2019-2192, -2258

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

TECSEC, INC.

Plaintiff-Appellant,

v.

ADOBE INC.

Defendant-Cross Appellant,

and

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

Defendants.

Appeal from the United States District Court for the Eastern District of Virginia in 1:10-CV-115, Judge Liam O'Grady

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CORRECTED RESPONSE AND REPLY BRIEF OF PLAINTIFF-APPELLANT

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March 24, 2020

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

TecSec, Inc. v. Adobe Inc.

No. 19-2192, -2258

CERTIFICATE OF INTEREST

Counsel for the Appellant TecSec, Inc. certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full name of party represented by me is:	2. Name of real party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
TecSec, Inc.	TecSec, Inc.	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:

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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 parties should attach continuation pages as necessary).

None

Date: March 24, 2020 /s/ Michael A. Oakes

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INTRODUCTION

The district court erred as a matter of law in resolving a disputed factual issue in response to a *limine* motion. This Court's precedent is clear that whether a party had the requisite knowledge of infringement to support a claim of induced infringement is a factual issue focused solely on the subjective beliefs of the defendant. The district court committed plain legal error in focusing instead on objective factors and determining as a matter of law that Adobe could not have believed that it infringed as the result of an erroneous (and later reversed) claim construction decision.

The district court's legal error had a cascade effect on the trial, causing the district court to make additional error in evidentiary rulings and jury instructions. Adobe does not contest (nor can it) that if the damages period extended up to the expiration of the patents in 2013 (or even up to the parties' stipulation in 2012), Mr. Johnson's excluded testimony and related evidence would be admissible and relevant. Regardless, even if the district court's damages window were correct, the excluded evidence was nonetheless circumstantial evidence of direct infringement and should not have been excluded. Indeed, Adobe and the district court both agree that the entirety of Mr. Johnson's testimony, including excluded portions surrounding his discussion with Adobe customers concerning "multi-level security," was probative of inducement. Such relevant and compelling evidence should not

have been taken away from the jury.

Moreover, the district court further abused its discretion in providing misleading and erroneous jury instructions that Adobe exploited to improperly argue to the jury: (1) that the TecSec failed to present evidence of third party direct infringement; and (2) that Adobe's failure to take down the blog mere inactivity and could not lead to a finding of inducement as a matter of law.

It was clear error for the district court to set aside the jury's verdict of direct infringement damages, substitute its own analysis of the evidence, and award TecSec a zero damages for Adobe's admitted, adjudged, and un-appealed direct infringement of all asserted patent claims from trial. This Court's blessing by way of affirmance would allow district courts to ignore the mandate of § 284 and permit adjudged infringers to walk away from a damages verdict, owing no compensation for their breach of a patentee's rights.

Finally, Adobe's challenge to the eligibility of the asserted claims falls way short. Adobe's shifting sands approach throughout this litigation to the alleged "abstract idea" at the core of the asserted claims reveals the incoherence of its argument. Indeed, before this very Court, Adobe has unequivocally characterized the claimed invention as "drawn to a *specific software architecture* in which a software object is first encrypted and then labelled, then nested within another software object, which is in turn encrypted and labelled." Moreover, Adobe does

not dispute the district court's conclusion that the asserted claims provide a technical solution to a problem arising in the realm of computer software and networks, namely "multiple users in multiple locations accessing information at different security levels from a central repository, which would not exist but for the ubiquity of computer technology." Appx10. This Court should affirm the district court's determination that the asserted claims are patent eligible.

STATEMENT OF THE CROSS-APPEAL ISSUE

Adobe's Cross Appeal

Whether the district court properly held the claims were directed to patent eligible subject matter under 35 U.S.C. § 101.

SUMMARY OF THE ARGUMENT

The district court correctly held that the asserted claims are not directed to an abstract idea because they provide a specific technical solution (i.e., multi-level encryption and labelling of data objects) to a technical problem uniquely arising in the computer or software realm (i.e., security limitations resulting from single-level encryption of objects within data/computer networks).

As set forth in TecSec's opening brief, the district court erred in deciding a subjective, factual issue as a matter of law, and compounded that error by excluding probative evidence of third party direct infringement, providing erroneous jury instructions, and vacating the jury's damages award.

ARGUMENT

I. The District Court Erroneously Concluded That Adobe Lacked Intent to Induce Infringement as of March 3, 2011.

A. The District Court's Ruling "as a Matter of Law" was not an "Evidentiary Decision" Entitled to Deference.

The district court ruled that "*[a]s a matter of law*, Defendant Adobe lacked the requisite intent to induce infringement or willfully infringe" as of March 3, 2011. Appx27 (emphasis added). Adobe argues this was an "evidentiary decision" that is reviewed for abuse of discretion. Adobe Br. 21–25. But it was explicitly a conclusion of law, and so is reviewed *de novo*. *Vanda Pharms. Inc. v. West-Ward Pharms. Intl. Ltd.*, 887 F.3d 1117, 1123 (Fed. Cir. 2018); *Cunningham v. Gen. Dynamics Info. Tech., Inc.*, 888 F.3d 640, 645 (4th Cir. 2018), *cert. denied*, 139 S. Ct. 417 (2018).

Make no mistake: the district court's ruling "[a]s a matter of law" did not merely prevent TecSec from putting on certain evidence, it definitively decided the issue of Adobe's intent. It prohibited all argument on this issue, Appx29, and later precluded the jury from deciding it, Appx12095 (Instr. No. 35) ("The damages period runs through March 3, 2011."). It was a legal conclusion, both explicitly and in its effect. Labeling it "evidentiary" is pure fiction.

That the district court purported to "balanc[e] evidentiary considerations" does not somehow transform the fundamental nature of its ruling. Adobe Br. 25.

The district court reasoned that "[o]n the one hand," it would prejudice Adobe "to allow TecSec to argue inducement after March 3, 2011 but not allow Adobe to present evidence of TecSec's stipulation and the non-infringement ruling." *Id.* at 14 (citing Appx28–29). It then reasoned that, "on the other hand," it would prejudice *TecSec* for the jury to see that evidence. *Id.*. But in light of those conclusions, the district court should have denied Adobe's motion *in limine* and allowed TecSec to choose whether to open the door to this potentially prejudicial evidence. That is all Adobe was asking for through its *limine* motion, not a dispositive ruling on a core issue. *See* Appx11685 (Adobe MIL Reply) ("TecSec faces the same 'dilemma' as many plaintiffs: present an argument that opens the door to unfavorable evidence, or refrain and keep the door closed.").[1] It was certainly not for the *district court* to protect *TecSec* by eliminating *TecSec's* inducement claim as a matter of law.

In short, the district court's ruling on Adobe's intent was clearly a legal conclusion—both explicitly ("[a]s a matter of law") and in effect (taking the issue from the jury). Adobe cannot cloak this ruling with deference by relabeling it as an evidentiary decision.

[1] *See also* Appx10432 (Adobe MIL Br.) ("TecSec has a choice. If it drops its argument that Adobe *intended* to infringe . . . from March 3, 2011 to October 18, 2013, Adobe need not present this evidence.").

B. The 2011 Claim Construction Order Did Not, as a Matter of Law, Preclude a Finding of Knowing Inducement.

Adobe's "evidentiary" argument disguises the key issue in this appeal: whether the district court erred by concluding, as a matter of law, that Adobe could not have had the necessary intent to induced infringement after the March 3, 2011 claim construction order. The answer is clearly "yes," which is perhaps why Adobe obscures the question.

The district court erred for two reasons. First, the district court focused on its view of the objective strength of Adobe's non-infringement position, rather than evidence related to Adobe's subjective state of mind. This Court has expressly held that the *objective* strength of a party's non-infringement defense is not part of the induced infringement inquiry, and Adobe presented *no* evidence, much less dispositive evidence, of its *subjective* state of mind following the 2011 claim construction order.

Second, the district court confused the timing of key events. It concluded that Adobe was protected, as of March 3, 2011, by Tec-Sec's non-infringement stipulation and the court's subsequent non-infringement order. But March 3, 2011 was the date of the court's *claim construction* order. TecSec's stipulation occurred *in April of 2012*. Adobe obviously could not have relied in 2011 on events that occurred in 2012. Thus, *at a minimum*, the district court cut the window for induced infringement short by over a year.

1. Whether a Party Has the Intent to Induce Infringement is a Purely Subjective Issue of Fact.

To prevail on its claim of inducement, a patent holder must show, among other things, that the defendant had "knowledge that the induced acts constitute patent infringement." *Power Integrations, Inc. v. Fairchild Semiconductor Intl., Inc.*, 843 F.3d 1315, 1332 (Fed. Cir. 2016). Critically, this is a *subjective* standard—it hinges on the "subjective knowledge of the accused infringer" and *not* on the "objective strength of [that party's] noninfringement defense." *Unwired Planet, LLC v. Apple Inc.*, 829 F.3d 1353, 1363 (Fed. Cir. 2016); *see also*, *Global-Tech Appliance, Inc. v. SEB S.A.*, 563 U.S. 754, 674–770 (2011) (inquiry relies upon the accused infringer's subjective belief). The Federal Circuit has held that a dispute as to whether an accused infringer's belief was a good-faith belief presents a question of fact. *See Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321, 1330 (Fed. Cir. 2010); *Smith & Nephew Inc. v. Arthrex,Inc.*, 603 F. App'x 981, 990 (Fed. Cir. 2015); *KangaROOS U.S.A., Inc. v. Caldor, Inc.,* 778 F.2d 1571, 1573 (Fed. Cir. 1985) ("Good faith, intent to deceive, scienter, [and] honest mistake are all questions of fact.").

The district court's grant of Adobe's motion *in limine* was erroneous as a matter of law because the judgment turned solely on the district court's own objective estimation of Adobe's noninfringement defense. In other words, the court held that because TecSec later stipulated in 2012 to no infringement under the district court's erroneous (and later overturned) claim construction ruling, Adobe *could not*

have believed that it infringed back in 2011. But indirect infringement focuses solely on the subjective knowledge of the accused infringer; it has no objective prong. *See Global-Tech*, 131 S. Ct. at 2067–71.

This Court has previously considered and rejected an argument nearly identical to the one presented by Adobe and adopted by the district court. *See Smith & Nephew*, 603 F. App'x at 989–91. In that case, the defendant argued that a good-faith belief in non-infringement was "established as a matter of law" by the district court's *ruling* that it did not infringe. *Id.* This Court rejected that argument outright, holding that "the district court's ruling and pronouncement could, at most, create a factual question, not an entitlement to a non-knowledge finding as a matter of law." *Id.* at 990. The Court further criticized the logical implications that liability for indirect infringement automatically "turns successively off and on, based on the knowledge requirement, when a trial court reaches one conclusion but the conclusion is then reversed on appeal." *Id.*

The district court's logic here is even more flawed, because in 2011 there was no ruling that Adobe did not infringe based on that flawed construction. Instead, it was only later, in 2012, when TecSec stipulated to no infringement by Adobe under the improper construction solely in order to obtain appellate review. Nevertheless, without considering any evidence as to Adobe's *subjective* belief regarding infringement, the district court held *as a matter of law* that Adobe must have had a

good faith belief dating back to the erroneous 2011 claim construction. This Court's precedent clearly precludes such a determination on what is undisputedly a factual issue of Adobe's subjective intent.

Instead of applying this Court's precedent, Adobe's argument (and the district court's decision) relies on non-binding district court decisions that pre-date this Court's decisions in *Smith & Nephew* and *Unwired Planet*. *See* Adobe Br. 23, 27 (citing *Anchor Wall Sys. v. Rockwood Retaining Walls, Inc.*, 610 F. Supp. 2d 998, 1004, 1007 (D. Minn. 2009); *Toshiba Corp. v. Imation Corp.*, 990 F. Supp. 2d 882, 912 (W.D. Wis. 2013)). These district court decisions carry no weight in view of the subsequent decisions of this Court. In addition, Adobe relies on a non-binding decision from the Southern District of Texas court's decision in *Chaffin v. Braden*, No. 6:14-cv-0027, 2018 WL 1794766, at *5 (S.D. Tex. Apr. 16, 2018) that fails to address *Smith & Nephew* and *Unwired Planet* entirely, and therefore is unpersuasive.[2] Indeed, the district court's focus on the *objective* reasonableness of

[2] Adobe also argues that this Court has held that there are circumstances where, for willfulness or inequitable conduct, there can be no intent as a matter of law. Adobe Br. 28 (citing *Ferring B.V. v. Barr Labs, Inc.*, 437 F.3d 1181, 1190 (Fed. Cir. 2006) (resolving inequitable conduct claim at summary judgment where there was no genuine factual disputes with respect to the issues of materiality and intent); *Intercontinental Great Brands LLC v. Kellogg N. Am. Co.*, 869 F.3d 1336, 1352 (Fed. Cir. 2017) (resolving inequitable conduct claim at summary judgment where evidence of intent was lacking); *Cleveland Clinic Found. V. True Health Diagnostics LLC,* 859 F.3d 1352, 1364 (Fed. Cir. 2017) (dismissing induced infringement claim where facts as alleged, even if true, would not support a finding

the defendant's non-infringement position, rather than the *subjective* belief of the defendant stands in direct conflict with this Court's precedent. District courts considering the issue properly have held that even when a district court has sided with an accused infringer, if that holding is later altered on appeal it is possible that the overall record may allow a reasonable juror to find that an accused infringer acted without a good-faith belief of non-infringement. *See, e.g.*, *Vehicle IP, LLC v. AT&T Mobility LLC*, 227 F. Supp. 3d 319, 330 (D. Del. 2016) (citing *Smith & Nephew*, 603 F. App'x at 990).

Here, the 2011 constructions did *not* provide Adobe with some iron-clad non-infringement defense as a matter of law. As set forth in TecSec's opening brief, the accused Acrobat products are capable of encrypting multimedia files, even under the district court's erroneous construction. Opening Br. 30–31 (citing Appx25747–25748; Appx25749–25752; Appx26703; Appx26668). So it is no wonder that Adobe never explained its defense—it did not have one. TecSec's stipulation was merely procedural vehicle for appealing the claim construction order, sacrificing its arguments under the erroneous construction in 2012 to obtain a final judgment and immediately appeal the claim construction order. If anything, TecSec's stipulation

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of intent)). But like the district court decisions, none of those cases applied the holdings in *Smith & Nephew* and *Unwired Planet*, and none of those cases are even remotely procedurally similar to this case.

demonstrates the strength of its conviction that the 2011 claim construction order was wrong, which this Court later vindicated.

Nor was the record was devoid of evidence upon which a jury could find that Adobe intended to induce infringement. For example, it is undisputed that Adobe was aware of the patents at least from the filing of the complaint in 2010, that Adobe failed to inform key executives and developers about the patents after learning of TecSec's infringement claims; that it posted and maintained instructions directing customers to create systems that would infringe the system claims and perform steps that would infringe the method claims; and that Adobe never took down the instructions even though it stipulated that following those instructions infringed the claims. *See, e.g.*, Appx11993–11997; Appx24459–24460, Appx13209, 794:15–18; Appx13725–13785; Appx13031–13032 (Trial Tr.), 796:5–15, 797:20–23. Adobe, on the other hand, introduced no evidence that the 2011 claim construction order in the IBM phase of the case had any impact on Adobe's subjective belief regarding infringement. Critically, the district court properly *denied* Adobe's summary judgment motion on TecSec's induced infringement claim. Appx3–13; Appx14. Thus, unlike the decisions in *Ferring* and *Intercontinental*, where there were no genuine disputed issues of fact, here the district court already found that *factual disputes precluded a grant of summary judgment on this very issue*. Appx3–13; Appx14.

Nevertheless, the district court granted a de facto summary judgment on the issue in response to Adobe's *limine* motion, stating that it was "not going to have a mini-trial on what, you know, what Adobe sat back in their corporate headquarters and said, what should we do about this or what should we do about that." Appx12213, 12:21–21. This was plain legal error because a defendant's non-infringement positions in view of court decisions "*at most create a factual question as to [that defendant's] subjective beliefs*." *Unwired Planet*, 829 F.3d at 1363 (emphasis added). The district court was required to submit this factual issue to the jury, and its legal decision taking that issue away was error.

2. The District Court Confused the Timing of Key Events.

Separately, the district court confused the timing of key events. It held that Adobe necessarily lacked intent "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 (emphasis added). But the non-infringement ruling, and TecSec's stipulation, did not occur until 2012—Adobe could not possibly have relied on these events in 2011. Accordingly, at a minimum, the district court erred by determining Adobe's intent in 2011 instead of 2012.

The district court apparently thought that the 2012 stipulation and 2012 non-infringement order occurred in 2011. It repeatedly suggested as much. *See* Appx28 (discussing "induced or willful infringement *during the time period when Judge*

Brinkema's Order and TecSec's stipulation were in effect") (emphasis added); *id.* (referencing "*the Court's Order and TecSec's stipulation* that gave Adobe a reasonable belief that its products were not infringing") (emphasis added). And it also relied on cases that concerned a defendant's reliance on a *stipulation or order of noninfringement*, not a bare claim construction order. *Id.*.[3] Even accepting Adobe's argument, which conflicts with the *Smith & Nephew* and *Unwired Planet* decisions, those cases could only arguably apply if the stipulation and/or order of noninfringement had occurred in 2011 instead of 2012.

The district court's logic, and the cases it relied upon, simply do not apply to the corrected timeline of events. Thus, even if the stipulation and non-infringement order sufficed to prove Adobe's subjective intent (and they did not, *see supra* Section I.B.1), the district court clearly erred by limiting TecSec's inducement claim to March of 2011 instead of April of 2012.

C. The District Court's Ruling was Procedurally Improper.

The district court's ruling was not only substantively erroneous, it was procedurally improper. It is beyond dispute that whether an accused infringer's belief of non-infringement was a good-faith belief presents a question of fact. *See supra* Section I.B.1. However, as set forth in TecSec's Brief at 22–28, a motion *in*

[3] As discussed above, the district court's citation to *Chaffin* is especially inapposite to this Court's decisions.

limine is "not the appropriate vehicle for weighing the sufficiency of the evidence." *Meyer Intellectual Properties Ltd. v. Bodum, Inc.*, 690 F.3d 1354, 1378 (Fed. Cir.2012) (reversing grant of patentee's motions *in limine*). This prohibition exists because motions *in limine* lack the procedural protections of the summary judgment process. *See Brobst v. Columbus Servs. Int'l*, 761 F.2d 148, 154 (3d Cir. 1985) ("the district court's procedure converted the *in limine* motion into one for summary judgment, but without the procedural protections of notice which the federal rules require before judgment on the merits may be granted."); 75 Am. Jur.2d Trial § 44 (2017) (motions *in limine* should not be allowed as "unnoticed motion for summary judgment or motions to dismiss. . ."). Citing *Meyer*, district courts have denied motions *in limine* seeking rulings on dispositive, factual issues as improper summary motions in disguise. *See, e.g.*, *Schwendimann v. Arkwright Advanced Coating, Inc*., No. 11–820, 2017 WL 4277142, at *3 (D. Minn. Sept. 25, 2017) (denying motions *in limine* regarding the sufficiency of invaldity disclosures and willful infringement evidence); *Robertson Transformer Co. v. Gen. Elec. Co.*, 2016 WL 441709, at *6 (N.D. Ill. Aug. 18, 2016) (denying motion *in limine* seeking to exclude all evidence related to non-infringing alternatives).

Adobe cites two cases for the proposition that an *in limine* ruling can resolve disputed factual issues and serve as a "de facto summary judgment." Adobe Br. 31 (citing *Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1349, 1361 (Fed.

Cir. 2010); *Colassi v. Cybex Int'l, Inc.*, 221 F. App'x 973, 977 (Fed. Cir. 2007)). Neither supports the district court's decision here. In *Trading Techs.*, this Court reviewed a district court's purely legal decision as to whether or not a specific contract amounted to an offer for sale, not a disputed factual question as to a party's subjective intent. 595 F.3d at 1361. In *Colassi*, the non-moving party could cite to no evidence at all to support its claim of infringement under the reverse doctrine of equivalents. 221 F. App'x at 976–77. But here, as discussed above, there was ample evidence on which a jury could find that Adobe had the necessary intent to induce infringement after 2011. *See, e.g.*, Appx11993–11997; Appx24459–24460, Appx13209, 794:15–18; Appx13725–13785; Appx13032 (Landwehr Trial Tr.) at 797:20–23.

Moreover, in both cases cited by Adobe, there was no indication that the non-moving party was surprised that the district court might make a dispositive ruling. Here, on the other hand, Adobe did not even ask for a dispositive ruling precluding TecSec from presenting evidence on indirect infringement after 2011. Instead, it argued that "if TecSec insists on arguing to the jury that Adobe intended to infringe during this period, Adobe is entitled to rebut that argument." Appx10432. Thus, there can be no doubt that TecSec was surprised when the district court granted dispositive relief that Adobe did not seek. The district court's de facto grant of

summary judgment on a disputed factual issue was procedurally improper, and should be reversed for this additional reason.

II. The District Court Abused its Discretion by Excluding Testimony About Events After March 3, 2011.

After erroneously concluding that Adobe lacked the intent to induce infringement as of March 3, 2011, the district court excluded all evidence about events that occurred after that date, including admissions from a third party regarding his installation and use of Adobe Acrobat to perform "multi-level security" and directly infringe the patents. This was improper for two reasons.

First, the district court excluded this evidence on the basis of the same erroneous legal conclusion discussed above—that Adobe could not have induced infringement after the March 3, 2011 claim construction order issued. *See supra* Section I(B). Although evidentiary decisions are reviewed for abuse of discretion, *Campbell v. Boston Sci. Corp.*, 882 F.3d 70, 77 (4th Cir. 2018), "an error of law . . . is by definition an abuse of discretion," *Hunter v. Earthgrains Co. Bakery*, 281 F.3d 144, 150 (4th Cir. 2002). *See also Kearns v. Chrysler Corp.,* 32 F.3d 1541, 1545 (Fed. Cir. 1994) ("An abuse of discretion may be established by showing that the district court . . . made an error of law . . . ."). Thus, the district court's erroneous legal conclusion with respect to induced infringement caused it to abuse its discretion in excluding this evidence. If that decision is reversed, then its decision to exclude evidence based on that decision must necessarily also be reversed.

Second, even if that legal conclusion were somehow correct, it was an abuse of discretion not to admit this testimony because it constitutes circumstantial evidence of infringing acts prior to March 3, 2011.

A. The Excluded Evidence was Relevant, Probative of Direct Infringement by a Third Party, and Not Prejudicial to Adobe

The district court improperly excluded Mr. Johnson's testimony and other evidence based on its erroneous legal conclusion that Adobe's inducement claim failed as of March 3, 2011 as a matter of law. *See supra* Section I(B). For example, the district court excluded evidence of an April 15, 2011 blog post (the "tpothen post"), which occurred a little over a month *after* the court's March 3, 2011 claim construction order date and *before* the parties' 2012 stipulation and 2013 expiration of the patents. Adobe's sole argument for excluding this evidence is that it occurred after the claim construction order—Adobe does not dispute that the excluded evidence had probative value and would have been admitted under a damages window that extended to the parties' 2012 stipulation or the 2013 expiration of the patents. Adobe Br. at 35 ("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*.") (emphasis added).[4] Thus, if the Court finds that

[4] The district court also agreed the excluded testimony and evidence was probative of inducement. Appx12429–12430 (Trial Tr.), 194:23–195:5 ("THE COURT: All right. I am going to grant the motion in part. I am going to grant the

the district court improperly narrowed the damages window, then a jury should be permitted to consider the entirety of Mr. Johnson's testimony and other excluded evidence.

But even if the district court's arbitrary one-year damages window were correct, it was still an abuse of discretion to exclude this evidence, because it constitutes circumstantial evidence of direct infringement by a third party of both the asserted system and method claims. Adobe's arguments to the contrary are not persuasive. First, Adobe contends that Mr. Johnson's testimony could not link the alleged infringement to "the specific time frame or even to the accused Acrobat product." Adobe Br. at 35–36. This is not correct. Mr. Johnson testified that he "frequently" uses Acrobat's security functions to encrypt a PDF (Appx26687 (Johnson Dep.), 56:05–07), and that since version 5 (approximately 2001) he has beta tested the security features *on every version* of Acrobat (other than version 8). Appx26686 (Johnston Dep.), 40:17–20, 46:14–25; Appx26687 (Johnson Dep.), 47:24–48:08.[5] Adobe does not dispute that Mr. Johnson installed several versions

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motion to exclude from what's numbered 26 at page 65:15 through the testimony regarding the advice that Mr. Johnson gave to the poster because it's outside of the timeframe *and it is clearly inducement evidence*. And then allow the testimony that … picks up on page number 37, paragraph 37, 79:12.") (emphasis added.)

[5] Adobe claims that TecSec improperly conflates "security" with "multi-level encryption." Adobe Br. 37. The *in limine* order merely precludes conflating the "*value*" of security with the "value" of multi-level security. Appx34. It does not

of Acrobat onto his computer, or that several versions of Acrobat were released after 2009, well within the proper damages window. Appx23450–23451. Though excluded from the jury, Mr. Johnson also testified that he performed "multi-level security" prior to (and after) the 2011 tpothen post (Appx26687 (Johnson Dep.), 64:5–7, 64:11; Appx26688 (Johnson Dep.), 79:12–16, 79:19–80:2). The jury was also not allowed to hear that Mr. Johnson has an invoicing practice that relies on "multi-level security." Appx26687–26688 (Johnson Dep.), 64:17–65:12, 65:15–20. At a minimum, the entirety of Mr. Johnson's testimony constitutes circumstantial evidence that Mr. Johnson directly infringed the asserted system and method claims during the relevant damages period.

Second, Adobe asserts that the 2009 blog post is irrelevant for inducement purposes because a user cannot directly infringe the asserted method claims by merely accessing Adobe's blog post. Adobe Br. 38. Adobe misses the point. Tellingly, Adobe does not dispute that the blog was directed to users of Acrobat. Appx2259–2260 (PX-69); Appx13017 (Landwehr Trial Tr.), 782:22–783:20. This Court has long held that "induced infringement can be based on circumstantial evidence of inducement (e.g., advertisements, user manuals) directed to a class of direct infringers (e.g., customers, end users) without requiring hard proof that any

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preclude characterizing "multi-level security" as a *type* of security, which Adobe's own expert did at trial. Appx13152–13153 (Trial Tr.) 917:19–918:3 (Clark).

individual third-party direct infringer was actually persuaded to infringe by that material." *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.,* 843 F.3d 1315, 1335 (Fed. Cir. 2016); *see also Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1222 (Fed. Cir. 2014) (affirming jury's induced infringement verdict where defendant advertised compliance with an infringing standard); *Arthrocare Corp. v. Smith & Nephew, Inc.*, 406 F.3d 1365, 1377 (Fed. Cir. 2005) (affirming jury's induced infringement verdict where defendant distributed "sales literature" and "manuals" that instructed how to use product in infringing manner); *cf. Liquid Dynamics Corp. v. Vaughan Co., Inc.*, 449 F.3d 1209, 1223 (Fed. Cir. 2006) (affirming infringement verdict under 35 U.S.C. § 271(f) and explaining that distribution of "engineering manual ... replete with examples" of infringing use was substantial evidence of inducement).

Moreover, Adobe stipulated that the 2009 blog post teaches customers how to directly infringe the patents. Appx10307–10310 (Stipulation). Indeed, the blog's author, Mr. Landwehr, testified at trial that the blog post was never taken down and that performance of the steps in his blog constitutes infringement of the asserted claims. Appx13031–13032 (Trial Tr.), 796:5-15, 797:11-15. The jury was certainly entitled to consider Mr. Johnson's excluded testimony in the context of the 2009 blog post and the blog post statistics and conclude that Adobe induced at least Mr.

Johnson (and others who had accessed the blog post) to directly infringe the asserted system and method claims.

Third, Adobe contends that there is no evidence that each step of the method claim is performed by a third party user. Adobe Br. at 38. Again, Adobe is mistaken. The excluded Johnson testimony, the teachings of the 2009 blog post, and the blog access statistics, are direct evidence of infringement of the system claims and, at a minimum, circumstantial evidence that at least one third party user of Acrobat performed each step of the asserted method claims. Further, Mr. Johnson also uses "multi-level security" as part of his invoicing practices, and he testified to sometimes decrypting "multi-level security" documents himself. Appx26690 (Johnson Dep.), 117:15–118:08. This all provides more than sufficient evidence for the jury to find that each step of the asserted method claims was performed by a third party user.

Finally, the excluded evidence is not unfairly prejudicial to Adobe and would not confuse the jury. As explained above, within the context of the 2009 blog post and blog statistics, the excluded testimony relates to third party usage of accused (and installed) versions of Acrobat to perform "multi-level security" during the relevant damages period. Simply because the blog post occurred a little over a month after the March 3, 2011 claim construction order—and excluding it on that basis—does not make otherwise relevant and probative evidence unfairly prejudicial.

Accordingly, the excluded evidence is relevant, probative of direct infringement, and not prejudicial to Adobe. The district court abused its discretion in excluding it.

B. The District Court's Error was Not Harmless and Forms the Basis for a New Trial

The district court's improper exclusion of Mr. Johnson's testimony and other related evidence afforded Adobe the opportunity to argue during closing that TecSec failed to present any evidence of direct infringement by third parties during the relevant damages period. Appx13540 (Trial Tr.), 1305:19–23. The prejudice to TecSec was fatal.

Adobe is wrong that TecSec has waived any challenge to statements made by Adobe's counsel during closing argument because TecSec failed to object at that time. Adobe Br. at 39. TecSec had previously (and timely) opposed the exclusion of Mr. Johnson's testimony (Appx12430 (Trial Tr.), 195:8–17), and was not required to object again during closing. Fed. R. Evid. 103; *see also United States v. Carpenter*, 494 F.3d 13, 20–21 (1st Cir. 2007) (holding that the defendant did not waive an objection to improper closing argument because it had earlier objected to the admission of the evidence on which this closing argument was based.)

Adobe contends that the evidentiary record could not support a finding of inducement during the relevant period for three independent reasons. First, Adobe claims that there was substantial evidence that Adobe customers did not use Acrobat

to perform multi-level encryption during the relevant period. Adobe Br. at 40. Again, this is only true because the district court excluded probative testimony showing third party installation of Acrobat and performance of the steps set forth in the asserted method claims. The record at trial would have been different had the district court not narrowed the damages window and excluded Mr. Johnson's testimony.

Second, Adobe claims that the record contains no evidence that Adobe possessed the requisite specific intent to induce Mr. Johnson—or any third party—to directly infringe. Adobe Br. at 41. But, as discussed above, the record is replete with evidence showing that Adobe intended to induce its customers to infringe the asserted patents. *Supra* at Section II.A. Adobe's indifference to TecSec's patents, its own infringement, the blog's availability, and its stipulation that it teaches direct infringement of the patent are sufficient circumstantial evidence of Adobe's intent. *See MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1380 (Fed. Cir. 2005) (finding "sufficient circumstantial evidence for a reasonable jury to conclude that [defendant] was not only aware of the potentially infringing activities in the United States by [a third-party infringer], but also that [defendant] intended to encourage those activities" (citations omitted)).

Third, Adobe contends that there is no evidence that Adobe made a successful communication to Mr. Johnson (or any third party) during the relevant time period.

Adobe Br. at 41–43. TecSec does not need to show that Mr. Johnson actually read the blog (*supra* at Section II.A). But even so, the evidence shows that the blog post had been viewed by approximately 1,000 Acrobat users. Appx13725–13785 (DX-18a); Appx13031 (Trial Tr.), 796:12–15 (Landwehr). Further, Mr. Johnson testified that Adobe instructs its customers on how to install and perform security functions using Acrobat. Appx19884; Appx70 (Johnson Dep.), 68:23–24, 69:02; Appx71, 70:12–71:14. The jury could have reasonably concluded that there was a successful communication of the blog to Mr. Johnson (or viewers of the blog post) that led to direct infringement.

III. The District Court Abused its Discretion by Issuing Erroneous and Misleading Jury Instructions.

The district court also improperly issued misleading jury instructions that prejudiced TecSec's inducement case.[6] In the context of the district court's narrow damages window and exclusion of probative third party evidence, Instruction Nos. 25 and 28 provided Adobe's counsel with the necessary framework with which to mislead the jury into finding no inducement of any asserted claims. Instruction No.

[6] Adobe again contends that TecSec has waived any challenge to statements made by Adobe's counsel during by not objecting at that time. Adobe Br. 43. TecSec had previously (and timely) opposed the improper jury instructions (Appx13305–13306 (Trial Tr.), 1070:13–1071:1; Appx13309–13310 (Trial Tr.), 1074:8–1075:11), and was not required to object again during closing. Fed. R. Evid. 103; *see also Carpenter*, 494 F.3d at 20–21.

25 is legally erroneous because it incorporates elements that were never agreed to by the parties, and also improperly diminishes the relevance and significance of Adobe's 2009 blog—Adobe's affirmative inducing act. Instruction No. 28 provided Adobe with the platform to mischaracterize the law and mislead the jury into believing that it could not, as a matter of law, find Adobe liable for induced infringement of any asserted claim.

Challenges to jury instructions are reviewed for abuse of discretion. *S. A. Ltd. P'ship of Tennessee, L.P. v. Riese*, 284 F.3d 518, 530 (4th Cir. 2002) (citation omitted). "Instructions are adequate if . . . they adequately inform the jury of the controlling legal principles *without misleading or confusing the jury to the prejudice of the objecting party*." *Id.* Accordingly, a court can abuse its discretion by issuing an instruction that, although technically accurate, misleads the jury in a prejudicial manner. *See Ericsson*, 773 F.3d at 1231 (finding that the district court committed reversible error by instructing the jury on multiple *Georgia-Pacific* factors that were not at issue in the case).[7]

[7] *See also United States v. Alvarado*, 816 F.3d 242, 252 (4th Cir. 2016) (Davis, J., concurring in part) ("Significantly, the relevant inquiry is whether the jury instructions 'adequately informed the jury of the controlling legal principles without misleading or confusing the jury to the prejudice of the objecting party.'").

A. Instruction No. 25 was Improper and Prejudicial

Adobe contends that Instruction No. 25 refers to a single instance of "direct infringement" of the *method* claims, and "properly recognizes that Adobe only admitted infringement of the asserted *method* claims on 'one occasion.'" Adobe Br. at 45 (emphasis added). While Adobe accuses TecSec of "conflating" aspects of the parties' stipulation, it is Instruction No. 25 that "conflates" matters by failing to draw the distinction between system and method claims. *Id.* For example, Instruction No. 25 does not mention the word "method," and instead lumps together all of the asserted claims—"there was direct infringement of the *asserted claims* by the user. . . [on at least one occasion]." Appx12076 (Instr. No. 25) (emphasis added). In so doing, Instruction No. 25 ignores (and contradicts) Adobe's pretrial stipulation that "[o]n at least one occasion, Adobe has installed for its own internal use at least one copy of *each version* of the accused products on a computer having system memory." Appx11994 (Stip. of Uncontroverted Facts) at ¶13 (emphasis added). Adobe does not contest TecSec's evidence that installation of Acrobat on a computer infringes the asserted system claims, and for at least this reason Instruction No. 25 prejudiced TecSec and misled the jury by stating that "[t]he *parties agree* that the one time for which Adobe has admitted infringement . . . occurred before TecSec filed its lawsuit in February 2010." Appx12076 (Instr. No. 25) (emphasis added).

Moreover, even though the blog was posted before the lawsuit was filed, Adobe continued to post it and it remained publicly accessible from 2009 through expiration of the patents in 2013 and was relevant to TecSec's inducement case against Adobe. But by expressly instructing the jury that the blog post occurred *before* the filing of the lawsuit, Instruction No. 25 confused and misled the jury into believing that the blog post could not be an affirmative act of inducement after the filing of the complaint.

B. Instruction No. 28 was Improper and Prejudicial

Adobe defends Instruction No. 28 by contending that it is legally correct in that it tracks this Court's decision in *Tegal Corp. v. Tokyo Electron Co*. 248 F.3d 1376, 1379 (Fed. Cir. 2001). However, *Tegal* stands for the limited proposition—which is not at issue in this case—that being aware of another's infringement but doing nothing to stop it cannot constitute *active* inducement. *Id.* at 1378 ("Actively inducing . . . requires an *affirmative* act of some kind.") (emphasis added). TecSec never accused Adobe of "failing to stop" infringement. TecSec's unequivocal position has always been that Adobe's ongoing publication of a blog post instructing customers how to perform multi-level security constitutes *active* inducement of the method claims.[8] Adobe does not dispute that it instructs customers how to install

[8] Adobe argues that TecSec's evidence showing the blog was accessed by Acrobat users nearly 1,000 times is irrelevant for inducement purposes. Adobe Br.

Acrobat. Appx19884. Despite the clarity of the record on this point, Adobe's counsel went on to mislead the jury during closing by categorically insisting that Adobe's failure to take down the blog cannot, as a matter of law, be the basis for finding Adobe liable for induced infringement. Appx13544 (Trial Tr.), 1309:6–10. 3—4. Having heard such a direct and unambiguous charge, the jury understandably went on to find no inducement by Adobe on *any* of the asserted claims—the prejudice to TecSec could not be any plainer.

This and other courts have held that it is error for a district court to issue an instruction that is misleading or does not relate to any issue before the jury. *See, e.g., Ericsson*, 773 F.3d at 1231 (finding that the district court committed reversible error by instructing the jury on multiple *Georgia-Pacific* factors that were not at issue in the case.); *Humphrey v. Staszak*, 148 F.3d 719, 723 (7th Cir. 1998) (finding that jury instruction simply was not supported by the evidence and was, thus, misleading); *Paluch v. Erie Lackawanna R. Co.*, 387 F.2d 996, 1000 (3d Cir. 1968) ("The charge to the jury in this case on an issue on which no evidence has been offered was such fundamental error.").

37–38. However, Adobe itself has stipulated that performing the steps set forth in the blog results in "multi-level security." Appx10307–10310 (DX-18a); Appx13032 (Trial Tr.), 797:11-15 (Landwehr).

C. The Court's Error was not Harmless and Requires a New Trial on Inducement for All Asserted Claims

Adobe contends that the district court's error was harmless because the evidence was "so overwhelming that the same verdict would necessarily be reached absent the error." Adobe Br. 49. But as explained above, the District Court improperly excluded evidence and severely prejudiced TecSec's inducement case against Adobe (*supra* at Section II).

Adobe also claims that any alleged error is harmless in the context of the entire jury instructions. Specifically, Adobe points out that the district court instructed the jury to "consider the instructions as a whole," and that other instructions "set forth the proper standard for inducement." Adobe Br. 50. But Adobe ignores the misleading nature of Instruction Nos. 25 and 28 and Adobe's counsel's exploitation thereof during closing to instruct the jury that it must, as a matter of law, find no inducement (*supra* at Section III.A–B). The only remedy is for this court to vacate the jury's verdict of no inducement and order a new trial on all asserted claims. *See, e.g., Ecolab, Inc. v. Paraclipse, Inc.*, 285 F.3d 1362, 1377–78 (Fed. Cir. 2002) (remanding for new trial because Ecolab suffered prejudice by the erroneous jury instruction); *Malone v. Reliastar Life Ins. Co.*, 558 F.3d 683, 694 (7th Cir. 2009) (vacating judgment and remanding trial where erroneous jury instruction, while independently harmless, combined with language on a special verdict form, taken together impermissibly caused jury bias.)

IV. The District Court Erred by Vacating the Damages Award.

"Upon finding for the claimant the court *shall* award the claimant damages." 35 U.S.C.A. § 284 (emphasis added). Here, the district court violated this clear statutory command by vacating the entire damages award, leaving TecSec with nothing for its favorable infringement verdict. This was an erroneous conclusion of law, reviewed *de novo*. *Vanda Pharms*, 887 F.3d at 1123; *Cunningham*, 888 F.3d at 645.

As noted in TecSec's Opening Brief, a jury's award of damages is entitled to deference and "must be upheld unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or based only on speculation or guesswork." Opening Br. 55 (citing cases).. Adobe fails to address any of these cases, and instead takes a scattershot attempt at defending the district court's improper zeroing of damages for Adobe's adjudged direct infringement.[9] Contrary to Adobe's contentions, however, TecSec amply provided the jury with the necessary evidence from which it could determine both liability for Adobe's direct infringement and an appropriate measure of damages to fairly compensate TecSec for such infringement; and based on this evidence, after two days of deliberations, the jury found both

[9] As now confirmed by Adobe's principal and response brief, Adobe does not cross-appeal the jury's verdict finding that Adobe directly infringed every one of the 6 asserted claims from the DCOM patents. Thus, Adobe's infringement liability is final and *unchallenged* in this appeal.

liability and damages. Appx40, and Appx44 (verdict sheet questions 2, 7); Appx215 (minute entries—ECF Nos. 1343, 1343, and 1345—reflecting multiple days of jury deliberations).

At the conclusion of the trial, Adobe's renewed motion for JMOL sought to overturn the unfavorable verdict and avoid paying damages to TecSec for Adobe's admitted infringement. Seizing upon Adobe's invitation to reevaluate the record evidence, the district court gave the jury no deference and improperly substituted its own judgment for that of the jury's, awarding TecSec no damages.[10] This usurpation of the jury's verdict violates the Seventh Amendment, runs contrary to the patent laws, and creates a dangerous precedent that could open up the floodgates for non-compensable patent infringement. The jury's damages verdict must be reinstated.

A. Adobe Ignores The Factual Evidence Underpinning the Direct Infringement Damages Award and Instead Argues Only That Expert Evidence Was Lacking

Adobe's response brief largely repeats the unsupported and conclusory statements of law by the district court, arguing that TecSec "deliberately abandoned" pursuit of direct infringement damages in favor of indirect infringement damages,

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[10] The district court's decision granting Adobe's renewed motion for JMOL is all the more puzzling in view of its previous inconsistent decision *denying* Adobe JMOL on the very same issue, *see* Appx27347–27349, and in view of its denial of Adobe's MIL #3 seeking to preclude TecSec's expert at trial from testifying on direct infringement damages. Appx30 (permitting Mr. Wagner's trial testimony to apply to direct infringement damages).

and that there was "no competent evidence of direct infringement damages" to support the award. Adobe Br. 55, 59. These conclusions ignore the evidence and are based on the faulty premise that expert testimony in this case cannot possibly relate to both direct and indirect infringement—the opposite is, in fact, true. Adobe hinges its "abandonment" argument on inapposite case law relating to, *inter alia,* patentees deliberately selecting between lost profits or reasonable royalty damages (*Keg Techs., Inc. v. Laimer*, 436 F. Supp. 2d 1364, 1360–71 (N.D. Ga. 2006)) or between worldwide versus United States only sales of accused products (*Promega Corp. v. Life Techs. Corp.*, 875 F.3d 651, 662 (Fed. Cir. 2017)). Neither case supports the sweeping proposition that Adobe asks this Court to affirm, and neither Adobe, nor the district court, has cited any authority providing for such a black-and-white distinction between direct versus indirect infringement damages under the reasonable royalty framework.

The lack of authority notwithstanding, Adobe's lead argument that there was "no evidence whatsoever—let alone substantial evidence—to support the jury's damage award for Adobe's direct infringement" is belied by the record evidence. Far from "no evidence whatsoever," the record is replete with evidence from which a reasonable jury could—and did—conclude that Adobe itself installed and used the

accused Acrobat products,[11] that it derived value from that installation and use, and that substantial evidence—tethered logically to the commercial value and success of Acrobat software—supports a reasonable award of damages as just compensation for that direct infringement. For example, the jury received evidence from Adobe's public sector Chief Technology Officer concerning the vast number of Adobe employees who specifically worked on at least accused version 10 of the Acrobat product—Appx12994–12995 (Landwehr Trial Tr.), 759:25–760:21—as well as the number of Adobe employees in the aggregate that further evidence supports have Acrobat installed on their computers. Appx26667 (Borstein Dep.), 43:16–43:23. Since the jury was directly instructed to draw all "reasonable inferences" from the evidence received, Appx12056 (Instr. No. 7), it would have been reasonable for the jury to assume that the many thousands of Adobe's own employees had the latest version of its flagship Acrobat software installed on their work computer. Furthermore, and considering that Adobe released accused Acrobat version 10 *during the narrow damages window* in November 2010, Appx23451 (DX-212, Acrobat X Pro datasheet reflecting publication in November 2010), the jury could

[11] TecSec's technical expert Dr. Mark Jones unambiguously testified at trial that "the system claims are infringed every time that the software is installed. So every installation is a making under 271(a)." Appx12824–12825 (Trial Tr.), 589:24-590:1. Adobe does not contest this, and furthermore stipulated that Adobe has installed each and every accused version of Acrobat for internal use. Appx11994 (Stip. of Uncontroverted Facts) at ¶13.

readily have concluded that each Adobe employee infringed the DCOM patents when *at least* that version was installed on their computer system, thus contributing to the damages royalty base. *See also* Appx11994 (Stip. of Uncontroverted Facts) at ¶13 (Adobe stipulation that it installed each accused version of Acrobat for internal use).

Unsurprisingly, Adobe's response brief fails to address any of this evidence, and like the district court, focuses solely on the fact that TecSec's damages expert Mr. Wagner did not present a specific damages theory devoted exclusively to a direct infringement recovery.[12] While Mr. Wagner's final royalty revenue base was premised on Adobe's recorded sales of Acrobat products (as it true in nearly every hypothetical negotiation), it would be improper to dismiss Mr. Wagner's testimony out-of-hand for being devoted exclusively to an "alternative" damages theory on which no liability was found by the jury. To the contrary, Mr. Wagner presented extensive testimony regarding the *Georgia-Pacific* factors and how they guided his analysis concerning the hypothetical negotiation forming the basis for reasonable royalty damages. Appx12856–12863 (Wagner Trial Tr.), 621:22–628:25. Mr. Wagner further testified regarding the amount of product sales realized by Adobe during the court-narrowed damages window, which included both the number of

[12] This is wrong, but irrelevant. 35 U.S.C. § 284 specifically renders expert testimony optional.

units sold and the revenue realized therefrom. Appx12865–12866 (Wagner Trial Tr.), 630:1–631:13; Appx26665 (PX-706). Based on the district court's instructions that the jury weigh the record evidence—including both direct and circumstantial—as well as that the jury draw reasonable and logical inferences from such evidence, Appx12055–12056 (Instr. Nos. 6 and 7), the jury would have been well within its province to consider Adobe's internal installation and uses of the Acrobat product and then utilize the sales figures as a proxy or benchmark to determine a reasonable measure of direct infringement damages through the hypothetical negotiation framework. This type of analysis is far from the type of speculative guesswork inferred by the district court as the basis to usurp the jury's fact-finding province, and it is rationally tied to the evidence of record.

Adobe's position that TecSec pursued an "all-or-nothing" approach to damages, or that it abandoned direct infringement damages altogether[13] is simply

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[13] Adobe repeatedly cites to *Boston Sci. Corp. v. Johnson & Johnson*, 550 F. Supp. 2d 1102, 1122 (N.D. Cal. 2008) for the proposition that when a patentee fails to put on "any evidence" of a reasonable royalty theory of damages waives its recovery. But this case is readily distinguishable. There, the patentee—Cordis—made a knowing and conscious decision during the course of the jury trial to put no evidence of *any* reasonable royalty rate into the record, instead "[d]espite a great deal of discussion at trial regarding the need for the patentee to present evidence of the amount of damages…" *Id.* at 1120–21 (N.D. Cal. 2008). By contrast, TecSec presented liability and damages evidence of direct infringement reasonable royalty damages at trial, and based on that evidence, the jury found for TecSec on both issues.

untrue and contrary to the evidence in the record. The jury's award was improperly vacated by the district court, and it must therefore be reinstated.

B. Each of TecSec's "Other" Arguments Further Supports Reversal

Adobe's dismissive treatment of TecSec's equally-weighty arguments regarding the district court's improper erasure of direct infringement damages cannot be overlooked, especially on two important issue.

First, Adobe dismisses the damages figure of $1.75M awarded by the jury as "inherently speculative" because neither of the parties' experts provided this precise number. Adobe Br. 55. But there is no requirement that the jury's award of damages be so exacting to avoid being considered speculative. *See SmithKline Diagnostics, Inc. v. Helena Labs. Corp.*, 926 F.2d 1161, 1167 (Fed. Cir. 1991 ("the factual determination of a reasonable royalty, however, need not be supported, and indeed, frequently is not supported by the specific figures advanced by either party."). As discussed in Section IV.A. *supra*, the jury was properly guided by the damages experts—as well as by the myriad evidence reflecting the nature and extent of Adobe's direct infringement—to arrive at its damages verdict, which as noted, fell well within the ranges posed by the competing experts. In fact, the $1.75M figure was well below the numbers posed by TecSec's expert relating to sales of the accused Acrobat products by Adobe, which likely reflected the jury's reasoned consideration of the evidence noted in Section IV.A *supra*.

Second, Adobe completely misrepresents this Court's precedent when it argues that "this Court has *repeatedly held* that zero damages are proper in circumstances like the ones here." Adobe Br. 56–57 (emphasis added) (citing *Promega*; *Apple, Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1328 (Fed. Cir. 2014)). In fact, and to the best of TecSec's knowledge, this Court has *never* reached an actual holding that zero dollars is the correct and only damages award, especially in view of the mandate from §284. Indeed, neither of the *Promega* or *Apple* cases cited by Adobe include such a holding. As pointed out in TecSec's opening brief, this Court in *Apple* actually *reversed and vacated* the district court's entry of summary judgment of no damages—the opposite result that Adobe seeks in this appeal—on the basis that Motorola failed to meet its burden of showing that "zero is the only reasonable royalty." 757 F.3d at 1329. Indeed, the zero-damages situation described in *Apple* was raised by the Court *in dicta* as an illustrative hypothetical, which the Court later qualifies as "unlikely that a willing licensor and willing licensee would agree to a zero royalty payment in a hypothetical negotiation, where both infringement and validity are assumed." *Id.* at 1328. The Court stated verbatim: "We note that we know of no case where we found that the record supported an infringement award of a zero royalty." *Id.* at 1328 n.7.

Adobe asks this Court to create dangerous new precedent that permits un-compensated infringement and that effectively abrogates §284. Affirming the

district court's oblation of the damages award and final grant of zero damages would have a lasting, chilling effect on the law of patent infringement. On this basis alone, the district court's ruling must be undone.

V. The District Court Correctly Concluded That the Asserted Claims Are Eligible Under § 101.

Adobe's cross-appeal is also without merit. Below, Adobe moved for summary judgment on the theory that TecSec's asserted claims were ineligible under 35 U.S.C. § 101. The district court properly denied that motion, concluding, *inter alia*, that the "patents create a solution to a computer-centric problem which is not addressed by the prior art." Appx10. Specifically, the district court found that the patents "offer a solution to a problem, multiple users in multiple locations accessing information at different security levels from a central repository, which would not exist but for the ubiquity of computer technology." *Id.* That decision is reviewed *de novo*. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365 (Fed. Cir. 2018) *cert denied,* __S. Ct. __ (Jan. 13, 2020). Because there was no error, this Court should affirm.[14]

Ineligibility under Section 101 is a two-step analysis. *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1353 (Fed. Cir. 2016). First, the court must decide whether the claim is "'directed to' an ineligible concept," such as an abstract idea.

[14] TecSec submitted the Declaration of Mark T. Jones, Ph.D in support of the eligibility of the asserted claims (Dkt. No. 870), Appx1956–1986.

Id. (quoting *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 217 (2014)). And second, even if the claim is "directed to" an ineligible concept, the court must decide whether it "add[s] enough to transform the nature of the claim into a patent-eligible application." *Id.*

Here, the district court correctly concluded that Adobe's argument failed at step one because the asserted claims were not "directed to" an ineligible concept. In addition, although not reached by the district court, Adobe's argument would fail at step two because even if the asserted claims were "directed to" an ineligible concept, they added enough to transform the nature of these claims into patent-eligible subject matter.

A. Background of the DCOM Patents

1. The DCOM Patents Solve a Problem Presented by Prior Art Cryptographic Systems and Methods

The DCOM patents are directed to solving the problems presented by the dissemination of commercially valuable digital information across computer network systems. *See* Appx234 ('702 Patent) at 1:15–20; *see also* Appx235, 3:12–15. The DCOM patents relate to systems and methods for providing multi-level security by allowing encrypted files to be nested within other encrypted files. *Id.* at 4:25–28; Appx1961 (Jones Decl.), ¶16–18. In addition to nested encryption, the DCOM patents further provide multi-level security by limiting access to data objects

by using labels in the form of a field of characters attached to the encrypted files. *TecSec, Inc. v. Adobe Sys. Inc.,* 658 F. App'x 570, 572 (Fed. Cir. 2016).

Specifically, the DCOM patents address and solve a computer-centric problem: how to control access to computer data. The "Background" section of the DCOM patents provides examples of the deficiencies of existing digital security systems. *See* Appx234 ('702 Patent) at 1:14–2:61. These deficiencies include the fact that using encryption provides only one level of security and is limited by access to the proper encryption key, and fails to provide security when only a subset of a group is desired to have access. For example, once an object is encrypted, anyone with the encryption key can access and decrypt the object to view its contents. Placing mere access control restrictions on an object (e.g., confidential designations) restricts viewing to certain individuals that are cleared, but the object remains in plain text. The DCOM patents address these problems through combination of encryption, access control and multi-level security, or nesting encrypted objects within other encrypted objects, and clearly articulate the benefits of this novel "multi-level security" approach. Appx234–235 ('702 Patent) at 2:62–3:9.

The specification provides detailed disclosure of the invention that is embodied in the claims. For example, Figure 3 of the '702 Patent, reproduced below, shows an object containing embedded encrypted objects at five various levels. *See,*

e.g., Appx228 ('702 Patent) at Fig. 3; Appx239 at 11:18–30; Appx1961–1962 (Jones Decl.), ¶21.

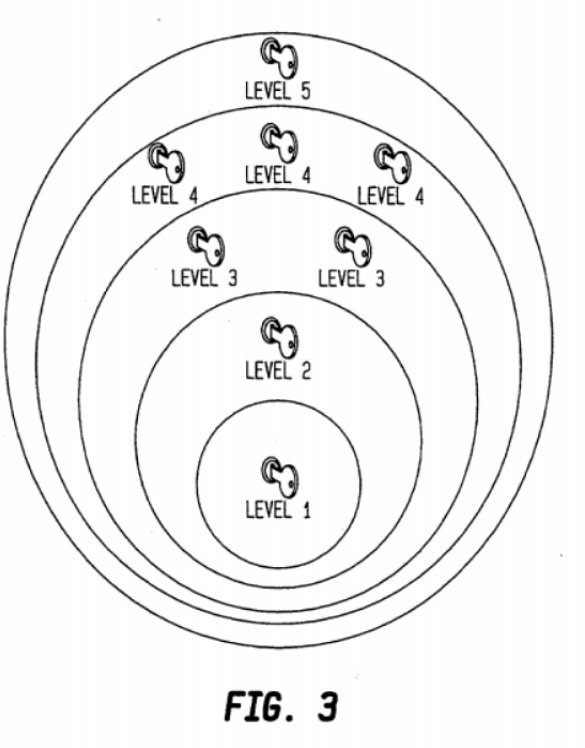


FIG. 3

Contrary to Adobe's attempt at oversimplification, the invention is not simply double encryption or the encrypting of a single object twice, but instead a hierarchical encryption and access control system. Appx1963 (Jones Decl.), ¶27. A single encrypted objects shown in Figure 3 (and 4) of the DCOM patents can act as a secure package and can be sent out for distribution to an entire organization, such as via e-mail. Appx1967 (Jones Decl.), ¶37. Every employee would receive the single encrypted file, but they would only be able to unravel the portions that corresponded to them and acquire no knowledge of other existing embedded encrypted objects. *See, e.g.,* Appx230–231 ('702 Patent) at Figs. 5 and 6; Appx239

at 11:40–59; Appx1967 (Jones Decl.), ¶37. In contrast, prior art computer-based security systems presented a technical problem in that they could not at once distribute the various embedded objects shown in Figures 3 and 4 of the DCOM patents to multiple recipients in a single transmission, with each recipient having their own respective access authorization. Appx1962 (Jones Decl.), ¶22. The DCOM patents, therefore, provide a technical solution to this technical problem and in so doing improve and enhance the way a computer-based security protocol works. Appx1963 (Jones Decl.), ¶¶24–26.

B. The Asserted DCOM Claims are Directed to Patent-Eligible Subject Matter

1. Step One—The Asserted Claims Are Not Directed to an Abstract Idea

The *Alice* test requires courts to first determine whether the claims as a whole are directed to excluded subject matter. *See Alice,* 134 S. Ct. at 2355 (quoting *Mayo,* 132 S. Ct. at 1289). "[T]he 'directed to' inquiry applies a stage-one filter to claims, considered in light of the specification, based on whether 'their character as a whole is directed to excluded subject matter.'" *Enfish, LLC v. Microsoft Corp.,* 822 F.3d 1327, 1335 (Fed. Cir. 2016) (quoting *Internet Patents Corp. v. Active Network, Inc.,* 790 F.3d 1343, 1346 (Fed. Cir. 2015)).

Here, Adobe's purported abstract ideas improperly overgeneralize the Asserted Claims. When reviewed as a whole in light of the specification, the

Asserted Claims easily meet step one of the *Alice* test because they provide specific structure and functionality for providing "multi-level security" using labels and encryption in a way that addresses technical problems with prior art encryption protocols, thereby improving computer functionality. Moreover, the Asserted Claims are not directed to a longstanding or fundamental economic practice, or a generic computer component, nor are they directed to any business or economic practice.

a. The Asserted Claims Are Eligible Under Step One of Alice Because they Recite Specific Structure and Functionality for Providing "Multi-Level" Security

As Adobe acknowledged long ago in this litigation, the Asserted Claims are directed to the combination of specific and tangible steps and components for providing "multi-level" security over a computer network. The steps and components include, for example: (1) the provision of "multi-level" security, which the Federal Circuit has held comprises the nesting of encrypted objects within other encrypted objects, 2) an "OOKeyMan" component that even Adobe has acknowledged constitutes the "patented invention" that provides the "multi-level security" of the invention, 3) operation over a "data network," 4) "digital logic means," 5) "system memory means," 6) "an encryption algorithm module," 7) "an object labeling subsystem," 8) "a decryption algorithm module," 9) "an object label

identification subsystem," and 10) "means for embedding a first object within a second object." *See* Appx1961 (Jones Decl.), ¶19.

The specification explains that the claimed invention achieves "multi-media" security because "encrypted objects may be nested within other objects, which are also encrypted, possibly within other objects." Appx235 ('702 Patent) at 4:22–28. This Court agreed and held that all of the Asserted Claims require "multi-level" security, or the nesting of encrypted objects within other encrypted objects. *TecSec, Inc v. Int'l Bus. Machs. Corp.,* 731 F.3d 1336, 1345–46 (Fed. Cir. 2013). Moreover, the Asserted Claims recite a combination of unconventional steps and components that are not found in the prior art. Appx1966 (Jones Decl.), ¶35.

Adobe's contention that the claims are limited to generic, non-specific steps and elements is unfounded. The Federal Circuit ruled that the "OOKeyMan" component and the various "means plus function limitations" set forth in claim 12 of the '702 Patent all have proper and specific support in the specification of the DCOM patents. *Int'l Bus. Machs. Corp.,* 731 F.3d at 1349. The structures and functions recited in claim 12 are virtually identical to the steps and components recited in the Asserted Patents. *See* Appx1965 *(*Jones Decl.), ¶32.

Finally, in direct contradiction to what it asserts now, Adobe has repeatedly argued in this litigation that the claims of the DCOM patents "are drawn to a *specific software architecture* in which a software object is first encrypted and then labelled,

then nested within another software object, which is in turn encrypted and labelled." Corrected Response Br. of Appellee Adobe Sys., Inc., No. 15-1686, 2015 WL 6083511, at *5 (Fed. Cir. Sept. 30, 2015) (emphasis added). Adobe has even characterized the claimed "object-oriented key manager" or OOKeyMan as the "patented improvement" that "provides the "multi-level security" of the invention." Appx27333 (Adobe's First SJ Br.). Adobe's transparent shifting sands approach to its description of the claimed DCOM inventions should be given no weight.

b. The Asserted Claims Are Eligible Under Step One of *Alice* Because They Provide a Technical Solution to a Technical Problem and Improve the Functioning of the Computer

"[M]any computer-implemented claims are formally addressed to patent eligible subject matter." *Alice,* 134 S. Ct. at 2359. For instance, claims that are directed to eligible subject matter may include those that "improve the functioning of the computer itself" or "improve[ ] an existing technological process." *Id.* at 2358–59.

The ability for people to work remotely and collaboratively, provided by the computer age, creates a problem specifically arising in the realm of computer networks such as network security. Appx1964 (Jones Decl.), ¶28. The Asserted Claims provide a technical solution to that problem by improving how computer cryptography works by allowing a way to provide multi-level security, or encrypted objects nested within other encrypted objects. Appx1964–1965 (Jones Decl.), ¶31.

As a result, the claims are not directed to an abstract idea. *DDR Holdings, LLC v. Hotel.com, LP,* 773 F.3d 1245, 1257 (Fed. Cir. 2014).

Specifically, the claimed provision of "multi-level" security makes non-abstract improvements to the functioning of a computer and improve the technological process of securing objects in a data network. *Enfish,* 822 F.3d at 1335 ("Software can make non-abstract improvements to computer technology just as hardware improvements can, and sometimes the improvements can be accomplished through either route."). As in *Enfish,* the claimed systems and methods recite a technical solution to a technical problem in the computer arts—the ability to nest or embed encrypted objects in other encrypted objects (which had never been done before), which would permit, for example, the distribution of multiple encrypted objects to multiple recipients, each having separate access permissions, in a single transmission. Appx1963 (Jones Decl.), ¶26; Appx1964–1965, ¶31. As described in the DCOM patents, prior art cryptographic systems, such as single-level key-based encryption and labelling, suffered from several deficiencies, including the inability to embed or nest encrypted objects within other encrypted objects. *See, e.g.,* Appx234 ('702 Patent) at 2:5–30; Appx228–231 at Figs. 3–6; Appx1960 (Jones Decl.), ¶16; Appx1962, ¶22; Appx1963, ¶24.

The DCOM patents solve this problem by providing "multi-level" security using unconventional, specific computer-based systems and methods that allow a

user to selectively encrypt and label any number of objects, and then nest or embed those objects in any number of other encrypted and labeled objects. *See, e.g.,* Appx234–235 ('702 Patent) at 2:62–3:9; Appx239 at 11:18–59; Appx228–231 at Figs. 3–6; Appx1960–1961 (Jones Decl.), ¶¶17–18. Nesting encrypted objects within other encrypted objects had never been done before and allows multiple encrypted objects to simultaneously be sent to multiple recipients, with each recipient able to decrypt only authorized object(s). *See, e.g.,* Appx239 ('702 Patent) at 11:18–59; Appx1965–1966 (Jones Decl.), ¶¶34–35.

The specific computer-based systems and methods described and claimed by the DCOM patents improve and enhance the way a computer performs cryptography by providing specific systems and methods that achieve "multi-level security" through the unconventional use of object-oriented, key-based encryption, labelling, and the nesting or embedding of encrypted objects within other encrypted objects. *See* Appx1963 (Jones Decl.), ¶¶25–26; Appx1965–1966, ¶¶34–35. Thus, the "claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks." *DDR Holdings*, 773 F.3d at 1257; Appx1964 (Jones Decl.), ¶28.

This is evident in the claim language of the '702 Patent. For example, claims 1 and 8 (and their dependent claims) describe methods and systems "for providing multi-level multimedia security *in a data network"* (emphasis added). This makes

it clear that the claims are focused on a technical solution that operates in a computer network. Appx1964 (Jones Decl.), ¶¶29–30.

Adobe attempts to downplay the benefits of the invention by characterizing it as "akin to locking the glove compartment and the car door, or storing multiple locked boxes within a locked safe." Adobe Br. 63.[15] However, this characterization demonstrates the "problem specifically arising in the realm of computer networks" described in *DDR Holdings. DDR Holdings,* 773 F.3d at 1257. Pre-computer encryption was simplistic; it involved one document, and the potential for that one document to get intercepted. Sealing an envelope, for example, was, at best, a form of access control for that one document, and any form of access control involved the sender controlling transit to the single intended recipient. Appx1965 (Jones Decl.), ¶33. The computer age changed everything: the number of recipients is exponentially larger, transit to the recipient is done at arms-length over networks, and reproduction and retransmission of the document, and its contents, are instantaneous and limitless. Appx1962 (Jones Decl.), ¶22. As described in the specification of the '702 Patent, "[s]imple encryption of data being communicated between two points only provides one level of security" because "[e]ncryption limits

[15] Before the district court, Adobe analogized the claimed invention to placing a sealed envelope inside another sealed envelope. Appx1847–1848 (Adobe §101 SJ Br.). Adobe dropped the analogy on appeal after realizing it does not work.

data communication to those who have the key" and "[a]nyone who has the key is privy to any communication at any location." Appx234 ('702 Patent) at 2:5–9.

This Court has held that patents that describe and claim a *specific* solution to a technological problem arising in computer networks—as the DCOM patents do with the novel combination of object-level encryption, labelling and nesting to improve cryptographic security in computer networks—are patent-eligible under 35 U.S.C. §101. *See, e.g., SRI Int'l, Inc. v. Cisco Sys., Inc.*, 930 F.3d 1295, 1303 (Fed. Cir. 2019) (finding that claims are directed to using a specific technique—using a plurality of network monitors that each analyze specific types of data on the network and integrating reports from the monitors—to solve a technological problem arising in computer networks: identifying hackers or potential intruders into the network."); *Ancora Techs., Inc. v. HTC America, Inc.,* 908 F.3d 1343, 1348–1349 (Fed. Cir. 2018) (finding that claim that improves security of a computer is directed to a solution to a computer-functionality problem that has the "specificity required to transform a claim from one claiming only a result to one claiming a way of achieving it."). Thus, the claims are not directed to an abstract idea because "the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks." *DDR Holdings,* 773 F.3d at 1257.

c. The Asserted Claims Are Eligible Under Step One of Alice Because They are Not Directed to a Fundamental Economic or Longstanding Commercial Practice, A Business Method, or a Generic Cryptographic Protocol

The Asserted Claims do not recite a "fundamental economic or longstanding commercial practice." In fact, the Asserted Claims do not claim any business method or practice (e.g., hedging or intermediated risk settlement). While the claimed invention may be used to encrypt objects, the claims are to a specific type of "multi-level" security that changes how the computer operates. Appx1963 (Jones Decl.), ¶24. Importantly, the Asserted Claims do not merely tack on a conventional computer to a business practice, as was the case in *Alice* and *Versata Dev. Grp., Inc. v. SAP Am., Inc.,* 793 F.3d 1306 (Fed. Cir. 2015). The Asserted Claims similarly do not recite data processing as was the case in *Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Canada (U.S.),* 687 F.3d 1266, 1278 (Fed. Cir. 2012). Rather, the Asserted Claims recite the structure, make-up, and functionality of a novel and specific way for providing "multi-level" security, i.e., encrypted objects nested within other encrypted objects. Accordingly, "the claims are directed to a specific implementation of a solution to a problem in the software arts." *Enfish,* 822 F.3d at 1339.

Adobe cites several cases as examples where claims have been invalidated under *Alice.* However, unlike the claims at issue here, the claims in these cases were

directed to taking well-known processes performing them on a computer or over the Internet. *See, e.g., Elec. Power Grp.,* 830 F.3d at 1354 (claims drawn to using computers/networks as tools to solve a power grid problem; *In re TLI Commc'ns LLC Patent Litig.,* 823 F.3d 607, 611–12 (Fed. Cir. 2016) (claims directed to classifying and storing digital images); *Intellectual Ventures I LLC v. Symantec Corp.,* 838 F.3d 1307, 1313 (Fed. Cir. 2016) (claims directed to filtering emails that have unwanted content). The inventions claimed in the DCOM patents have no analogue in the non-computer world and could not be performed without a computer. Appx1964 (Jones Decl), ¶30.

Adobe's contention that the Asserted Claims recite no restriction on *how* objects are encrypted, *how* labels are generated, or *how* authorization is determined is also without merit. Adobe Br. 62. This Court has already made clear that the Asserted Claims all require "multi-level . . . security," meaning they require the nesting of encrypted objects within other encrypted objects. *Int'l Bus. Machs. Corp.,* 731 F.3d at 1345–46. The Federal Circuit also determined that the specification of the DCOM patents discloses specific and detailed structure for each of the various means plus function terms that are in claim 12 of the '702 Patent and are virtually identical to the steps and features recited in claim 1 of the '702 Patent. *Id.* at 1349; Appx1965 (Jones Decl.), ¶32. A person of ordinary skill in the art would understand from reading the specification and claims of the DCOM patents how to provide

computer-based multi-level security utilizing the unconventional combination of key-based encryption, labelling and the nesting or embedding of encrypted objects within other encrypted objects. Appx1966–1967 (Jones Decl.), ¶36.

In fact, Adobe itself has always been clear on what the claims require to achieve "multi-level" security. Appx27331 (Adobe's First SJ Br.) (listing steps required to achieve "multi-level security"). Adobe referred to the "DCOM patents [as] a family of related patents that claim a *particularized, multi-level and multi-step technique* for restricting access, on an object-by-object basis, using both cryptographic methods and what the patents refer to as 'labels'." Appx27317 (Adobe First SJ Br.) (emphasis added). It is disingenuous for Adobe to now argue that the claims are non-specific and abstract.

d. Adobe Overgeneralizes the Claims

Having failed below, Adobe changes its recitation of the purported abstract idea on appeal, describing it in at least the following four distinct ways, none of which includes key limitations of the asserted claims: (i) "managing access to objects using multiple levels of encryption." (Appx1848 (Adobe §101 SJ Br.)), (ii) managing access to objects using multiple layers of encryption *and labels* (Adobe Br. 61), (iii) encoding and controlling access to data (Adobe Br. 62); and (iv) encoding, converting, encrypting, and controlling access to data (Adobe Br. 66). Notably, none of these articulations addresses the "nesting" aspect of "multi-level

security." Such inconsistencies and shortcomings underlie Adobe's failure to address the actual claimed invention.

In any event, Adobe fails to properly perform the "Step One" inquiry of *Alice* by overgeneralizing the claims, failing to tie the identification of the abstract idea to the claim language at issue, and "oversimplify[ing]" the claims and "downplay[ing] the invention's benefits." *See Enfish,* 822 F.3d at 1338. Specifically, Adobe fails to properly analyze the claim language of claims 1 and 8 when determining if the claims are directed to an abstract idea. Adobe asserts that the claims are "directed to the abstract idea of managing access to objects using multiple levels of encryption and labels," but does not properly account for the "multi-level security" and "data network" terms that appear in and are at the heart of all asserted claims.[16]

Instead, without citing to any support whatsoever, Adobe deems the "multi-level security" limitation of the asserted claims—i.e., the nesting of encrypted

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[16] Adobe claims that the specification admits that managing access using encryption and labels are commonplace computer tasks. Adobe Br. 62. While the specification refers to the use of encryption and labels in a prior contemporaneous disclosure, there is no indication in the specification (or otherwise) that such use is a "longstanding" or "fundamental" practice that has merely been migrated over to a new technological environment as was the case in *Alice*. *Alice*, 134 S. Ct. at 2357. Adobe's reference to its expert's invalidity report (Appx7980 (Clark Invalidity Report) to support claim ineligibility is improper because the report is not evidence, does not address patent-eligibility under 35 U.S.C. §101, Adobe did not rely on Dr. Clark's report before the District Court, , and the statement referenced by Adobe is conclusory.

objects within other encrypted objects—to merely be the performing of yet *another* abstract idea ("nesting") multiple times. Adobe Br. 63. Adobe does not explain why the "nesting" of objects in the context of a data network (or otherwise) is abstract, or why nesting necessarily involves doing something multiple times. Nor does Adobe explain how the combination of object-level encryption, labelling and nesting—which all asserted claims require—collectively comprise an abstract idea.[17] Adobe's outright disregard for the entirety of the asserted claims, including the full breadth and scope of "multi-level security," exposes the deficiencies in its argument that the claims are directed to an abstract idea. "The § 101 inquiry must focus on the language of the Asserted Claims themselves." *Synopsys, Inc. v. Mentor Graphics Corp.,* 839 F.3d 1138, 1149 (Fed. Cir. 2016) (citing *Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.,* 728 F.3d 1336, 1345 (Fed. Cir. 2013)). The cases cited by Adobe are clearly distinguishable from the specific and problem

[17] Adobe's reference to testimony from TecSec's President, Mr. Scheidt, for the proposition that the claimed concepts, including nesting, were well known in 1992–1993 is unavailing. Adobe Br. 63 and 68. At trial, Adobe's counsel and Mr. Scheidt were discussing a TecSec report (PX-698) from July 1992. Mr. Scheidt simply stated that the concepts were "known *in the context of* what you're reading." Trial Tr. 441:4–6 (emphasis added). However, the report was authored by TecSec, was prospective in nature, and is not evidence that the claimed concepts were collectively a well-known longstanding practice in 1992–93, and Adobe does not offer any independent evidence to the contrary. Appx12675–12676 (Trial Tr.), 440:12–441:3; Appx26574; Appx26578, ("What will emerge…"); Appx234–235 ('702 Patent), 2:62–3:9.

solving nature of the asserted claims. *See, e.g., RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1324–1327 (Fed. Cir. 2017) (used computers as tools to create composite images using multiplication); *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1339–1341 (Fed. Cir. 2017) (XML editing claims directed to the well-known abstract concept of collecting, displaying, and manipulating data); *Intellectual Ventures I*, 838 F.3d at 1314 (claims are directed to the long-prevalent practice of "filtering files/emails"); *Bridge & Post, Inc. v. Verizon Commc'ns, Inc.*, 778 F. App'x 882, 887 (Fed. Cir. 2019) (claims directed to "fundamental practice" of using identifiers to implement targeted marketing, which dates back to newspaper advertisements); *Innovation Scis., LLC v. Amazon.com, Inc.,* 778 F. App'x 859, 863 (Fed. Cir. 2019) (claims directed to abstract idea of securely processing a credit card transaction with a payment server; switching to a more secure server is not an "improvement" because neither the claims nor the specification recite any specific way to carry out the switch.); *In re Salwan*, 681 F. App'x 938, 941 (Fed. Cir. 2017) (patent application claims directed to the fundamental practices of billing insurance companies and organizing patent health information).

Even if the claims *involve* the idea of "managing access to objects using multiple levels of encryption and labels," the claims are not *directed to* that concept. Appx1966–1967 (Jones Decl.), ¶36; Appx12724–12725 (Trial Tr.), 489:15–490:40

(Jones). "At step one, therefore, it is not enough to merely identify a patent-ineligible concept underlying the claim; we must determine whether that patent-ineligible concept is what the claim is 'directed to'." Here, the plain claim language shows that it is not." *Rapid Litig. Mgmt. Ltd. v. Cellzdirect,* 827 F.3d 1042, 1050 (Fed. Cir. 2016). The Asserted Claims are not directed to the idea of simply managing access using multiple levels of encryption and labels and do more than recite results-oriented function without any specific manner of achieving the results, or generic components.

2. Step Two—The Asserted Claims Recite an Inventive Concept.

If the Court were to find that the Asserted Claims are directed to the alleged abstract idea(s), the Asserted Claims are still patent eligible under Step Two of the analysis, because they improve upon existing technology and provide a new combination of steps in a way that is unconventional in the field. *See Mayo Collaborative Servs. V. Prometheus Labs., Inc.,* 566 U.S. 66, 79–84 (2012) (a claim contains the requisite "inventive concept if it comprises more than "well-understood, routine, conventional activity already engaged in by the scientific community"); *Diamond v. Diehr,* 450 U.S. 175, 188 (1981) ("[A] new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made."). The Asserted Claims here are directed to inventive concepts, which are necessarily rooted in

computer technology and use non-conventional, non-generic components as part of those inventive concepts. Moreover, to the extent that the Asserted Claims are found to utilize some generic components, those components and steps are put together as an ordered combination in an unconventional way to achieve a patentable solution.

As the Federal Circuit acknowledged, all of the Asserted Claims of the DCOM patents require "multi-level security," meaning they require the nesting of encrypted objects within other encrypted objects. Adobe has not established that "multi-level security" or object-level encryption, labelling and nesting is an abstract idea (*supra* Section V.B.1). Indeed, Adobe itself has acknowledged that the Asserted Claims "are drawn to a *specific software architecture* in which a software object is first encrypted and then labelled, then nested within another software object, which is in turn encrypted and labelled." Corrected Response Br. of Appellee Adobe Sys., Inc., No. 15-1686, 2015 WL 6083511, at *5 (Fed. Cir. Sept. 30, 2015) (emphasis added); *see also* Appx236–239 ('702 Patent), 6:40–11:17 (describing OOKeyMan and several methods used to achieve "multi-level security." Adobe even went so far as to characterize the OOKeyMan as the "patented improvement" that provides the "multi-level" security of the invention. Appx27333 (Adobe's First SJ Br.). Adobe's past characterizations of the DCOM claims are more consistent with the wording of the Asserted Claims. Adobe's newfound assertion that the DCOM patents fail to disclose specific steps or components contradicts its prior representations and is

belied by the Federal Circuit's determination that the "OOKeyMan" component and the various "means plus function limitations" set forth in claim 12 of the '702 Patent—all of which are recited as analogous steps and components in the Asserted Claims—have proper and specific support in the specification of the DCOM patents. Appx1965 (Jones Decl.), ¶32.

Even assuming *arguendo* that the Asserted Claims indeed recite certain "generic and conventional computing devices," like digital logic and system memory, this alone does not negate the fact that the Asserted Claims inventive concept lies in the "ordered combination," of the claimed technology and steps. In particular, the claims of the DCOM patents require "multi-level security" along with various encryption and labelling steps, the ordered combination of which constitutes an inventive concept. Appx1965–1966 (Jones Decl.), ¶34.

Adobe does not, because it cannot, show that the foregoing ordered combination of steps and components are "generic and conventional." As an ordered combination, these steps and limitations were unconventional at the time of the invention. Appx1968 (Jones Decl.), ¶43. Accordingly, the combination of steps and elements amount to significantly more than a patent upon the ineligible concept itself. *See, e.g., Amdocs (Israel) Ltd. v. Openet Telecom, Inc.,* 841 F.3d 1288, 1300–01 (Fed. Cir. 2016) (claim is eligible under step two because the components operate in an unconventional manner to achieve an improvement in computer

functionality."); *Bascom Global Internet Servs., Inc. v. AT&T Mobility LLC,* 827 F.3d 1341, 1350 (Fed. Cir. 2016) (inventive concept can be found in the "non-conventional and non-generic arrangement of known conventional pieces.").

CONCLUSION

For these reasons, the district court's finding that the asserted claims are patent-eligible should be affirmed, its *in limine* and evidentiary rulings discussed above should be vacated, and TecSec should be afforded a new trial on indirect infringement using proper jury instructions. Moreover, the district court's decision vacating the damages award should be reversed, and the jury's damages award for Adobe's direct infringement should be reinstated.

Respectfully Submitted

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March 24, 2020

CERTIFICATE OF SERVICE

I hereby certify that on the 24th day of March, 2020, the foregoing CORRECTED RESPONSE AND REPLY BRIEF OF PLAINTIFF-APPELLANT was electronically filed with the Clerk of the Court using the CM/ECF system which will issue an electronic notification to counsel of record.

/s/ Michael A. Oakes
Michael A. Oakes

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