



IP: Secondary considerations save patents, earn \$15 million

THE EVIDENCE THAT TRANSOCEAN GATHERED IN A FEDERAL CIRCUIT CASE PROVIDES A GOOD ROADMAP TO SURVIVING AN OBVIOUSNESS CHALLENGE

One of the thornier issues in patent litigation is assessing patent invalidity for obviousness by applying 35 U.S.C. §103. In the landmark case of *Graham v. John Deere Co.* (1966), the U.S. Supreme Court identified several factual inquiries underlying the legal question of patent invalidity based on obviousness:

1. The scope and content of the prior art
2. The differences between the prior art and the asserted claims
3. The level of ordinary skill in the field of invention
4. Objective considerations such as commercial success, long-felt but unresolved need and the failure of others

The types of objective evidence in the fourth inquiry described by the Supreme Court are commonly referred to as the “secondary considerations” of non-obviousness. Although evidence directed to these considerations is fairly routinely presented, the extent of the evidence in prior cases has

been such that the Federal Circuit recently commented that it has “rarely held that objective evidence is sufficient to overcome a *prima facie* case of obviousness.” *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.* (*Transocean II*).

The *Transocean II* case is instructive because it is one of those rare cases in which the secondary considerations saved patents from the invalidity scrap heap. The remainder of this article will summarize *Transocean*’s litigation saga, with emphasis on the secondary considerations.

The background

Transocean and *Maersk* made their first appearance in the Federal Circuit case law in August 2010 (*Transocean I*). The patents at issue involved equipment and methods used in offshore drilling operations. In the district court, defendant *Maersk* had been granted summary judgment of patent invalidity and noninfringement, but the Federal Circuit reversed. In its decision, the Federal Circuit determined that *Maersk*

had established a *prima facie* case of obviousness because the prior art taught all of the limitations of the asserted claims. However, the court noted that although *Transocean* had presented “significant objective evidence” of non-obviousness, the district court ignored that evidence. The court thus concluded that the district court’s judgment of invalidity based on obviousness was improper because of the failure to consider the objective evidence of non-obviousness and that there were genuine issues of fact surrounding that evidence. The court also reversed summary judgment of non-infringement. The Federal Circuit then remanded the case.

On remand to the district court, a jury trial was held on all of the issues. On the obviousness issue, *Maersk* presented evidence on the prior art and how that prior art rendered the asserted claims obvious. Although the Federal Circuit in *Transocean I* held that *Maersk*’s evidence established a *prima facie* case of obviousness, the district court did not apply the law of the case doctrine and instead permitted the jury to consider whether the prior art disclosed every element

of the asserted claims. The jury made specific findings that not all elements were disclosed. For its part, Transocean presented testimony and documentary evidence concerning the secondary considerations of non-obviousness; the jury ultimately concluded that the secondary considerations indicated non-obviousness. After the verdict, the district court granted Maersk's motion for judgment as a matter of law and held that the asserted claims were invalid. That ruling, among others, was appealed to the Federal Circuit and is the subject of the *Transocean II* decision.

In this admittedly rare case, the Federal Circuit held that the secondary considerations of non-obviousness presented compelling evidence that the patents were not invalid and, consequently, overcame the *prima facie* evidence of obviousness. The Federal Circuit's comment is particularly interesting because in *Transocean I* the court held that the prior art taught every limitation of the claims and provided the motivation to combine the references to arrive at the claimed invention. This type of holding is, of course, the prelude to a finding of invalidity.

However, as noted, on remand the district court permitted the jury to consider whether the prior art disclosed every element of the asserted claims. On this point the Federal Circuit concluded that the district court erred because the *Transocean I* holding was law of the case. Nonetheless, the Federal Circuit concluded that it was proper for the jury to consider the strength of the *prima facie* case in light of the secondary considerations. In doing so, the

jury needed to consider all of the evidence relating to the four *Graham* factors when deciding obviousness, not just a sub-set of that evidence.

The evidence on the secondary considerations

Having set the stage, the Federal Circuit then reviewed the secondary considerations evidence that Transocean presented. The following list highlights that evidence and shows the extensive nature of it. Indeed, *Transocean II* provides a good roadmap to the types of evidence useful in establishing the secondary considerations.

1. **Commercial success.** The evidence showed that the patented invention commanded a market premium over the prior art and that the commercial success was tied to the claimed invention. Transocean's customers expressly required the claimed invention, which became the industry standard.
2. **Industry praise and unexpected results.** Competitors and an industry trade magazine favorably commented on the innovations and critical features found in the claimed invention. Although industry members doubted whether one of claimed features would lead to increased efficiencies and reduced costs, actual third-party analysis showed greater efficiencies and lower costs that even Transocean projected.
3. **Copying.** Maersk's internal documents established that

it was aware of Transocean's patents as Maersk was designing the accused equipment; other Maersk internal documents noted the need to incorporate the features of Transocean's invention into Maersk's devices.

4. **Industry skepticism.** Evidence was presented showing that industry experts were skeptical about how Transocean's devices would work and believed that the devices would have operational problems while in use.
5. **Licensing.** Transocean presented evidence that royalties it received under its licenses to third parties exceeded anticipated third-party litigation costs and that licenses were extended to companies that were under no apparent threat of litigation.
6. **Long-felt but unresolved need.** Evidence established that for nearly 30 years before the issuance of the first patent in 2000, the industry had been unsuccessfully searching for ways to increase drilling efficiency. The Transocean patented invention filled this need.

The result

Based on the secondary considerations, the Federal Circuit concluded that Transocean had overcome the *prima facie* case of obviousness and the three patents were not invalid. The court also reversed the district court's judgment as a matter of law (JMOL) of non-infringement and concluded that

substantial evidence supported the jury's finding that Maersk had literally infringed the patents. Finally, the Federal Circuit reversed the district court's JMOL that Transocean was not entitled to damages and held that substantial evidence supported the jury's award of \$15 million in compensatory damages.

The *Transocean* litigation highlights the importance of gathering a wealth of evidence supporting the secondary considerations because that evidence may be the key to surviving an obviousness challenge. And, as the litigation shows, that evidence was instrumental in putting \$15 million into Transocean's coffers.

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