

## z4 Techs., Inc. v. Microsoft Corp.

No. 06-1638, Federal Circuit (Lourie, Linn,\* Bucklo)

***“[T]o establish an actual reduction to practice, the inventor must prove that: (1) he constructed an embodiment or performed a process that met all the limitations . . . and (2) he determined that the invention would work for its intended purpose.”***

On November 16, 2007, the Federal Circuit affirmed the district court’s denial of Microsoft’s motion for judgment as a matter of law (JMOL) following the jury verdict that Microsoft infringed U.S. Patents No. 6,044,471 and No. 6,785,825, which related to software piracy prevention systems, and that the ‘471 and ‘825 patents were not invalid. The jury awarded \$115 million in damages, which the district court enhanced by \$25 million plus attorney fees. The Federal Circuit stated:

Before the district court, Microsoft argued a number of points in support of its motion for JMOL of invalidity based on anticipation by its BP 98 product. The district court denied the motion based solely on its conclusion that in light of “the evidence presented at trial, a reasonable jury could have concluded that BP 98 did not work for its intended purpose, to stop piracy.” On appeal, Microsoft repeats many of the arguments it raised before the district court. Because we agree with the district court’s determination on the point it considered and find it dispositive, we discuss only that point and need not and do not address Microsoft’s other contentions.

Microsoft argues that the LVP feature of its BP 98 software product anticipates the asserted claims under section 102(g)(2). That section provides that a patent is invalid if “before such person’s invention thereof, the invention was made in this country by another inventor . . . .” “This court has interpreted § 102(g) to provide that ‘priority of invention goes to the first party to reduce an invention to practice unless the other party can show that it was the first to conceive the invention and that it exercised reasonable diligence in later reducing that invention to practice.’”

Microsoft bore the burden of demonstrating by clear and convincing evidence that BP 98 constituted an actual reduction to practice of the invention claimed in z4’s patents. “In order to establish an actual reduction to practice, the inventor must prove that: (1) he constructed an embodiment or performed a process that met all the limitations . . . and (2) he determined that the invention would work for its intended purpose.” “Testing is required to demonstrate reduction to practice in some instances because without such testing there cannot be sufficient certainty that the invention will work for its intended purpose.” Because the necessity and sufficiency of such testing are factual issues, substantial evidence in the record supporting a finding that Microsoft’s LVP

software did not work for its intended purpose will suffice to support the jury's verdict that z4's patents are not invalid for anticipation.

As an initial matter, Microsoft contends that the district court incorrectly defined the "intended purpose" of the invention as "to stop piracy," and thus erred in holding that a prior invention must "stop piracy" to qualify as invalidating art under § 102(g). We agree. z4's patents do not disclose a method or apparatus to completely eliminate software piracy, and the claim language indicates that the purpose of the invention is merely the reduction, rather than the elimination, of such piracy.

We agree with z4, however, that the record contains substantial evidence for a reasonable jury to conclude that the anti-piracy feature of BP 98 did not work even to reduce piracy. For example, a reasonable juror could have relied upon the internal Microsoft presentation of April 28, 1998, which indicated that "effectiveness" was not known, and that Microsoft "[could] only measure [effectiveness] once enabled fully in a country w/ [sic] a real product." The testimony of Microsoft's own witness, Mr. Hughes, indicates that the anti-piracy software found in the accused products was "virtually a complete rewrite" of the software in BP 98. Additionally, an internal Microsoft e-mail dated November 18, 1998—more than five months subsequent to z4's filing date—indicated a problem with the LVP software and documented an instance of the "same CD being installed in almost 40 different machines with different user names." It also noted that one user had registered 34 times, and others had registered more than 15 times. z4's expert testified at trial that this e-mail "affirm[ed] [his] opinion that Brazilian Publisher 98 is not prior art because there was no recognition or appreciation that it worked for its intended purpose." . . .

Collectively, this evidence comprises "more than a mere scintilla" and is "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion." Because substantial evidence supports the jury verdict, we affirm the district court's denial of Microsoft's motion for JMOL of invalidity by anticipation.

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