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DISTRICT COURT CASES

Eastern District of Virginia Grants Summary Judgment of Noninfringement to Adobe

On May 7, 2015, Judge Brinkema of the United States district court for the Eastern District of Virginia granted summary judgment of noninfringement to Adobe Systems, Inc., holding that Adobe's Acrobat software does not infringe four data encryption patents held by plaintiff TecSec Inc.

TecSec filed its patent infringement lawsuit in February 2010 against 13 separate defendant groups, including Adobe, IBM, SAP AG, Cisco Systems, Oracle, EBay and PayPal, asserting infringement of 11 patents with a total of 380 claims in the field of computer encryption. Earlier in the case, the court stayed proceedings against all defendants except IBM.

After lengthy discovery, including IBM's production of 7 million pages of documents, 40 depositions and 55 customer subpoenas, IBM moved for summary judgment of noninfringement, arguing that TecSec's claims failed as a matter of law because the products did not perform every step of the asserted method patents and that it never sold products that used the entire system claimed by the patents. The court granted IBM's motion in March 2011. The court's summary judgment was appealed and then affirmed in part on appeal.

Adobe then moved for summary judgment in October 2014. In granting the motion, the court held that Acrobat's Adobe software does not infringe TecSec's patents because Adobe generates encryption dictionaries differently. Specifically, the court held, "TecSec has not raised a genuine dispute of material fact establishing that Acrobat performs the required 'selecting' step because it is undisputed that a user of Acrobat does not select the encryption dictionary."

TecSec, Inc. v. IBM Corp., case number 10-dv-00115 (United States District Court for the Eastern District of Virginia).

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Court Finds Amount Defendant Spent on Attorneys and Experts in Litigation Relevant to Calculating a Reasonable Royalty

On May 15, 2015, a court in the District of Minnesota denied defendant's motion in limine to exclude evidence of the amounts defendant paid to its opinion counsel, experts, and trial counsel. The plaintiffs argued that the amount of money the defendant was willing to pay its expert witnesses and attorneys was relevant to the calculation of a reasonable royalty, and the court agreed. Specifically, the court found that "post-hypothetical negotiation information regarding the amount of money spent to investigate and defend the ability to continue to market the accused product without obtaining a license is relevant to the calculation of a reasonable royalty and may be presented to the jury." In reaching this conclusion, the court relied on Georgia-Pacific factor 15, which relates to the value a patentee and accused infringer would place on granting or obtaining a hypothetical license. In addition, the court equated the challenged evidence to other post-hypothetical negotiation information that the defendant had argued was relevant, namely, the profitability of the accused device and the extent of the alleged infringer's sales.

Ecolab USA Inc. v. Diversey, Inc., 12-CV-1984 (D. Minn. May 15, 2015) (Nelson, S.).

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Defendants Win Motion for Summary Judgment Based on Issue Preclusion, Claim Preclusion, and the Kessler Doctrine

Defendants obtained another favorable decision on summary judgment for AT&T in a patent infringement case against Adaptix. Magistrate Judge Craven issued proposed findings and recommendations granting defendants' motion for summary judgment that Adaptix is precluded from asserting method claims of the '212 patent against essentially the same handsets that were litigated by Adaptix in a case in California. In the Northern District of California, Judge Grewal previously found that the defendants did not directly infringe the asserted claims.

The defendants in this case include AT&T and Verizon (the "carrier defendants"), and LG and Pantech (the "manufacturer defendants"). All defendants argued on summary judgment that issue preclusion bars Adaptix from arguing that defendants directly infringe the method claims of the '212 patent by (1) selling LTE devices or (2) by controlling the use their respective customers' LTE devices. The defendants argued that these issues were already litigated in the California cases. Judge Craven agreed and recommended that issue preclusion bar Adaptix from making these arguments.

The carrier defendants also asserted that Adaptix's claims are independently barred by claim preclusion and the *Kessler* Doctrine. Defendants argued Adaptix should not be able to make the same argument that the accused 4G LTE devices, which are "essentially the same" as the devices at issue in the California cases, infringe the same patents based on the same LTE industry standard. Adaptix argued that the causes of action are different because the California actions involved Apple and HTC devices, while the present case involves LG and Pantech products. Judge Craven reasoned that both cases involve the same patent and that Adaptix's infringement theory based on the LTE industry standard is the same in both sets of cases. Judge Craven explained that although the accused devices do not completely overlap, based on Adaptix's infringement contentions, the accused devices are materially identical to those in the California case. The court also noted that any causes of action that arose after Judge Grewal's decision are also barred by claim preclusion.

Judge Craven likewise found that Adaptix's claims against the carrier defendants were barred by the *Kessler* doctrine because the defendants had already obtained the status of a noninfringer based on the California case.

Finally, Judge Craven recommended that the manufacturer defendant's summary judgment of no contributory infringement should be granted because based on the claim preclusion and *Kessler* doctrine findings, there is no underlying direct infringement.

Adaptix, Inc. v. AT&T Mobility LLC, et al., C. A. No. 6:12-cv-17, Doc. No. 363 (E.D. Tex. May 12, 2015).

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