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Hilton Davis and Jury Trials

by
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Introduction

In the broad sweep of patent litigation policy, two *en banc* decisions by the Federal Circuit in 1995 will likely have an historic impact on the role of juries in protecting America’s intellectual property. The Supreme Court’s decision in *Markman v. Westview Instruments, Inc.*,¹ affirming the *en banc* opinion of the Federal Circuit, restricts jury discretion by withdrawing claim construction from the jury. *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*² will enlarge it, even if only slightly, under the doctrine of equivalents. This article considers the latter decision and its implications for patent infringement cases.

Prior to 1982, district court judgments in patent cases were appealed to the various regional United States courts of appeals. Several circuit courts were inhospitable toward infringement cases.³ By the early 1980s, many practitioners and scholars complained that the circuits not only applied patent law inconsistently, but also tended to rule against patent holders.⁴ In 1982, in an effort to bring uniformity to patent law, Congress created the Court of Appeals for the Federal Circuit. The court has exclusive jurisdiction over appeals from all final federal district court decisions relating to patents.⁵ The Federal Circuit has had a far greater tendency to find patents valid than did the various circuits as a whole.⁶

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1. 116 S.Ct. 1384 (1996), affg 52 F.3d 967 (Fed. Cir. 1995). *Markman* held that the interpretation and construction of patent claims are matters of law for the court, not the jury, to decide.
6. According to one study, between 1982 and 1987, the Federal Circuit affirmed district court decisions finding patents valid 89% of the time. *See Kolman & Duston, supra* note 3, at S15.
The creation of the Federal Circuit, with its pro-patent orientation, led to a boom in patent litigation. By 1994, the number of new patent cases had almost doubled over 1981 (795 to 1407). The new regime found ready support among juries, provoking substantial criticism. Some actually believe that juries are biased in favor of patent holders. A few staggering awards have in fact been made, including a $1.2 billion damages award to Litton Systems, Inc. against Honeywell, Inc. and a $208 million award to Alpex Computer Corporation against Nintendo Company. Not only has the number of patent cases filed increased, but the percentage tried by juries has increased as well. In 1981, only twenty percent of patent infringement cases were tried by juries. By 1988, this percentage had risen to fifty percent.

The increasing demand for juries to decide scientific issues of ever increasing complexity led to a backlash. A 1994 survey revealed that nearly four out of ten patent attorneys thought that juries were not deciding patent cases correctly. Some of the criticisms were:

The average jury, it was claimed, is not capable of understanding the complex technology involved in most patent infringement cases.

The risks of litigation and unpredictable jury awards pressure defendants into paying too much to settle weak cases.

Juries are more likely than judges to find that a patent is valid simply because the patent office decided to issue the patent.


12. Aarons, supra note 4, at 26 (opinion of Thomas Smegal, patent attorney with Graham & James).
Jurors are more likely than judges to be influenced by irrelevant issues, such as the fact that the plaintiff is an individual or small business, while the defendant is a large corporation. Juries may also favor domestic patent-holders over foreign corporations accused of infringement.

Juries are less accountable than judges because juries need not support their decisions with statements of reasons. This problem can be mitigated, however, through the use of special interrogatories.

Thus, the Federal Circuit's *sua sponte* orders that *Hilton Davis* and *Markman* be decided *en banc* came in the midst of much debate and criticism regarding the use of juries in patent infringement cases. The *en banc* proceedings provoked a groundswell of anticipation that the Federal Circuit would do something to respond to criticism of jury trials in patent infringement cases.

## I

**The Doctrine of Equivalents and *Hilton Davis***

The doctrine of equivalents has been a particularly sore subject among critics of patent infringement jury trials. If the patent-holder cannot prove literal infringement, *i.e.*, that the accused device contains an exact embodiment of every element set forth in the claims of a patent, the holder has a second bite at the apple under the doctrine of equivalents. Prior to *Hilton Davis*, the doctrine of equivalents was generally thought to hold that an accused device infringes if it performs substantially the same function in substantially the same way to achieve substantially the same overall result as the claimed invention. The patent owner bears the burden of proving by a preponderance of the evidence that every element of the claims, or its substantial equivalent, is present in the accused device.

The doctrine of equivalents has favored plaintiffs in jury trials in subtle ways beyond the substance of the doctrine itself. First, the very name assists plaintiffs. Instructions typically tell juries that there are

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14. Kolman & Duston, supra note 3, at S16 (citation omitted).
two types of infringement—"literal" infringement and infringement under the "doctrine of equivalents." Although both types are legally defined in the instructions, the problem for defendants is that lay jurors already have a fixed notion of what is an "equivalent," and have a tendency to apply that notion of "equivalent," rather than its legal meaning. Without reminding the jury of the legal definition, counsel for the defense and the plaintiff, their experts, and the court all find themselves making short-hand references to the "doctrine of equivalents" before the jury. This usage tends to reinforce a lay view, not a legal definition, of what is an "equivalent." By the end of the trial, the jury is basically aware of a distinction between "literal" copies and practical "equivalents." The word "doctrine" elevates the entire concept to a policy level of seemingly historic proportions.

Second, the doctrine of equivalents has usually been defined in jury instructions in terms of the traditional triple identity test, \textit{i.e.}, substantially the same \textit{function}, same \textit{way}, and same \textit{result}. These three terms are malleable enough to shade into a single lay concept—as a practical matter, does the accused device "do the same thing?" From the defense side, then, there is a risk that the jury will migrate away from the three-prong test toward the simpler question of whether the accused device "does the same thing." The risk is even greater where the plaintiff contends, as he or she usually will, that the accused device solves the same "pre-existing problem" that the patented invention solved (even if in a different way).\footnote{A good example of this type of confusion is highlighted in Valmont Industries, Inc. v. Reinke Mfg. Co., Inc., 983 F.2d 1039 (Fed. Cir. 1993) (holding that although the "function" and "result" prongs had been met, the "way" prong had not been met, and reversing an infringement judgment).}

Third, the foregoing risk (for defendants) is heightened when the plaintiff is able to make a side-by-side comparison of its commercial device with the accused device. Of course, the law is clear that such a comparison is impermissible for infringement purposes.\footnote{See Atlantic Thermoplastics Co. v. Faytex Corp., 970 F.2d 834, 846 (Fed. Cir. 1992).} But a comparison may be permissible when seeking \textit{lost profits}, at least for the purpose of showing why sales volume was lost to the infringing device. This comparison, unfortunately for defendants, also helps the jury conclude on its own that the competing machines "do the same thing." This is particularly pernicious for defendants since all competing machines really "do the same thing." If they did not, they would not be competing.
Before Hilton Davis, Federal Circuit decisions had begun to impose limits on the doctrine, holding that an equivalent must result from an "insubstantial change which, from the perspective of one of ordinary skill in the art, adds nothing of significance to the claimed invention." Other decisions had begun to emphasize the "equitable" origins of the doctrine and imposed thresholds of equity (such as a showing of purposeful copying) before the doctrine could be applied.

Hilton Davis, of course, had been anticipated by some practitioners as the probable coup de grace to the doctrine. The Federal Circuit framed three questions, all related in some way to the jury's role in deciding whether an accused device infringes on a patent under the doctrine of equivalents. There was, however, no coup de grace when the decision was announced. The decision, if anything, grants more discretion to juries. The subtleties of the doctrine favoring plaintiffs, as described above, have all survived.

The essence of the Hilton Davis holding is this: The touchstone of the doctrine of equivalents, previously thought to be the triple identity test, will henceforth be an "insubstantiality of the differences" test. The triple identity test will still serve to illuminate "insubstantiality of the differences" and will "often be enough" to assess whether there is infringement. Nonetheless, evaluation of "function, way and result" will not necessarily end the inquiry. As technology becomes yet more sophisticated, function, way, and result may no longer serve as exclusive guides. Furthermore, the Hilton Davis court held, the test is to be measured on an objective basis, not on a subjective intent basis, a distinction that is certain to be problematic.

In addition to the triple identities, the other permissible factors discussed in Hilton Davis included the following:

A. Known Interchangeability. That persons reasonably skilled in the art would have known of the interchangeability of an ingredient not contained in the patent with one that was in the patent is "potent" evidence that one skilled in the art would have considered the change insubstantial. Such knowledge is measured as of the time of alleged infringement.

20. Valmont, 983 F.2d at 1043.
22. Hilton Davis, 62 F.3d at 1516.
23. Id. at 1518.
24. Id.
25. Id. at 1519.
B. Copying. When an attempt to copy occurs, the factfinder may infer that the copyist, presumably one skilled in the art, has made a fair copy with only insubstantial changes. This factor, however, cannot "dominate" the analysis, for the ultimate question is still the substantiality of the differences, measured on an objective, not subjective, basis.

C. Independent Development. This factor is relevant only to rebut a charge of copying. Independent development is otherwise irrelevant under the doctrine of equivalents, since subjective intent is irrelevant. The test is whether, on an objective basis, the accused product is too close to the patented claim.26

D. Designing Around. In the same way that a plaintiff can attempt to show copying, the Hilton Davis court held that the defendant may seek to show that it tried to "design around" the claim. As with copying, the defendant's intent is supposedly relevant only to the extent that it reflects an objective standard. That is, someone of ordinary skill in the art who tries to design around will succeed, while someone who tries to copy will make a fair copy. Use of this "defensive" factor requires knowledge of the patent in question. This eliminates any question of willfulness.

The Hilton Davis court stressed that the standard was objective, yet the notions of "copying" and "designing around" necessarily implicate subjective intent. How can these be reconciled? This article seeks to address this question, as well as the other implications of Hilton Davis.

II
The Trial Implications of Hilton Davis

A. A Summary of Commentary to Date

The Hilton Davis opinion has already spawned a number of articles analyzing the opinion and predicting its effect on patent infringement litigation.27 Commentators generally view Hilton Davis

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26. Although the court stressed that evidence of independent development is inadmissible for purposes of the doctrine of equivalents unless copying is charged, willfulness is often charged, and evidence of independent development is admissible on that score. Id. at 1520.

as a pro-patent decision, because it weds the doctrine of equivalents to the jury.\textsuperscript{26} Moreover, the \textit{Hilton Davis} decision makes it more difficult to predict whether a jury will find that an accused product differs only insubstantially from a patented invention. Arguably, the \textit{Graver Tank} "function, way, result" test led to more predictable results.\textsuperscript{29}

Commentators point out that \textit{Hilton Davis} ended speculation that the doctrine of equivalents only applied in exceptional cases. Indeed, the Federal Circuit held that plaintiffs can argue infringement under the doctrine of equivalents regardless of the defendant's intent; the trial judge may not limit the doctrine of equivalents to "equitable" cases.\textsuperscript{30} Thus, some suggest that the number of cases in which the doctrine of equivalents is relied upon will increase in the wake of \textit{Hilton Davis}.\textsuperscript{31} As one commentator notes, the doctrine of equivalents may well become, if it was not already, the "second prong" of every infringement action.\textsuperscript{32}

Commentators also note that evidence regarding the "substantiality of the differences" between the claimed invention and the accused device, in addition to evidence regarding the "function, way, result" test, will probably be introduced in future patent infringement jury trials.\textsuperscript{33} The Federal Circuit made it clear that the


\textsuperscript{32} Gelernter, \textit{supra} note 30.

“function, way, result” test is not the only test for proving equivalents. For example, evidence of known interchangeability, copying, independent development, or designing around was explicitly identified as relevant for certain purposes in the Hilton Davis opinion. Two such commentators suggest that, in the wake of Hilton Davis, patent owners should always include a claim for infringement under the doctrine of equivalents in their pleadings. Moreover, they should develop evidence supporting infringement under the doctrine of equivalents’ “function, way, result” test, and also should emphasize in closing argument that literal infringement is only the “starting point” to an analysis of whether an accused device infringes on a patent.35

Pretrial discovery in patent infringement cases will also be modified in response to the Federal Circuit’s new explanation of what evidence is relevant to prove infringement under the doctrine of equivalents. One commentator points out that patent owners will look harder for evidence of interchangeability and copying, while accused infringers will want to produce documentation of attempts to design around patents.36 Defendants seeking summary judgment will face greater difficulty because Hilton Davis clarified that infringement is a question of fact, and that every patent owner is entitled to have this question determined by a jury.37

Hilton Davis has not yet been decisive in any district court opinion, but a few judicial comments are worth noting. One district judge noted that Hilton Davis holds that “evidence of copying . . . is extremely relevant to an analysis of infringement under the doctrine of equivalence [sic] without any requirement of proving bad faith.”38 Interestingly, this court characterized evidence of copying as “extremely relevant,” because the Hilton Davis court actually states that evidence of copying shall not “dominate the doctrine of equivalents analysis. Instead, where the inference arises, it must be weighed together with other evidence relevant to the substantiality of

37. Bunsow & Lee, supra note 35.
the differences." In the minds of some judges, however, evidence of copying will continue to be critical in deciding whether an accused device infringes under the doctrine of equivalents.

District judges will continue to place some limits on a patent owner's ability to argue infringement under the doctrine of equivalents to a jury. In American Permahedge v. Barcana, Inc., the district court stated that if a patent holder has surrendered the subject of an alleged infringement under prosecution history estoppel, infringement under the doctrine of equivalents cannot be argued. This doctrine survives Hilton Davis.

One district judge expressed that Hilton Davis does not significantly expand the availability of a claim for infringement under the doctrine of equivalents. In Hydraflow v. Enidine, Inc., the district judge quoted London v. Carson Pirie Scott & Co. for the proposition that

[a]pplication of the doctrine of equivalents is the exception, however, not the rule, for if the public comes to believe (or fear) that the language of patent claims can never be relied on, and that the doctrine of equivalents is simply the second prong of every infringement charge, regularly available to extend protection beyond the scope of the claims, then claims will cease to serve their intended purpose.

B. Our Observations

We agree with those commentators who view Hilton Davis as a pro-patent decision. The decision will not restrict any of the trial subtleties assisting plaintiffs as outlined above (i.e., the name of the doctrine, the malleability of the triple factors, and the risks of a side-by-side comparison). The "substantiality of the differences" test will create even more wiggle room to find equivalents. Most problematic, however, is the difficult reconciliation of the subjective-objective distinction drawn by the court with the "factors" outlined by the court.

1. Consider this example: A patent claims certain analog circuitry. The defendant "designs around" it, using digital circuitry to carry out the same function and result. The plaintiff argues "interchangeability," contending that engineers know every analog circuit has a digital

42. 946 F.2d 1534 (Fed. Cir. 1991).
"equivalent." Presumably, the plaintiff urges "copying" for the same reason. The defendant argues that it "designed around" the patent. Isn't subjective intent necessarily implicated?

2. Anticipating the risk of trial, the defendant in the foregoing example ought to leave a trail of "design-around" documentation that, even if self-serving, explains the "substantiality" of the differences between the analog and digital circuitry. The absence of such a trail may appear suspicious at trial, especially after the jury is told about the freedom of competitors to design around a patent using substantial changes. Over time, we believe that companies will train themselves, as they may have already done, to do a better job of leaving a trail of records showing a good-faith attempt to design around. Good faith is irrelevant legally under *Hilton Davis*, though trial lawyers know that such evidence, like evidence of independent development, will have a favorable impact on the jury.

It is hard to reconcile this scenario with the admonition in *Hilton Davis* that subjective intent is irrelevant. Yet, the court itself set this apparent contradiction in place by stressing the relevance of an attempt to design around the patent. The difference between designing around and copying inherently involves subjective evidence. In theory, *Hilton Davis* states that both attempts are relevant only to allow an inference of whether the attempt succeeded, but the line between subjective and objective intent may be hard to sustain.

3. If a defendant seeks to show that it attempted to "design around" the patent, can the plaintiff pierce the attorney-client privilege and obtain counsel's views as to whether or not the design around would succeed? *Hilton Davis* suggests not, because the test is objective rather than subjective. The difficulty, however, is that while the *Hilton Davis* court professes an objective test, it employs inherently subjective concepts.

A related question is whether the defendant may waive the attorney-client privilege and offer favorable opinions of counsel, *i.e.*, that the new design would successfully design around. Presumably the *Hilton Davis* holding permits this, if the opinions were part of an effort to design around. Nonetheless, this approach implies that subjective belief is relevant. If not, the jury must be instructed that an opinion of counsel is irrelevant and therefore inadmissible.

4. Under the doctrine now stated, the plaintiff has a difficult tactical choice to make in whether to assert copying. Such an assertion would open the door for the defendant to rebut a copying claim with
evidence of independent development. Conversely, by not asserting copying, the plaintiff might keep out any evidence of independent development, since the defendant will be barred from raising this factor. This absence of evidence may prejudice the defendant by leading the jury to believe that the defendant failed to present such evidence simply because there was no trail of independent development. To overcome this prejudice, the defendant must seek a clarifying instruction that such evidence is inadmissible unless a charge of copying is made. The defendant should diligently pounce upon any suggestion of copying in the plaintiff's case as an entree for evidence of independent development. Of course, evidence of independent development by the defendant may possibly be admissible for other purposes, such as to show "concurrent development" for purposes of obviousness or to show lack of willfulness.

5. The plaintiff will usually contend that those of ordinary skill in the art would have known (at the time of infringement) that the allegedly distinguishing features were "interchangeable" with those claimed in the patent. Indeed, the failure to seek or to obtain a patent on the different features might be viewed as tacit admission that the differences were not novel or that they were obvious. To avoid this expansive result, defendants must emphasize and obtain an instruction that interchangeability is a different concept from novelty, and is based on an objective standard, not on the idiosyncratic approach taken by accused manufacturers.

III

Conclusion

The Hilton Davis decision will complicate the law by emphasizing an objective-subjective distinction that will make trial of doctrine of equivalents cases more problematic. Hilton Davis leaves untouched the subtle factors favoring plaintiffs that are inherent in the doctrine. The doctrine will remain a powerful tool—perhaps too powerful a tool—for enforcing America's issued patents through the jury system.