

Federal Circuit Review – Issue 293

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293-1. Federal Circuit Upholds Finding that Unauthenticated Source Code Printout Is Inadmissible as Evidence of Infringement

The United States Court of Appeals for the Federal Circuit recently affirmed two district courts' decisions in which the courts granted Sharp's and Vizio's motions for summary judgement of noninfringement against Wi-LAN. The Federal Circuit first agreed with the lower courts that an unauthenticated printout of source code was inadmissible evidence. The Federal Circuit then affirmed the lower courts' claim construction. *See Wi-Lan Inc. v. Sharp Elecs. Corp.*, Nos. 2020-1041, 2020-1043, 2021 U.S. App. LEXIS 9909 (Fed. Cir. Apr. 6, 2021) (Before Dyk, Taranto, and Stoll, *Circuit Judges*) (Opinion for the Court, Dyk, *Circuit Judges*).

Wi-LAN Inc. is the owner of U.S. Patent Nos. 6,359,654 (the '654 patent) and 6,490,250 (the '250 patent). The '654 patent concerns "methods to display interlaced video on [a] noninterlaced monitor." This is also known as "deinterlacing," a technology required for all modern televisions. The '250 patent "relates generally to multimedia encoders and specifically [to] an integrated multimedia stream multiplexer." Wi-LAN initially sued Sharp, alleging direct and induced infringement of the '654 and '250 patents. Wi-LAN then filed a similar suit against Vizio. The suits were directed at Vizio's and Sharp's sales of Vizio's "smart" television sets. The district court did not consolidate the cases, but they were tried in parallel.

After the district court construed the claim terms of both patents, Wi-LAN conceded that it could not prove infringement of the asserted claims of the '250 patent. Turning to the '654 patent, the court explained that Wi-LAN could not establish infringement without establishing that Sharp's and Vizio's source code practiced the patented method. As evidence, Wi-LAN provided documents from "third-party chip manufacturers purported to be the source code printouts together with declarations from employees of the manufacturers purporting to authenticate the source code printouts." Thereafter, the court granted Sharp and Vizio's motions for summary judgement for noninfringement, holding that "Wi-LAN lacked sufficient admissible evidence to prove direct infringement." Specifically, "the printout of source code Wi-LAN sought to use was inadmissible."

Wi-LAN appealed these decisions and the cases were consolidated. The Federal Circuit focused its review on whether the source code printout was inadmissible as evidence. Because this finding was an evidentiary ruling, the Federal Circuit reviewed it for abuse of discretion. Wi-LAN put forth several arguments as to why the source code printout was admissible.

Wi-LAN first argued that the source code printout was admissible as a business record exception to hearsay. "The business records exception allows admission of records of regularly conducted activity through the testimony of a custodian or other qualified witness." *Crash Dummy Movie, LLC v. Mattel, Inc.*, 601 F.3d 1387, 1392 (Fed. Cir.

2010) (citing Fed. R. Evid. 803(6)). The “record” must meet the following five requirements to be admissible:

- (A) the record was made at or near the time by—or from information transmitted by—someone with knowledge;
- (B) the record was kept in the course of a regularly conducted activity of a business, organization, occupation, or calling, whether or not for profit;
- (C) making the record was a regular practice of that activity;
- (D) all of these conditions are shown by the testimony of the custodian or another qualified witness, or by a certification that complies with Rule 902(11) or (12) or with a statute permitting certification; and
- (E) the opponent does not show that the source of information or the method or circumstance of preparation indicate a lack of trustworthiness.

Fed. R. Evid. 803(6).

The Federal Circuit noted that, under Rule 803(6)(D), Wi-LAN was required to establish by testimony from a “custodian or other another qualified witness” that the source code printouts meet the business record requirements. To meet this requirement, Wi-LAN put forth multiple theories as to why it had properly authenticated the documents through the declarations of the third-party chip manufacturers’ employees.

First, Wi-LAN argued that the employees’ declarations could authenticate the source code. While declarations are often used at summary judgment as a proxy for trial testimony, they cannot be used if the witness is not available to testify. The Federal Circuit rejected this theory of admissibility because Wi-LAN was unable to establish that the declarants would be available for trial. Specifically, Wi-LAN’s counsel noted during the summary judgment hearing that Wi-LAN did not “think that [it would be] able to force them to come to trial.”

Second, Wi-LAN argued that it had properly authenticated the source code through the declarations because they were custodial declarations that were themselves admissible as business records. The Federal Circuit also rejected this argument because the declarations were created for the purposes of litigation and not as business record. Wi-LAN had obtained the source code printouts and declarations by filing lawsuits against the third-party chip manufactures. Therefore, the Federal Circuit agreed with the district court that the declarations could not be used to authenticate the source code printouts.

Wi-LAN also argued that even if the declarations were deficient, their use wasn’t precluded under Third Circuit law. Wi-LAN based this theory on the Third Circuit’s view that circumstantial evidence can replace testimony of a custodian or qualified witness in authenticating business records. Specifically, that “the testimony of the custodian or another qualified witness” under Rule 803(6)(D) “can be met by documentary evidence, affidavits, or admissions of the parties, i.e., by circumstantial evidence, or by a combination of direct and circumstantial evidence.” *In re Japanese Elec. Prods. Antitrust Litig.*, 723 F.2d 238, 288 (3d Cir. 1983), *rev’d on other grounds sub nom. Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574 (1986). The Federal Circuit noted that this theory of admissibility was not widely accepted and went against the text of Rule 803(6). But, even under this theory, the source code printouts still fail to meet the requirements of the business records exception because

Sharp and Vizio had demonstrated the documents lack trustworthiness under Rule 803(6)(E). In so finding, the Federal Circuit pointed to the district court's conclusion that there were inconsistencies in the code such as the metadata, dates, and revision histories and that there were no change logs to explain these inconsistencies. In so holding, the Federal Circuit found that the "district court did not abuse its discretion in holding that the source code printout does not constitute a business record admissible under Rule 803(6)."

Next, Wi-LAN argued that the source code printout was admissible under Federal Rule of Evidence 901(b)(4). Under Rule 901(b)(4), a record can be admitted into evidence if "[t]he appearance, contents, substance, internal patterns, or other distinctive characteristics of the item, taken together with all the circumstances... support a finding that the item is what the proponent claims it is." Fed. R. Evid. 901(a), (b)(4). Wi-LAN's only argument was that "there was no legitimate reason to question the trustworthiness of the source code." The Federal Circuit agreed with the district court which found that the source code printout did not satisfy Rule 901(b)(4) because of the "highly dubious circumstances surrounding the production and the lack of indicia of trustworthiness in the source code." In so holding, the Federal Circuit found that "the district court did not abuse its discretion in refusing to treat the source code printout as evidence under Rule 901(b)(4)."

Finally, Wi-LAN argued that the source code printouts should have been admitted into evidence through their expert witness. Under Federal Rule of Evidence 703, an expert witness can sometimes rely on evidence that has not been admitted if it is material that "experts in the particular field would reasonably rely on." Wi-LAN argued that its expert, despite not having authenticated the source code printout, should nonetheless be able to rely on the source code printout in their testimony and provide a copy to the jury. The Federal Circuit, in its analysis, looked at two separate and distinct questions raised by Wi-LAN's argument: "(1) whether the source code printout was admissible because it was relied on by the expert and (2) whether the expert's testimony relying on the source code was admissible to establish infringement."

First, the Federal Circuit held the source code was not admissible just because it was relied on by an expert witness. Rule 703 does not make admissible otherwise inadmissible evidence because "Rule 703 is not, itself, an exception to or exclusion from the hearsay rule or any other evidence rule that makes the underlying information inadmissible." 4 *Weinstein's Federal Evidence* § 703.05, n.12. The Federal Circuit in its analysis pointed to a string of cases where parties improperly attempted to have an expert witness repeat inadmissible evidence to the jury. See e.g., *United States v. Mejia*, 545 F.3d 179 (2d Cir. 2008); *Marvel Characters, Inc. v. Kirby*, 726 F.3d 119 (2d Cir. 2013); *Factory Mut. Ins. Co. v. Alon USA L.P.*, 705 F.3d 518, 524 (5th Cir. 2013); *United States v. Tomasian*, 784 F.2d 782 (7th Cir. 1986); *United States v. Rollins*, 862 F.2d 1282 (7th Cir. 1989). The Federal Circuit found that, similar to these cases, Wi-LAN was impermissibly trying to substitute a fact witness with an expert witness "to circumvent the rules of evidence and admit otherwise inadmissible evidence."

Second, the Federal Circuit held that the expert's testimony relying on the source code was inadmissible to establish infringement because Wi-LAN failed to establish that experts "reasonably rely on" unauthenticated source code. Wi-LAN correctly pointed out that experts can potentially rely on inadmissible evidence but failed to provide any evidence that experts in the field actually did rely on unauthenticated printouts of source code. In so holding, the Federal Circuit found that the "district court did not abuse its discretion in rejecting Wi-LAN's theory under Federal Rule of Evidence 703."

After rejecting Wi-LAN's admissibility arguments for the source code printouts, the Federal Circuit also reviewed

the district court's claim construction challenged by Wi-LAN on appeal. Specifically, the Federal Circuit reviewed two claim limitations: (1) "output multimedia data stream" and (2) "a multimedia processor, coupled to the data rate analyzer." Wi-LAN argued that the district court's claim construction improperly limited both terms. The Federal Circuit, reviewing the claim construction de novo, agreed with the district court's claim construction—finding ample support in the specification and figures. First, "output media stream" was correctly construed as a "combined audio and video stream that are output from the system." Multiple examples from the specification provide "the output multimedia data stream is being output from the integrated multimedia encoding system." Second, "a multimedia processor, coupled to the data rate analyzer" was correctly construed to mean "a multimedia processor connected to the data rate analyzer, where the multimedia processor is separate from, and not a subcomponent of, the data rate analyzer." This construction was based on "the patent's consistent use of 'coupled' to refer to components that are not subcomponents of each other and 'in' to refer to components that could be sub-components of each other."

The Federal Circuit therefore found that the district court did not abuse its discretion in refusing to admit Wi-LAN's unauthenticated source code printouts. Additionally, the Federal Circuit agreed with the district courts' claim construction. In so holding, the Federal Circuit upheld the district courts' judgements that Vizio and Sharp did not infringe the asserted claims of Wi-LAN's '654 and '250 patents.

A printout of source code can be considered inadmissible hearsay if not properly authenticated and any business record hearsay exception will likely still require authentication of the source code by a fact witness and not only an expert witness.

293-2. Federal Circuit Dismisses Apple's Appeals for Lack of Standing

The United States Court of Appeals for the Federal Circuit recently dismissed two appeals of the Patent Trial and Appeal Board's final written decisions in *inter partes* reviews based on a licensee's lack of standing. See *Apple Inc. v. Qualcomm Inc.*, No. 2020-1561, 2020-1642, 2021 U.S. App. LEXIS 10026 (Fed. Cir. Apr. 7, 2021) (Before Moore, Reyna, and Hughes, *Circuit Judges*) (Opinion for the Court, Moore, *Circuit Judge*).

This case began with Qualcomm Inc. (Qualcomm) suing Apple Inc. (Apple) in the United States District Court for the Southern District of California for infringing claims of Qualcomm's U.S. Patent No. 7,844,037 (the '037 patent) and U.S. Patent No. 8,683,362 (the '362 patent). Apple sought *inter partes* review (IPR) of both patents, and the Patent Trial and Appeal Board (Board) issued final written decisions holding Apple did not prove the challenged claims to be obvious. Qualcomm and Apple then settled all litigation between the two parties worldwide, including jointly moving to dismiss Qualcomm's district court action with prejudice. As part of the global settlement, the parties also executed a six-year license agreement (with possibility of a two-year extension) to the '037 and '362 patents. Nonetheless, Apple still moved forward with appealing the Board's final written decisions.

The first and only issue addressed by the Federal Circuit was whether Apple had standing to appeal the Board's final written IPR decisions.

As a preliminary matter, the Federal Circuit addressed whether Apple "waived any argument to establish its standing to file this appeal by failing to address, or submit evidence supporting, standing in its opening brief." The Court explained that "an appellant must identify the relevant evidence demonstrating its standing 'at the first

appropriate' time, whether in response to a motion to dismiss or in the opening brief." *Phigenix, Inc. v. Immunogen, Inc.*, 845 F.3d 1168, 1173 (Fed. Cir. 2017) (quoting *Sierra Club v. E.P.A.*, 292 F.3d 895, 901 (D.C. Cir. 2002)). Given the global settlement between the parties, the Court indicated that it would have been most appropriate for Apple to proffer evidence in support of standing in its opening brief. Finding the *Phigenix* holding a flexible one, however, the Court decided to exercise its "discretion to reach the issue of standing because: (1) the issue of Apple's standing [was] fully briefed [by the parties]; (2) [there was] no prejudice to Qualcomm; and (3) the question of standing impacts these and other appeals."

In turning to the issue of standing, the Court explained that to establish standing in an Article III court, an appellant must establish the "three elements" outlined in *Lujan* – "(1) [the appellant] suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the [appellee], and (3) that is likely to be redressed by a favorable judicial decision." See *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1547 (2016); *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992).

Apple first argued it had standing based on its "ongoing payment obligations that are a condition for certain rights in the license agreement" irrespective of the other patents included in the agreement (citing *MedImmune, Inc. v. Genentech, Inc.*, 529 U.S. 118 (2007)). The Federal Circuit reasoned, however, that while *MedImmune* provides for standing when the validity of the patents-at-issue affect an appellant's contractual rights, the cancelling of the two Qualcomm patents would not similarly affect Apple's obligations under its agreement which covered "tens of thousands of patents."

Next, Apple argued it had standing due to the "threat that Apple will be sued for infringing the '037 patent and '362 patent after expiration of the license agreement." The Federal Circuit reasoned, however, that "this possibility of suit is too speculative to confer standing." The Court explained that "Apple provides no evidence that it intends to engage in any activity that may give rise to an infringement suit...when the license expires." That is, "[n]either of the declarations Apple submitted as evidence of standing even mention the patents at issue...[n]or do they set forth any plans to engage in conduct after the expiration of the license agreement that might lead to an infringement suit...[for example] plans to make, use, offer for sell, or sell any of the products."

Lastly, Apple argued "its injury is compounded by the likelihood that 35 U.S.C. § 315(e) would estop it from arguing that the '037 patent and '362 patent would have been obvious in future disputes." The Federal Circuit reasoned, however, that this alone was not an independent basis for establishing standing (citing *AVX Corp. v. Presidio Components Inc.*, 923 F.3d 1357 (Fed. Cir. 2019)).

In so holding that Apple failed to establish standing, the Federal Circuit dismissed the case.

It is important to remember that while Article III standing may not be an issue at the Board level, due to the Board being an administrative agency, Article III standing, and thus the specific requirements outlined in Lujan, must be established once a case moves to the appellate level.

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