

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

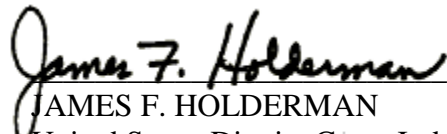
FUJITSU LIMITED,)	
)	
Plaintiff,)	
)	
v.)	Nos. 09 C 4530
)	12 C 3229
TELLABS, INC.,)	
TELLABS OPERATIONS, INC., and)	
TELLABS NORTH AMERICA, INC.,)	
)	
Defendants.)	

ORDER REGARDING REVISED PRELIMINARY JURY INSTRUCTIONS

JAMES F. HOLDERMAN, Judge:

After considering the parties' objections, the court has revised, and has attached to this Order, the Preliminary Jury Instructions that will be used at the trial.

ENTER:



JAMES F. HOLDERMAN
United States District Court Judge

Date: July 11, 2014

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FUJITSU LIMITED,)	
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Plaintiff,)	
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v.)	Nos. 09 C 4530
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TELLABS, INC.,)	
TELLABS OPERATIONS, INC., and)	Judge James F. Holderman
TELLABS NORTH AMERICA, INC.,)	
)	
Defendants.)	

PRELIMINARY JURY INSTRUCTIONS

Members of the jury, I will give you a preliminary overview of the law that relates to this trial that you, as the jury, are to apply to the facts in deciding this case. This overview is given to you at this time to help you better understand the parties’ positions as the evidence is presented to you during the trial. Although this preliminary overview of the law is given to you now, it is the final instructions on the law that I will read to you before your deliberations that you should use in deciding the case.

At that time, I will give each of you a hard copy of the final instructions on the law and it is the final instructions on the law, as I said, that you should use in deciding the case.

THE PARTIES AND THE NATURE OF THE CASE

The plaintiff in this case is Fujitsu Limited. For ease of reference, I will refer to this entity as “Fujitsu.” Tellabs, Inc., Tellabs Operations, Inc., and Tellabs North America, Inc. are the defendants in this case. For ease of reference, I will refer to these three entities collectively as “Tellabs.”

Fujitsu owns U.S. Patent No. 5,521,737. Patents are often referred to by their last three digits. We will refer to Fujitsu's patent in this trial as the "737 Patent" or the "Fujitsu '737 Patent." The '737 Patent was issued by the United States Patent and Trademark Office on May 28, 1996. The '737 Patent expired on May 28, 2013.

The Fujitsu '737 Patent covers technology used in optical amplifiers. The telecommunications industry uses optical amplifiers in optical cable networks. Optical amplifiers amplify the optical signals that carry voice, video, and data communications sometimes over long distances. During the trial, the parties may offer testimony to assist you in better understanding this technology.

In January 2008, Fujitsu sued Tellabs alleging that certain of Tellabs' telecommunications products infringed Fujitsu's '737 Patent. To put it another way, Fujitsu alleged that Tellabs' products utilized the technology and methods covered by the '737 Patent, without Tellabs getting a license from Fujitsu to do so.

This trial will focus on Tellabs' contention that Tellabs has made in response to Fujitsu's allegations that Tellabs infringed Fujitsu's '737 Patent. Tellabs contends that on May 27, 1996 Fujitsu agreed in a letter and in Fujitsu's attached "Patent Statement" (Joint Exhibit 2) to the standard-setting organization called the International Telecommunications Union, which we will refer to as the ITU," that:

Fujitsu is willing to grant license under reasonable terms and conditions for the purpose of implementation of Q.25 - Q.27 recommendations, in compliance with ITU-T TSB patent policy 2.2 to any party which will comply with TSB patent policy 2.1 or 2.2.

Tellabs contends that Fujitsu, by making that quoted statement, expressly agreed that it was "willing to grant license" of Fujitsu's '737 Patent's technology on reasonable and non-discriminatory terms, which are referred to as "RAND" terms, an acronym of the letters for the

words “reasonable and non-discriminatory.” Tellabs further contends that Fujitsu never offered a reasonable and non-discriminatory “RAND” license to Tellabs covering Fujitsu’s ‘737 Patent’s technology in breach of Fujitsu’s RAND agreement. Tellabs also contends that Fujitsu’s breach of this obligation was a willful breach by Fujitsu.

Fujitsu contends that to implement the ITU’s standards it is not necessary to use the technology of Fujitsu’s ‘737 Patent and Fujitsu therefore did not have to offer to license the technology of the ‘737 Patent on RAND terms. Fujitsu asserts that the ITU did not accept Fujitsu’s offer to grant a license to Fujitsu’s ‘737 Patent’s technology on RAND terms, and Fujitsu also asserts that Fujitsu had no obligation to grant a license to Fujitsu’s ‘737 Patent’s technology on RAND terms to Tellabs. Fujitsu also contends, even if it did breach a RAND obligation, the breach was not willful.

STANDARD-SETTING ORGANIZATIONS

Fujitsu and Tellabs are companies that participate, along with many other companies, in organizations to set technical standards, called standard-setting organizations. From time to time, we may refer to these standard-setting organizations as “SSOs.”

Standard-setting organizations, SSOs, are voluntary membership organizations whose participants engage in the development of industry standards, including telecommunication standards and information technology standards. Standard-setting organizations define standard ways of performing certain functions so that different products can interact in a compatible manner with each other. Such industry standards lower costs to consumers of these products by increasing product-manufacturing volume and increasing price competition among the manufacturers of these products by eliminating the costs to consumers. This is because the

standardized products manufactured by one company are compatible and work with standardized products manufactured by another company.

Standard-setting organizations, SSOs, bring together scientists and engineers from leading companies to share technologies by which they set standards. Companies that participate in standard-setting organizations agree to set standard technologies so that products, which comply with the standards, work together. The agreed standards are published and shared with everyone in the industry and the public.

SSOs seek to promote broad implementation of their standards, because the benefits of compatibility and interoperability depend on broad implementation. To promote broad implementation, SSOs also seek to develop standards for technology that will not only make the standard attractive to the manufacturing of industry products, but also ensure a reasonable price for the product sold to consumers by those same manufacturers.

There are many standard-setting organizations in addition to the ITU and many technology standards. This case concerns only the standards of the ITU and the May 27, 1996 letter Fujitsu sent, along with Fujitsu's Patent Statement, to the ITU. Some other SSOs' technical industry standards, however, may be mentioned during the course of the trial. As I stated, the standard-setting organization involved in this trial is the International Telecommunications Union, or the ITU for short. The ITU is an organization that is a part of the United Nations.

Many standards include technology that is covered by patents. In order to encourage broad implementation of the standards by manufacturers of products, SSOs seek contractual commitments from the owners of patented technology to be considered by the SSOs to be included in industry standards. Based on these commitments, the owners of patented technology

that might reasonably be necessary in order to implement the standards are contractually required to offer to grant a license to those standardized patents on a reasonable and non-discriminatory basis, referred to as RAND terms, to anyone that wants to use that standardized patented technology.

ITU PATENT POLICY

As mentioned previously, you will be hearing testimony in this case about the ITU standard-setting organization. The ITU publishes “Recommendations.” ITU Recommendations are non-binding international standards. Their objective is to ensure compatibility of international telecommunications on a worldwide basis.

FUJITSU’S MAY 27, 1996 LETTER AND PATENT STATEMENT TO THE ITU

On May 27, 1996, Fujitsu sent a letter and Fujitsu’s Patent Statement to the ITU (Joint Exhibit 1). In Fujitsu’s letter, Fujitsu stated that “[i]n Study Group 15/Working Party 4 [of the ITU], optical amplifiers have been discussed and introduced in several recommendations and draft recommendations.” Fujitsu, then, explained that it was making its “patent statement to inform [the ITU of] the existence of [] patents potentially related to the work of SG15/WP4.”

In Fujitsu’s Patent Statement, Fujitsu expressed two aims: (1) “drawing the attention of SG15/WP4 Q.25 , Q.26 and Q.27 to the existence of Fujitsu Patents that relate to work covered by these study areas” and (2) “clarifying the position of Fujitsu relative to the ITU patent policy.” Fujitsu’s ‘737 Patent was among the patents to which Fujitsu expressly drew the ITU’s attention in Fujitsu’s May 27, 1996 Patent Statement.

Ultimately, Fujitsu communicated to the ITU in Fujitsu’s Patent Statement, that as to all the patents it drew the ITU’s attention to, including the ‘737 Patent, Fujitsu was “willing to grant license under reasonable terms and conditions for the purpose of implementation of Q.25 - Q.27

recommendations, in compliance with ITU-T TSB patent policy 2.2 to any party which will comply with TSB patent policy 2.1 or 2.2.”

ITU patent policy section 2.1 or 2.2 states in part:

2.1: “The patent holder waives his rights; hence, the Recommendation is freely accessible to everybody, subject to no particular conditions, no royalties are due, etc.”

2.2: “The patent holder is willing to negotiate licenses with other parties on a non-discriminatory basis on reasonable terms and conditions. Such negotiations are left to the parties concerned.”

To prove its contentions, Tellabs must prove that Fujitsu, in its May 27, 1996 letter to the ITU and attached “Patent Statement,” (Joint Exhibit 2), agreed that Fujitsu was “willing to grant license” of Fujitsu’s ‘737 Patent’s technology on RAND terms in compliance with the ITU’s Patent Policy.

Tellabs must also prove that Fujitsu’s ‘737 Patent’s technology was included in, meaning its use might be reasonably necessary if someone were to try to implement certain of the standards recommended by ITU-T standard G.692 titled, “Optical interfaces for multichannel systems with optical amplifiers.”

Tellabs also must prove that Tellabs was willing to negotiate a RAND license from Fujitsu of Fujitsu’s ‘737 Patent’s technology. Tellabs, consequently, has the burden of proving Tellabs was willing to consider negotiating a license of Fujitsu’s ‘737 Patent’s technology from Fujitsu on RAND terms in compliance with the ITU’s patent policies in licensing Fujitsu’s ‘737 Patent’s technology from Fujitsu on RAND terms.

Tellabs must further prove its allegation that Fujitsu breached Fujitsu’s agreement that “it was willing to grant” license to the Fujitsu ‘737 Patent’s technology on RAND terms, in one or more, of the following ways:

- (a) By Fujitsu not offering to grant Tellabs a license on RAND terms for Fujitsu's '737 Patent's technology.
- (b) By Fujitsu filing a lawsuit against Tellabs and seeking injunctive relief based upon the alleged infringement of the '737 Patent.
- (c) By Fujitsu filing a lawsuit against Tellabs and seeking a non-RAND royalty rate based on the alleged infringement of the '737 Patent.
- (d) By Fujitsu filing a lawsuit against Tellabs and seeking damages in the form of lost profits based upon the alleged infringement of the '737 Patent;
- (e) By Fujitsu filing a lawsuit against Tellabs alleging infringement of the '737 Patent which consequently damaged Tellabs business; and
- (f) By Fujitsu filing a lawsuit against Tellabs for allegedly infringing the '737 patent, requiring Tellabs to devote management attention and various resources to defending the lawsuit, such as attorney's fees, expert fees, and related costs.

WILLFUL BREACH OF THE RAND OBLIGATION

For Tellabs to prove Fujitsu willfully breached Fujitsu's agreement to license Fujitsu's '737 Patent's technology on RAND terms, Tellabs must prove at a minimum that Fujitsu's breach was intentional, knowing and with Fujitsu's conscious disregard for Tellabs' rights by a preponderance of the evidence. Alternatively, Tellabs must prove by a preponderance of the evidence that Fujitsu breached this agreed obligation with reckless disregard for Tellabs' obvious or known rights that required Fujitsu to offer Tellabs the opportunity to license Fujitsu's '737 Patent's technology on RAND terms.

In reaching your verdict, you as the jury will also be asked to determine whether the evidence presented by Tellabs at the trial further proved Fujitsu's willfulness, if any, by clear and

convincing evidence, which means the evidence Tellabs presented at the trial, was clear and convinced you, the jury, that it is highly probable that it is true that Fujitsu was willful in that Fujitsu consciously or recklessly disregarded the rights of Tellabs to have the opportunity to obtain a license from Fujitsu for the '737 Patent under RAND terms.

JURY'S VERDICT FORM – PRELIMINARY COPY

You, members of the jury, have each been given a "Preliminary Copy" of a form titled, "Verdict of the Jury." You have been given this Preliminary Copy of the form to tell you about the questions, you, the jury, will be asked to unanimously answer. The questions on the final jury verdict form, which will be titled "Final Verdict of the Jury" and which you will be asked to answer, will be very similar, if not identical, to the questions on this Preliminary Copy you each have before you.

Looking at the Preliminary Copy of the form in your hand, you will see that it is three pages long and the last page has a space for each of you to sign signifying that your verdict is unanimous, as it must be.

Also, you will see, looking at the Preliminary Copy in your hand, that there are six numbered questions for you to answer after your deliberations at the end of the trial, based on the evidence presented at the trial and the final jury instructions I will give you before you begin your deliberations.

You will see that each numbered question begins with the words, "Has Tellabs proven" because as to each question, Tellabs has the burden of proof.

As to each of Question 1 through Question 5, Tellabs' burden of proof is a "preponderance of the evidence," which means "more probably true than not true." In other words, if as to a particular question in Questions 1 through 5, Tellabs proves what is asked to be

more probably true than not true, your answer to that particular question should be “Yes.” If Tellabs does not prove what is asked in a particular question, not to be more probably true than not true, your answer to that particular question should be “No.”

As to Question 6, which you will answer only if your answer to Question 5 is “Yes,” Tellabs’ burden of proof is “by clear and convincing evidence,” which means that it is highly probable that something is true. This is a greater burden of proof than “a preponderance of the evidence,” which applies to Questions 1 through 5, but not as great as “beyond a reasonable doubt,” which applies in criminal cases.

Tellabs’ burden of proof as to Question 6, and only Question 6, requires Tellabs to prove what is asked in Questions 6 “by clear and convincing evidence” meaning that the evidence is clear and convinces you that based on the evidence the truth of your answer is highly probable as opposed to “more probably true than not true,” which is Tellabs’ burden of proof as to each of Questions 1 through 5.

You will each have your Preliminary Copy of the verdict form with you during the trial and may review it and consider it as the evidence is presented, but keep an open mind and do not make up your mind as to the answer to any question until all the evidence has been presented, you have received the Final Jury Instructions, and have deliberated with all members of the jury at the end of the trial.

In answering these questions during your deliberations at the end of the trial, you should start with Question 1 and follow the instructions that are on the form as you answer each question.

Thank you.