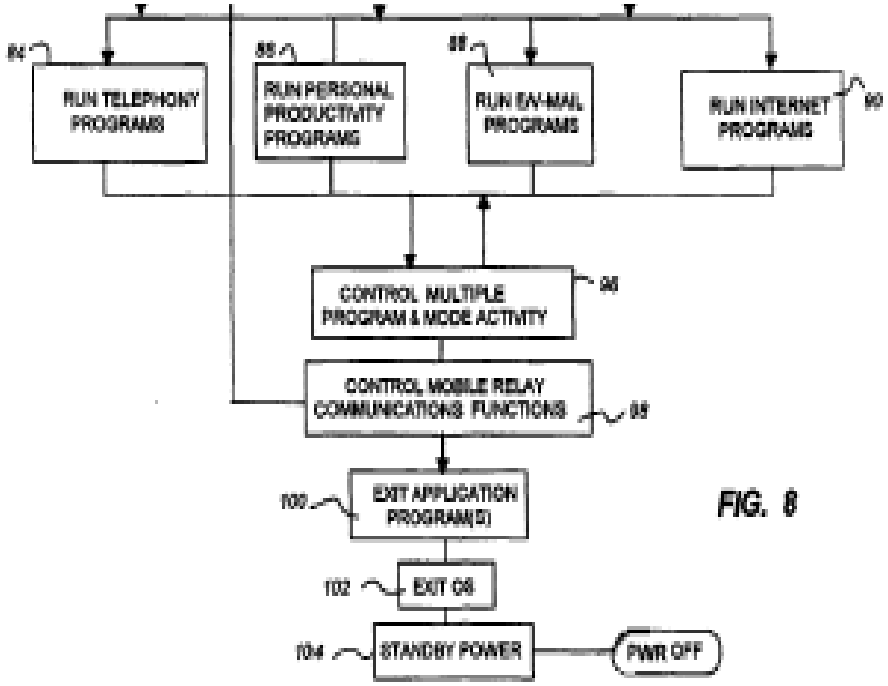


FIG. 8

(A00235 Figure 8; A01260 – A01265). Trial testimony (A01259 – A01271) confirmed that the above flow chart discloses a handset having a microprocessor that runs e-mail and PDA programs:

> Many types of computer application programs may be executed by the computer system. For example, one or more telephony programs 84, ***office/personal productivity programs*** 86, ***electronic mail*** or voice mail 88, and Internet/Web browsing programs 90 may be used…. Programs to control the mobile communications relay functions 98 may be embodied.

(A00242 col. 13, lns. 23-32; emphasis added).

The prosecution history further demonstrates that there was support in the specification for the handset including a PDA e-mail functionality:

> However, Examiner may have missed the disclosed nexus between the wireless handset and the PDA (Personal Digital Assistant). This is evidenced by the definition of a PDA in the specification:
>
> > "*Notebook computers have a relatively large flat panel display device, a full alphanumeric keyboard and battery power. PDAs are small handheld units with a small LCD display, small key paid and touch pen. PDAs are designed to be placed in one's pocket or purse for maximum portability.*" [Page 1, line 34, to Page 2, line 1] (emphasis added)
>
> It is well known at the time of the invention that PDAs are handheld units, intended to be held in one's hands for use. In the specification, Applicant uses the term PDA and handset to refer to the *same class* of handheld products, used for *similar* purposes having the same or similar control.

(A06315 – A06319; A06351 – A06352; A06374 – A06377).

Mr. Ditzik overcame the Examiner's rejection under 35 U.S.C. § 112 ¶ 1. (A06395: "***With the exception of the phrase 'under optional user control' the amendment to claim 54 [issued as claim 1] overcomes the 112/1 rejection.***"; A06398). The Examiner allowed the claims. (NetAirus Br. 13; A06498 – A06499). During reexamination, the PTO indicated that the "broadest reasonable interpretation consistent with the specification of the ***handset unit is a handset unit that can selectively communicate with either a local area communication base unit or a wide area network.***" (A06909; emphasis added). Again, the PTO found the claims satisfied the written description requirement.

Although Apple relies on the Examiner's repeated rejections of the claims, it tries to undermine the fact that the Examiner ultimately allowed the claims. (Apple Br. 26). This is like pretending a baseball game is over in the middle of the fifth inning. Worse, Apple's position is contrary to every notion of the role of examiners who are presumed to have done their jobs thoroughly and correctly. *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984). That is why the '380 patent is presumed to be valid and to have satisfied the written description requirement. *Id.* (*See also* A00095; A09452 – A09454).

III. THE CLAIMS WOULD NOT HAVE BEEN OBVIOUS UNDER 35 U.S.C. § 103 AS A MATTER OF LAW

The ultimate conclusion on obviousness is one of law and is reviewed for error as a matter of law – not under the clearly erroneous standard. *In re Geiger*, 815 F.2d 686, 688 (Fed. Cir. 1987). Hence, there is a distinction between the ultimate legal conclusion and the underlying factual determinations. However, Apple attempts to frame the obviousness determination as a factual dispute, requiring NetAirus to demonstrate the absence of substantial evidence supporting the verdict. (Apple Br. 54-55).

The parties do not dispute the fact that the GSM prior art shows that a base station controller, not a handset, performs the "communicate, selectively" claim element. The question comes down to whether the claim element "a handset unit to communicate, selectively …," as properly construed during trial, was rendered

obvious by the GSM standard, which lacks that particular element. This is not a factual question. *Structural Rubber Prods. Co. v. Park Rubber Co.*, 749 F.2d 707, 713 (Fed. Cir. 1984). Here, NetAirus has established, and Apple has failed to dispute, that the trial court committed legal error in deciding the ultimate question of obviousness, necessitating reversal. (A00026 – A00029).

A. The Prior Art Does Not Teach The Claim Elements Of A Handset To "Communicate, Selectively" Or "Transmitting … Selectively"

The parties do not dispute the fact that the GSM standard teaches that the communication is controlled by a base station, not the handset. Apple admitted that "the ***GSM*** system would transmit to either a micro BTS or BTS, ***as determined by a base station controller in the GSM system***." (Apple Br. 60; emphasis added). That is consistent with NetAirus' evidence regarding the GSM Standard. (NetAirus Br. 37-38). In the GSM standard, a base station, ***not the handset***, controls the selection of whether the BTS or micro-BTS communicates with the handset:

> A change from any power control level to any power control level ***may be required by the base transmitter.***

(A05831; A05826). NetAirus' expert explained the significance of the base station controller in the GSM system:

> Yes. So in conclusion, the – the patent requires that the handset selectively communicate between the two different networks. It has to be the handset that does that.

> In the GSM system, ***it's not the handset that's doing that; it's the base station controller that's basically determining which base station transceiver to use.*** It's not the handset.

(A01283 – A01284; emphasis added). That fact is not contested.

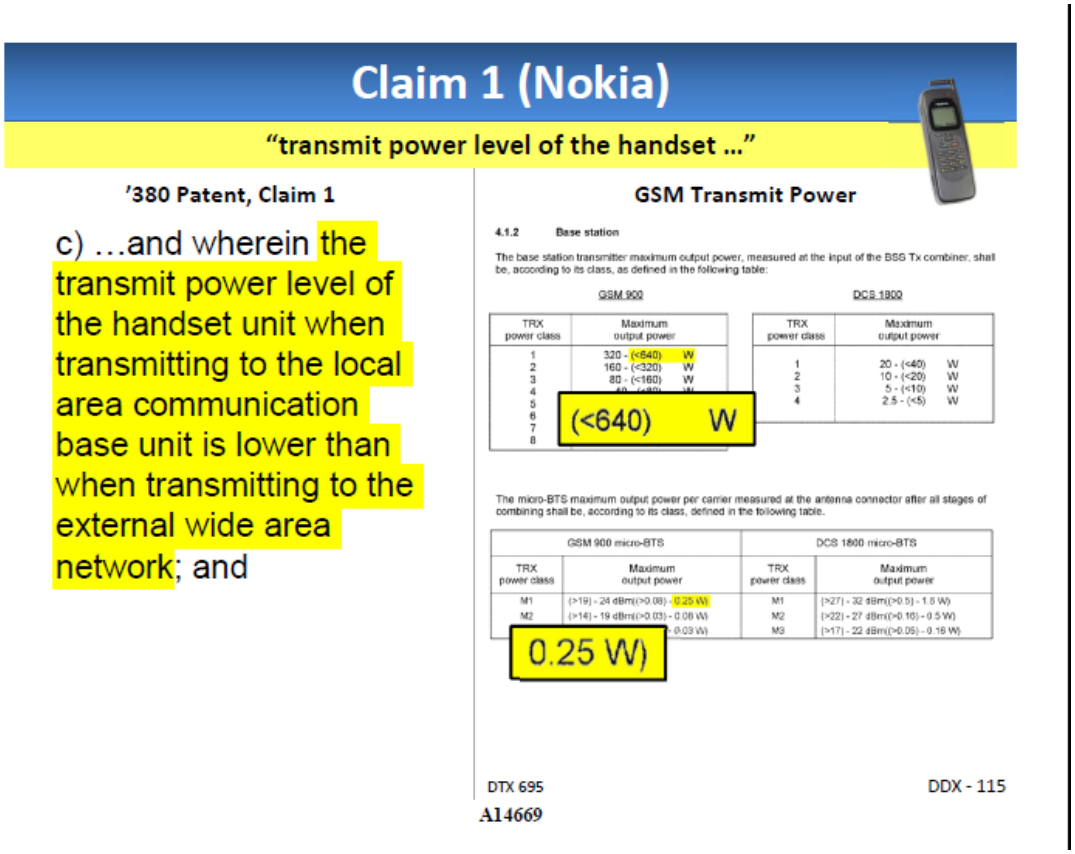
This explains why Apple failed to address the "selective communication" element in Dr. Rodriguez's trial testimony and demonstrative exhibits; there was no evidence of the handset "selectively, communicating." (NetAirus Br. 34-36). Most tellingly, the testimony relied upon by Apple to support its position that the "demonstrative exhibits depict the full claim language, including 'selectively'" (Apple Br. 61) actually demonstrates just the opposite:

> A. The word *selectively* is not on this synopsis [of claim 1].
>
> * * * *
>
> A. Correct. This – this synopsis shows the key elements of Claim 7, and the word *selectively* was not one of the ones on this chart.

(A01180 – A01181; emphasis in original). Yet, the trial court erroneously relied upon the phantom evidence of Dr. Rodriguez to find support that the GSM standard controlled the handset's "communicate, selectively." (A00020; *see also* NetAirus Br. 36).

The adaptive power control argument made by Apple is a red herring. (Apple Br. 59-61). The adaptive power control has nothing to do with the selection of communication with the base transceiver station as opposed to the micro base station. This is highlighted by the fact that "select," "handover" or

"control" appear nowhere in the cited testimony regarding the GSM standard. (*See* Apple Br. 59; A01112 – A01113; A01119 – A01120; A14669; see also A00020, citing A01119 – A01120). The citations relied upon by Apple, instead, refer to the transmit power level of the cellular phone to ensure that one phone does not "drown out the conversations" from other cell phones during transmission. *Id.* The "transmit power" demonstrative cited by Apple makes no mention of the selective communication element recited in the claims:



(A14669; A01121).

The two cases cited on page 33 of NetAirus' brief (ignored by Apple) are right on point. In the case of *Honeywell International, Inc. v. United States*, 609

F.3d 1292 (Fed. Cir. 2010), the lower court construed the term "local color display" to mean perceptible light within the red color band. *Id.* at 1298. However, in the context of obviousness, the court deviated from that construction, instead construing the term to mean that "at least one color [be] perceptible." *Id.* at 1299. None of the evidence of record taught that passing perceptible red light was present. Based on the lack of evidence that a claim element was present, this Court reversed the final judgment of obviousness:

> For these reasons, the Court of Federal Claims committed clear error in finding that Verney discloses element (a)(3) of claim 2. Given the failure to provide that the cited references disclose element (a)(3), the government has failed to carry its burden of providing by clear and convincing evidence that the claimed invention would have been obvious to one of skill in the art. In light of the foregoing, we need not address Honeywell's additional argument that the objective considerations warranted a determination of nonobviousness.

Id. at 1300-01; *see also WhitServe LLC v. Computer Packages, Inc.*, 694 F.3d 10, 24 (Fed. Cir. 2012). ("We do not invalidate the rest of the claims because they contain additional elements that [the defendant] has not established were either anticipated or obvious."). The same holds true here.

B. Apple's Untimely Attempt To Reargue The Construction Of The Handset "Communicate, Selectively" Does Not Save The Day

Apple contends that "NetAirus' argument regarding obviousness rests on an incorrect claim construction." (Apple Br. 61-63). But it is Apple who argues, for the first time in this appeal, that something other than the handset could control the

selective communication between a local area communication base and an external wide area network. *Id.* Throughout the trial, it was uncontested that the proper construction called for the ***handset to select whether to communicate*** with the local area base unit or to an "external wide area network." (*See* NetAirus Br. 6-8).

Indeed, at trial, Apple's expert testified that the handset must select the type of communication:

> Well, the key element here is that it's using said handset unit to communicate selectively. That's what it says in element 1(c) on that top illustration on the slide. It says, "using said handset unit to communicate selectively." So there has to be ***a way for that handset to select whether to communicate*** to what's referred to as a "local area communication base unit" or to an "external wide area network."
>
> Since it requires that it's the handset that selects between this type – the two types of communication, I went to the patent specification looking for a disclosure of that element.
>
> Q. So is it correct that all of the asserted claims in this case ***require the handset to perform this selective communication?***
>
> A. ***Yes.*** All of the claims that have been asserted in this case have this principle element.

(A01093 – A01094; emphases added).

Moreover, the trial court provided the following construction to the jury of the term "handset":

> The term "handset" means "a wireless device designed to perform and readily capable of performing its intended functions while being held in the user's hand."

(A00093). One of the "intended functions" recited in the claims is "using said handset unit to communicate, selectively, the first and second data to and from the local area communication base unit and to communicate third and fourth data to and from an external wide area network, ..." (A00242 col. 13, lns. 56-59). The handset must perform the step of "communicat[ing], selectively" with the local area communication base unit or with the wide area network.

Apple now argues that the trial court's ruling on "automatic" versus "manual" selection means that something other than the "handset" performs the function of the claim element reciting "the handset unit to communicate, selectively…." (Apple Br. 62-63). The trial court instructed the jury that "[t]he claim limitation requiring that the ***device*** communicate 'selectively' is not limited to automated selection; instead, it embraces both manual and automated selection." (A00093; emphasis added). Once again, the only device referred to with respect to the "communicate, selectively" limitation is the handset. Apple cannot now collaterally attack the claim construction read to the jury. *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255, 1262 (Fed. Cir. 2013) ("litigants waive their right to present new claim construction disputes if they are raised for the first time after trial."); see also *Amkor Tech., Inc. v. Int'l Trade Comm'n.*, 692 F.3d 1250, 1260 (Fed. Cir. 2012). Apple should have raised its "new" claim construction theory long before now.

The claimed handset utilizes a counter-intuitive idea of selecting one of either a cellular or wireless network. (NetAirus Br. 6-8). Under the claim construction given at trial, it is undisputed that the prior art does not teach the "handset … communicating, selectively" claim element, let alone provide a reason to combine, thus requiring reversal of the obviousness finding.

IV. THE TRIAL COURT COMMITTED LEGAL ERROR ON THE ISSUE OF DIRECT INFRINGEMENT

As discussed in NetAirus' opening brief (NetAirus Br. 42-52) and addressed in greater detail below, Apple's contention that NetAirus presented no evidence of Apple ever practicing the claimed "transmit power level" element is misplaced. (Apple Br. 23). Apple largely parrots the JMOL and new trial rulings made by the trial court. (*Id.* at 23-24). Apple's arguments are inconsistent with the submitted evidence and the applicable law.

A. NetAirus Presented Substantial Evidence That Apple Practiced The Claimed "Transmit Power Level"

The thrust of Apple's argument is that NetAirus merely "relied on a chain of assumptions and inferences" with respect to proving infringement of the "transmit power level" claim limitation (Apple Br. 64) and that NetAirus failed to "connect the evidence it presented showing 'general patterns' of cell phone power transmissions 'with Apple's performance of the other steps of the asserted claims.'" (Apple Br. 20). The record demonstrates quite the opposite.

As an initial matter, Apple's demand for specificity with respect to the evidence that was submitted at trial goes too far. Evidence of infringement may be circumstantial. *Toshiba Corp. v. Imation Corp.*, 681 F.3d 1358, 1364 (Fed. Cir. 2012); *Alco Standard Corp. v. Tenn. Valley Auth.*, 808 F.2d 1490, 1503 (Fed. Cir. 1986) ("Although the evidence of infringement is circumstantial, that does not make it any less credible or persuasive."). The specific, direct and tailored evidence that Apple contends to be lacking from the record does not provide a basis for the trial court to ignore the ample evidence that NetAirus presented to the jury. (A00012 – A00017).

NetAirus did, in fact, "connect the dots" to demonstrate that Apple's use of the iPhone 4 satisfied the "transmit power level" limitation in at least one or more instances. (NetAirus Br. 56-57). First, Mr. Noellert testified that the iPhone 4 can operate at a higher cellular transmit power level than that at which the Wi-Fi radio network operates:

> Q. And it's technically possible, is it not, for the cellular radio to operate at a higher transmit power level than that which the Wi-Fi radio network operates at?
>
> A. Yes. It is technically possible.

(A01040 – A01041). Next, Mr. Noellert testified that the "transmit power level" probability curves (which Apple itself had submitted into evidence) would be applicable to all iPhone 4 products, including his own:

> Q. Now, you testified about how you used your iPhone 4 when you owned that device; correct?
>
> A. Yes.
>
> Q. Would the probability curves that you see here apply to your own use of that device?
>
> A. Likely, yes.
>
> Q. And the same would be true with respect to any other user of an iPhone 4; correct?
>
> A. These curves are very general. They would probably apply to any phone.

(A01044). Finally, Mr. Noellert testified that the probability curves demonstrated that in at least some percentage of the applicable use of an iPhone 4 (which would necessarily include his own use, as well as uses by other Apple employees), the cellular transmit power would exceed the 15 dBm level at which the device's Wi-Fi communications were always transmitted. (A01042, see also, A01043 – A01044). Mr. Noellert's unrebutted testimony completely undermines any suggestion by Apple that the probability curves were too "general" to demonstrate Apple's performance of the "transmit power level" limitation through use of the iPhone 4. (A00012 – A00017).

Apple also mistakenly takes issue with NetAirus' interpretation of the scope of the asserted claims. (Apple Br. 66-67). Asserted claim 3 of the '380 patent merely requires that the claimed "first and second data ***include*** data formatted for

computer e-mail." (A00242; A00244; emphasis added). That language does not mandate that the claimed "first and second data" must constitute only e-mail. Moreover, as discussed at pages 54-55 of NetAirus' opening brief, the claims place no temporal or sequential limits as to when the "transmit power level" limitation must be met.

It was, likewise, erroneous for the trial court to characterize NetAirus' interpretation of the asserted claims as being "untimely." (A00017). NetAirus' interpretation of the claims is consistent with their plain and ordinary meaning. It would have made little sense for NetAirus to ask the trial court to construe the claims to mean what they expressly state. If Apple wanted to seek a more restrictive interpretation of the claims – whether to import temporal or sequential limitations into the claims or to import a requirement that the "transmit power level" limitation may only be satisfied while an email is being transmitted – Apple had every opportunity to do so during the pre-trial proceedings in this matter. Apple's failure to seek a restrictive interpretation of the asserted claims should not be used as a basis to argue waiver by NetAirus.

The case of *Lazare Kaplan International, Inc. v. Photoscribe Technologies, Inc.*, 628 F.3d 1359 (Fed Cir. 2010) is distinguishable. In *Lazare*, after the parties expressly agreed to a construction for the term "positional accuracy of placement," the jury returned a verdict of non-infringement. *Id.* at 1375. On appeal, the

plaintiff argued that the district court erred by failing to further construe the previously agreed upon construction of the "positional accuracy of placement limitation." *Id.* Unlike the situation in *Lazare*, NetAirus is not now asking this Court to further construe any claim term. Rather, NetAirus is asking this Court to find that the trial court erred in incorporating such a restrictive view of the claims for the first time in connection with denying NetAirus' post-trial motions – particularly considering that the jury was never instructed to follow such restrictive interpretations. (A00092 – A00095).

As a final attack, Apple argues that the evidence presented by NetAirus was "stale" in view of the reexamination certificate for the '380 patent that issued on October 8, 2012. Apple failed to raise this argument at any point during the trial, in its own JMOL motion or in opposition to NetAirus' renewed JMOL motion. In any event, there was evidence of Apple's use after October 2012. (A00802 – A00808; A00810: "I visited an Apple store in Chicago, Illinois in 2013. And went back to the same Apple store in Los Gatos in 2013.").

As a matter of law, NetAirus was only required to prove the existence of a single instance of Apple's direct infringement. *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1317 (Fed. Cir. 2009). Here, the probability curves established that acts of infringement by Mr. Noellert and other Apple employees were undeniably more likely than not. The fact that those acts of infringement may

have accounted for only a small percentage of Apple's total use of the iPhone 4 device is irrelevant to Apple's liability for infringement. As a matter of law, "an accused product that sometimes, but not always, embodies a claimed method nonetheless infringes." *Bell Commc'ns Research, Inc. v. Vitalink Commc'ns Corp.*, 55 F.3d 615, 622-23 (Fed. Cir. 1995).

Therefore, the trial court's ruling to the contrary in the course of denying NetAirus' Rule 50(b) motion with regard to the issue of direct infringement is erroneous and should be reversed.

B. The Trial Court Erred In Not Instructing The Jury With Respect To Part-Time Infringement

The trial court failed to properly instruct the jury on the applicable law on part-time direct infringement warranting a new trial on direct infringement pursuant to Fed. R. Civ. P. 59. Apple's arguments to the contrary are without merit. (Apple Br. 73-74).

Apple first suggests that NetAirus' positon on this issue cannot hold water because the parties, prior to the commencement of trial, agreed on a direct infringement instruction to be read to the jury. *Id.* Regardless of the agreed-to infringement instruction, NetAirus specifically requested that an additional instruction regarding part-time direct infringement also be provided to the jury, so as to fully encompass NetAirus' theory of the case. The instruction that NetAirus requested would have informed the jury that "an accused product that ***sometimes,***

but not always, embodies or performs the claim limitations nonetheless infringes." (A12884; emphasis added).

Apple argues that the additional instruction regarding part-time infringement "just recasts concepts already present in the court's instruction in different words." (Apple Br. 75). Here, however, the instruction presented to the jury failed to include any words by which the jury could have formed a full and complete understanding that part-time infringement was sufficient for purposes of establishing liability for direct infringement. In *Gracie v. Gracie*, 217 F.3d 1060 (9th Cir. 2000) (Apple cites this case in support of its argument), the court held that "read as a whole, then, the jury instructions permitted the jury to find trademark infringement based on confusing similarity of the logos at issue; a finding of exact copying was not required." *Id.* at 1067. Here, the trial court's refusal to instruct the jury with respect to part-time infringement was not cured by some other instruction or set of instructions that were "read as a whole" to the jury. Nor was the resultant error simply a "technical defect." Instead, the instructions left a significant void.

C. NetAirus Preserved Its Objections

NetAirus timely filed an objection to the trial court's ruling rejecting NetAirus' proposed instruction. (A13130 – A13131). Yet, Apple argues that NetAirus' position cannot be argued with any force because NetAirus failed to

renew its objection at the close of trial and failed to address this point during its rebuttal. This argument overlooks the fact that it was not the role of NetAirus to instruct the jury as to the applicable law; that role was reserved exclusively for the trial court. The trial court had already made its ruling, and NetAirus had preserved its objections to the manner in which the jury would be instructed. Even if NetAirus failed to preserve its objection (which is not the case), the trial court should have nonetheless considered the plain error that resulted from not providing the requested instruction as one affecting NetAirus' substantial rights. Fed. R. Civ. P. 51(d)(2). *Advanced Display Systems, Inc.*, 212 F.3d at 1281.

An instruction regarding part-time infringement was necessary in this case in order to adequately inform the jury about the evidence that supported NetAirus' theory of the case. (NetAirus Br. 58-59). The error that resulted was unquestionably prejudicial to NetAirus. A new trial is warranted on this basis, and the trial court's holding to the contrary should be reversed.

CONCLUSION

The judgment should be reversed or, alternatively, vacated and the case remanded for new trial.

Dated: September 12, 2014

Respectfully submitted,

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PROOF OF SERVICE

The undersigned hereby certifies that on September 12, 2014 I caused the foregoing **REPLY BRIEF OF PLAINTIFF-APPELLANT NETAIRUS TECHNOLOGIES, LLC** to be electronically filed through the CM/ECF system, which will send a notice of electronic filing to counsel for all parties to the action who are registered in the CM/ECF system. Copies of the above-mentioned document have also been served by e-mail to the following:

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CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that this brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B). The brief contains 6,947 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).

This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The brief has been prepared using Microsoft Word 2010 in Times New Roman, a proportionally spaced typeface, and 14-point size font.

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