Keywords: **Right to a jury trial on obviousness, obviousness as a pure question of law.**

General: **A determination of obviousness is a legal conclusion based upon factual inquiries that is reviewed *de novo*. However, when the facts are sufficiently clear, the court may determine obviousness as a pure question of law.**

Soverain LLC v.Newegg Inc.
(2011-1009 Fed. Cir. 2013)
January 22, 2013

I. Facts and Procedural History

In 2001, Soverain LLC (hereinafter "Soverain") procured an eCommerce software suite called "Transact," and related U.S. patents. The patents include U.S. Patent No. 5,715,314 (hereinafter, '314) filed in October 24, 1994, its continuation U.S. Patent No. 5,909,492 (hereinafter '492), and U.S. Patent No. 7,272,639 (hereinafter '639). The patents relate to an online system where merchant's products are offered and purchased through computers interconnected by a network. More specifically, the '314 patent focuses on using an online shopping cart to aggregate a collection of products and then purchase the products, while the '492 patent narrows the shopping cart to a specific implementation using the hypertext transfer protocol (HTTP). The '639 patent includes recitations as to the use of a "session id" to track a shopping session.

Soverain continued selling Transact and sued seven online retailers, including Newegg, for infringement in the U.S. District Court for the Eastern District of Texas. During the suits, the patents are reexamined twice, and both times are found valid. All defendants with the exception of Newegg took paid-up licenses to the patents and withdrew from the suit. During trial, Newegg stated that its eCommerce system is materially different from that described and claimed in the patents due to the use of "cookies", for example, and that the patents are invalid due to obviousness. Newegg's main prior art reference is a product called CompuServe Mall that has been available since 1984. During trial in the District court, experts for Newegg and Soverain appear to conflict in their testimony. For example, Soverain's expert testifies that recited features, such as a "product identifier message" used in ordering shopping cart items in the '314 and '492 patents, was not in any message provided by the CompuServe Mall, while Neweggs's expert testified to the opposite. Similarly, Soverain's expert testifies that particulars of the HTTP claim recitations in the '492 patent, such as "the statement document is sent by at least one of the server computer to the client computer in response to a statement URL" are not found in the CompuServe Mall because the CompuServe Mall predates HTTP, while Newegg's expert testified that the recitations were an obvious design choice in view of the Intenet. Another point of contention was the recitation of a "session id" recited in the '639 patent. Newegg's expert testified that the "session id" was obvious in view of a "credential identifier" found in the prior art and used to identify a user's credentials, such as a login id, a group id identifying the user's group membership, and privileges given to the user. Soverain's expert testified that the "credentidal identifier" could cover multiple sessions and thus was not uniquely identify one session.

The District court assembled a jury and heard all of the evidence presented, including the expert witness testimony. After the close of evidence, the District court removed the question of obviousness, including all of the *Graham v. John Deere Co.* factors, from the jury, stating that "I don't think there's sufficient testimony to present an obviousness case to the jury. I think it would be very confusing to them." The District court then held that the claims were not obvious and presented the question of infringement to the jury. The jury found that Newegg infringed on the '314, and'492 patents, but not on '639 patent. The District court granted Soverain's motion for judgment as a matter of law (JMOL) of infringement of the '639 patent, and ordered a new trial to

assess damages for the '639. Newegg's motion for JMOL or a new trial was denied by the District court, and Newegg appealed to the Federal Circuit.

II. Issues

A. Did the District court err in removing the determination of the *Graham* factors from the jury?

B. Did the District court correctly decide the question of obviousness?

III. Discussion

A. No. The Federal Circuit began its analysis by noting that obviousness is a question of law based on underlying facts, as set forth by the Supreme Court in *Graham v. John Deere Co.*, 383 U.S. 1 (1966). The *Graham* factors include (1) the scope and content of the prior art, (2) the difference between the prior art and the claimed invention, (3) the level of ordinary skill in the art, and (4) secondary considerations. The secondary considerations include commercial success, long felt but unresolved needs, and failure of others. While acknowledging that the underlying facts (e.g., *Graham* factors) are usually determined by the jury, the Federal Circuit noted that Federal Rule of Civil Procedure 50, among other precedential holdings, "allows the trial court to remove cases or issues from the jury's consideration 'when the facts are sufficiently clear that the law requires a particular result'." According to the Federal Circuit, the underlying facts in this case "sufficiently clear" and thus not in dispute, regardless of the extensive testimony by the experts.

B. No. The Federal Circuit reviewed the case *de novo* (i.e., without deference to the District court) and found that the District court did not correctly decide on the issue of obviousness. The Federal Circuit followed the District court into separating the patent claims into three sets, but found that each of the three sets was obvious in view of the prior art. The first set was based on the shopping cart claims, and included recitations of "product identifier message" of the '314 and '492 patent. With respect to the first set, the Federal Circuit found that both Neweggs's and Soverain's experts agreed that the "product identification" was found in the CompuServe Mall. The Federal Circuit then found that while the experts disagreed on the message portion of the recitation, Soverain's expert's interpretation of "message" was not reflected in the claim construction, and thus the first set of claims was obvious in view of the prior art. With respect to the second set of claims of the '492 patent directed at the HTTP embodiment of the shopping cart, Soverain's expert had testified that the CompuServe Mall could not obviate the HTTP recitations because the CompuServe Mall predated HTTP and that the design choices recited were not obvious. The Federal Circuit found that the recitations in the claims were a routine incorporation of Internet technology into existing process, as analyzed by the holding in *Western Union Co. v. MoneyGram Payment Sys., Inc.*, 626 F.3d 1361, 1369 (Fed. Cir. 2010). With respect to the third set of claims of the '639 patent reciting a "session id," Soverain's expert testified that the prior art's "credential identifier" identifies a user, and can therefore cover multiple sessions rather than only a single session. The Federal Circuit held that based on the agreed upon claim construction that defined the "session id" as "a text string that identifies a session," and that "session" includes "a series of requests and responses to perform a complete task or set of tasks between a client and a server system," the "credential identifier" prior art obviates the claims by itself, or in combination, with other art offered by Newegg relating to internet transaction ids. Accordingly, the judgments of validity were reversed and the judgments of infringement and damages were vacated.

IV. Conclusion

Obviousness is a question of law based on underlying facts. The underlying facts, such as the *Graham* factors, are usually determined by a jury. However, if the underlying facts are "sufficiently clear," then the court may remove all obviousness determinations from the jury and decide obviousness entirely on its own. The Federal Circuit will review obviousness determinations *de novo* on appeal, thus affording no deference to the decisions below.

V. Addendum

Newegg petitioned the Supreme Court via *writ of certiorari* to take the case. One of the questions presented stated "[w]hether the Federal Circuit's effective redefinition of obviousness as a pure question of law, allowing it to resolve disputed factual questions in the first instance on appeal, violates the Seventh Amendment and this Court's precedent." The Supreme Court has declined to take the case.