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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA, SAN JOSE DIVISION

APPLE INC., a California corporation,

Plaintiff,

vs.

SAMSUNG ELECTRONICS CO., LTD., a Korean business entity; SAMSUNG ELECTRONICS AMERICA, INC., a New York corporation; SAMSUNG TELECOMMUNICATIONS AMERICA, LLC, a Delaware limited liability company,

Defendant.

CASE NO. 11-cv-01846-LHK (PSG)

SAMSUNG'S REPLY REGARDING THE SCOPE OF NEW TRIAL REQUIRED BY SEVENTH AMENDMENT

Apple's response on the Seventh Amendment issue (Dkt. 2303 ("Opp.")) offers no answer to the constitutional problem presented by a damages-only new trial in the circumstances of this case, where a second jury would necessarily have to reexamine infringement findings determined by the first jury because the scope and extent of infringement as to the design patents and some utility patents are inextricably tied to the amount of damages. Samsung did not waive this argument because the proper scope of a new trial could not be addressed until a new trial was ordered.[1]

Argument

I. THE SEVENTH AMENDMENT BARS NEW TRIAL SOLELY ON DAMAGES

A. Damages Are Inextricably Intertwined With Design Patent Infringement And Some Utility Patent Infringement In This Case

Ignoring its own prior acknowledgment that the "liability and damages issues" underlying its claims are "intertwined" (*see* Dkt. 2286 at 5:14-15), Apple fails to rebut Samsung's argument (Dkt. 2286 at 6-10) that a new trial on damages alone as to the 14 products at issue here will necessarily entail reexamination of liability determinations as well, in violation of the Seventh Amendment. *See Gasoline Prods. Co. v. Champlin Ref. Co.,* 283 U.S. 494, 500 (1931) (when "interwoven," liability and damages must be tried to a single jury).

First, as to Apple's *design* patent claims, the first jury necessarily made findings as to the scope and extent of infringement that are not evident from the verdict form. The second jury cannot address damages without reexamining those infringement determinations. Apple states (Opp. at 6) that its request for *Samsung's profits* "does not turn on the nature of Samsung's infringement because no apportionment is permitted." But that fails to answer Samsung's actual argument that the *other* damages remedies that a second jury would consider—Apple's *lost profits* and *reasonable royalty*—do depend on the scope and extent of infringement. This is so because only lost profits *attributable* to the use of the patented design are recoverable and the extent of

[1] The Court also need not define the scope of new trial now if trial is stayed pending entry of a partial final judgment and the appeals therefrom that, like the ongoing PTO reexamination proceedings, are likely to affect the new trial's scope. Dkt. 2281 at 8-10; Dkt. 2304 at 2-4.

such use must be known to make that determination, and because a reasonable royalty remedy likewise requires a jury to consider the *extent* to which the infringer has made use of the invention. Dkt. 2286 at 8-9.

Second, damages and infringement are also inextricably intertwined as to the '381 patent. Three applications (the Browser, Contacts and Gallery applications) were accused on the Galaxy SII (AT&T) and Exhibit 4G. Because the verdict form was not particularized (over Samsung's objection), it is impossible to know whether the jury found that one, two or three applications infringed the '381 patent, and thus the new jury will have to answer the same question to award damages. *See* Dkt. 2286 at 6-8. Apple's only answer (Opp. at 5) is that the first jury must have found that all *three* applications infringe because other phones were found to infringe as to *two* of these applications, Gallery and Contacts. But we know that, with respect to the '915 patent, the jury drew distinctions between phones with identical features, and it may well have done the same here. Dkt. 2220 at 19. Moreover, Apple does not contend that the verdicts show infringement by the Browser; it claims that Browser infringement is *undisputed* (Opp. at 5), but such infringement has always been disputed and the Court denied Apple's motion for JMOL of '381 patent infringement. RT 3341:21-3352:15.

Apple also argues (Opp. at 5-6) that infringement by less than all accused applications would have no bearing on damages because Samsung's expert's $10,000 damages opinion applied regardless of the number of accused applications. But that opinion could matter only if the first jury *accepted* it and the new jury were obligated to do the same. In fact, the first jury based its award on the opinion of *Apple's* expert, who did *not* testify that the royalty would be the same regardless of how many applications infringe. RT 2031:13-2172:6; PX25A1. That the jury discounted Apple's proposed royalty when awarding damages may have reflected findings that, in fact, not all accused applications infringed. *See* Dkt. 2271 at 9-10. The second jury will have to determine which applications infringe to assess damages, thus impermissibly reexamining the first jury's findings.

B. Intertwined Issues Must Be Tried To A Single Jury

Apple's legal arguments fail to overcome governing Supreme Court and Ninth Circuit

decisions requiring unitary trial of issues that are inextricably intertwined. *See Gasoline Products,* 283 U.S. at 500; *Hasbrouck v. Texaco, Inc.*, 663 F.2d 930, 933-34 (9th Cir. 1981). *First,* Apple argues that Federal Circuit law applies, but that is wrong. Only *patent-specific* issues are governed by Federal Circuit law, and the Seventh Amendment is not patent-specific. *See Minks v. Polaris Indus., Inc*., 546 F.3d 1364, 1370-71 (Fed. Cir. 2008) (analyzing what "the Seventh Amendment required" under regional circuit law). In any event, the Federal Circuit is bound by Supreme Court authority, and the very Federal Circuit precedent that Apple cites prohibits "having two juries decide the same essential issues.'" *In re Innotron Diagnostics*, 800 F.2d 1077, 1086 (Fed. Cir. 1986).

Second, Apple argues (Opp. at 2) that any Seventh Amendment problem can be dispelled if the second jury is "instructed that infringement has been decided and that its task is limited to determining damages for Samsung's infringement." But the ***fact*** that the first jury found infringement sheds no light on what ***scope or extent*** of infringement it found—determinations that the first jury must have made in finding infringement and that the second jury will have to assess again in order to assess damages. Moreover, the first jury did not resolve all infringement issues relating to Samsung's design-arounds, a problem that no instruction could solve.[2]

Third, Apple argues (Opp. at 4) that broadened new trials are required only when juries issue "general verdicts," unlike the "jury's highly detailed special verdict" here. Contrary to Apple's characterization, the verdict in this case was not a special verdict. *See Zhang v. Am. Gem Seafoods, Inc.*, 339 F.3d 1020, 1031 (9th Cir. 2003) (general verdict "announces the ultimate legal result of each claim," while special verdict "returns only factual findings, leaving the court to determine the ultimate legal result"). And, in any event, the constitutional question is not whether the verdicts were general or special, but whether the findings of the first jury on overlapping issues

[2] Apple sought damages at the last trial only for sales through June 30, 2012. Dkt. 2271 at 3:3-5. Samsung continued to sell some accused products after this date, Dkt. 2060 at 2-3, and Apple has stated that it intends to seek damages from the new jury for such sales. Samsung implemented design-arounds on these products, however, such as a design-around on the Droid Charge to avoid the D'305 patent. Dkt. 2055 at 5:6-14. The first jury never passed on whether this design-around defeated infringement, so the new jury would have to assess alleged infringement anew before it can award damages.

are apparent so that the second jury can apply those findings without reexamining them. The first jury's findings on the scope and extent of infringement are not apparent here.

Fourth, Apple argues (Opp. at 4-5) that law of the case prohibits vacatur of the first jury's infringement findings. That is incorrect, for a jury's findings may be vacated for any number of reasons before final judgment, especially where the Constitution requires it.[3]

Finally, Apple argues (Opp. at 3:7-15) that patent cases commonly are bifurcated and that the Federal Circuit has ordered new trials on damages alone "without . . . reference to Seventh Amendment" issues. But in a bifurcated case, a ***single jury*** typically decides all questions, which avoids any Seventh Amendment reexamination issues, and "[w]hen an issue is not argued or is ignored in a decision, such decision is not precedent to be followed in a subsequent case in which the issue arises." *Nat'l Cable Television Assoc., Inc. v. Am. Cinema Editors, Inc.*, 937 F.2d 1572, 1581 (Fed. Cir. 1991).[4] Moreover, Apple's argument ignores the unique proof requirements that apply in a *design* patent case, which distinguishes every case that Apple cites (Opp. at 3:7-15 (citing all utility patent cases)). The first jury's design patent infringement findings do not reveal how much of Apple's designs Samsung used because a ***range*** of accused products using ***varying*** amounts of the designs could have been deemed infringing under the Court's instructions, making the scope and extent of infringement unclear. Dkt. 1903, Instr. 46 ("You should consider any perceived similarities or differences between the patented and accused designs. Minor differences should not prevent a finding of infringement."). By contrast, the ordinary utility patent claim requires proof that "***every*** requirement of the claim is included" in the accused product, *id.* Instr. 26 (emphasis added), often making the scope of infringement clear when infringement is found.

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[3] *E.g., U.S. v. Smith,* 389 F.3d 944, 949 (9th Cir. 2004) ("All rulings of a trial court are subject to revision at any time before the entry of judgment."); *Dunbar v. Google, Inc.*, 2012 WL 6202797, at *9 (N.D. Cal. Dec. 12, 2012) (Koh, J.) ("While law of the case doctrine generally establishes a presumption against reopening issues already decided, the doctrine is not an inexorable command, nor is it a limit to a court's power.") (quotation omitted).

[4] In addition to being irrelevant, Apple's argument is also wrong. Courts reject bifurcation in patent cases where the issues are intertwined. *See, e.g., Sprinturf Inc. v. Southwest Rec. Indus., Inc.*, 2004 WL 96751, at *2-3 (E.D. Pa. Jan. 15, 2004) (denying bifurcation of patent trial where liability and damages overlapped); *Real v. Bunn-O-Matic Corp.*, 195 F.R.D. 618, 625-626 (N.D. Ill. 2000) (damages issues "cannot be neatly separated from the underlying liability issue of whether the patent was infringed in the first place").

Consistent with these disparities of proof, Samsung expressly limited its Seventh Amendment arguments to Apple's design patent claims and ***not*** its utility patent claims, with the exception of the uniquely situated claim of '381 patent infringement by *multiple* applications in two Samsung products. Apple ignores these distinctions and limitations in Samsung's argument.[5]

II. SAMSUNG DID NOT WAIVE ITS SEVENTH AMENDMENT OBJECTION

Apple is incorrect in arguing (Opp. at 1) that Samsung impliedly waived its Seventh Amendment rights by requesting a new trial on damages. A waiver of a jury trial right can never be implied. *Ostlund v. Bobb*, 825 F.2d 1371, 1373 (9th Cir. 1987) ("A waiver of a constitutional right is not to be implied and is not lightly to be found."); *see Aetna Ins. Co. v. Kennedy*, 301 U.S. 389, 393 (1937) ("as the right of jury trial is fundamental, courts indulge every reasonable presumption against waiver."); *California Scents v. Surco Prods., Inc.*, 406 F.3d 1102, 1108 (9th Cir. 2005) (same). In any event, Samsung did object to the scope of the new trial promptly as soon as the new trial Order issued and made clear that the ordered new trial would require the second jury to reexamine findings necessarily made by the first jury. Moreover, contrary to Apple's suggestion, Samsung did not request a new trial only on damages, but rather sought JMOL or a new trial "as to each and every claim and issue on which Apple prevailed before the jury," Dkt. 2013 at 1, and did not limit that broad request to particular errors, including damages errors. Apple offers no authority finding waiver in this circumstance, and authorities are to the contrary. *See, e.g., Pryer v. CO 3 Slavic*, 251 F.3d 448, 452, 456 (3d Cir. 2001) (court erred in limiting new trial to damages where "a new trial on all issues is required under the *Gasoline Products* standard," even though "defendants moved for a new trial on the issue of damages"); *Mason v. Texaco, Inc.*, 948 F.2d 1546, 1554 (10th Cir. 1991) (court properly broadened new trial to encompass punitive damages even though that issue was not appealed).

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[5] No similar overlap of liability and damages issues was shown in *Innotron* (Opp. at 2-3), which involved separate trials on patent and antitrust claims, 800 F.2d at 1084-86 ("that the same issues tried in the patent case will be tried again in the antitrust case" was a "false assumption"), nor in *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 587 F. Supp. 1112 1116-17(D. Del. 1984) (see Opp. at 3:1-6). The same is true as to *Wharf v. Burlington N. R. Co.*, 60 F.3d 631, 638 (9th Cir. 1995), (see Opp. at 2 n.1), where no overlap between negligence liability and damages was established.

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