

05-1287, 05-1315 (consol.)

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**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

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ACTION GAMING, INC. and IGT,

Plaintiffs-Cross-Appellants,

v.

ALLIANCE GAMING CORP.  
and UNITED COIN MACHINE CO.,

Defendants-Appellants,

and

BALLY GAMING, INC.,

Defendant.

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Appeal from the United States District Court for the District of Nevada in  
case no. 01-CV-1109, Judge James C. Mahan

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**BRIEF OF PLAINTIFFS-CROSS-APPELLANTS  
ACTION GAMING, INC. AND IGT**

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**CERTIFICATE OF INTEREST**

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### **STATEMENT OF RELATED CASES**

No other appeal in or from this civil action was previously before this or any other appellate court. No case is known to counsel for plaintiffs/cross-appellants to be pending in this or any other court that will directly affect or be directly affected by this Court's decision in the pending appeal.

### **JURISDICTIONAL STATEMENT**

Appellants' Jurisdictional Statement is correct but for its omission of any reference to plaintiffs' cross-appeal. Defendants' Notice of Appeal was timely filed on February 25, 2005. Plaintiffs' Notice of Cross-Appeal was timely filed on March 10, 2005. This Court has jurisdiction over the cross-appeal pursuant to 28 U.S.C. § 1295(a)(1).

## **STATEMENT OF THE ISSUES**

### Alliance's Appeal

1. Whether the district court's jury instructions as to claim construction constituted prejudicial legal error.
2. Whether the district court's jury instructions as to damages constituted prejudicial legal error.
3. Whether the jury's award of damages had evidentiary support.

### Action's Cross-Appeal

4. Whether plaintiffs were entitled to summary judgment that defendants' Multi-Play Poker game played with autohold off literally infringes claim 1 of the '066 patent.
5. Alternatively, whether the district court's summary judgment — that defendants' Multi-Play Poker game played with autohold off does not infringe claim 1 of the '066 patent under the doctrine of equivalents — should be vacated and the issue remanded for trial.

## **STATEMENT OF THE CASE**

This patent infringement case was brought by plaintiffs-cross-appellants Action Gaming, Inc. (“Action Gaming”) and IGT (collectively “Action”) against defendants-appellants Alliance Gaming Corporation, Bally Gaming, Inc., and United Coin Machine Co. (collectively “Alliance”). The initial complaint was filed in September 2001 (A1001) and an amended complaint in May 2002 (A1075). Action alleged that Alliance’s Multi-Play Poker game infringed specified claims of Action’s Patent No. 5,823,873 (“the ‘873 patent”), entitled “Method of Playing Electronic Video Games,” and of Action’s Patent No. 6,007,066 (“the ‘066 patent”), entitled “Electronic Video Poker Games.” Action ultimately asserted infringement only of claim 3 of the ‘873 patent and claims 1 and 3 of the ‘066 patent.

The magistrate judge issued a claim construction order with amended findings and recommendations on September 4, 2003 (A1168), which were generally affirmed by the district court on October 31, 2003 (A0036). On December 20, 2003, the district court granted Alliance’s motion for summary judgment with respect to literal infringement, denied Alliance’s motion for summary judgment with respect to infringement under the doctrine of equivalents, and denied Action’s cross-motion for summary judgment of infringement. A1247.

A jury trial was held September 13-24, 2004. The jury found that Alliance's Multi-Play game infringed claims 1 and 3 of the '066 patent and claim 3 of the '873 patent under the doctrine of equivalents and awarded Action damages of \$7,361,000. A0106-07. The district court entered judgment on the verdict on September 29, 2004. A0108. The court subsequently denied Alliance's motion for a new trial. A1468. Alliance's appeal and Action's cross-appeal followed. A1470; A7030.

## **STATEMENT OF FACTS**

### **A. The Invention And Its Commercial Development**

Ernest W. Moody is widely recognized as "the Albert Einstein" of video poker and "an icon in our industry." A3485. In 1995 he developed an innovative method of playing video poker that enabled the same hand of poker to be played multiple times and virtually simultaneously. Moody formed Action Gaming to promote and seek patent protection for his invention. A3126, 3141-42, 3152.

To protect his invention, Moody filed a provisional patent application in June 1996. A3167. The provisional application, which disclosed one of the multi-hand poker games that Moody later commercialized, eventually matured into the '873 and '066 patents. A3144, 3150.

While his patents were pending, Moody contacted several manufacturers of video poker machines, including Alliance, to see if they were interested in

commercially developing his games. A3167-68. His talks with Alliance never got off the ground because Moody refused to sign a release, insisted on by Alliance, stating that any idea he disclosed to them would become Alliance's property unless protected by a patent or copyright. A3168-69.

Moody thereafter began collaborating with appellee IGT, the world's largest manufacturer of gaming machines, to commercialize one of his invented games. A3171-72. IGT was enthusiastic about Moody's invention because, as one of its officers explained, Moody's game understood "the reasons people play video poker, and accentuated it in that you got to draw three times to a better hand. And that gets very, very exciting." A3448. In July 1996, Action Gaming and IGT executed a letter of intent providing IGT with an exclusive right to commercially develop Moody's invention into what became known as Triple Play Poker. A3172, 3451-52.

In Triple Play Poker, after the player places a bet, at least three rows of five cards are dealt, one row of which is face up. A3163-64. Cards to be held are then selected in the face-up row, and those holds are duplicated in each row. Although the player may select the cards to be held manually, the game is generally played with the autohold feature on. A3268, 3271. Autohold is a computer program (or algorithm) that selects the strategically optimal cards to be held in the face-up row and automatically duplicates those holds in each of the other rows. A3267-68.

Next, the player presses the draw button and the cards not selected to be held are discarded and replaced with face-up cards. A3268. Finally, the computer ranks the three hands and the player is paid according to an established pay table.

Moody displayed a prototype of Triple Play Poker at the International Gaming Billing Exposition in March 1997, where it was enthusiastically received. A3174-75. Publicity in numerous magazine and newspaper articles followed. A3176-77. Realizing the game was “likely to be a hit,” Moody and IGT formalized their relationship by executing a development agreement. A3179. The agreement gave IGT an exclusive license to manufacture and market the games. In addition, the parties agreed that Moody’s company would charge casinos \$5 per day for each placed machine. A3179-80, 3454-55.

After months of internal testing by IGT and approval by the Nevada Gaming Control Board, Action released Triple Play Poker at the World Gaming Congress in October 1997. A3182, 3456. It was “the hit of the show” and “took off like a rocket.” A3183, 3456. “[N]o one had ever seen a multihanded video poker game before. So it was a revolutionary concept and there was a lot of buzz about it and a lot of articles and publicity was generated.” A3186; see A3456. As Alliance’s CEO acknowledged, Triple Play Poker “caused quite a buzz in the industry” and won numerous awards. A3998-99; see A3178.

When Triple Play Poker actually entered the field, “that’s when the excitement really started.” A3456-57. The first games, installed in a Reno casino, were “a big hit,” garnering “several times the daily average” of other video poker games, and quickly became the hottest game in the field. A3184, 3189. Within the first few months of 1998, Triple Play went from “almost no games [to] over a thousand games in a hundred different locations.” A3191. Wherever Triple Play was installed, there were “people waiting in line,” the numbers were “two, three, in some cases four times the average of [other] video poker games,” and casinos were “anxious to order more right away.” A3457. Notwithstanding the daily fee, unique to Triple Play Poker, orders far exceeded those for standard video poker games. A3458.

As business grew, billing and other matters became too complicated for Moody’s small company to handle. A3191-92. So in April 1998, Action Gaming (to which Moody had assigned his patent rights (A3152)) and IGT agreed that IGT would distribute Triple Play Poker and bill casinos directly for the daily fees. A3192-94, 3467. Ultimately, IGT bought the rights to Moody’s patents, agreeing that Action Gaming would receive \$11.15 of the \$15-per-day royalty on each machine and a \$2 million advance. A3468-69. This arrangement reflected the view of IGT, the industry leader, that Moody’s invention would prove enormously profitable (which it did).

That view was based on the immense popularity of Triple Play Poker, which allowed IGT to obtain “premium pricing,” *i.e.*, both the sales price of the game and a daily royalty fee. A3485-86. The daily royalty was a new development in game pricing, reflecting the uniquely strong demand for Triple Play. A3174, 3453, 4047-48. Sales continued to skyrocket, allowing Action to raise the daily fee from \$5 to \$15 in April 1998 (effective May 1999) with virtually no complaints. A3194-95.

Shortly after announcing that daily fee increase, Moody met with Alliance CEO and President Robert Miodunski. A3210. Moody wanted to sell more games to Alliance subsidiary United Coin, a large route operator that placed games in gas stations, taverns, and convenience stores throughout Nevada. A3210-11. Although Moody offered Alliance a volume discount off the \$15-dollar per day rate and Miodunski thought Triple Play Poker was “attractive” and had “player appeal,” he said he “couldn’t get the numbers to work.” A3211-13, 3981. At that time, other route operators who were paying the \$15 per day fee were using Triple Play Poker profitably. A3212.

#### **B. The Success Of Moody’s Invention Prompts Knock-Offs**

In mid-1998, Moody learned that a company called Silicon Gaming was distributing a knock-off of Triple Play Poker called “Lucky Draw Poker.” Initially, he could do nothing about it because his patents had not issued. A3215-

16. But in July 1998 the PTO issued a Notice of Allowance for the '873 Patent. A3218. Action contacted Silicon, which agreed to a licensing agreement under which it would pay the \$15-a-day royalty fee. A3218-19. Nevertheless, Silicon subsequently came out with another knock-off of Triple Play, called "Multidraw Poker," and sold it to casinos even after the '873 Patent issued in October 1998. Action sued and obtained an injunction, which eventually resulted in a settlement agreement with Silicon in April 1999. A3222-26, 3473.

In April 1999, Miodunski again refused a proposed arrangement with Action, saying that Alliance was "in the process of coming up with their own version of multi-hand poker." A3226. As Miodunski testified, Alliance realized that Triple Play Poker was a "significant development in video poker" and "wanted it." A3999.

Because Action's patents stood in Alliance's way, Alliance considered trying "to avoid the Moody patent by having each hand start with different cards." A4341. Alliance sent its plans to its outside patent counsel, Robert Kovelman, who warned that even if Alliance's planned game allowed a player to "play different hands differently" so that "[n]o hold action for the second or third hand will be mirrored on the first hand," the game "might be too close to the claims at issue." A4323-24. He specifically warned Alliance that "[t]he hold buttons could be an issue if there were duplicate hands." A3771. Alliance decided not to

develop a game with different hands, concluding that “it wouldn’t be commercially viable because it’s too slow.” A4341.

As Kovelman confirmed in an e-mail, “Mr. Miodunski wanted to do a similar game to Triple Play Poker.” A3750, 4321-22. Alliance developed a prototype and conducted focus groups to test its appeal against that of Triple Play Poker. (When Action requested production of the focus group questionnaires in this proceeding, Alliance claimed they were missing. A3711, 4036-37.) Alliance proceeded to develop a game called Multi-Play Poker that, like Triple Play, involved the same hands in multiple rows. Miodunski testified:

Q. ...You said that you were convinced that you would be able to avoid Moody’s patent even before you saw it.

A. Yes.

Q. [O]ne of the reasons you were convinced you’d be able to do that is because your idea was that you could allow the player to select the number of hands that the player would play; correct?

A. That’s correct.

Q. Now, as it turned out, that wasn’t a factor at all in whether or not you would avoid Mr. Moody’s games; correct?

A. As it turned out, that’s correct.

A3985. Instead, Kovelman advised Alliance to “play their hands independently.”

A4316.

In the summer of 2000, Moody was shown a test version of Alliance’s game and “was shocked to see that it was a blatant rip off” of his invention. A3228. In

October 2000, Alliance displayed its prototype game at a gaming show in Las Vegas. It was “real obvious” to Moody “that it was just a complete copy of our game.” A3230. Alliance proceeded to deploy Multi-Play Poker in taverns, convenience stores, and other sites, charging a daily fee. A3231, 3234. According to Miodunski, this was the “first time we charged for a game.” A4047. He admitted that Alliance was able to charge a daily fee because “the trail had been blazed by Triple Play Poker.” A4048.

Alliance refused Action’s request that it pull the games from the route locations. A3234. Multi-Play led to a dramatic improvement in Alliance’s financial condition. As Miodunski testified, “the stock price for Alliance sky rocketed over the period 2000 to 2002,” reflecting a “substantial improvement” in working capital and a “significant increase” in cash flow. A4062-64.

### **C. Alliance’s Multi-Play Poker**

In Multi-Play Poker, the player initially sees three identical hands, with all cards face up. The player then selects the cards to be held in the hands. A3236-37.

Generally, the same cards are held in each hand. That is because all Multi-Play Poker games have an autohold feature. The cards that autohold selects are identified by a “hold” designation above the card. A3238. Since the same cards are dealt in each hand, autohold automatically identifies the same cards in each hand as cards to be held. A3239. If the player seeks to make the strategically

optimal play, he leaves the “hold” cards as selected. If the player does not wish to make the strategically optimal play, he selects the cards to be held in each hand by pressing the card on the screen. Since they begin with multiple identical hands, most players choose to hold the same autohold-selected cards in each hand to obtain the strategically optimal play. A3255, 4055-56, 7018-19.

After the cards to be held have been selected, the player presses the “Deal/Draw” button. The held cards remain in each of the three hands, and the game deals replacement cards in place of the unselected cards to complete the hand. Multi-Play then determines the poker ranking for each hand and pays the player in accordance with a pre-determined pay table. A3237.

Multi-Play Poker also may be played with autohold off. If so, the player selects the cards to hold in each hand by pressing the card on the screen. When starting with multiple identical hands, almost all players choose to hold the same cards in each hand, as autohold does, again because most hands will have only one strategically correct play. A7018-19. Multi-Play allows the player to select a card in one hand and then simply swipe his finger down (or up) the column so that the same cards are quickly and easily selected as held cards in each of the rows. A3429-30. The game then is played just as when autohold is on.

The parties stipulated that at least one player of Multi-Play Poker has played with autohold on and held the cards identified by autohold in each hand. A7022-23. Alliance never applied for a patent on Multi-Play Poker. A4364-65.

#### **D. District Court Proceedings**

##### **1. Action's Claims**

Action Gaming filed suit against Alliance in September 2001, with IGT later joining as a plaintiff. A1001, 1075. Action claimed infringement of claim 3 of the '873 Patent and claims 1 and 3 of the '066 Patent, as well as inducing and contributing to infringement by others. The three patent claims at issue are reproduced for the Court's convenience in the Addendum hereto.

##### **2. The *Markman* and Summary Judgment Rulings**

The magistrate judge initially issued findings and recommendations on claim construction in September 2002. After the parties filed motions for clarification and reconsideration, the magistrate judge issued amended findings and recommendations in September 2003.

The magistrate judge generally adopted Action's proposed claim constructions but accepted two limitations proposed by Alliance. The first limitation involved sequence. The magistrate judge found that claim 3 of the '066 patent and claim 3 of the '873 patent required that "the recited method steps of (1) 'dealing' (2) 'selecting' and (3) 'duplicating...from' must be performed sequentially." A1173. Further, according to the magistrate judge, claim 1 of the

'066 patent required that “the recited method steps of (1) ‘dealing’ (2) ‘selecting’ and (3) ‘the same cards selected to be held in the first row being also held in all other rows,’ must be performed sequentially.” *Id.* The second limitation involved dependency. The magistrate judge found that, with respect to all three claims, “the play of subsequent hands is dependent on the selection of none, one or more cards from an initial hand or hands.” A1174. However, the magistrate judge also ruled that Alliance’s proposed construction — that “the cards selected to be held in the first hand and duplicated into subsequent hands must be held in those subsequent hands” — applied only to claim 1 of the ‘066 patent and not to the two claims 3, as Alliance contended. *Id.*

The district court generally affirmed the magistrate judge’s findings and recommendations. However, the court found that the sequence and dependency limitations accepted by the magistrate judge were “unnecessary as plaintiff’s constructions more closely follow the plain language of the claims.” A0037; see also A0039 (Alliance’s proposed claim limitations were “unnecessary”).

### **3. The Summary Judgment Ruling**

On cross-motions for summary judgment, the district court granted Alliance’s motion for summary judgment of noninfringement as to literal infringement, rejected Alliance’s motion for summary judgment of noninfringement under the doctrine of equivalents, and rejected Action’s motion

for summary judgment of infringement. A1248. The court found no literal infringement due to a purported lack of “dependency” in Multi-Play Poker, despite its prior *Markman* ruling finding Alliance’s proposed “dependency” limitation “unnecessary.” A1247-48.

Specifically, the court ruled that Multi-Play Poker did not literally infringe claim 1 of the ‘066 patent because the “also held” limitation of that claim “requires holding in all rows those cards selected to be held in one row.” A1247. According to the court, “[t]here is therefore an inherent dependency required, but there is no dependency in any rows in Defendants’ Multi-Play Poker game” because “[e]ach of the rows in Multi-Play Poker is played independently from the others.” *Id.* Similarly, the court ruled that Multi-Play did not literally infringe claim 3 of the ‘873 patent (or presumably claim 3 of the ‘066 patent) because “that claim requires duplicating the cards selected to be held from the first hand into at least a second hand,” and “Defendants’ Multi-Play Poker game has no such dependency. It does not duplicate the cards that have been selected from the initial hand into any other hands.” A1248.

Finally, the court ruled, there was “a triable issue of fact to be determined by the jury” as to whether Multi-Play with autohold on infringed Action’s patent claims under the doctrine of equivalents. A1248.

#### **4. The Trial**

A nine-day jury trial was held to determine whether Multi-Play Poker played with autohold on infringes claim 1 of the '873 patent and claims 1 and 3 of the '066 patent under the doctrine of equivalents.

At trial, Action presented four witnesses. Moody described the history of his invention and patents, his relationship with IGT, his attempts to reach an agreement with Alliance, his discovery that Alliance was developing what he considered a knock-off game, and how Action was damaged. He also compared both the Multi-Play and Triple Play games with the patent claims. A3241-3255, 3266-3272, 3427-3432. Robert Bittman, IGT's Executive Vice-President, testified about IGT's collaboration with Moody, the unparalleled success of Triple Play Poker, its unique pricing arrangements, and issues related to the damages caused by Alliance's Multi-Play Poker. A3439-3503. Stephen Clarke, a business valuation expert, testified regarding Action's damages. A3505-3695. Action also presented Monica Finta, Alliance's in-house counsel, as an adverse witness. She related her communications regarding Alliance's development of Multi-Play Poker and its relationship to Moody's patents. A3736-3811.

Alliance too presented four witnesses. Its President and CEO, Robert Miodunski, testified about Alliance's development and commercial application of Multi-Play Poker. A3871-4075. Robert Nader, a United Coin officer, testified

primarily on issues related to damages. A4077-4196. Robert Kovelman, Alliance's outside patent counsel, related communications he had with Alliance regarding Moody's patents and Alliance's development of Triple Play. A4198-4381. Finally, Bradford Cornell provided expert testimony on the damages, if any, sustained by Action. A4382-4494.<sup>1</sup>

Action claimed damages of over \$9.8 million for Alliance's infringement or, to the extent its lost profits were not established in whole or in part, at least \$6.5 million in lost reasonable royalties. A3561, 3574. Alliance claimed that Action incurred lost profits, if any, of \$5 million and would be entitled to a reasonable royalty of \$3.697 million. A4442, 4447.

At the close of evidence, Alliance made no motion for judgment as a matter of law.

The parties submitted joint jury instructions, indicating those on which they agreed and proposing alternative instructions for others, and the court held a two-day jury-instruction hearing. A4528-4630, 4739-4770. After the jury was instructed, it deliberated and found Alliance liable for infringing claims 1 and 3 of the '066 patent and claim 3 of the '873 patent. A105-06. The jury awarded Action damages in the amount of \$7,361,000, and judgment was entered accordingly. Alliance's motion for a new trial was subsequently denied.

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<sup>1</sup> Several deposition excerpts also were read into testimony.

## **SUMMARY OF THE ARGUMENT**

The jury found that the play of Alliance's Multi-Play Poker with autohold on is substantially equivalent to the method of play described in the patent claims at issue and thereby infringed Action's patents. Alliance offers no valid ground for having this Court override the jury's findings.

Alliance raises three challenges to the judgment below — that the claim construction jury instructions were “given short shrift,” “half-hidden,” or “incomplete” as to sequence and dependency, that the jury instruction on acceptable substitutes was defective, and that the jury's damages award was against the clear weight of the evidence. All are groundless.

### I.

Alliance waived any challenge to the claim construction jury instructions. Alliance not only failed to object to the instructions, but it affirmatively agreed to the very language that it now finds objectionable. In any event, the district court properly instructed the jury with respect to sequence and dependency. Furthermore, the instructions as given did not prejudice Alliance. Substantial evidence supported the jury's finding that the play of Multi-Play Poker was equivalent to the method described in Action's patent claims, including with respect to sequence and dependency. In light of that evidence, the language that Action now seeks could not have affected the outcome. In addition, Alliance does

not challenge the jury instruction on dependency with respect to claim 1 of the '066 patent. Since the jury found that Alliance infringed that claim, substituting Alliance's instruction language with respect to the other claims likely would have resulted in findings of infringement on those claims as well.

## II.

The district court properly instructed the jury regarding acceptable, non-infringing substitutes. The court told the jury, consistent with the AIPLA Model Instruction and this Court's precedents, that "[i]n order to be an acceptable substitute, the game *must* have the advantages of the patented method of play that are important to customers." A0093 (emphasis added). Alliance proposed an instruction that stated the precise opposite: "In order to be an acceptable substitute, the method *need not* have those advantages of the patented invention that were important to customers." A1440 (emphasis added). Alliance cannot obtain a new trial on the ground that the district court refused to accept such an erroneous statement of the law.

## III.

The jury's damages award was supported by substantial evidence. Contrary to Alliance's contentions, there was nothing speculative about the analysis of Action's damages expert, Stephen Clarke. He used hard evidence and a reasonable model to find a lack of acceptable non-infringing substitutes for the patented

method, the amount of past lost profits and a reasonable royalty, and the amount of lost future daily fees. He computed total lost profits of \$9,817,115 and a reasonable royalty of \$6.5 million, and Alliance's expert computed total lost profits of \$5.3 million and a reasonable royalty of \$3.697 million. The jury's award of \$7.361 million fell within the range of the experts' figures. Alliance offers no valid basis for overturning the jury's finding.

#### IV.

Action cross-appeals from the district court's summary judgment ruling because it leaves Alliance free to deploy its Multi-Play Poker machines with the autohold feature turned off. With autohold off, Multi-Play Poker may be played so as to literally infringe each step of claim 1 of the '066 patent. Accordingly, Action was entitled to summary judgment that Multi-Play Poker played with autohold off literally infringes that claim. Alternatively, the district court's summary judgment of no literal infringement should be vacated and remanded for trial on whether Multi-Play Poker played with autohold off infringes claim 1 of the '066 patent under the doctrine of equivalents.

#### **ARGUMENT**

**Standard of Review.** The "abuse of discretion standard applies" on review of a district court's denial of a motion for new trial. *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1367 (Fed. Cir. 1991). "The standard of

review for jury instructions is prejudicial legal error.” *Eli Lilly & Co. v. Aradigm Corp.*, 376 F.3d 1352, 1359 (Fed. Cir. 2004). “To prevail, the party challenging the jury instruction must demonstrate both that the jury instructions actually given were fatally flawed and that the requested instruction was proper and could have corrected the flaw.” *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 345 F.3d 1318, 1325 (Fed. Cir. 2003). This case arises from a court in the Ninth Circuit. “In the Ninth Circuit, no prejudicial error exists if, considering the charge as a whole, the court’s instructions fairly and adequately covered the issues presented, correctly stated the law, and were not misleading.” *Keystone Retaining Wall Sys., Inc. v. Westrock, Inc.*, 997 F.2d 1444, 1448 (Fed. Cir. 1993). Thus, on appeal, Alliance “must show that the jury instructions as a whole were so incorrect as to mislead the jury.” *Id.*

A jury’s award of damages “must be sustained unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or based only on speculation or guesswork.” *Biotec Biologische Naturverpackungen GmbH v. Biocorp, Inc.*, 249 F.3d 1341, 1355 (Fed. Cir. 2001).

This Court reviews a district court’s grant of summary judgment “without deference.” *Free Motion Fitness, Inc. v. Cybex Int’l, Inc.*, 423 F.3d 1343, 1347 (Fed. Cir. 2005).

**ALLIANCE’S CHALLENGES TO THE JURY INSTRUCTIONS ON CLAIM CONSTRUCTION ARE GROUNDFLESS.**

Alliance contends that the jury instructions construing the claims at issue were erroneous, in particular with respect to sequence and dependency. Alliance Br. 32-33. Alliance is wrong for at least three independent reasons.

First, Alliance waived any such challenge. Prior to submission of the case to the jury, Alliance agreed to the very instructions it now challenges. Second, the district court properly instructed the jury with respect to sequence and dependency. Finally, the instructions as given did not prejudice Alliance. The jury heard substantial evidence that the play of Multi-Play Poker was equivalent to the method described in Action’s patent claims, including with respect to sequence and dependency. In addition, Alliance acknowledges that the jury was properly instructed on dependency with respect to claim 1 of the ‘066 patent. The jury’s finding that Alliance infringed that claim shows that substituting Alliance’s instruction language with respect to the other claims would not have resulted in a different verdict. At bottom, Alliance lost at trial because of the evidence, not because of any problematic jury instructions.

As noted *supra* pp. 20-21, jury instructions are reviewed for prejudicial legal error. “[A] party seeking to alter a judgment based on erroneous jury instructions must establish that (1) it made a proper and timely objection to the jury instructions, (2) those instructions were legally erroneous, (3) the errors had

prejudicial effect, and (4) it requested alternative instructions that would have remedied the error.” *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1311-12 (Fed. Cir. 2005); *Eli Lilly*, 376 F.3d at 1360. As demonstrated below, Alliance cannot satisfy these requirements for a new trial.

**A. Alliance Waived Its Challenges To The Claim Construction Jury Instructions.**

Alliance challenges portions of Jury Instructions Nos. 28, 29, and 36 as given, in particular with respect to the issues of sequence and dependency. Alliance waived its challenges by agreeing to those very instructions during the jury instructions conference.

**1. Sequence**

With respect to sequence, Action’s Proposed Instruction 27A read:

The claim elements as written in the claims need not be performed by Multi-Play Poker in that order for the claims to be infringed. If it is impossible to perform the steps described in the claims without performing them in the sequence as written, then Multi-Play Poker must be played in the order the steps written for there to be infringement. But where it is possible to perform a step before, during, simultaneously with, or after another step, the steps need not be performed in the sequence as written in a claim for the play of Multi-Play Poker to literally infringe.

Even if you find the steps must be performed in a sequence for there to be literal infringement, performance of the steps in a different sequence may constitute infringement under the doctrine of equivalents if you find the different sequence is an insubstantial difference.

A1387 (footnotes omitted). Alliance’s Proposed Instruction 27B was far longer and more complex, reading:

Unless the steps of a method actually recite an order, the steps are not ordinarily construed to require one. However, when the method steps implicitly require that they be performed in the order written, the steps require that order.

In this case, the Court has determined as a matter of law that the plain language of each of the asserted method patent claims require at least three of the steps of those claims to be carried out or performed one after another. That is, the Court has determined that the plain language of claim 3 of the ‘873 patent requires that step (a) of “dealing a first hand of at least five cards all face up” MUST be performed before the step (b) of “selecting none, one or more of the face up cards from the first hand as cards to be held,” and the step (b) of “selecting none, one or more of the face up cards from the first hand as cards to be held” has to be performed before the step (c) of “duplicating the cards selected to be held from the first hand into at least a second hand.”

Similarly, in claim 3 the ‘066 patent step, (a) of “dealing a first row, a second row, a third row, a fourth row, and a fifth row of at least five cards, with at least the cards in the first row being dealt all face up” must be performed before the step (b) of “selecting none, one or more of the face up cards from the first row as cards to be held” and the step (b) of “selecting none, one or more of the face up cards from the first row as cards to be held” must be performed the step (c) of “duplicating the cards selected to be held from the first row in all the other rows.”

Likewise, in claim 1 of the ‘066 patent, the step (a) of “dealing at least a first row and a second row of at least five cards all face up, each row having the same five cards” must be performed before the step (b) of

“selecting none, one or more of the face up cards from either the first row or the second row as cards to be held,” and the step (b) of selecting none, one or more of the face up cards from either the first row or the second row as cards to be held” must be performed before the step (c) of “the same cards selected to be held from one row being also held in all of the other rows.”

A1388-89 (footnotes omitted).

The district court initially was inclined to read Action’s Proposed Instruction No. 27-A (A4557), noting that, except for the first paragraph, Alliance’s Proposed Instruction No. 27-B was verbose and likely to confuse the jury. A4558-62. As the court put it, “what I’m concerned about is I’m just reading jibberish and they’re going to say ‘What?’” A4561. Alliance’s counsel responded that he could cure the Court’s concerns:

MR. GABRIEL: I understand, Your Honor. I think that can be cured by “requires that the steps of dealing the first hand”.... Or selecting – the steps of the claims. Just “the steps of each of the claims at issue in this case need to be carried out or performed one after another.” ***It can end right there.*** It doesn’t have to describe what steps they are.

THE COURT: That’s what I’m saying. It requires at least three of the steps of those claims be carried out or performed one after another.

MR. GABRIEL: I would just – I would just list the steps. We don’t have to say “requires at least three.” “Requires the steps of dealing, selecting, and duplicating to be carried out or performed one after the other.” ***Period. That’s it. Period. Nothing else.***

A4562 (emphasis added).

The district court ultimately instructed the jury just as Alliance's counsel had agreed. Instruction No. 29, as read to the jury, stated:

Unless the steps of a method actually recite an order, the steps are not ordinarily construed to require one. However, when the method steps implicitly require that they be performed in the order written, the steps require that order.

In this case, the Court has determined as a matter of law that the plain language of claim 3 of the '873 patent *requires at least the steps of dealing, selecting, and holding to be carried out or performed one after another*, at least the steps of dealing, selecting, and duplicating of claim 3 of the '066 patent to be carried out or performed one after another, and at least the steps of dealing, selecting, and being held to be carried out or performed one after another for claim 1 of the '066 patent.

A0073 (emphasis added). In short, Alliance waived any challenge to Instruction No. 29 by expressly agreeing to it. Furthermore, Alliance did not object to or even mention Action's Instruction No. 27A, which became Instruction 28 as given. A0072.

Thereafter, the court and the parties discussed Action's Proposed Instruction No. 34A (A1407) and Alliance's Proposed Instruction No. 34B (A1409). See A4592-4601. These proposed instructions construed each of the claims at issue. Alliance insisted that the jury be instructed that the steps of each patent claim must be performed in sequence. A4592, 4595-96. In response, the district court

suggested adding language to Action’s instruction, and Alliance’s counsel agreed that the instruction would be acceptable with that addition:

THE COURT: Okay. Well, I’ll just take it from the order. “It’s apparent from the plain language of the claims that a sequence exists.”

MR. GABRIEL: *That’s fine, Your Honor.*

A4595 (emphasis added).

The district court ultimately read to the jury, in what became Instruction No. 36, the precise language to which Alliance’s counsel had agreed. A0081-82. Again, Alliance waived any challenge to the sequence language in Instruction No. 36 by expressly agreeing to it.

## **2. Dependency**

The parties also discussed with the district court how to present the issue of dependency to the jury. As with the sequence issue, Alliance waived its challenge to the jury instructions with respect to dependency by agreeing to accept the language that the court ultimately read to the jury.

Alliance initially requested that a statement about dependency be included in the instruction construing claim 1 of the ‘066 patent: “What we do want to say, Your Honor, is ‘there’s an inherent dependency required’ – just what the court said – ‘for Claim 1 of the ‘066.’” A4596. The district court then suggested adding such language to paragraph 7 of Action’s Proposed Instruction No. 34A (A1407), and Alliance agreed:

THE COURT: All right. Well, why not just add it after paragraph seven, then?

MR. GABRIEL: Okay.

THE COURT: There's an inherent dependency required but there's no dependency in any rows. Is that what you want to say?

MR. GABRIEL: No. It would be paragraph seven, they also held —

THE COURT: There's an inherent dependency required.

MR. GABRIEL: *Fine. That's fine, your Honor.*

A4601 (emphasis added).

The district court ultimately instructed the jury (in ¶ 7 of Instruction No. 36) that “there is an inherent dependency” in claim 1 of the ‘066 patent (A0081) — precisely the language to which Alliance’s counsel agreed. Accordingly, Alliance has waived its challenge to Instruction No. 36, including any contention that the dependency instruction was “incomplete” or “half-hidden.” Alliance Br. 33-34.

### **3. Alliance’s Failure To Object**

Alliance contends that it “objected on the record” to the district court’s jury instructions regarding sequence and dependency. Alliance Br. 23. But its only record citation is to A4629-30. There, the district court asked whether either party objected to any of the jury instructions that the court had decided to give. Action’s counsel responded: “Not in their entirety, Your Honor. I just observe the objections that we made with respect to the variance that we offered.” Alliance’s

counsel then responded as follows: “Your Honor, the same thing is true for the defendants. We’ve articulated our objections to the extent we have any.” A4629-30.

That statement from Alliance’s counsel is insufficient to preserve any objections to the jury instructions as to sequence and dependency. Fed. R. Civ. P. 51(c)(1) provides that “[a] party who objects to an instruction or the failure to give an instruction must do so on the record, stating *distinctly the matter objected to and the grounds of the objection*” (emphasis added). First, Alliance’s counsel did not state that Alliance in fact had any objections. See A4629-30 (“to the extent we have any”). Second, he did not specifically identify the “matter objected to” or specify “the grounds” of any objection. See *Eli Lilly*, 376 F.3d at 1361 (“Generically alleging that the wording of a jury instruction is confusing” is insufficient under Rule 51); *Zhang v. American Gem Seafoods, Inc.*, 339 F.3d 1020, 1030 (9th Cir. 2003) (rejecting challenge to jury instructions where defendant failed to object at trial on grounds asserted in post-trial motion); *Hammer v. Gross*, 932 F.2d 842, 847 (9th Cir. 1991) (en banc) (noting that the Ninth Circuit “has enjoyed a reputation as the strictest enforcer of Rule 51”). Finally, far from specifically objecting to the jury instructions as given on sequence and dependency, Alliance specifically and expressly agreed to them. Accordingly, Alliance is barred from challenging those instructions on appeal. See

*Eolas Tech., Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1338 (Fed. Cir. 2005) (holding that defendant waived objection to jury instructions and noting that “[i]t is rare indeed for appellate relief to be granted when no objection was raised at trial”).

**B. The District Court Properly Instructed The Jury As To Sequence And Dependency.**

The district court instructed the jury that “[i]t is apparent from the plain language of the claims that a sequence exists” (A0082), that the “plain language” of each patent claim requires specified steps “to be carried out or performed one after another” (A0073), and that “when the method steps implicitly require that they be performed in the order written, the steps require that order” (A0073). The court thereby fully instructed the jury regarding sequence. The district court also instructed the jury that “[t]he ‘also held’ limitation of claim 1(c) of the ‘066 patent requires holding in all rows those cards selected to be held in one row, therefore, there is an inherent dependency.” A0081. The court thereby fully instructed the jury regarding dependency.

Alliance complains that these instructions were “given short shrift,” “half-hidden,” or “incomplete.” Alliance Br. 33-34. But a party has no right to its own particular formulation of an issue, and the trial court has substantial discretion in editing proposed instructions to avoid undue length, complexity, or repetition. See *Biodex Corp. v. Loredan Biomed., Inc.*, 946 F.2d 850, 854 (Fed. Cir. 1991) (“the

court is not required to give instructions in the language and form requested”); *Chiron Corp. v. Genentech, Inc.*, 363 F.3d 1247, 1260 (Fed. Cir. 2004) (approving “succinct” jury instructions); *United States v. Garza*, 980 F.2d 546, 554 (9th Cir. 1992) (“The formulation or choice of language of the jury instructions is within the discretion of the district court”). In assessing whether jury instructions were legally erroneous, they must be reviewed “as a whole” and in the context of what happened at trial. *Chiron*, 363 F.3d at 1258; *Eli Lilly*, 376 F.3d at 1361; *Garza*, 980 F.2d at 554. If the instructions considered together fairly and accurately state the relevant law, there is no reversible error. *Chiron, supra*, at 1260; *Altera Corp. v. Clear Logic, Inc.*, 424 F.3d 1079, 1087 (9th Cir. 2005). Reading the jury instructions that were read to the jury as a whole shows that the jury was properly instructed on the issues it was to decide.

Alliance contends that the district court should not have limited its dependency instruction to claim 1 of the ‘066 patent. Alliance Br. 34-35. But Alliance told the district court “just say ‘Claim 1 of the ‘066 patent’” with respect to the dependency instruction. A4599. Limiting the dependency instruction to claim 1 of the ‘066 patent made sense because it was the only claim at issue stating that “the same cards selected to be held from one row being also held in all of the other rows.” For that reason, the district court in its *Markman* ruling rejected

Alliance’s contention that this “dependency” applied to the other two claims at issue, stating:

Specifically, defendants’ fifth proposed claim construction “ask[ed] the court to find that in claims 1, 3 and 6 of the ‘873 patent and claims 1 and 3 of the ‘066 patent, the cards selected to be held in the first hand and duplicated into subsequent hands must be held in those subsequent hands.” However, the magistrate judge found that “[o]nly the language of claim 1 of the ‘066 patent supports [defendants’] proposed construction” and “[a]ll of the other claims are silent on the issue of whether cards selected to be held from the initial hand are duplicated into subsequent hands must be held in those subsequent hands.” The magistrate judge correctly refused to add a limitation to the claims that did not exist in the claims themselves.

A0037-38. In addition, the district court rejected the addition of an express dependency limitation as “unnecessary.” A0037; see also A1174. As stated in the court’s *Markman* ruling, the plain language of the three claims, which the court read in full to the jury, told the jury all it needed to know about any implicit dependency. Furthermore, Alliance raises no challenge to the district court’s claim constructions. Its challenge to jury instructions that comported with those constructions is inconsistent with its acceptance of those constructions.

Alliance’s further contention that the sequence instructions improperly “invited the jury to engage in claim construction” and to ignore the “all limitations rule” (Alliance Br. 37, 41) is meritless.

The court did not “instruct the jury on literal infringement,” as Alliance contends. Alliance Br. 37. Instruction No. 28 simply informed the jury how the *court* had construed the literal language of the claims, including the language Alliance contended gave rise to a “sequence” requirement, and told the jury that it could find any difference in sequence “insubstantial” and thus infringing under the doctrine of equivalents. A0072. Furthermore, it is well settled that some steps of a patented method claim may literally read on an accused device and other steps may read on it only equivalently. See *Wright Med. Tech., Inc. v. Osteonics Corp.*, 122 F.3d 1440, 1444 (Fed. Cir. 1997) (infringement may be found under the doctrine of equivalents where “every limitation of the asserted claim, or its equivalent, is found in the accused subject matter”).

There cannot have been any confusion over whether the court or the jury was to engage in claim construction. The district court repeatedly told the jury that construing the literal claim language was the court’s job and that the jury had to accept the court’s constructions:

It is my job as judge to determine the meaning of any patent claim language that needs interpretation. You must accept the meanings I give you and use them when you decide whether any of the asserted method patent claims has been infringed.

A3031.038.

It is my duty to interpret the patent claims including any contested words and group of words for you. The words

or groups of words are known as “elements” of the claim. In a few minutes, I will instruct you as to the meaning of these elements in the claims. You must use the meanings that I give you in deciding whether Defendants infringed one or more of the claims at issue in this case.

A0068.

Now that I have instructed you generally about the law that you must follow in deciding whether Defendants infringe one or more of Plaintiffs’ patents, it is time for me to instruct you specifically about the meaning of the claim elements at issue in this case. I have construed the claim terms as follows: ...

A0081-82.

It must be presumed that the jury understood and followed these instructions. See *Francis v. Franklin*, 471 U.S. 307, 324 n.9 (1985) (courts assume absent “extraordinary situations” that jurors understand and carefully follow instructions); *Tan v. Runnels*, 413 F.3d 1101, 1115 (9th Cir. 2005) (same). That presumption applies with special force here because both parties’ attorneys repeatedly told the jury that it was to apply the court’s claim constructions to the facts of the case:

And the court will instruct you later that what you’re comparing to figure out the answer to that is not two machines, it’s the claim in Mr. Moody’s patent, what they say. And the court will instruct you as to what those words mean . . . .

A3093.

And the judge tomorrow morning will tell you what different words of this claim mean.

A4642.

What do the words in those claims mean? What's the meaning of the words? That will come from the Court. Not from the lawyers, not from the witnesses; from the Court.

A4664.

Thus, the jury was repeatedly told that it was not their job to construe the literal language of the claims, and any imprecision in Instruction No. 28 cannot have created any confusion on this issue. See *Gracie v. Gracie*, 217 F.3d 1060, 1067 (9th Cir. 2000) (rejecting new trial where “any imprecision” in jury instructions was “at most a technical defect”). Instruction No. 28 told the jury to determine whether the differences between the claimed and accused methods were so insubstantial as to infringe under the doctrine of equivalents. That instruction properly informed the jury as to the nature of the disputed *factual* issue it was to resolve under the doctrine of equivalents. See *Ericsson, Inc. v. Harris Corp.*, 352 F.3d 1369, 1375 (Fed. Cir. 2003) (“the jury reasonably could have found [that] the accused devices are insubstantially different from the claimed invention and consequently infringe under the doctrine of equivalents”).

Similarly, the jury was not misinformed about the “all limitations rule.” The district court instructed the jury:

In order for there to be infringement of one of the asserted method patent claims, you must find that *every step or limitation* set forth in the claim is also found in

the method of play of Defendants' Multi-Play Poker game, exactly or by a substantial equivalent. Because *each element* of a patent claim is material and essential, Plaintiffs must establish the presence of *every element* of the patent claim . . . .

A0070 (emphasis added). That instruction adequately and accurately stated the law on this point.

Alliance suggests that it was impermissible to instruct the jury that its game could infringe under the doctrine of equivalents if it altered the sequence of steps only insubstantially. Alliance Br. 37-38. But there is no doctrinal basis — and Alliance cites not a single case holding — that sequence limitations are exempt from the insubstantiality test under the doctrine of equivalents. The court properly instructed the jury that it was to determine whether any minor changes in sequence met the insubstantiality standard under the doctrine of equivalents.

**C. Alliance Was Not Prejudiced By The District Court's Instructions On Sequencing And Dependency.**

Alliance cannot show prejudice from the challenged jury instructions, an independent reason why the district court properly rejected its request for a new trial. There can be no prejudicial legal error unless a different instruction could have changed the result. *Lisle Corp. v. A.J. Mfg. Co.*, 398 F.3d 1306, 1316 (Fed. Cir. 2005) (any error in jury instructions was “harmless” and thus failed to meet the “prejudicial error” standard); *Environ Prods., Inc. v. Furon Co.*, 215 F.3d 1261, 1266-67 (Fed. Cir. 2000); *Weinar v. Rollform, Inc.*, 744 F.2d 797, 808 (Fed. Cir.

1984). The appellant bears the burden of establishing such prejudice. *Sulzer Textil A.G. v. Picanol N.V.*, 358 F.3d 1356, 1364 (Fed. Cir. 2004).

Substantial evidence supported the jury's finding that any differences between the patented method of play and the play of Multi-Play Poker with autohold on were insubstantial. *E.g.*, A3228, 3230, 3239, 3255, 3750, 4321-22. Indeed, Alliance's counsel admitted to the district court at the close of evidence that "[t]here's sufficient evidence to go forward to the jury on the question of whether the method of playing multiplayer poker infringes the Moody patent under the doctrine of equivalen[ts] when auto hold is enabled and used." A4522. That evidence fully justified the jury's verdict that Alliance infringed and induced infringement of the patented method under the doctrine of equivalents by distributing its accused games. In the face of that evidence, Alliance cannot show that the verdict would have been any different if the jury instructions had been worded as it now seeks.

Furthermore and importantly, Alliance has no basis for assuming that the jury determined that Multi-Play performs the steps in an order other than that set forth in the claims at issue. As the district court instructed the jury, claims 3 of the '873 and '066 patents require at least the steps of dealing, selecting, and duplicating to be carried out or performed one after another. A0073. Alliance's Multi-Play Poker with autohold on performs equivalent steps in just that sequence.

It deals several hands of poker, autohold selects cards to be held in the first row, and those same holds are duplicated in each other row. A3236-39. Although Alliance argued that duplicating holds is different from duplicating cards, the jury apparently deemed them equivalent. That was not irrational because, as Ernest Moody testified, Multi-Play “selects the same cards to hold, which is the same as duplicating the cards selected to be held.” A3249; see also A3239 (in Multi-Play Poker “[t]he hold selection is made and then it’s duplicated into the other two hands by the autohold”). Accordingly, Alliance cannot have been prejudiced by the district court’s sequence instructions.

Alliance’s brief nowhere states that Alliance was prejudiced by the instructions regarding dependency. The section of its brief devoted to prejudice discusses only the sequence instructions. See Alliance Br. 44-45. In any event, Alliance cannot have been prejudiced by the fact that the jury was instructed on dependency only with respect to claim 1 of the ‘066 patent. Alliance admits that the jury was properly instructed on dependency with respect to that claim. Alliance Br. 35. It is undisputed that the jury found infringement of Claim 1 of the ‘066 patent after receiving that instruction. A105. Thus, even if the jury had been instructed on dependency with respect to claims 3 of the ‘873 and ‘066 patents, it likely would have found those claims to be infringed just as it did with respect to claim 1 of the ‘066 patent. See *Swinton v. Potomac Corp.*, 270 F.3d 794, 805-06

(9th Cir. 2001) (erroneous jury instruction was harmless where plaintiff more likely than not would have prevailed under correct jury instruction); *CytoLogix Corp. v. Ventana Med. Sys., Inc.*, No. 04-1446, 2005 WL 2293079, at \*6 (Fed. Cir. Sept. 21, 2005).

Furthermore, the jury heard abundant evidence allowing it to conclude that Multi-Play Poker is played with the same inherent dependency supposedly incorporated in Action's patent claims. Although Alliance contends there is no inherent dependency in Multi-Play, Alliance's CEO Miodunski testified otherwise:

Q. So each hand that's displayed is dependent upon the random number generator's decision about what that hand should contain; correct?

A. I think that's correct, yes.

A4003-04.

Q. And not only what it should contain but where each card should be located; correct?

A. I believe that's correct also.

A4004.

Q. Optimal play in a multihand video poker game like Multiplay Poker is to hold the same cards in each hand through the end of the game.

A. I think that's correct.

A4059. Miodunski also testified that Multi-Play's pay-out percentages assume that the same cards are held in each hand:

Q. Now in calculating these percentages, is it correct that United Coin assumes that the players play optimal mathematically?

A. That's correct. . . .

Q. So you're assuming that the same cards are held in every hand when multiple hands are played. Correct?

A. I believe that's correct.

A4055-56.

Alliance's patent attorney agreed. Robert Kovelman testified that all the hands in Multi-Play Poker "always have the same cards in the same sequence as the initial hand." A4318. Further, with autohold on, according to Kovelman, "it will necessarily always, every single time, suggest the same cards be held in each hand." A4319. Thus, Kovelman testified, in Multi-Play there is a "dependent" relationship between all subsequent hands and "what cards are initially dealt and in what order in the first hand." A4328-29.

In the face of such evidence of inherent dependency in Multi-Play from Alliance's own witnesses, Alliance's contention that it was prejudiced by insufficient emphasis on dependency in the jury instructions cannot be taken seriously.

**ALLIANCE’S CHALLENGES TO THE JURY’S DAMAGES AWARD ARE GROUNDESS.**

**A. The Jury Was Properly Instructed As To Acceptable, Non-Infringing Substitutes.**

The district court’s jury instruction on the availability of acceptable non-infringing alternatives was not legally erroneous, as Alliance contends. See Alliance Br. 45-48. As demonstrated below, it was Alliance’s proposed alternative instruction that is legally erroneous. The district court therefore did not abuse its discretion in rejecting Alliance’s request for a new trial.

In Instruction No. 46, the district court instructed the jury regarding acceptable, non-infringing substitutes as follows:

In order to be an acceptable substitute, the game must have the advantages of the patented method of play that are *important to customers*. A method that does not have those advantages would not be an acceptable substitute to the customer *who wanted those advantages*. In other words, a game on the market that lacks the advantages of the patented method cannot be called an acceptable substitute to the customer *who wants those advantages*. If purchasers are motivated to purchase because of particular features available only from the patented method, games without such features – even if otherwise competing in the marketplace – would not be acceptable non-infringing substitutes.

A0093 (emphasis added). This instruction was not reversibly erroneous for at least three reasons:

First, the instruction was accurate and complete. It directly tracked Federal Circuit precedent on what constitutes an acceptable, non-infringing substitute: “A

product on the market which lacks the advantages of the patented product can hardly be termed a substitute acceptable to the customer who wants those advantages.” *Standard Havens*, 953 F.2d at 1373; see also *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 96 F.3d 1409, 1418 (Fed. Cir. 1996). Indeed, as shown below, Instruction No. 46 was derived from the AIPLA Model Instruction regarding acceptable non-infringing alternatives.

Second, Alliance forfeited its right to complain about Instruction No. 46 by tendering an alternative instruction that misstated the law on “acceptable non-infringing substitutes.” Alliance proposed to instruct the jury that an acceptable, non-infringing alternative “need *not* have those advantages of the patented invention that were important to customers.” A1440 (emphasis added). That statement is the precise opposite of the AIPLA Model Instruction,<sup>2</sup> as shown in the following table (emphasis added):

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<sup>2</sup> Available at [http://www.aipla.org/Content/ContentGroups/Publications1/Guide\\_to\\_Model\\_Patent\\_Jury\\_Instructions.htm#Damages7](http://www.aipla.org/Content/ContentGroups/Publications1/Guide_to_Model_Patent_Jury_Instructions.htm#Damages7).

<b>AIPLA Model Patent Jury Instruction, Damages No. 7 (1998)</b>	<b>Alliance’s Post-Trial Instruction No. 45B.1</b>
<p>In order to be an acceptable substitute, the product <b><i>must</i></b> have the advantages of the patented invention that were important to customers. <b><i>A product that does not have those advantages would not be an acceptable substitute to the customer who wanted those advantages. . . .</i></b></p>	<p>In order to be an acceptable substitute, the method <b><i>need not</i></b> have those advantages of the patented invention that were important to customers. <b><i>You may find that Defendants’ products or games that do not practice the invention claimed in the patents at issue may be acceptable non-infringing substitutes for products or games containing the Multi-Play Poker video game or machines containing the Multi-Play Poker video game. . . .</i></b></p>

By changing the word “must” in the Model Instruction to “need not,” Alliance sought an inaccurate instruction that misstated the law.

Neither of the cases cited by Alliance (Br. 46) supports its proposal to read the “acceptability” requirement out of the law. In *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1458 (Fed. Cir. 1991), the Court held that, when the patentee can demonstrate demand for the patented features, acceptable non-infringing substitutes are limited to those possessing the patented advantage. In *TP Orthodontics, Inc. v. Professional Positioners, Inc.*, 1991 WL 187189, at \*9-10 (E.D. Wis. July 2, 1991), the court found no evidence that purchasers were motivated to purchase the product because of the particular patented features.

These cases illustrate that it is up to the fact finder to determine whether customers would deem “acceptable” a substitute that lacks all the features of the

patented method, just as the jury in this case was told in Instruction No. 46. In *Slimfold* and *TP Orthodontics*, the fact finders concluded that substitutes would be acceptable without those features because the patented features were not important to customers. Here the jury reached the contrary conclusion, finding that single-hand poker games and multi-play games with autohold off were not acceptable substitutes, after being properly instructed to make such a decision. Alliance would prefer that the jury had ruled otherwise, but Alliance may not undo an unfavorable result by seeking a different instruction that misstates the law.

Finally, Alliance was not prejudiced by the court's proffered instruction. Alliance contends that Instruction No. 46 enabled Action's counsel to make a purportedly misleading argument in closing that somehow prevented the jury from properly considering the steps Alliance would have taken to replace the infringing games in the "but for" world, a world in which Alliance had not infringed Action's patent claims. Alliance Br. 48. But Action's counsel said nothing misleading. He properly argued that *if* the patented features were important to customers, then neither "single" play poker games nor Alliance's multi-hand poker games lacking an autohold option would satisfy that demand. A4653-54. Not only was that a correct statement of the law, but Alliance did not object to that argument at the time, waiting until after the verdict was rendered. See *Huson v. Rhay*, 446 F.2d 861, 862 (9th Cir. 1971) ("The usual rule in most courts, including this one, is that

there must be objection to what is claimed to be improper argument, or the point is waived”); *Zutz v. Case Corp.*, 422 F.3d 764, 774 (8th Cir. 2005) (“A failure to object to statements made during closing argument waives such an objection”).

Furthermore, there is no reason to believe that the jury was misled as to its proper task. The court and parties repeatedly told the jury that its task was to determine what action Alliance would have taken in the “but for” world. See, *e.g.*, A3629-30, A4397-98. The jury heard testimony on that subject from both parties’ experts. Although the experts disagreed as to how Alliance would have acted in light of its economic self-interest, demand from site owners, and demand from players, there was no dispute as to the jury’s task — to decide what Alliance would have done if it could not deploy Multi-Play with autohold. The district court properly instructed the jury with that issue in mind. The fact that the jury ruled against Alliance does not mean that Instruction No. 46 — as opposed to the evidence — prejudiced the jury against Alliance.

**B. The Evidence Supported The Jury’s Award Of Damages.**

Alliance also contends that the jury’s award of \$7.36 million was “against the clear weight of the evidence.” Alliance Br. 50. Specifically, Alliance contends that (1) the use of statewide win-per-day averages by Action’s damages expert, Stephen Clarke, was “speculative”; and (2) the damages award improperly

included a “future” lost profits component. Both contentions are meritless, for several reasons.

**1. Alliance is barred from challenging the sufficiency of the evidence supporting the jury’s damages award.**

The burden on a party seeking a new trial on damages is steep. “[T]he jury’s finding must be upheld unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or based only on speculation or guesswork.” *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 1580 (Fed. Cir. 1992); see also *Hemmings v. Tidyman’s Inc.*, 285 F.3d 1174, 1189 (9th Cir. 2002); *Union Oil Co. v. Terrible Herbst, Inc.*, 331 F.3d 735, 742-43 (9th Cir. 2003).

Here, Alliance has an even steeper burden because it did not make a motion for judgment as a matter of law (“JMOL”) either at the close of evidence or post-trial. Alliance’s only JMOL motion came at the close of Action’s direct case, and it raised no issue concerning damages. A3864-67. Because Alliance did not challenge the sufficiency of Action’s damages evidence in a JMOL motion at the close of evidence or post-trial, it may not do so on appeal. *Junker v. Eddings*, 396 F.3d 1359, 1363 (Fed. Cir. 2005); *Biodex*, 946 F.2d at 862.

In these circumstances, Alliance’s attempt to obtain a new trial based on an alleged insufficiency of the damages evidence faces insuperable obstacles. The Ninth Circuit “will reverse the denial of a motion for new trial based on the insufficiency of the evidence only if the district court made a legal error in

applying the standard for a new trial or if the record contains *no* evidence in support of the verdict” (*Hemmings*, 285 F.3d at 1189-90 (emphasis added)), and this Court agrees (*Brooktree*, 977 F.2d at 1580). Alliance cannot demonstrate that the record contains “no evidence in support of the verdict.” As demonstrated below, substantial evidence supports the jury’s damages award.

**2. Alliance failed to raise a timely objection to the testimony of Action’s damages expert.**

Alliance waived its contention that the lost profits model utilized by Action’s expert was unduly “speculative” (Alliance Br. 49-55) by failing to raise a timely objection to the admission of that testimony. It is well established that parties must raise admissibility objections no later than when the evidence is offered so that the offering party and trial court may address the issue before the jury hears the evidence. *Marbled Murrelet v. Babbitt*, 83 F.3d 1060, 1067 (9th Cir. 1996) (failure to object to admissibility of expert evidence at trial precluded challenge to sufficiency of that evidence on appeal); *Cree v. Flores*, 157 F.3d 762, 774 (9th Cir. 1998) (same).

Alliance never objected to Clarke’s opinions or testimony regarding average win-per-day, the number of lost machine sales, or his methodology for computing future lost profits. See A3864-67. In fact, Alliance affirmatively stated that it had no objection to publishing the chart explaining Clarke’s win-per-day analysis to the jury. A3563; see *Questar Pipeline Co. v. Grynberg*, 201 F.3d 1277, 1289-90 (10th

Cir. 2000) (by “affirmatively stating that it had no objection to [defendant’s] primary exhibit, [plaintiff] waived its right to later challenge this evidence”). Alliance first objected to such testimony by Clarke in its post-trial motion for a new trial. A7025-29. Alliance’s belated challenge to that evidence should, accordingly, be barred.

### **3. The evidence supported Clarke’s lost profits analysis.**

The trial record contains abundant evidence to support the jury’s damages award. See *Fiskars, Inc. v. Hunt Mfg. Co.*, 221 F.3d 1318, 1325 (Fed. Cir. 2000) (“there was substantial evidence whereby a reasonable jury could have reached the damages verdicts” for infringement based on the doctrine of equivalents). In particular, Clarke testified at length regarding his use of well-accepted methodologies to compute Action’s damages. As Clarke explained, he computed damages on both a “lost profits” and “reasonable royalties” basis. A3515. See *Crystal Semiconductor Corp. v. Tritech Microelectronics*, 246 F.3d 1336, 1353 (Fed. Cir. 2001) (explaining propriety of damages analysis based on “lost profits” and “reasonable royalties”). Clarke detailed his analysis and application of each of the factors for determining lost profits set forth in *Panduit Corp. v. Stahl Bros. Fibre Works*, 575 F.2d 1152, 1156 (6th Cir. 1978), including demand for the patented method (A3523-32), lack of acceptable, non-infringing substitutes

(A3532-37), IGT's manufacturing capacity (A3537-38), and lost sales and profits (A3542-60).

Clarke explained at length how he determined that there were no acceptable non-infringing substitutes for the patented method. A3537. He noted that an acceptable alternative to Triple Play Poker had to provide for "multi-hand" poker and increase the win-per-day, defined as the amount of money that goes into the machine less the amount that comes out. A3533. Because IGT's Triple Play games produced an average of \$142 win-per-day, while other IGT games on the same route produced an average of only \$87 win-per-day, a rational economic actor would have placed the higher yielding Triple Play games on its route. A3534-35. Clarke therefore concluded that, in the "but for" world at issue, Alliance would have replaced each of its infringing Multi-Play games with the higher yielding Triple Play games.<sup>3</sup>

To calculate Action's past lost profits, Clarke multiplied the profit per machine by the additional units Action would have sold but for the infringement.

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<sup>3</sup> Clarke's testimony was buttressed by testimony from Alliance executives. United Coin's Robert Nader acknowledged that "[a] single-handed game does not satisfy the demand for multi-handed play" and that it was "reasonable to assume that if you take away Multi-Play Poker the demand for Triple Play Poker goes up." A4172-73. Alliance CEO Robert Miodunski added that if "multiplay poker was no longer available in the marketplace[,] the demand for playing multihand video poker games would continue," and that he was "not aware of any other game available in the marketplace that would meet that demand for multihand video poker games." A4070.

A3538-39. He concluded that Action lost at least 321 machine sales, representing the most machines that Alliance actually had on its routes at any one time. This was a conservative number, because Clarke reasonably could have relied on an Alliance employee's estimates of the typical percentage of multi-hand machines per route, which would have produced a higher number. A3542.

Clarke then determined the profits lost on the lost sales of new Action machines or conversions of existing Alliance machines. First, he computed the actual profits earned on Action's prior sales of machines to Alliance between 2000 and 2002 (\$3,528 per machine). A3545. He then reduced this figure to account for the possible conversion of some of Alliance's existing machines to play Triple Play Poker. A3546-48. Assuming a 50-50 ratio of conversions and new machine purchases, he obtained a weighted average "lost profit" per machine that he multiplied by the 321 lost machine sales and conversions. A3548. This computation yielded a total of \$1,074,996 in lost profits on lost machine sales and conversions before being adjusted to present value. A3549-50.

Next, Clarke calculated the lost daily fees up to shortly before trial. He determined there were 369,727 lost installed days through August 20, 2004 and multiplied that number by the daily fee (generally \$15), A3550-52. After factoring a discount into the daily fee, Clarke determined that the lost past and present daily fees totaled \$5,524,046. A3554.

Thus, Clark reasonably determined that Action lost \$1,074,996 in machine sale profits and \$5,524,046 in daily fees. An adjustment to present value produced a past lost profits total of \$7,119,202.

Clarke also determined future lost daily fees associated with replacing the Multi-Play with Triple Play units. He relied on Alliance's own SEC filings to determine that gaming machines have an expected three-year life cycle. A3542-43, 3556-57. Thus, about one-third of the machines would be expected to be replaced each year for three years. Multiplying the future lost installed days by the \$15 daily fee charged for Triple Play resulted in total future lost daily fees of \$3,109,800. A3557-58.

Finally, Clarke summed lost profits on sales and conversions of the 321 machines, lost past daily fees, and lost future daily fees and made a present value adjustment, resulting in total lost profits of \$9,817,115. A3559-61.

Clarke also estimated damages using the alternative multi-factor reasonable royalty approach from *Georgia-Pacific Corp. v. U.S. Plywood-Champion Papers, Inc.*, 446 F.2d 295 (2d Cir. 1971). A3565. This approach, excluding any "future" royalties, showed that Action was entitled to a reasonable royalty of \$6,512,800. A3574. Clarke explained why, in his expert opinion, Action's damages more closely approximated the lost profits total of \$9,817,115. A3576. The district court properly instructed the jury that damages should be based on reasonable

royalties only if it found that Action failed to prove lost profits or proved only lost profits for a portion of Alliance's infringing sales. A4815; see *Crystal*, 246 F.3d at 1353. Alliance does not challenge that instruction.

**4. Clarke's lost profits analysis was not based on speculation.**

"In jury cases, awards, unless the product of passion and prejudice, are not easily overturned or modified on appeal." *Standard Havens*, 953 F.2d at 1374 (jury award of lost profits was not "speculative"). Hence, this Court repeatedly has rejected attempts to override a jury's factual findings related to lost sales and lost profits. *E.g.*, *Crystal*, 246 F.3d at 1354-56; *Tate Access Floors, Inc. v. Maxcess Tech., Inc.*, 222 F.3d 958, 971 (Fed. Cir. 2000).

As the above summary indicates, there was nothing speculative about Clarke's approach, as Alliance contends. Alliance Br. 49-54. Alliance objects to Clarke's reliance on average win-per-day figures, contending that he should have separately analyzed win-per-day figures for each of the 700 sites (over 1,600 machines) on the applicable routes. But as Clarke explained, Alliance would have had an economic incentive to replace its Multi-Play machines with Action's Triple Play machines because on average (over all locations) the win-per-day figures were substantially higher for the Action game than for the Alliance game. See *supra* p. 49; A3534-39.

Alliance calls Clarke's testimony speculative because Alliance official Nader denied that he would have replaced any of the infringing machines with Triple Play machines, contending instead that, based on a site-by-site analysis, he would have deployed more of Alliance's single board or Multi-Play games without autohold. See Alliance Br. 26. Of course, Alliance had full opportunity to persuade the jury that Clarke's use of state-wide average win-per-day figures, rather than site-by-site figures, was an unreasonable way to assess how Alliance would have deployed machines on its routes. In fact, Alliance did present its view on this issue through the testimony of its expert, Bradford Cornell (who did not present an alternate number of lost machine sales to the jury), and by cross-examining Clarke. A3629-30, 4397-98. It was the jury's responsibility to assess the reasonableness of Clarke's use of average figures for this component of his analysis. The fact that the jury, which was instructed to avoid speculation (A0089), apparently found Clarke's analysis more sound than Cornell's is not a ground for a new trial. See *Silver Sage Partners v. City of Desert Hot Springs*, 251 F.3d 814, 819 (9th Cir. 2001) ("a district court may not grant a new trial simply because it would have arrived at a different verdict"). Moreover, the jury was presented with ample evidence to support its award even apart from the average win-per-day data, including the ability of Triple Play Poker to command a daily fee

and all the testimony regarding its remarkable popularity, the awards it garnered, and the publicity it generated.

Similarly, with respect to Clarke's calculation of lost future daily fees, there is no reason to think the jury's award was not based on its acceptance of Clarke's well-supported, detailed, and sound analysis. It is important to note that, although Clarke calculated Action's lost future daily fees to be about \$2.6 million, the jury's total award of \$7,361,000 was only \$243,000 over Clarke's past lost profits figure of \$7,119,202. Thus, even if Alliance had a valid challenge to the future lost profits analysis, it would be entitled to no more than a \$243,000 haircut off the jury award. But Alliance has no valid challenge. Indeed, there is no way to determine whether the additional \$243,000 represents future lost profits at all, as opposed to a reasonable royalty above the "floor" on which the jury was instructed (A4815), or an add-on to Clarke's past lost profits figure to account for the period immediately before trial not incorporated into Clarke's numbers.

It is beyond dispute that damages for future lost profits are recoverable when based on evidence and not pure speculation. *Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1362 (Fed. Cir. 2001) ("a patentee may supply adequate evidence to enable the fact-finder to responsibly estimate future losses based on sound economic models and evidence") (citing *Oiness v. Walgreen Co.*, 88 F.3d 1025, 1031 (Fed. Cir. 1996)); *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1068 (Fed. Cir.

1983). This Court rejected awards of future lost profits in *Shockley* because they were based on “speculative assumptions” (248 F.3d at 1364) and in *Oiness* because they were based on “mere speculation and guess work” (88 F.3d at 1030-31). *Lam* is a far more analogous case. There, this Court upheld an award of lost profits on future lost sales because the market at issue was composed of two suppliers and the evidence of lost sales and profits was based on hard numbers and real world experience, not mere speculation. See *Lam*, 718 F.2d at 1065-66. Here, too, there was a two-supplier market and hard evidence to support Clarke’s figures. Action had sold the machines in question to Alliance on prior occasions, and lost future fees were based on the number of existing multi-hand poker machines on Alliance’s route and on actual daily fees paid by others. See *supra* pp. 49-50. Furthermore, the limited three-year duration of the lost future fees calculation reduced any risk of speculation. See *supra* p. 51.

Alliance contends that Clarke’s figures were unduly speculative because Alliance did not have to replace its machines with Action machines, and in the “but for” world Alliance already would have paid for the machines, resulting in a “double recovery.” Alliance Br. 49-50, 54. Both contentions are meritless. Insofar as the jury awarded any lost profits, it must have found that Alliance would replace some number of Multi-Play with Triple Play machines. As demonstrated above, that factual finding was supported by the evidence and is not subject to

second-guessing on appeal. There was no “double recovery” because the daily royalty fee was payable over and above the purchase price. A3550-54. Action would have been entitled to receive that fee whether or not Alliance had already paid for the machines.

Alliance tries to make its case through a two-page block quote from Clarke’s testimony. See Alliance Br. 51-53. But the jury listened to that very testimony and found it more persuasive than the rebuttal testimony of Alliance’s expert. Under the established standard, the jury gets to decide which party’s expert makes the superior case, and its findings must be sustained even if a court would have ruled differently. See *supra* p. 21.

**5. The jury’s verdict was within the range of damages determined by Action’s and Alliance’s damages experts.**

Finally, the jury’s damages award cannot have been clearly against the weight of the evidence because it fell squarely within the range of damages figures presented to it by Alliance’s expert and Action’s expert. See *Questar*, 201 F.3d at 1288-89 (upholding jury verdict because it was “within the range of evidence”); *Standard Havens*, 953 F.2d at 1374 (upholding jury’s award of damages that fell “well within the range of [parties’] damage estimates”); *Minnesota Mining & Mfg. Co. v. Johnson & Johnson Orthopaedics, Inc.*, 976 F.2d 1559, 1579 (Fed. Cir. 1992) (upholding damages award representing “an intermediate figure” between those submitted by the parties). After Clarke explained how he arrived at his \$9.8

million lost profits figure, Alliance extensively cross-examined him and then offered Cornell's rebuttal testimony explaining his view that Action's lost profits amounted to \$5.3 million and that a reasonable royalty amounted to \$3.697 million. A4442; A4447. The jury heard both parties' evidence, presumably evaluated the two experts' figures, and found that Action was entitled to damages of \$7.361 million — less than Clarke's figure and more than Cornell's. See *Hemmings*, 285 F.3d at 1192 (upholding jury award that was “below the amount calculated” by plaintiffs' expert).

In sum, the award must be upheld because it is not “clearly unsupported by the evidence” nor “grossly excessive, monstrous, or shocking to the conscience.” *In re Computer Communications Inc.*, 824 F.2d 725, 731 (9th Cir. 1987); accord *Hemmings*, 285 F.3d at 1191. Alliance cannot obtain a new trial simply because it wishes that the jury had come in with a lower figure.

**ACTION WAS ENTITLED TO SUMMARY JUDGMENT OF LITERAL INFRINGEMENT OF CLAIM 1 OF THE '066 PATENT OR, ALTERNATIVELY, TO A JURY TRIAL UNDER THE DOCTRINE OF EQUIVALENTS.**

Under the district court's summary judgment ruling, Alliance remains free to deploy its Multi-Play Poker machines so long as the autohold feature is turned off. A1248 (finding “a triable issue of fact to be determined by the jury arising from the autohold feature in Defendants' Multi-Play Poker game” and otherwise granting summary judgment to Alliance). For that reason, Action cross-appeals from the

district court's summary judgment order. Action contends that the district court erred in ruling as a matter of law that claim 1 of the '066 patent is not infringed when Multi-Play Poker is played with autohold off.

**A. Multi-Play Poker Played With Autohold Off Infringes Claim 1 Of The '066 Patent.**

The district court construed the “also held” requirement of claim 1(c) of the '066 patent to require “holding in all rows those cards selected to be held in one row.” A0040. The court then ruled in its summary judgment order that there could not be any literal infringement of claim 1 of the '066 patent in light of this “inherent dependency” because

there is no dependency in any rows in Defendants' Multi-Play Poker game. Each of the rows in Multi-play Poker is played independently from the others. Once the cards are selected to be held in one row of Multi-Play Poker, there is no dependency requiring that these same cards be “also held” in other rows.

A1247-48. This ruling erroneously focused on whether Multi-Play Poker is capable of being played in a non-infringing manner. As the court saw it, players playing Multi-Play Poker with autohold off could choose to hold different cards in different rows. That may be true but misses the point.

The relevant point is that players playing Multi-Play Poker with autohold off also can choose to hold the same cards in each row (easily accomplished by a vertical swipe of a finger). A7010. Indeed, Multi-Play Poker players generally

hold the same cards in each row because, given that all rows are identical and dealt face up, the best holds for any one row would generally be the best holds for any other row. A7011. Thus, Multi-Play Poker is capable of being played in an infringing manner with autohold off, and Alliance induced such infringement.

Multi-Play infringes Action's patent each time it is played in an infringing manner, even if it is possible to play it in a noninfringing manner. See *Bell Communications Research, Inc. v. Vitalink Communications Corp.*, 55 F.3d 615, 622-23 (Fed. Cir. 1995) ("an accused product that sometimes, but not always, embodies a claimed method nonetheless infringes"). And it is well established that distribution of a device may induce infringement of a method claim even if the accused device is capable of being operated in a non-infringing manner. See *Hilgraeve Corp. v. Symantec Corp.*, 265 F.3d 1336, 1343 (Fed. Cir. 2001); 5 CHISUM ON PATENTS § 17.04[4][f] (2004). So long as Alliance encouraged players to practice the patented method (*i.e.*, hold the same cards in each hand to achieve optimal success) without Action's consent, it induced infringement. See *Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1311-12 (Fed. Cir. 1998) (defendant induced infringement of method claim where it encouraged use of its device in an infringing manner). Moreover, even if Multi-Play Poker with autohold off was only occasionally used in a non-infringing manner, Multi-Play Poker still would infringe claim 1 of the '066 patent. See 35

U.S.C. § 271(a) (infringement occurs when someone “without authority makes, uses, offers to sell, or sells any patented invention”).<sup>4</sup>

Based on the foregoing, Multi-Play Poker literally infringes claim 1 of the ‘066 patent each time it is played with autohold off and the player holds the same cards in each row. This Court therefore should enter judgment on behalf of Action on that basis.

**B. At A Minimum, The District Court’s Grant Of Summary Judgment Of Noninfringement With Respect To Claim 1 Of The ‘066 Patent With Autohold Off Should Be Vacated.**

Even if Multi-Play Poker with autohold off does not literally infringe Claim 1 of the ‘066 patent, whether it infringes under the doctrine of equivalents presents a genuine issue of material fact that should be resolved by a jury. In particular, whether the inherent dependency required by the district court based on the claim language — “holding in all rows those cards selected to be held in one row” — is substantially the same as the play of Multi-Play Poker presents a genuine issue of material fact.

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<sup>4</sup> Studies showed that Multi-Play Poker players held the same cards in each hand 98.4% of the time. A7017-19; see *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 125 S. Ct. 2764, 2779 (2005) (“Evidence of active steps taken to encourage direct infringement, such as advertising an infringing use or instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe, and a showing that infringement was encouraged overcomes the law’s reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use”) (citation omitted).

For example, Action presented evidence in opposition to Alliance's summary judgment motion that Multi-Play Poker players tend to hold the same cards in each hand whether or not they play the game with autohold on. A7017-19. If the jury found that to be true, it would suggest that the holds in each row are inherently dependent on the holds in each other row. The district court should not have removed resolution of that critical disputed issue from the jury. At a minimum, then, Action's claim that Multi-Play Poker with autohold off infringes claim 1 of the '066 patent should be remanded for trial.

## CONCLUSION

The district court's entry of judgment on the jury verdict should be affirmed. The district court's denial of Action's motion of summary judgment that Multi-Play Poker played with autohold off literally infringes claim 1 of the '066 patent should be reversed or, alternatively, the district court's grant of summary judgment that Multi-Play Poker played with autohold off does not infringe claim 1 of the '066 patent should be vacated and remanded.

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**CERTIFICATE OF SERVICE**

The undersigned, an attorney, hereby certifies that on October 31, 2005 he caused two copies of the Brief of Plaintiffs/Cross-Appellants to be served upon the following by United Postal Service overnight express:

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**CERTIFICATE OF COMPLIANCE WITH  
TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS,  
AND TYPE STYLE REQUIREMENTS**

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B).

The brief contains 13,962 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6).

The brief has been prepared in a proportionally spaced typeface using Microsoft Word in 14-point Times New Roman.

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# **ADDENDUM**

## **PATENT CLAIMS IN SUIT**

### **Claim 1 of the '066 patent:**

A method of playing a card game comprising:

- a) dealing at least a first row and a second row of at least five cards all face up, each row having the same five cards;
- b) selecting none, one or more of the face up cards from either the first row or the second row as cards to be held;
- c) the same cards selected to be held from one row being also held in all of the other rows;
- d) discarding from each row the cards that were not selected to be held and replacing each of those cards with a face up card;
- e) determining the poker hand ranking of the resulting cards of each row.

### **Claim 3 of the '066 patent:**

A method of playing a card game comprising:

- a) dealing a first row, a second row, a third row, a fourth row and a fifth row of at least five cards, with at least the cards in the first row being dealt all face up;
- b) selecting none, one or more of the face up cards from the first row as cards to be held;
- c) duplicating the cards selected to be held from the first row in all of the other rows;
- d) discarding from each row the cards that were not selected to be held and replacing each of those cards with a face up card.

**Claim 3 of the '873 patent:**

A method of playing a card game comprising:

- a) dealing a first hand of at least five cards all face up;
- b) selecting none, one or more of the face up cards from the first hand as cards to be held;
- c) duplicating the cards selected to be held from the first hand into at least a second hand;
- d) discarding from the first hand the face up cards that were not selected to be held and replacing each of those cards with a face up card;
- e) completing the second hand and any additional hands to have at least five cards by dealing additional face up cards to each of the second hand and any additional hands;
- f) determining the poker hand ranking of the resulting cards of the first hand, the second hand and any additional hands.