

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF RHODE ISLAND

UNILOC U.S.A., INC. and)
UNILOC SINGAPORE PRIVATE LIMITED,) C.A. No. 03-440 S
)
Plaintiffs)
v.)
)
MICROSOFT CORPORATION,)
)
Defendant)
_____)

JURY INSTRUCTIONS

Introduction

Ladies and gentlemen, at this time it is my duty to instruct you on the law applicable to this case. It is your duty to find the facts from all of the evidence that you have heard in this case, and to those facts you will apply the law as I am going to give it to you now. You must follow the law as I give it to you whether you agree with it or not. You must not be influenced in your deliberations by any personal likes or dislikes, opinions, prejudices, biases, or sympathy of any kind. That means that you must decide this case solely on the evidence that has been put before you. You recall that you took an oath at the beginning of the case promising to do this, and it would be a violation of this oath to base a decision on any version of the law other than that contained in my instructions.

In following my instructions, you must consider the

instructions as a whole, follow all of them and not single out one or ignore others. All of the instructions are equally important. Also, you must not read into these instructions, or into anything that I have done during the course of this trial, or anything that I have said, to give you any suggestion at all as to what I think the verdict ought to be in this case. This is up to you, and to you alone, and that is your job.

Don't worry about memorizing or writing down all of the instructions as I state them, because I will send into the jury room a written copy of my instructions.

Contentions of the Parties

I will briefly summarize the positions of the parties. Uniloc contends that Microsoft makes, uses, offers to sell, or sells products that infringe claim 19 of U.S. Patent No. 5,490,216, what we have called during trial Uniloc's '216 patent. More particularly, Uniloc contends Microsoft's products that use Product Activation technology infringe Uniloc's patent. These products include Microsoft's Windows XP and Office XP products. Uniloc contends that Microsoft's infringement of the '216 patent has been willful, and requests that it be awarded damages.

Microsoft denies that it infringes claim 19 of the '216 patent, and (if found to infringe) denies that it acted willfully. It also contends that claim 19 is invalid. You will recall that invalidity is a defense to infringement. Therefore, even though the PTO examiner has allowed claim 19 of the '216 patent, you must decide whether claim 19 is valid or invalid.

So, first you must decide whether claim 19 of the '216 patent has been infringed. Then, second, you must decide whether claim 19 is valid or invalid. If you decide that claim 19 has been infringed and is valid, you will then need to decide what, if any, money damages should be awarded to Uniloc as compensation for the infringement, and whether infringement was willful. If you find willfulness, that decision must not affect any damage award you

make. That finding would be something I take into account later.

Burdens of Proof - Preponderance of Evidence / Clear & Convincing

I spoke a bit about burdens of proof at the start of trial, and will explain those burdens again now in further detail. The law imposes on Uniloc, as the plaintiff, the responsibility or burden of proving its claim of infringement by a preponderance of the evidence. It is not up to Microsoft to disprove infringement. Uniloc also has the burden to prove willful infringement by clear and convincing evidence, and Microsoft need not prove to you that its conduct was not willful. On the other hand, the law imposes on Microsoft, as the defendant, the responsibility or burden of proving by clear and convincing evidence the invalidity defense it has raised; namely, that claim 19 of the Uniloc patent is invalid. And, it is not up to Uniloc to disprove invalidity (or, in other words, prove validity).

Preponderance of the evidence, in essence, means the greater weight of the evidence. To put it another way, the evidence must leave you satisfied that the evidence shows that what the party making a claim is claiming is more probably true than not. As I have already mentioned, do not confuse this with the burden in criminal cases of proving something beyond a reasonable doubt. You may recall the scale example I used at the beginning of trial. You must mentally weigh the evidence with respect to the claim being made by a party and, if after all you have heard and seen in this

case, you determine that the scale tips in favor of that party (no matter how slightly it may tip), then that party has sustained its burden of proving that particular claim to you by a fair preponderance of the evidence.

If, on the other hand, you determine that the scale tips in favor of the opposing party on that issue, or that the scale is so evenly balanced that you cannot say whether it tips one way or the other, then the claiming party has failed to prove its claim by a fair preponderance of the evidence because it has not made the scale tip in its favor.

Proof by clear and convincing evidence is a more stringent burden, one that is more difficult to meet. Remember, this is the standard by which Uniloc must show Microsoft wilfully infringed the patent, and also the standard that will govern whether Microsoft can prove claim 19 is invalid. For this burden, the evidence must do more than tip the scales -- rather, it must leave you with a clear conviction, a firm belief, that what the party making a claim says is true.

Infringement

I will now instruct you how to decide whether or not Microsoft has infringed the patent. Infringement is assessed on a claim-by-claim basis. Therefore, your focus must be on claim 19 of the '216 patent, and not on any other claim of the '216 patent. In order to prove infringement, Uniloc must prove that it is more likely than not that all of the requirements for showing infringement have been proven.

Direct Infringement - Generally

Lets first talk about direct infringement. Uniloc alleges that Microsoft directly infringes claim 19 of the '216 patent. A patent may be directly infringed in two ways: it may be "literally" infringed or it may be infringed under what is called the "doctrine of equivalents." There are specific rules you must follow to determine whether Uniloc has proven that Microsoft has infringed claim 19 either literally or under the doctrine of equivalents, which I am going to describe to you; then, in a few minutes, we will turn specifically to the language of claim 19 and the definitions you must apply in making your infringement decision.

Direct Infringement - Literal Infringement

First I will discuss literal infringement. A company directly and literally infringes a patent claim if, during the time the patent is in force, the company makes, uses, sells or offers to sell within, or imports into, the United States a product that meets all of the elements of the claim -- and does so without the permission of the patent holder. In this case, you must decide whether Microsoft has made, used, sold, offered for sale, or imported within the United States products covered by claim 19 of the '216 patent. To do so, you must compare claim 19 (using the definitions that I will provide for you) to Microsoft's Product Activation technology in the accused products (including Microsoft Windows and Office XP) to determine whether every element of claim 19 can be found in Microsoft's Product Activation. Direct infringement means Uniloc can prove that it is more probable than not that Product Activation includes each element in claim 19. If Product Activation omits any element recited in claim 19, Microsoft does not literally infringe. Keep in mind Uniloc is not required to prove that Microsoft intended to infringe or had actual knowledge of the patent. An alleged infringer may still directly infringe even if it believes, in good faith, that what it is doing does not infringe.

Direct Infringement - Doctrine of Equivalents

As an alternative to literal infringement, Uniloc claims that Microsoft directly infringes claim 19 under what is referred to as the "doctrine of equivalents." To prevail on this theory, Uniloc needs to prove it is more probable than not that Microsoft's Product Activation contains elements that are the same as or equivalent to each claimed element of Uniloc's invention. Just as with literal infringement, you must address this issue on an element-by-element basis. It is Uniloc's burden to establish that every element in claim 19 is present in Product Activation, either literally or under the doctrine of equivalents. Thus, it would be permissible for you to use literal infringement as to one or more elements of claim 19, and then doctrine of equivalents as to the rest (if you determine the evidence supports such a finding).

Under the doctrine of equivalents, a claim element is present in an accused product under this doctrine if the difference between the claim element and any corresponding aspect of the accused product is insubstantial. In other words, Uniloc must prove by a preponderance of evidence that the difference between an element in claim 19 and a corresponding aspect of Product Activation is insubstantial. In deciding whether a difference is insubstantial, and thus equivalent, you may consider several things. You may consider whether the accused aspect of Product Activation performs

substantially the same function, in substantially the same way, to achieve substantially the same result as the element in claim 19. You may also consider whether, at the time of the alleged infringement, people of ordinary skill in the art believed that the structure present in Product Activation and the element in claim 19 were interchangeable. I will talk more about "people of ordinary skill in the art" later in these instructions.

There are certain limitations to the doctrine of equivalents you must be aware of. In determining equivalents, you may consider evidence that Microsoft obtained one or more patents itself on Product Activation to refute Uniloc's contention that aspects of Product Activation are not substantially different from an element or elements in claim 19. And, you may not find that an aspect of Product Activation is equivalent to an element of claim 19 if a finding of equivalence would effectively eliminate that element. In other words, the alleged equivalent cannot be applied in a way that results in an element of claim 19 being ignored altogether. Finally, you may not find that an aspect of Product Activation is equivalent to an element of claim 19 if, by doing so, you would extend the coverage of claim 19 to include inventions that were already in the prior art at the time of the invention (or inventions that would have been obvious to persons of ordinary skill in the field). This is because a patent owner cannot obtain

under the doctrine of equivalents protection that it could not have lawfully obtained from the Patent Office.

Equivalence - Consideration of Microsoft's Patents

You have seen and heard testimony that Microsoft obtained patents related to its Product Activation technology. As I just stated, in determining equivalence you may consider Microsoft's patents. However, the fact that Microsoft obtained patents related to Product Activation does not show one way or another whether Microsoft infringes claim 19 (either literally or by equivalence). It is simply one fact for you to consider, and only with respect to whether Microsoft's Product Activation infringes under the doctrine of equivalents. So, then, you may not consider Microsoft's Product Activation patents as evidence that Microsoft does not literally infringe Uniloc's patent.

Direct Infringement: Means-Plus-Function Claims

You may recall hearing some reference during trial to "means-plus-function" elements in claim 19 of Uniloc's patent. The first is "licensee unique ID generating means" and the second is "mode switching means." I will now provide you with some instructions particular to these elements.

Some patent claims only describe the means for performing a certain function, rather than describing the structure that actually performs the function. For example, let's say that a patent describes a table in which the legs are glued to the tabletop. One way an inventor may claim the table is to recite the tabletop, four legs and glue between the top and legs. Another way, however, would be to recite the tabletop and legs but instead of reciting glue, the inventor could recite a "means for securing the legs to the tabletop." This second way is called a "means-plus-function" element. In short, it describes a means for performing a function (securing legs to tabletop) instead of expressly reciting the glue. But, having said that, a means-plus-function element does not cover all possible structures that could be used to perform the claimed function. In making your decisions with respect to the means-plus-function elements in this case, you will have (and must use) my definition of the structure that the patent discloses to perform the specific claimed function.

In order to find that it is more probable than not that an aspect of Product Activation infringes one of the "means-plus-function" elements of claim 19, Uniloc must prove two things by a preponderance of evidence. First, Uniloc must prove some aspect of Product Activation performs the function recited in the element of claim 19. Second, Uniloc must prove that this aspect of Product Activation is the same as or equivalent to the structure recited in my claim construction relating to that element. If you find that Uniloc has proven that Product Activation performs the function and has the structure recited in the claim construction, then the element of claim 19 is infringed. If you find Product Activation either does not perform the function in the element of claim 19 or does not have the required structure, then that element is not infringed.

As I've said, I have interpreted each means-plus-function element in claim 19 for you. There are two such elements in claim 19. Specifically, I have determined that:

- for the terms "local licensee unique ID generating means" and "remote licensee unique ID generating means," the structure is a "summation algorithm or a summer and equivalents thereof." That structure performs the function of "generat[ing] a local or remote licensee unique ID."

- for the term "mode switching means," the structure is "program code which performs a comparison of two numbers or a comparator and equivalents thereof." That structure performs the function of "permit[ting] the digital data or software to run in a use mode if the locally generated licensee unique ID matches with the remotely generated licensee unique ID."

Now, as you have heard, if the accused structure in Product Activation is not the same as in my claim construction, you may consider whether Uniloc has proven that the Microsoft structure is equivalent to the structure described in my claim construction. Generally speaking, two structures are equivalent if a person of ordinary skill in the art would consider the differences between them to be insubstantial; or, put another way, two structures may be equivalent if they are interchangeable. It will be your job to decide whether Product Activation has the same structure (performing the same function) as disclosed in the '216 patent, an equivalent structure, or neither.

Meaning of Claim 19 Terms

I will now turn to the specific elements of claim 19, and the construction (or definition) I have previously given to the language in the '216 patent. As you've heard during trial, the patent law requires the trial judge to determine the meaning of any claim that the parties believe needs interpretation. You've heard this referred to from time to time as Claim Construction. I construed the claims in this case several years ago, and they have been upheld by the Court of Appeals. As I've told you, you must accept these meanings and use them when you decide whether claim 19 has been infringed and whether claim 19 is invalid. You must apply these whether you agree with them or not. You will also see that there are some terms that I have not construed -- I will provide some guidance as to these terms as we go through this discussion.

The beginning, or preamble, to claim 19 uses the word "incorporating." "Incorporating means "including" or "containing but not limited to." That is, if you find Microsoft's accused products include all the elements in claim 19, claim 19 is infringed. That the accused Microsoft products might include some additional component elements does not avoid infringement. For example, a claim to a table incorporating a tabletop, legs, and glue would be infringed by a table that includes those elements, even if the table also includes additional elements such as wheels

on the table's legs.

In its entirety, claim 19 of Uniloc's '216 patent reads as follows:

A remote registration station incorporating remote licensee unique ID generating means, said station forming part of a registration system for licensing execution of digital data in a use mode, said digital data executable on a platform, said system including local licensee unique ID generating means, said system further including mode switching means operable on said platform which permits use of said digital data in said use mode on said platform only if a licensee unique ID generated by said local licensee unique ID generating means has matched a licensee unique ID generated by said remote licensee unique ID generating means; and wherein said remote licensee unique ID generating means comprises software executed on a platform which includes the algorithm utilized by said local licensee unique ID generating means to produce said licensee unique ID.

Lets now go through some of the important terms and their definitions.

Registration System

Claim Term

Claim Construction

registration system	a system that allows digital data or software to run in a use mode on a platform if and only if an appropriate licensing procedure has been followed.
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You have seen some documents in evidence that include the word "registration." You are free to consider these documents in deciding whether an aspect of Product Activation meets the definition of a "registration system" in claim 19 that I have provided. However, keep in mind the fact that simply because a document uses the word registration does not make it so; in other words, it is up to you to examine all of the evidence and determine whether some aspect of Product Activation meets this particular definition of "registration system."

Licensee Unique ID

Claim Term

Claim Construction

licensee unique ID	a unique identifier associated with a licensee
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The meaning of the word "unique" is something that you will have to decide in this case, as is what it means to have an identifier "associated with" a licensee. While I did not define the term "unique" during claim construction, it is important to give you some guidance as to the term "unique." In the context of this patent and claim 19 "unique" does not necessarily mean absolute, one-of-a-kind in the sense that you may think of something like DNA. While I cannot give you a precise definition, you should keep in mind that while there may be varying levels of uniqueness, "unique" in the context of this case should be sufficient to provide to the vendor or software maker some sufficiently distinguishing identifier of the licensee. Having said that, there are two things I want you to keep in mind. First, to be associated with a licensee, an ID need not have been generated from personally identifiable information about a user such as his or her name, social security number or credit card number. Second, you will have to decide whether information provided by a vendor such as Microsoft may constitute a unique

identifier associated with a licensee. I instruct you as a matter of law that platform only information (i.e., hardware information), cannot standing alone constitute a unique identifier associated with a licensee.

Use mode

Claim Term

Claim Construction

use mode	a mode that allows full use of the digital data or software in accordance with the license
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Now, as to use mode, let me give you some further detail on this term. In the Claim Construction order you have heard about, I held that the term “use mode” meant full use in accordance with the license. With respect to whether restrictions or limitations existed on full use I found (and the Court of Appeals affirmed) that limitations could be either functional or temporal (that is, time-based). So, what you will need to decide is whether Product Activation allows for full use in accordance with the license, or is limited in some way. The license to which I refer in this definition of use mode is, in this case, the EULAS in Product Activation (or End User License Agreements), which have been admitted into evidence. Thus, you must consider whether Product Activation has a mode that allows full use of the digital data or software in accordance with the EULAS.

Local & Remote Licensee Unique ID Generating Means

I've already instructed you about the meaning of licensee unique ID generating means (local and remote) when I discussed means-plus-function terms, but I will remind you again of those definitions.

Claim Term	Claim Construction
local licensee unique ID generating means	In <u>functional</u> terms, to generate a local licensee unique ID. The <u>structure</u> to perform this function must be a summation algorithm or a summer or an equivalent.
remote licensee unique ID generating means	In <u>functional</u> terms, to generate a remote licensee unique ID. The <u>structure</u> to perform this function must be a summation algorithm or a summer or an equivalent.

As I've instructed during trial, it is for you to decide under these elements of claim 19 whether some structural aspect of Product Activation is a summation algorithm or a summer or an equivalent thereof. I cannot give you a precise definition of the

terms summation algorithm or "summer." However, my claim construction does define the term algorithm as "a set of instructions that can be followed to carry out a particular task." You will need to decide therefore what the term summation in conjunction with algorithm, as well as the word "summer" means in the context in which it is used in my claim construction regarding the structure of the licensee unique ID generating means in the '216 patent. Then, it is for you to decide, based on all witnesses' testimony, documents and your common sense, whether Product Activation has a structure that is a summation algorithm or a summer or an equivalent.

Mode Switching Means, Has Matched, & Algorithm

I've already instructed you about the meaning of mode switching means when I discussed means-plus-function terms, but I will remind you again of that definition and give you definitions of the final terms in claim '19.

Claim Term	Claim Construction
mode switching means	In <u>functional</u> terms, to permit the digital data or software to run in a use mode if the locally generated licensee unique ID matches with the remotely generated licensee unique ID. The <u>structure</u> to perform this function must be program code which performs a comparison of two numbers or a comparator or an equivalent of such program code or comparator.
has matched	a comparison between the locally generated licensee unique ID and the remotely generated licensee unique ID shows that the two are the same.

includes the algorithm utilized by said local licensee unique ID generating means to produce said licensee unique ID	includes the identical algorithm used by the local licensee unique ID generating means to produce the licensee unique ID.
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algorithm	a set of instructions that can be followed to carry out a particular task.
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So, again, all of these definitions are what you must use in determining whether Microsoft's Product Activation system infringes claim 19 of Uniloc's '216 patent.

Willful Infringement

In this case, Uniloc argues that Microsoft willfully infringed Uniloc's patent. You should only decide this issue if you find that Microsoft infringes claim 19 (and that the claim is valid). A finding of willful infringement relates to whether the damages Uniloc may be entitled to, if any, may be enhanced by me later. So what I am saying is that you must not allow a finding of willfulness to impact or affect any damages figure you award, because this is an issue I will deal with. However, I need your finding in order to know whether do so. For purposes of your duties as jurors, a finding of willful infringement should have absolutely nothing to do with the amount of damages, if any, you award Uniloc.

To prove willful infringement, Uniloc must persuade you with clear and convincing evidence that it is highly probable that Microsoft acted with reckless disregard of the claims of Uniloc's patent. To show "reckless disregard," Uniloc must satisfy a two-part test: the first concerns Microsoft's conduct, the second concerns Microsoft's state of mind.

When considering Microsoft's conduct, you must decide whether Uniloc has proven it is highly probable that Microsoft's conduct was reckless; that is, that Microsoft proceeded with the allegedly

infringing conduct with knowledge of the patent, and in the face of an unjustifiably high risk that it was infringing the claims of a valid and enforceable patent.

If you conclude Uniloc has proven Microsoft's conduct was reckless, then you need to consider the second part of the test. You must determine whether the risk was known or obvious to Microsoft. Uniloc must persuade you by clear and convincing evidence that it is highly probable that Microsoft actually knew (or it was so obvious that Microsoft should have known) that its actions constituted this high risk of infringement of a valid and enforceable patent. In deciding whether Microsoft satisfied the state-of-mind part of the test, you should consider all facts surrounding the alleged infringement including, but not limited to, the following:

1. whether Microsoft acted in a manner consistent with the standards of commerce for its industry;
2. whether Microsoft intentionally copied without a reasonable basis a product of Uniloc covered by the patent, as distinguished from trying to "design around" the patent by designing a product that Microsoft believed did not infringe the patent;

3. the fact that (per the agreed upon stipulation) earlier in the case Microsoft was awarded summary judgement of non-infringement, wherein I determined as a matter of law that no aspect of Product Activation infringed any claim of the '216 patent, even though that decision was later partially overturned by the Court of Appeals.

Invalidity Generally

I will now instruct you on the rules you must follow in deciding whether Microsoft has proven claim 19 of the '216 patent is invalid. You will recall patent invalidity is a defense to infringement. Even though the PTO examiner allowed claim 19, you are responsible for deciding whether it is valid. It is Microsoft's burden to prove invalidity by clear and convincing evidence. As a starting point, remember from the video at the start of trial that the '216 patent is entitled to a presumption of validity under the patent statute.

For a patent to be valid, the invention claimed in the patent must be new and non-obvious. A patent cannot take away from people their right to use what was known or what would have been obvious when the invention was made. The terms "new" and "non-obvious" have special meanings under the patent laws, so I will explain these terms as we discuss possible grounds for asserting invalidity.

Whether a patent is new and non-obvious is determined in light of what came before. That which came before as you have heard throughout this trial is referred to as the "prior art." Prior art can consist of a publication, a prior patent, or a piece of software. The parties agree in this case that the prior patents

relied upon by Microsoft, including U.S. Patent No. 4,658,093 to Hellman and U.S. Patent No. 4,795,220 to Wolfe, are prior art that existed before the invention disclosed in the '216 patent.

Anticipation

The first invalidity issue to consider is called "anticipation." Microsoft contends claim 19 is invalid because the claimed invention was not new at the time the patent was applied for. For a claim to be invalid because it is not new (or anticipated), all of its elements must have existed in a single item of prior art (such as one of the prior patents) that predates (that is, comes before) the claimed invention. As I've said, these are called "prior art references." If a patent claim is not new, we say it is "anticipated" by a prior art reference.

To anticipate, a single prior art reference must disclose each of the elements of claim 19 of Uniloc's patent, with all of the elements arranged precisely as set forth in claim 19. A prior art reference that discloses every element of claim 19 will anticipate even if that prior reference includes additional elements that are not present in Uniloc's patent. In this case, Microsoft contends that the Hellman patent, No. 4,658,093, anticipates claim 19 of Uniloc's patent.

Keep in mind that in order to anticipate, the Hellman patent need not use the exact same words as in claim 19, and may include additional components. An element may be disclosed in a patent if it is stated or necessarily implied or inherent in the reference,

from the perspective of person of ordinary skill in the field at the time of invention. I will describe in a moment what it means to be "of ordinary skill in the field."

Obviousness

The second invalidity issue for you to consider is obviousness. Microsoft contends the claimed invention in claim 19 of Uniloc's patent is obvious. This means that even if all the elements of claim 19 can't be found in the Hellman patent as a single prior art reference (that would be anticipation), the claimed invention would still have been obvious to a person of ordinary skill in the field of the invention at the time the patent application was filed. In other words, the combination and use of elements in the '216 patent would have been predictable. The earliest application for the '216 patent was filed on September 21, 1992, so that is the date you should use in making this determination. It is important to understand that in contrast to anticipation, obviousness may be shown by considering more than one item of prior art. The question comes down to whether, in September of 1992, it would have been obvious for a person of ordinary skill in the art who knew of the prior art to make the invention in claim 19?

Now, you must be careful when determining the obviousness question to not use hindsight -- many inventions might seem obvious after the fact. You need to put yourself in the position of a person of ordinary skill in the field of the invention in September of 1992. You should not consider what is now known today or what

may have been learned from the teachings of Uniloc's patent (or any other subsequent patent for that matter). Although claim 19 would not be proved obvious just because each of its elements was independently known in the prior art, you should look carefully at a patent application that claims as innovation the combination of previously known elements according to their established functions. In doing so, you may evaluate (as of September 1992) whether there was some teaching, suggestion or motivation to combine those known elements to arrive at the claimed new invention. Teachings, suggestions and motivations are not a prerequisite to finding a combination of elements obvious, but you may certainly consider them. Teachings, suggestions and motivations to combine elements known in the prior art are usually found in three sources. First, they may be found in written references (like the prior art itself). Second, they may be found in the knowledge of a person with ordinary skill in the art (in other words, inferences and creative steps a person of ordinary skill in the art would employ in combining prior art elements). Third, they may be found in the nature of the problem solved by the claimed invention.

Therefore, with this background, in evaluating whether claim 19 would have been considered obvious you should consider the following:

1. Whether Microsoft has identified a reason that would have

prompted a person of ordinary skill in the field of the invention to combine the elements or concepts from the prior art in the same way as they are combined in the claimed invention in claim 19.

There is no single way to define the line between true inventiveness on one hand (which is patentable) and the application of common sense and ordinary skill to solve a problem on the other hand (which is not patentable). For example, market forces or other design incentives may be what produced a change, rather than true inventiveness.

2. Whether the innovation applies a known technique that had been used to improve a similar method or system in a similar way.

3. Whether the claimed invention would have been obvious to try, meaning that the claimed innovation was one of a relatively small number of possible approaches to the problem with a reasonable expectation of success by those skilled in the art.

With this background, the ultimate conclusion of whether claim 19 is obvious will be based on several issues, which I will list here and then explain in greater detail:

1. the scope and content of the prior art Microsoft relies upon;

2. the differences, if any, between claim 19 and this prior

art;

3. the level of ordinary skill in the art at the time the invention in claim 19 was made (September 1992); and

4. additional considerations, if any, indicating that the invention was not obvious.

Obviousness: Level of Ordinary Skill in the Art

Several times now in my instructions I have referred or will refer to a person of "ordinary skill in the art." Obviousness is determined from this fictional person's perspective. It is up to you to decide the level of ordinary skill in the art, or "field of the invention." You should consider all the evidence introduced at trial in making this decision, including:

1. the level of education and experience of persons working in the field at the time of the invention;
2. the types of problems faced by persons working in that field;
and
3. the sophistication of the technology in that field.

Remember that a person of ordinary skill in the art is not you, me, or a computer software genius. The parties agree that a person of ordinary skill in the field of the invention would have a bachelor's degree in computer science from an accredited and/or recognized institution or at least five years of industry experience, and in either case, at least two years of industry experience developing software that uses techniques from the fields of computer security and cryptography.

Also, an expert may be qualified to give an opinion on

obviousness and testify as to what a person of ordinary skill in the art would have understood in September of 1992, the time of the invention. Such an expert's knowledge, however, may have come later than September of 1992. Put another way, the expert himself need not have actually been such a person of ordinary skill in the art in September of 1992.

Obviousness: Scope & Content of Prior Art

Determining the scope and content of the prior art means that you need to consider what is disclosed in the prior art Microsoft relies on; namely, the Hellman and Wolfe patents. Remember that prior art is not limited to patents and published materials; rather, it also includes general knowledge that would have been available to one of ordinary skill in the field. In this case, the parties agree to the following list of prior art: U.S. Patent No. 4,658,093 (Hellman) and U.S. Patent No. 4,795,220 (Wolfe).

Obviousness: Differences Between Claim 19 Invention & Prior Art

You should also look at whether there are any relevant differences between the Hellman and Wolfe patents and the invention claimed in claim 19 (from the view of a person of ordinary skill in the art in September of 1992). You should not view individual differences in isolation; rather, you should look at differences between claim 19 and the prior art as a whole to determine whether or not claim 19 would have been obvious. You may consider whether a reason existed at the time of Uniloc's invention that would have prompted a person of ordinary skill in the art to combine the known elements in the way claim 19 does. This is the teaching, motivation or suggestion I talked about earlier. If you find that a reason existed in September of 1992 to combine the elements of the prior art to arrive at the invention claimed in claim 19, then this evidence would make it more likely that claim 19 was obvious.

Now, as you know, one of the prior art references relied upon by Microsoft was examined by the PTO examiner during prosecution of the '216 patent (the Wolfe patent). The other piece of prior art (the Hellman patent) was not. So, for that reference that was before the examiner (the Wolfe patent), you should consider giving some deference to the examiner's decision that this reference did not invalidate or make obvious Uniloc's invention. But, for those

references that were not before the examiner during Uniloc's prosecution (the Hellman patent), there is no reason to defer to the Patent Office's determination of patentability because the examiner's expertise was never applied to the Hellman patent.

Obviousness: Additional Considerations of Non-Obviousness

Finally, you should also consider what are often referred to as objective indications of non-obviousness. These are things Uniloc may argue tend to show the invention in claim 19 of the '216 patent was, in fact, not obvious. There may be evidence of none, some or all of these indications; and it is for you decide if such evidence exists and, if so, how much weight it deserves in light of the other factors I've just discussed. The objective indications of non-obviousness you may consider (in no particular order) are:

1. commercial success of a product or products using the claimed invention;

2. A long-felt need for the solution provided by the claimed invention;

3. Unsuccessful attempts by others to find the solution provided by the claimed invention;

4. Copying of the claimed invention by Microsoft or others in the field; and

5. Acceptance of or praise about the claimed invention by others in the field.

The presence of any of these objective indications may suggest

that the invention was not obvious. Having said that, however, these indications are only relevant to obviousness if there is a nexus, or connection, between the particular indication and the invention in claim 19. For example, if the commercial success of a Microsoft product using the claimed invention is the result of something other than the accused infringing feature (Product Activation), then you should not consider that success to be an indication of non-obviousness of claim 19.

Perhaps a different example would help explain this "nexus" requirement as it relates to commercial success. Suppose a car manufacturer incorporates two devices into a new line of cars. One device is a highly touted sophisticated new navigation and automated parking guidance system that is the first of its kind. The other device is an electronic black box data recorder that is incorporated into the underside of the car (without the knowledge of the purchaser) to record detailed information in the event of a crash (such as speed, air bag deployment, seat belt use, etc.) that may be used for purposes such as accident reconstruction or criminal motor vehicle charges or civil lawsuits involving car accidents. Years later, this new line of cars has proven to be very successful and profitable for the manufacturer. The manufacturer is sued for infringing a patent related to the black box device, and asserts an obviousness defense. In order to use

the commercial success of the car line as an objective indicator that the black box technology was not obvious, the plaintiff in such a lawsuit would have to convince jurors that the success of the new car line was connected to (in other words, because of) the hidden black box -- and not the sophisticated and popular navigation system that purchasers knew about and enjoyed.

Damages - Generally

Let's now turn to the issue of damages. You must determine damages only if you find that claim 19 of Uniloc's patent has been infringed by Microsoft, and is valid. In discussing damages in these instructions, I do not mean to suggest in any way an opinion on my part as to what Microsoft is legally responsible for or liable for. Whether damages are appropriate and, if so, the amount of damages are issues for you to decide. You may make an award for damages only to the extent that you find damages have been proven by the evidence. You may not base an award of damages, or the amount of any such award, on speculation or guess or for purposes of punishment. You also may not add anything to a damages award to punish Microsoft as an infringer or to set any type of example. You must base any award of damages on the evidence presented and on what you consider to be fair and adequate compensation for such damages as you find have been proven.

The amount of damages must be adequate to compensate Uniloc for any infringement but in no event less than a "reasonable royalty." Uniloc has the burden of proving that each element of its damages claim is more probable than not (in other words, by a preponderance of the evidence, the standard I have explained). If you calculate a damages award, the parties agree you should use as

a starting date for your calculations October 1, 2003.

Reasonable Royalty

So, as I've said, Uniloc seeks damages adequate to compensate it for infringement but in no event less than the amount of a reasonable royalty for infringement. The patent law provides that the amount of damages may not be less than a reasonable royalty for the use that Microsoft has made of Uniloc's invention. A royalty is a payment made to the owner of a patent by a non-owner in exchange for the rights to make, use, or sell the claimed invention. A reasonable royalty is one that would have resulted from a willing, hypothetical negotiation between Uniloc and Microsoft taking place around the time the accused Microsoft products were first introduced in the United States in March of 2001. In considering what a negotiation would have involved you should focus on what the expectations of each company would have been had it entered into an agreement at that time. You should also assume that both parties wanted to enter into a license, acted reasonably in their negotiations, and understood the Uniloc patent to be infringed (by Microsoft) and valid.

Specifically, in this case, Uniloc requests a royalty payment for each infringing activation of an accused product -- you've heard this referred to at trial as a running royalty. Microsoft, on the other hand, argues that a one time lump-sum royalty payment would be an appropriate measure of damages owed. Neither method is

right or wrong; it is for you to consider what a reasonable royalty would be based on all of the evidence presented at trial.

Reasonable Royalty: Factors to Consider

In determining the value of a reasonable royalty, you may consider evidence on any of the following factors.

1. Any royalties received by Uniloc for the licensing of the '216 patent, proving or tending to prove an established royalty.
2. The rates paid by Microsoft to license other patents.
3. The nature and scope of the license, as exclusive or non-exclusive; or as restricted or non-restricted in terms of its territory or with respect to whom the manufactured product may be sold.
4. Any established policy and/or marketing program by Uniloc to maintain its right to exclude others from using the patented invention by not licensing others to use the invention, or by granting licenses under special conditions designed to preserve that exclusivity.
5. The commercial relationship between Uniloc and Microsoft, such as whether or not they are competitors in the same territory in the same line of business.
6. The effect, if any, of selling the accused product in promoting sales of other products of the licensee (Uniloc);

the existing value of the invention to the licensor (Microsoft) as a generator of sales of its non-patented items; and the extent of such collateral sales.

7. The duration of the '216 patent and the term of the license.
8. The established profitability of the product(s) made under the '216 patent; its commercial success; and its current popularity.
9. The utility and advantages of the patented invention over the old modes or devices, if any, that had been used for achieving similar results.
10. The nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention.
11. The extent to which Microsoft has made use of the invention; and (if Microsoft has made use), any evidence that shows the value of that use.
12. The portion of the profit or selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions.

13. The portion of the profit (or savings) that arises from the patented invention itself as opposed to profit arising from unpatented features, business risks, or significant features or improvements added by the alleged infringer.
14. The opinion testimony of qualified experts (Mr. Gemini for Uniloc and Mr. Napper for Microsoft).
15. The amount that a licensor such as Uniloc and a licensee such as Microsoft would have agreed upon (at the time infringement began in March 2001) if both sides had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee -- who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention -- would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a patentee who was willing to grant a license.
16. Any other economic factor that a normally prudent business person would, under similar circumstances, take into consideration in negotiating the hypothetical license.

In considering all of these factors, keep in mind two overarching principles. First, you may not award damages based on Microsoft's entire revenue from all the accused products in this

case. You may, however, consider revenue Microsoft may have obtained as a result of Product Activation. Second, although the relevant date of a hypothetical reasonable royalty negotiation is just before the infringement began, you may consider in your determination of reasonable royalty damages any actual profits earned by Microsoft as a result of using the claimed invention after that time, as well as any commercial success of the patented invention, including the commercial success resulting from the accused features of Microsoft products, in the form of sales of the patented or accused infringing products after that time. You may consider this information, however, only if it was foreseeable at the time infringement began.

Foreign Sales

There is one final aspect to damages I need to discuss with you. If you decide that a damages award is appropriate, you must determine whether to include activations of Microsoft accused products by users located outside the United States. In other words, you must decide whether activation by a foreign user outside the United States gives rise to liability under the United States patent laws. To answer this question, you must consider each of the three following questions, in the context of Microsoft accused products licensed to and activated by users located outside the United States:

(1) whether the Microsoft Product Activation system as a whole is put into service within the United States;

(2) whether control of the Microsoft Product Activation system is exercised within the United States; and

(3) whether the beneficial use of the Microsoft Product Activation system is obtained within the United States.

If the answer to all three of these questions is yes, then you should consider or include activations of Microsoft accused products by users located outside the United States to the extent you deem appropriate in making a damages award. If the answer to

even one of the three questions is no, then you should not include these foreign activations in a damages award. I want to emphasize that you must not interpret this foreign sales instruction as a requirement that you base any damages award on a per-activation model or "running royalty" (as proposed by Uniloc) as opposed to lump sum royalty (as proposed by Microsoft). Per activation may be one permissible form of a damages calculation, but it is by no means mandatory. So, then, that completes my instructions on damages.

Method of Assessing Evidence

Now that you know what it is that the parties each must prove to prevail in this case, and the standards of proof to be applied, the next question is how do you determine whether a party has met its particular burden?

Obviously, you must make your determination solely from the evidence properly before you and from all reasonable and legitimate inferences to be drawn from that evidence.

The evidence that is properly before you consists of:

1. The testimony of the witnesses;
2. The exhibits that I have admitted into evidence; and
3. Any stipulations between the attorneys in which they agree as to what the facts are.

From that evidence, you may draw whatever conclusions are reasonable under the circumstances.

The evidence that is properly before you does not include:

1. Comments or statements by the attorneys. Remember, the attorneys are not witnesses. What they have said in their opening statements and in their closing arguments and at other times during the course of the trial is intended to help you interpret the evidence but it is not evidence. If the facts as you remember them differ from the way the lawyers have stated them, then it is your memory that controls.

2. Answers given by witnesses which I ordered stricken and instructed you to disregard.
3. Documents, photographs, posters, powerpoint presentations, flip-chart drawings and computerized demonstrations or other items which may have been referred to or used or drawn but have not been admitted into evidence. We have seen several of these types of items during trial, and many have, in fact, been admitted into evidence for you to consider. Any others that have not been admitted into evidence, however, are not proper evidence. You should not speculate or guess as to what they might say or show and you may not consider them except to the extent that, and for the purpose that, they may have been read or shown to you during the course of the trial.
4. Anything you may have heard or seen outside of this courtroom regarding the events in question or the participants in this case.

Witnesses - Credibility - General Factors

As to the testimony of witnesses, your principal task is to determine the credibility of the witnesses and the weight you will give to the testimony of each. Whether a party has sustained its burden of proof does not depend upon the number of witnesses it has called or upon the number of exhibits it has offered, but instead upon the nature and quality of the evidence presented. You do not have to accept the testimony of any witness if you find the witness not credible. You must decide which witnesses to believe and which facts are true. To do this, you must look at all the evidence, drawing upon your common sense and personal experience.

In making that determination, there are a number of factors that you may consider:

1. The opportunity or lack of opportunity the witness had to acquire knowledge of the facts about which the witnesses testified. In other words, was the witness in a position to have accurately perceived the facts that the witness related to you.
2. The reliability or unreliability of the witness's memory. In other words, did the witness have a clear recollection of what happened or was the witness's memory uncertain or unclear.
3. The witness's appearance on the stand. Did the witness

appear to be a person who was telling the complete and unadulterated truth, or did it appear that the witness was slanting things one way or another either consciously or unconsciously.

4. The probability or improbability of the witness's testimony. Did what the witness had to say sound reasonable or plausible or did it appear to be highly unlikely or impossible.
5. Whether the witness had anything to gain or lose from the outcome of this case. In other words, was the witness totally impartial or did the witness have some stake in the outcome or some reason to favor one side or the other.

In assessing credibility, you may also consider whether on some prior occasion the witness made statements that contradict the testimony that he or she gave at the time of trial. If you conclude that a witness did at some prior time make statements that were materially different from what the witness said during this trial, you may take that into account in assessing that witness's credibility or determining the weight that you will give to that testimony.

Deposition & Past Trial Testimony

During the course of the trial, you have heard reference to the terms examination under oath or deposition, and you have heard or seen several witnesses testify in this trial through either videotape deposition or through depositions or past trial testimony read into the record. As it applies in this case, these terms mean sworn testimony given under oath and given by a witness before this trial began. Just as with live testimony, you should give such deposition or prior trial testimony the credibility or weight, if any, you think it deserves.

Witnesses - Specialized Knowledge

During this trial, you have heard testimony from witnesses who claim to have specialized knowledge in a particular field, whether it is computer software technology or the issue of damages. Because of their specialized knowledge, these witnesses, often referred to as "experts," are permitted to express opinions which may be helpful to you in determining the facts.

Since they do have specialized knowledge, the opinions of these witnesses, whether expressed personally or in documents which have been admitted into evidence, should not be disregarded lightly.

On the other hand, merely because a witness with specialized knowledge has expressed an opinion does not mean that you as jurors must accept this opinion. As jurors, you are the ultimate finders of the facts, but you are free to consider testimony from these witnesses if it assists you in making your decisions.

In determining what weight to give to each opinion expressed by someone with specialized knowledge, you should apply the same tests of credibility that apply to the testimony of any other witness. That is to say, you should consider such things as the witness':

- opportunity to have observed the facts about which he testified; and
- apparent candor or lack of candor.

In addition, you should take into account the witness':

- qualifications, education, and experience, especially in comparison to witnesses who may have expressed contrary opinions; and
- the accuracy of the facts upon which the witness's opinions were based.

In short, you should carefully consider the opinions of these witnesses, but they are not necessarily conclusive. It is up to you to decide whether you believe the testimony of a witness and choose to rely upon it. If you decide that the opinion of a witness is not sound or if you feel it is outweighed by other evidence, you may disregard it in part or disregard it completely.

Witnesses - Number - Weight of Testimony

In evaluating the evidence, remember that you are not required to believe something to be a fact simply because a witness has stated it to be a fact and no one has contradicted what that witness said. If, in the light of all of the evidence, you believe that the witness is mistaken or has testified falsely or that he or she is proposing something that is inherently impossible or unworthy of belief, you may disregard that witness's testimony even in the absence of any contradictory evidence.

You should also bear in mind that it is not the number of witnesses testifying on either side of a particular issue that determines where the weight of the evidence lies. The weight of the evidence is also not determined by how many witnesses testified live in Court as opposed to by deposition. Rather, it is the quality of each witness's testimony that counts.

Thus, just because one witness testifies on one side of an issue and one witness testifies on the other side does not necessarily mean that you must consider the evidence evenly balanced. If you feel that one of the witnesses was more credible than the other, for whatever reason, you may find that the weight of the evidence lies on the side of that witness. Similarly, just because there may be more witnesses testifying on one side of an issue than on the other does not mean that the weight of the evidence lies in favor of the greater number of witnesses. Once

again, it is the credibility or quality of the testimony that determines where the weight of the evidence lies.

Exhibits

In addition to assessing the credibility of the witnesses and the weight to be given to their testimony, you should also evaluate the exhibits which you will have with you in the jury room. Examine them (or, if applicable, view them on the DVD player that will be in the jury room) and consider them carefully.

However, bear in mind that merely because an exhibit has been admitted into evidence does not mean that you are required to accept it at face value. Like the testimony of a witness, the significance of an exhibit or the weight you attach to it will depend upon your evaluation of that exhibit in light of all the facts and circumstances of the case.

Direct & Circumstantial Evidence

As I mentioned at the beginning of the trial, evidence may be direct or may be circumstantial. As I told you, direct evidence is the direct proof of a fact such as the testimony of an eyewitness. And circumstantial evidence is the proof of one or more facts from which you can infer the existence of another fact. You should consider both kinds of evidence. As a general rule, the law makes no distinction between the weight to be given to either direct or circumstantial evidence. It is for you to decide how much weight to give to any evidence.

Direct evidence can prove a material fact by itself. It does not require any other evidence. It does not require you to draw any inferences. A witness's testimony is direct evidence when the witness testifies to what he or she saw or heard or felt. In other words, when a witness testifies about what is known from his or her own knowledge by virtue of her own senses, what he or she sees, touches, or hears, that is direct evidence. The only question is whether you believe the witness's testimony. A document or a physical object may also be evidence when it can prove a material fact by itself without any other evidence or inference. You may, of course, have to determine the genuineness of the document or the object.

Circumstantial evidence is different from direct evidence. It cannot prove a material fact by itself. Rather, it is evidence

that tends to prove a material fact when considered together with other evidence and by drawing inferences. The strength of the inferences arising from circumstantial evidence is for you to decide, and it is for you to decide how much weight to give to any evidence that has been presented. Inferences from circumstantial evidence may be drawn on the basis of reason, experience, and common sense. Inferences may not, however, be drawn from guesswork or speculation or conjecture. The law does not require a party to introduce direct evidence. A party may prove a fact entirely by circumstantial evidence or by a combination of direct and circumstantial evidence.

Circumstantial evidence is not less valuable than direct evidence. So as I have said, you are to consider all of the evidence in the case, both direct and circumstantial evidence, in determining what the facts of the case are and in arriving at your verdict

Conduct of Court - General

As I have said before, it is up to you to determine the facts in this case. You should not interpret anything I have said or done during this trial as expressing an opinion on my part as to what the facts in this case are. I have not intended to express any such opinion and you should not be concerned about what my opinions might be regarding the facts. That is a matter for you to decide.

Objections by Counsel

During this trial there have been occasions when the attorneys have objected to a question that was asked of a witness. You should not penalize an attorney, or more importantly, his client, for objecting. It is the attorney's right and duty to protect a client's interests by objecting to what the attorney may believe is evidence that does not satisfy the requirements of the rules of evidence.

If I sustained the objection, it is important that you not speculate about what the answer to the objected-to question might have been. By sustaining the objection, the court has determined that the evidence should not be considered by you.

Corporations as Parties & 30(b)(6) Testimony

The law makes no distinction between corporations and private individuals, nor does the law distinguish between the size or type of a business in which a corporation engages. Corporations of all shapes and sizes stand equal before the law and are to be dealt with as equals in this case. Corporations act through their officers, agents and employees.

You have heard testimony in this case that certain witnesses have testified as 30(b)(6) witnesses. A 30(b)(6) witness is an individual who has been designated by a corporation to testify on its behalf on a particular topic or topics. Testimony given by a 30(b)(6) witness represents the knowledge of the corporation and not of the individual. In other words, the testimony of a 30(b)(6) witness is deemed to be the testimony of the corporation itself. Just as with any witness, it is up to you to determine what weight if any to place on testimony of a 30(b)(6) witness.

Bias and Prejudice

Neither bias in favor of any person or cause or corporation, prejudice against any person or cause or corporation, nor sympathy of any kind should be permitted to influence you in the course of your deliberations.

All that any party here is entitled to, or, for that matter expects, is a verdict based upon your fair, scrupulous and conscientious examination of the evidence before you and your application of the law as I have explained it to you.

Verdict - Unanimity Required

In order to return a verdict in this case, all ten of you must agree as to what that verdict will be. Therefore there are two things that you should keep in mind during the course of your deliberations.

On the one hand, you should listen carefully as to what your fellow jurors have to say and should be open minded enough to change your opinion if you become convinced that it was incorrect.

On the other hand, you must recognize that each of you has an individual responsibility to vote for the verdict that you believe is the correct one based on the evidence that has been presented and the law as I have explained it. Accordingly, you should have the courage to stick to your opinion even though some or all of the other jurors may disagree as long as you have listened to their views with an open mind.

Selection of Foreperson and Duty to Deliberate

When you begin your deliberations, you should elect one member of the jury as your foreperson. The foreperson will preside over the deliberations and speak for you here in court.

You will then discuss the case with your fellow jurors to reach agreement if you can do so. Your verdict must be unanimous. Each of you must decide the case for yourself, but you should do so only after you have considered all of the evidence, discussed it fully with the other jurors, and listened to the views of your fellow jurors.

Do not be afraid to change your opinion during the course of the deliberations if the discussion persuades you that you should. Do not come to a decision simply because other jurors think it is right.

Communications with the Court

If it becomes necessary during your deliberations to communicate with me, you may send a note through the marshal, signed by the foreperson. No member of the jury should ever attempt to contact me except by a signed writing; and I will communicate with any member of the jury on anything concerning the case only in writing, or here in open court.

Jury Recollection Controls - Rehearing Testimony

This has been somewhat of a lengthy and complicated trial. Remember, if any reference by counsel to matters of evidence does not coincide with your own recollection, it is your recollection which should control during your deliberations.

Occasionally, juries want to rehear testimony. In general, your collective recollection should be sufficient for you to be able to deliberate effectively. However, if you feel that you need to rehear testimony, I will consider your request. However keep in mind that this is a time-consuming process, so if you think you need to rehear testimony, consider your request carefully and be as specific as possible.

Return of Verdict

A verdict form has been prepared for you by the Court. This verdict form includes various questions you will have to answer as a jury, depending on the nature of your verdict. Be sure to read the verdict form very carefully and pay close attention to the directions and sequential order of the questions. After you have reached unanimous agreement on a verdict, your foreperson will fill in the form that has been given to you, sign and date it, and advise the Court that you are ready to return to the courtroom.

Copy of Instructions

Ladies and gentlemen, I have now completed giving you the law that will govern your deliberations. As I mentioned at the beginning, I will send into the jury room a written copy of my instructions. You are reminded, however, that the law is as I have given it to you from the bench; the written copy is merely a guide to assist you.