

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF IOWA**

LINCOLN NATIONAL LIFE
INSURANCE COMPANY,

Plaintiff,

vs.

TRANSAMERICA LIFE
INSURANCE COMPANY,
WESTERN RESERVE LIFE
ASSURANCE CO. OF OHIO, and
TRANSAMERICA FINANCIAL
LIFE INSURANCE COMPANY,

Defendants.

No. C 06-110-MWB

JURY INSTRUCTIONS

TABLE OF CONTENTS

INSTRUCTIONS	1
NO. 1 - INTRODUCTION	1
NO. 2 - BURDENS OF PROOF	3
NO. 3 - DEFINITION OF EVIDENCE	5
NO. 4 - CERTAIN KINDS OF EVIDENCE	7
NO. 5 - CREDIBILITY	8
NO. 6 - PATENTS, PATENT TERMINOLOGY, AND CONSTRUCTION OF PATENT CLAIM TERMS	10
NO. 7 - LINCOLN'S INFRINGEMENT CLAIM	15
NO. 8 - DAMAGES—IN GENERAL	19
NO. 9 - DAMAGES: REASONABLE ROYALTY	21
NO. 10 - TRANSAMERICA'S INVALIDITY CLAIMS, THE PRESUMPTION OF VALIDITY, AND PRIORITY DATE	25

NO. 11 - TRANSAMERICA’S INVALIDITY CLAIMS:	
ANTICIPATION	27
NO. 12 - TRANSAMERICA’S INVALIDITY CLAIMS:	
OBVIOUSNESS	29
NO. 13 - TRANSAMERICA’S INVALIDITY CLAIMS:	
INADEQUATE WRITTEN DESCRIPTION	34
NO. 14 - ORDER OF TRIAL	36
NO. 15 - OBJECTIONS	37
NO. 16 - BENCH CONFERENCES	38
NO. 17 - NOTE-TAKING	39
NO. 18 - CONDUCT OF JURORS DURING TRIAL	40
NO. 19 - DELIBERATIONS	43

VERDICT FORM

INSTRUCTION NO. 1 - INTRODUCTION

Members of the jury, before the lawyers make their opening statements, I am giving you these instructions to help you better understand the trial and your role in it. Consider these instructions, together with all written and oral instructions given to you during or at the end of the trial, and apply them as a whole to the facts of the case.

As I explained during jury selection, this is a civil lawsuit involving Lincoln's '201 patent: Lincoln contends that Transamerica is "infringing" the patent, that is, that Transamerica is using the computerized methods for administering variable annuity plans claimed in the '201 patent without Lincoln's permission. Lincoln seeks money damages for Transamerica's infringement of the '201 patent. Transamerica denies that it is infringing the '201 patent and contends, further, that the '201 patent is invalid for various reasons.

Lincoln's patent infringement claim and each of Transamerica's patent invalidity claims consists of one or more "elements," which the party asserting that claim or defense must prove in order to win on that claim. In these Instructions, I will explain the elements of Lincoln's patent infringement claim and Transamerica's patent invalidity claims.

It will be your duty to decide from the evidence what the facts are. You will find the facts from the evidence. You are the sole judges of the facts, but you must follow the law as stated in these instructions, whether you agree with it or not. You have been chosen and sworn as jurors in this case to try the issues of fact presented

by the parties. Do not allow sympathy or prejudice to influence you. The law demands of you a just verdict, unaffected by anything except the evidence, your common sense, and the law as I will give it to you in these Instructions.

Although you must follow my Instructions, you should not take anything I may say or do during the trial as indicating what I think of the evidence or what I think your verdict should be. Therefore, if I ask questions of witnesses during the trial, do not assume that I have any opinion on the matters to which my questions relate.

Before explaining the elements of Lincoln's patent infringement claim and Transamerica's patent invalidity claims, I must explain some preliminary matters, including the applicable burdens of proof, what is evidence, and credibility of witnesses.

INSTRUCTION NO. 2 - BURDENS OF PROOF

In these Instructions, you are told that your verdict depends on whether you find that certain facts have been proved. The burden is upon the party asserting a claim to prove the facts that establish that claim. I will now explain the applicable burdens of proof and which party bears a particular burden of proof on a particular issue.

Greater weight of the evidence

The first standard of proof applicable in this case is proof “by the greater weight of the evidence.” This burden of proof is sometimes called “the preponderance of the evidence.” To prove something “by the greater weight of the evidence” means to prove that it is more likely true than not true. The “greater weight of the evidence” is determined by considering all of the evidence and deciding which evidence is more believable. If, on any issue in the case, you find that the evidence is equally balanced, then you cannot find that the issue has been proved. The “greater weight of the evidence” is not necessarily determined by the greater number of witnesses or exhibits a party has presented. The testimony of a single witness that produces in your mind a belief in the likelihood of truth is sufficient for proof of any fact and would justify a verdict in accordance with such testimony. This is so, even though a number of witnesses may have testified to the contrary, if, after consideration of all of the evidence in the case, you hold a greater belief in the accuracy and reliability of that one witness.

Lincoln must prove its claims for *infringement* and *damages* by the “greater weight of the evidence.”

Clear and convincing evidence

The second standard of proof applicable in this case is proof “by clear and convincing evidence,” which is a higher burden of proof than “greater weight of the evidence.” A party with the burden to prove something “by clear and convincing evidence” must prove that it is highly probable that what the party seeks to prove is true.

Transamerica must prove its patent invalidity claims by “clear and convincing evidence.”

You may have heard of the term “proof beyond a reasonable doubt.” That is a stricter standard, which applies in criminal cases. It does not apply in civil cases such as this. Therefore, you should put it out of your minds.

INSTRUCTION NO. 3 - DEFINITION OF EVIDENCE

Your verdict must be based only on the evidence presented in this case and these and any other instructions that may be given to you during the trial. Evidence is the following:

1. Testimony.
2. Exhibits that are admitted into evidence.
3. Stipulations, which are agreements between the parties.

Evidence may be “direct” or “circumstantial.” The law makes no distinction between the weight to be given to direct and circumstantial evidence. The weight to be given any evidence is for you to decide.

A particular item of evidence is sometimes admitted only for a limited purpose, and not for any other purpose. I will tell you if that happens, and instruct you on the purposes for which the item can and cannot be used.

The fact that an exhibit may be shown to you does not mean that you must rely on it more than you rely on other evidence.

The following are not evidence:

1. Statements, arguments, questions, and comments by the lawyers.
2. Objections and rulings on objections.
3. Testimony that I tell you to disregard.
4. Anything that you see or hear about this case outside the courtroom.

The weight of the evidence is not determined merely by the number of witnesses testifying as to the existence or non-existence of any fact. Also, the

weight of the evidence is not determined merely by the number or volume of documents or exhibits. The weight of the evidence depends upon its quality, which means how convincing it is, and not merely upon its quantity. For example, you may choose to believe the testimony of one witness, if you find that witness to be convincing, even if a number of other witnesses contradict the witness's testimony. Also, you are free to disbelieve the testimony of any or all witnesses. The quality and weight of the evidence are for you to decide.

INSTRUCTION NO. 4 - CERTAIN KINDS OF EVIDENCE

Depositions

Certain testimony from a “deposition” may be put into evidence. A deposition is testimony taken under oath before the trial and preserved in writing or on video. Consider that testimony as if it had been given in court.

Interrogatories

During this trial, you may hear the word “interrogatory.” An interrogatory is a written question asked by one party of another, who must answer it under oath in writing. Consider interrogatories and the answers to them as if the questions had been asked and answered here in court.

Stipulated Facts

The plaintiff and the defendants have agreed or “stipulated” to certain facts and have reduced these facts to a written agreement or stipulation. Either counsel may, at any time during the trial, read to you all or a portion of the stipulated facts. You should treat stipulated facts as having been proved.

INSTRUCTION NO. 5 - CREDIBILITY

In deciding what the facts are, you may have to decide what testimony you believe and what testimony you do not believe. You may believe all of what a witness says, only part of it, or none of it.

In deciding what testimony to believe, consider the witness's intelligence, the opportunity the witness had to have seen or heard the things testified about, the witness's memory, any motives that witness may have for testifying a certain way, the manner of the witness while testifying, whether that witness said something different at an earlier time, the general reasonableness or unreasonableness of the testimony, and the extent to which the testimony is consistent or inconsistent with any other evidence. In deciding whether or not to believe a witness, keep in mind that people sometimes see or hear things differently and sometimes forget things. You need to consider, therefore, whether a contradiction results from an innocent misrecollection or sincere lapse of memory, or instead from an intentional falsehood or pretended lapse of memory.

Ordinarily, witnesses may only testify to factual matters within their personal knowledge. However, you may hear evidence from persons described as experts. Persons may become qualified as experts in some field by knowledge, skill, training, education, or experience. Such experts may state their opinions on matters in that field and may also state the reasons for their opinions. You should consider expert testimony just like any other testimony. You may believe all of what an expert says, only part of it, or none of it, considering the expert's qualifications, the soundness

of the reasons given for the opinion, the acceptability of the methods used, any reason that the expert may be biased, and all of the other evidence in the case.

A person who is not an expert may also give an opinion, if that opinion is rationally based on the witness's perception. You may give an opinion of a non-expert witness whatever weight, if any, you think it deserves, based on the reasons and perceptions on which the opinion is based, any reason that the witness may be biased, and all of the other evidence in the case.

If earlier statements of a witness are admitted into evidence, they will not be admitted to prove that the contents of those statements are true, unless I tell you otherwise. Instead, you may consider those earlier statements only to determine whether you think they are consistent or inconsistent with the trial testimony of the witness, and, therefore, whether they affect the credibility of that witness.

INSTRUCTION NO. 6 - PATENTS, PATENT TERMINOLOGY, AND CONSTRUCTION OF PATENT CLAIM TERMS

Patents and patent owners' rights

Patents are granted by the United States Patent and Trademark Office (the PTO) to protect inventors' rights in their inventions. To obtain a patent, the claimed invention must be new, useful, and not obvious in view of prior art. *Prior art* is the technical information and knowledge known to the public either before the invention by the applicant or more than a year before the filing date of the patent application. An *examiner* for the PTO examines the patent application and the prior art to determine patentability of the claimed invention. During the examiner's consideration of the patent application, the examiner may issue one or more written *office actions* about what the examiner has found and whether the examiner believes that any claim in the application is patentable. The applicant may then respond to the office action by changing claims or submitting new claims. The *prosecution history* is the written record of proceedings between the applicant and the PTO, including the original patent application and later communications between the PTO and the applicant. The prosecution history may also be referred to as the "file history" or "file wrapper" of the patent during the course of this trial. If the examiner is satisfied that the claimed invention is patentable, the patent is issued.

A patent gives the patent owner certain exclusive rights in return for disclosing the invention so that others skilled in the art can practice or use the invention. The pertinent parts, or "claims," of the '201 patent claim computerized

methods for administering variable annuity plans. Therefore, the ‘201 patent is described as a *method patent*. During its term, a method patent like the ‘201 patent gives the patent owner the exclusive right to use the method claimed in the patent. The patent owner may then grant others permission or a *license* to use the patented method, usually for a fee called a *royalty*.

Infringement of a method patent is the use of each and every step of the claimed method without the patent owner’s permission. The alleged infringer’s method is called the *accused method*.

Parts of a patent

I have provided each of you with a separate *Glossary of Patent Terminology And Claim Constructions*, attached to which is a copy of *the ‘201 patent*. You may refer to the Glossary or the ‘201 patent at any time that you think it would be helpful to understand the evidence presented in this case. At this time, I would like you to turn to your copy of the ‘201 patent, so that I can explain to you the parts of a patent.

The information that appears in the patent is called the *specification*. The cover page of the ‘201 patent provides identifying information, including the *date the patent issued* (August 8, 2006), and the *patent number* along the top (U.S. 7,089,201 B1). As I explained during jury selection, patents are often referred to by their last three digits, so that is why we refer to this patent as “the ‘201 patent.” The cover page also shows *the inventor’s name*, *the assignee*, *the filing date*, and a *list of references cited*, which is the “prior art” considered by the PTO during its

consideration of the patent application. Also on the cover page is an *abstract*, which is a brief statement about the subject matter of the invention.

The next part of the patent is the *drawings*, which appear as Figures 1 to 16 on the next several pages. The drawings depict various aspects or features of the invention. They are described in words later in the written description.

The *written description* of the invention appears next. The written description describes the invention, how it works, and how to make and use it. In this portion of the patent, each page is divided into two columns, which are numbered at the top of the page. The lines on each page are also numbered. The written description of the '201 patent begins at Column 1, line 1, and continues to Column 18, line 67. It includes identification of *related applications*, the *field of the invention*, a *background of the invention*, a *brief summary of the invention*, a *brief description of the drawings*, a *detailed description of the invention*, and a *description of the flow charts*.

After the written description, you will see numbered paragraphs beginning at Column **19**. These are called the *claims*. The claims are intended to define, in words, the boundaries of the invention. Thus, the claims define the scope of the patent owner's exclusive rights during the life of the patent. The claims may be divided into a number of parts or steps, referred to as *claim limitations*. If a claim states that it *comprises* certain limitations or steps, then it includes the stated steps, but does not exclude other steps. The claims at issue in this litigation are claims **35 through 39 and 42**

Claims of a patent may be *independent* or *dependent*. An independent claim is a claim that does not refer to any other claim of the patent. An independent claim must be read separately from the other claims to determine the scope of the claim. Claim **35** is an independent claim. A dependent claim is a claim that refers to at least one other claim in the patent. A dependent claim incorporates all of the elements of the claim to which the dependent claim refers, as well as the elements recited in the dependent claim itself. Claims **36 through 39** and **42** are all dependent claims, in that they all incorporate the elements of independent Claim **35**, as well as the additional element or elements stated in each dependent claim.

Only the claims of the patent can be infringed by the accused method. Neither the written description nor the drawings of a patent can be infringed. Each of the claims must be considered individually to determine whether or not it is infringed.

Construction of patent claim terms

The language of patent claims may not be clear to you, or its meaning may be disputed by the parties. It is the duty of the trial judge in a patent case to determine prior to trial the meaning or *construction* of disputed patent claim terms. Therefore, I issued a *claim construction ruling* prior to trial. My claim constructions from that ruling appear in the *Glossary*. The parties must follow my claim constructions during the course of the trial and you must adopt and apply my claim constructions during your deliberations. You should give the rest of the words in the claims their ordinary meaning in the context of the patent specification and prosecution history.

In addition to my constructions of disputed claim terms in the Glossary, you may hear the parties make references to my commentary or rationale for certain constructions in my pretrial claim construction ruling. The parties may make such references to my commentary or rationale to demonstrate the extent to which one party believes that the other party's construction of a particular claim term departs from my construction, so that you may determine the weight to be given to that party's construction of the term. You are reminded, however, that the constructions of claim terms that you must apply are stated in my claim constructions in the Glossary. Therefore, you may not give any weight or consideration to a construction that is inconsistent with mine.

INSTRUCTION NO. 7 - LINCOLN'S INFRINGEMENT CLAIM

Lincoln contends that Transamerica is “infringing” Lincoln’s ‘201 patent by using the claimed computerized methods for administering variable annuity plans without Lincoln’s permission. Lincoln seeks money damages for Transamerica’s infringement of the ‘201 patent. Transamerica denies that it is infringing the ‘201 patent.

For Lincoln to win on its infringement claim, the greater weight of the evidence must prove the following:

One, Transamerica performed or used each and every step of a method claimed in the ‘201 patent to administer variable annuity plans.

To prove that Transamerica infringed the ‘201 patent, the evidence must prove that Transamerica performed or used each and every step or element of a claimed computerized method, or that Transamerica must necessarily perform or use each and every step of a claimed computerized method, to administer variable annuity plans. Merely selling an annuity product or rider that requires Transamerica to practice only some of the steps of a claimed method as a service to the buyer is not enough; instead, infringement must be based on Transamerica’s practice of each and every step of the claimed method *for* the variable annuity contracts that Transamerica has sold. On the other hand, evidence of the sale of the riders or annuities in question is evidence of infringement to the extent that the sale of the riders or annuities *necessarily requires* or *obligates* Transamerica to practice each and every step of the claimed invention. Lincoln contends that Transamerica must necessarily

practice each and every step of one or more methods claimed in the '201 patent to administer the following variable annuity plan riders: (1) the Guaranteed Principal Solution; (2) 5 for Life; (3) 5 for Life with Growth; (4) Income Select for Life; and (5) Retirement Income Choice riders. Transamerica denies that it infringes any method claimed in the '201 patent.

In deciding the issue of infringement, you may only compare Transamerica's method for administering variable annuity plans to the method claimed in the '201 patent. You may not compare Transamerica's method to any method used by Lincoln, nor may you compare Transamerica's variable annuity plan riders to any variable annuity plans sold by Lincoln.

Claim **35** of the '201 patent claims one computerized method for administering variable annuity plans. Claim **35** is an "independent claim," as explained in Instruction No. 6 and the Glossary. To prove that Transamerica infringes Claim **35**, the greater weight of the evidence must prove that Transamerica performs or uses each and every step of the method claimed in Claim **35**. Claim **35** also uses the word "comprising," so that the claimed method includes the stated steps, but does not exclude other steps. Therefore, evidence that Transamerica's accused method includes additional steps would not avoid infringement of Claim **35**.

Claims **36 through 39** and **42** claim additional computerized methods for administering variable annuity plans in "dependent claims." "Dependent claims" are also explained in Instruction No. 6 and the Glossary. To prove that Transamerica infringes a "dependent" claim, the greater weight of the evidence must prove that Transamerica's accused method includes each and every step of the dependent claim, including the steps of

independent Claim 35. Again, evidence that Transamerica's accused method includes additional steps would not avoid infringement of a "dependent" claim.

Except to the extent that a "dependent" claim requires proof that the steps of an "independent" claim have also been performed or necessarily will be performed, you must consider separately infringement of each claim at issue.

The evidence does not have to prove that Transamerica intended to or knew that it was infringing the '201 patent. Transamerica can also infringe the '201 patent even if it believed, in good faith, that it was not infringing the '201 patent.

Two, Transamerica's use of each and every step of the claimed method occurred or must necessarily occur during the term of the '201 patent.

The parties agree that the term of the '201 patent begins on August 8, 2006, and ends on August 21, 2021. Infringement cannot be based on sale of one of the variable annuity plans or riders before the term of the patent began, unless sale of that annuity or rider necessarily required or obligated Transamerica to perform each and every step of the claimed method during the term of the '201 patent. Similarly, infringement cannot be based on practice by Transamerica of steps of the claimed method before the term of the patent began or on practice of steps of the claimed method that will occur, if at all, only after the '201 patent expires.

Three, Transamerica's use of each and every step of the method occurred or must necessarily occur in the United States.

Infringement must be based on performance of steps of the claimed method performed or that must necessarily be performed using computers in the United States. However, evidence that Transamerica can or may use computers outside the United States in the future to perform the claimed method would not avoid past or present infringement by use of computers in the United States.

If the greater weight of the evidence does not prove all of these elements, then you must find in favor of Transamerica on Lincoln's "infringement" claim. On the other hand, if the greater weight of the evidence does prove all of these elements, then you must consider Lincoln's claim for "damages" for such infringement.

INSTRUCTION NO. 8 - DAMAGES—IN GENERAL

The fact that I am instructing you on the proper measure of damages should not be considered as an indication that I have any view as to whether Lincoln is entitled to your verdict on its “infringement” claim in this case or whether Transamerica is entitled your verdict on its “invalidity” claims. Instructions as to the measure of damages are given only for your guidance in the event that you should find that Lincoln is entitled to damages on its “infringement” claim in accord with the other instructions. If you find in Lincoln’s favor on its “infringement” claim, then you must consider Lincoln’s damages without regard to Transamerica’s “invalidity” claims.

In arriving at an amount for any particular item of damages, you cannot establish a figure by taking down the estimate of each juror as to damages and agreeing in advance that the average of those estimates shall be your award of damages. Rather, you must use your sound judgment based upon an impartial consideration of the evidence.

Remember that, throughout your deliberations, you must not engage in any speculation, guess, or conjecture. You must not award damages under these Instructions by way of punishment or through sympathy. Your judgment must not be exercised arbitrarily or out of sympathy or prejudice for or against any of the parties.

You must award the full amount of damages, if any, that are proved by the greater weight of the evidence. Attached to these Instructions is a Verdict Form,

which you must fill out. Again, in the “damages” section of the Verdict Form for Lincoln’s “infringement” claim, you should only award those damages, if any, that are proved by the greater weight of the evidence.

INSTRUCTION NO. 9 - DAMAGES: REASONABLE ROYALTY

Lincoln seeks as damages a “reasonable royalty” for Transamerica’s infringement. As I explained in the *Glossary*, a “royalty” is a payment made to the owner of a patent by a non-owner in exchange for rights to use the invention claimed in the patent. Therefore, a “reasonable royalty” is a payment that a reasonable party wanting to use the patent would pay, and a reasonable patent owner would accept, for use of the patent, where both parties to the negotiation know that the patent is valid. Therefore, you must determine a “reasonable royalty” without regard to Transamerica’s “invalidity” claims.

A “reasonable royalty” may be determined by considering the result of a hypothetical negotiation between Lincoln and a company in Transamerica’s position, taking place at the time just before Transamerica began infringing the ‘201 patent. You must determine the date that Transamerica’s infringement began. In considering such a hypothetical negotiation, you should assume that both parties understood that the ‘201 patent was valid, enforceable, and infringed by Transamerica’s use of a computerized method for administering variable annuity plans, and that Transamerica would respect the patent claims. You should also assume that Lincoln and Transamerica knew at the time such things as the level of sales and profits that Transamerica would make using the invention. You should also assume that Lincoln was willing to grant Transamerica a license to use the patented invention and that Transamerica was willing to pay a reasonable price for

that license. You must determine the total amount of the reasonable royalty for all of Transamerica's infringement, if any, as well as the royalty rate and base. The royalty base should include only variable annuity contracts for which you have found either (1) that Transamerica has practiced each and every step of the claimed method, or (2) that the sale of the variable annuity contracts by Transamerica necessarily requires or obligates Transamerica to practice each and every step of the claimed method.

In deciding what is a reasonable royalty, you may consider the factors that Lincoln and Transamerica would consider in setting the amount that Transamerica should pay. I will list for you a number of factors that you may consider, but this list does not include every possible factor. Rather, it will give you an idea of the kinds of things to consider in setting a reasonable royalty.

Some of the factors that you may consider, therefore, are the following:

- (1) Any royalties received by the Lincoln for the licensing of the patent-in-suit, proving or tending to prove an established royalty;
- (2) The rates paid by Transamerica for licenses for other patents comparable to the '201 patent;
- (3) The nature and scope of the license, as exclusive or non-exclusive, or as restricted or non-restricted in terms of its territory;
- (4) Lincoln's established policy and marketing program to maintain its right to exclude others from using the patented invention by not licensing others to use the invention, or by granting licenses under special conditions designed to preserve that exclusivity;

(5) The commercial relationship between Lincoln and Transamerica, such as whether or not they are competitors in the same territory in the same line of business;

(6) The effect of selling products that use the patented method in promoting sales of other products of Transamerica, the existing value of the invention to Lincoln as a generator of sales of its own products, and the extent of such collateral sales;

(7) The duration of the '201 patent and the term of the license;

(8) The established profitability of the patented invention, its commercial success, and its current popularity;

(9) The utility and advantages of the patented invention over the old methods, if any, that had been used for achieving similar results;

(10) The nature of the patented invention, the use of the method by Lincoln, and the benefits to those who have used the invention;

(11) The extent to which Transamerica has made use of the invention and any evidence that shows the value of that use;

(12) The portion of the profit on variable annuity products that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions;

(13) The portion of the profit that arises from the patented invention itself as opposed to profit arising from unpatented features, such as the business risks or significant features or improvements added by the accused infringer;

(14) The opinion testimony of qualified experts;

(15) The amount that a licensor (such as Lincoln) and a licensee (such as Transamerica) would have agreed upon (at the time the infringement began) if both sides had been reasonably and voluntarily trying to reach an agreement, that is, the amount that a prudent licensee—who desired, as a business proposition, to obtain a license to use the patented invention—would have been willing to pay as a royalty, and yet be able to make a reasonable profit, and the amount that would have been accepted by a patentee who was willing to grant a license, although whether or not the amount of a royalty would make Transamerica’s variable annuity products financially unviable is only a factor in the reasonableness of the royalty, because the appropriate royalty does not have to permit the infringer to make a profit; and

(16) Any other economic factor that a normally prudent business person would, under similar circumstances, take into consideration in negotiating the hypothetical license.

INSTRUCTION NO. 10 - TRANSAMERICA'S INVALIDITY CLAIMS, THE PRESUMPTION OF VALIDITY, AND PRIORITY DATE

A company sued for allegedly infringing a patent can deny infringement and also claim that the asserted claims of the patent are “invalid.” I will determine the effect of your determination, if any, that any claim of the ‘201 patent at issue here is “invalid.” Because “invalidity” is a separate question from “infringement,” you must determine whether the asserted claims of the patent are “invalid,” even if you find that Transamerica is not infringing the ‘201 patent.

A granted patent, such as the ‘201 patent, is presumed to be valid. Therefore, to overcome that presumption of validity, there must be clear and convincing evidence that the patent is invalid. “Clear and convincing evidence” was explained for you in Instruction No. 2.

In this case, Transamerica contends that the pertinent claims of the ‘201 patent are invalid on one or more of the following grounds: (1) “anticipation,” (2) “obviousness,” and (3) “inadequate written description.” I will explain each of these invalidity claims in more detail in the following instructions.

However, I must first explain that “anticipation” and “obviousness” depend, in part, on the “priority date” of the ‘201 patent. The “priority date” in this case may be one of three dates: (1) the date of the patent application, September 24, 1999; (2) the “date of conception,” which may be either September 25, 1998, or August 21, 1998; or (3) the date of a “provisional application” containing an “adequate written description,” which may be September 25, 1998. The “priority

date” is ordinarily the date of the patent application, but if evidence showing an earlier priority date is offered, then there must be clear and convincing evidence to establish that the earlier date is not the “priority date.”

The “date of conception” of the invention is the date that the inventor formed the idea of how to make and use every aspect of the claimed invention, and all that was required was that the invention be made, without the need for any further inventive effort.

A “provisional application” contains an “adequate written description” if it contains a written description of the invention and the manner of using it in such full, clear, and exact terms as to enable a person of ordinary skill in the art to practice the invention claimed in the subsequent September 24, 1999, application, although the exact words found in the patented claim need not be used. It is unnecessary for the written description in the provisional application to spell out every detail of the invention in the specification of the patent; only enough must be included to convince a person of skill in the art that the inventor possessed the full scope of the invention at the time of the provisional application.

INSTRUCTION NO. 11 - TRANSAMERICA'S INVALIDITY CLAIMS: ANTICIPATION

Transamerica contends that one or more claims of the '201 patent at issue here are invalid, because they were "anticipated." A person is not entitled to patent protection if someone else already has made an identical invention. Simply put, the invention must be new. An invention that is not new or novel is said to be "anticipated by the prior art." An invention that has been "anticipated" is invalid. Lincoln denies that any of the claims of the '201 patent at issue here are "anticipated."

A claim is "anticipated" if clear and convincing evidence proves the following as to that claim:

***One*, before the priority date for the '201 patent, someone other than Lincoln disclosed a computerized method for administering variable annuity plans.**

The "priority date" for the '201 patent was explained for you in Instruction No. 10, beginning on page 25.

***Two*, the computerized method disclosed by the other person disclosed each and every element of the claim of the '201 patent in question.**

To anticipate a claim, each and every element in the claim must be present in a single item of prior art. You may not combine two or more items of prior art to prove anticipation. In determining whether every one of the elements of the claimed invention is found in a single item of prior art, you should take into account what a person of

ordinary skill in the art would have understood from his or her examination of the particular prior art reference.

In determining whether the single item of prior art anticipates a patent claim, you should take into consideration not only what is expressly disclosed in the particular item of prior art, but also what inherently resulted from its practice. This is called “inherency.” A party claiming inherency must also prove it by clear and convincing evidence. To establish inherency, the evidence must make clear that the prior art either necessarily resulted in the missing descriptive matter and that it would be so recognized by a person of ordinary skill in the art at the time the patent application was filed. The person claiming inherency does not have to prove, however, that the person of ordinary skill would have recognized the inherent disclosure. Thus, the prior use of the patented invention that was unrecognized and unappreciated can still be an invalidating anticipation.

If clear and convincing evidence proves that a claim of the ‘201 patent was “anticipated,” then only that claim is invalid. You may find that none, some, or all of the claims of the ‘201 patent at issue here are invalid because they were “anticipated.” Again, I will determine the effect of your determination, if any, that any claim of the ‘201 patent at issue here is “invalid” because it was “anticipated.”

INSTRUCTION NO. 12 - TRANSAMERICA'S INVALIDITY CLAIMS: OBVIOUSNESS

Transamerica also contends that one or more claims of the '201 patent at issue here are invalid, because they were "obvious." A person is not entitled to patent protection if the claimed invention would have been obvious to a person of ordinary skill in the art of the claimed invention at the time that the invention was made. An invention that was "obvious" is invalid. Lincoln denies that any of the claims of the '201 patent at issue here are "obvious."

Proof of "obviousness"

A claim is "obvious" if clear and convincing evidence proves the following as to that claim:

The invention claimed in the patent claim in question would have been obvious to a person of ordinary skill in the art of the claimed invention at the time the invention was made.

You must determine "obviousness" or "non-obviousness" separately for each claim that Transamerica contends is obvious. "Obviousness" cannot be based on hindsight, that is, what is known today or what was learned from the teachings of the '201 patent. Rather, you must determine "obviousness" based on what a person of ordinary skill in the field of the invention would have known at the "priority date." "Priority date" was explained to you in Instruction No. 10, beginning on page 25.

Obviousness is determined from the perspective of a person of ordinary skill in the field to which the patent relates. Unlike anticipation, which allows consideration of only one item of prior art, obviousness may be shown by considering more than one item of prior art. You must evaluate the following factors to determine whether the evidence proves that the claimed inventions are obvious: (1) the scope and content of the prior art relied upon by Transamerica; (2) the difference or differences, if any, between each claim of the '201 patent that Transamerica contends is obvious and the prior art; (3) the level of ordinary skill in the art at the time the invention of the '201 patent was made; and (4) additional considerations, if any, that indicate that the invention was obvious or not obvious. Each of these factors must be evaluated, although they may be analyzed in any order, and you must perform a separate analysis for each of the claims that Transamerica contends is obvious.

If clear and convincing evidence proves that a claim of the '201 patent was "obvious," then only that claim is invalid. You may find that none, some, or all of the claims of the '201 patent at issue here are invalid because they were "obvious." Again, I will determine the effect of your determination, if any, that any claim of the '201 patent at issue here is "invalid" because it was "obvious."

Pertinent factors

I will now explain in more detail each of the four factors identified above as relevant to the determination of "obviousness" or "non-obviousness."

***Factor One:* The scope and content of the prior art relied upon by Transamerica.**

You must determine what is the prior art that may be considered in determining whether the challenged claims of the '201 patent are obvious. A prior art reference may be considered if it discloses information designed to solve the same problem(s) faced by the inventor of the '201 patent or if the reference discloses information that has obvious uses beyond its main purpose that a person of ordinary skill in the art would reasonably examine to solve the same problem(s) faced by the inventor of the '201 patent.

***Factor Two:* The differences, if any, between each claim of the '201 patent that Transamerica contends is obvious and the prior art.**

You must analyze whether there are any relevant differences between the prior art and the claimed invention from the view of a person of ordinary skill in the art at the time of the invention. Your analysis must determine the impact, if any, of such differences on the obviousness or nonobviousness of the invention as a whole, and not merely some portion of it.

In analyzing the relevance of the differences between the claimed invention and the prior art, you do not need to look for precise teaching in the prior art directed to the subject matter of the claimed invention. You may take into account the inferences and creative steps that a person of ordinary skill in the art would have employed in reviewing the prior art at the time of the invention. For example, if the claimed invention combined elements known in the prior art and the combination yielded results that were predictable to a person of ordinary skill in the art at the time of the

invention, then this evidence would make it more likely that the claim was obvious. On the other hand, if the combination of known elements yielded unexpected or unpredictable results, or if the prior art teaches away from combining the known elements, then this evidence would make it more likely that the claim that successfully combined those elements was not obvious.

Importantly, a claim is not proved obvious merely by demonstrating that each of the elements was independently known in the prior art. Most, if not all, inventions rely on building blocks long since uncovered, and claimed discoveries almost of necessity will likely be combinations of what is already known. Therefore, you should consider whether a reason existed at the time of the invention that would have prompted a person of ordinary skill in the art in the relevant field to combine the known elements in the way the claimed invention does. The reason could come from the prior art, the background knowledge of one of ordinary skill in the art, the nature of the problem to be solved, market demand, or common sense. If you find that a reason existed at the time of the invention to combine the elements of the prior art to arrive at the claimed invention, this evidence would make it more likely that the claimed invention was obvious.

Factor Three: The level of ordinary skill in the art at the time the invention of the ‘201 patent was made.

Whether a claimed invention is obvious is based on the perspective of a person of ordinary skill in the field of the patent. The person of ordinary skill is presumed to know all prior art that you have determined to be reasonably relevant. The person of ordinary skill is also a person of ordinary creativity that can use common sense to solve problems.

When determining the level of ordinary skill in the art, you should consider all the evidence submitted by the parties, including evidence of the following: (1) the level of education and experience of persons actively working in the field at the time of the invention, including the inventor; (2) the types of problems encountered in the art at the time of the invention; and (3) the sophistication of the technology in the art at the time of the invention, including the rapidity with which innovations were made in the art at the time of the invention.

***Factor Four:* Additional considerations, if any, that indicate that the invention was obvious or not obvious.**

You must also consider whether additional considerations indicate that the invention would not have been obvious. Such considerations that may indicate non-obviousness may include the following: (1) products covered by the claim were commercially successful owing to the merits of the claimed invention rather than owing to advertising, promotion, salesmanship, or features of the product other than those found in the claim; (2) there was a long felt need for a solution to the problem facing the inventors, which was satisfied by the claimed invention; (3) others tried, but failed, to solve the problem solved by the claimed invention; (4) others copied the claimed invention; (5) the claimed invention achieved unexpectedly superior results over the closest prior art; (6) others in the field (which may include Transamerica) praised the claimed invention or expressed surprise at the making of the claimed invention; and (7) others accepted licenses under the '201 patent because of the merits of the claimed invention. No one consideration alone is dispositive.

INSTRUCTION NO. 13 - TRANSAMERICA'S INVALIDITY CLAIMS: INADEQUATE WRITTEN DESCRIPTION

Transamerica also contends that one or more claims of the '201 patent at issue here are invalid, because of an "inadequate written description." A person is not entitled to patent protection if the patent does not contain an adequate written description of the method claimed in the patent. The written description requirement helps to ensure that the patent applicant actually invented the claimed subject matter. A patent with an inadequate written description is invalid. Lincoln denies that any of the claims of the '201 patent at issue here is invalid because of an "inadequate written description."

A claim is "invalid" because of an "inadequate written description" if clear and convincing evidence proves the following as to that claim:

One, the patent does not adequately describe each and every limitation of the patent claim in question.

To satisfy the written description requirement, the patent must describe each and every limitation of a patent claim, in sufficient detail, although the exact words found in the claim need not be used.

Two, the written description is such that a person of ordinary skill in the field reading the patent application as originally filed would not recognize that the patent application described the invention as finally claimed in the patent.

It is unnecessary for the written description to spell out every detail of the invention in the specification; only enough must be included to convince a person of skill in

the art that the inventor possessed the full scope of the invention.

If clear and convincing evidence proves that a claim of the '201 patent is "invalid" for an "inadequate written description," then only that claim is invalid. You may find that none, some, or all of the claims of the '201 patent at issue here are invalid because of an "inadequate written description." Again, I will determine the effect of your determination, if any, that any claim of the '201 patent at issue here is "invalid" because of an "inadequate written description."

INSTRUCTION NO. 14 - ORDER OF TRIAL

I will now explain how the trial will proceed.

After I have read all but the last Instruction, Lincoln's lawyer may make an opening statement. Next, the lawyer for Transamerica may make an opening statement. An opening statement is not evidence, but simply a summary of what the lawyer expects the evidence to be.

After opening statements, Lincoln will present evidence and call witnesses and the lawyer for Transamerica may cross-examine them. Following Lincoln's case, Transamerica may present evidence and call witnesses and the lawyer for Lincoln may cross-examine them.

After the evidence is concluded, the lawyers will make their closing arguments to summarize and interpret the evidence for you. As with opening statements, closing arguments are not evidence.

Following the parties' closing arguments, I will give you the last Instruction, on "deliberations," and you will retire to deliberate on your verdict.

I will now give you some Instructions on conduct of the trial.

INSTRUCTION NO. 15 - OBJECTIONS

The lawyers may make objections and motions during the trial that I must rule upon. If I sustain an objection to a question before it is answered, do not draw any inferences or conclusions from the question itself. Also, the lawyers have a duty to object to testimony or other evidence that they believe is not properly admissible. Do not hold it against a lawyer or the party the lawyer represents because the lawyer has made objections.

INSTRUCTION NO. 16 - BENCH CONFERENCES

During the trial it may be necessary for me to talk with the lawyers out of your hearing, either by having a bench conference here while you are present in the courtroom, or by calling a recess. Please be patient, because while you are waiting, we are working. The purpose of these conferences is to decide how certain evidence is to be treated under the rules of evidence, to avoid confusion and error, and to save your valuable time. We will, of course, do what we can to keep the number and length of these conferences to a minimum.

INSTRUCTION NO. 17 - NOTE-TAKING

If you want to take notes during the trial, you may, but be sure that your note-taking does not interfere with listening to and considering all the evidence. If you choose not to take notes, remember that it is your own individual responsibility to listen carefully to the evidence.

Notes you take during the trial are not necessarily more reliable than your memory or another juror's memory. Therefore, you should not be overly influenced by the notes.

If you take notes, do not discuss them with anyone before you begin your deliberations. At the end of each day, please leave your notes on your chair. At the end of the trial, you may take your notes out of the notebook and keep them, or leave them, and we will destroy them. No one will read the notes, either during or after the trial.

You will notice that we have an official court reporter making a record of the trial. However, we will not have typewritten transcripts of this record available for your use in reaching your verdict.

INSTRUCTION NO. 18 - CONDUCT OF JURORS DURING TRIAL

You will not be required to remain together while court is in recess. However, you must decide this case based *solely* on the evidence presented in court, in light of your own observations, experiences, reason, and common sense. Therefore, to insure fairness, you, as jurors, must obey the following rules:

First, do not talk among yourselves about this case, or about anyone involved with it, until the end of the case when you go to the jury room to decide on your verdict.

Second, do not talk with anyone else about this case, or about anyone involved with it, until the trial has ended and you have been discharged as jurors.

Third, when you are outside the courtroom, do not let anyone tell you anything about the case, or about anyone involved with it, or about any news story, rumor, or gossip about this case, and do not let anyone ask you about your participation in this case until the trial has ended and I have accepted your verdict. If someone should try to talk to you about the case during the trial, please report it to me.

Fourth, during the trial, you should not talk with or speak to any of the parties, lawyers, or witnesses involved in this case—you should not even pass the time of day with any of them. It is important that you not only do justice in this case, but that you also give the appearance of doing justice. If a person from one side of the case sees you talking to a person from the other side—even if it is simply

to pass the time of day—an unwarranted and unnecessary suspicion about your fairness might be aroused. If any lawyer, party, or witness does not speak to you when you pass in the hall, ride the elevator or the like, it is because they are not supposed to talk or visit with you.

Fifth, do not read any news stories or articles about the case, or about anyone involved with it, or listen to any radio or television reports about the case or about anyone involved with it, or let anyone tell you anything about any such news reports. If you want, you can have your spouse or a friend clip out any stories and set them aside to give you after the trial is over. I can assure you, however, that by the time you have heard the evidence in this case you will know more about the matter than anyone will learn through the news media.

Sixth, do not do any research—on the Internet, in libraries, in the newspapers, or in any other way—or make any investigation *about this case* on your own. You must decide this case based on the evidence presented in court.

Seventh, do not make up your mind during the trial about what the verdict should be. Do not discuss this case with anyone, not even with other jurors, until I send you to the jury room for deliberations after closing arguments. Keep an open mind until after you have gone to the jury room to decide the case and you and your fellow jurors have discussed the evidence.

Eighth, if at anytime during the trial you have a problem that you would like to bring to my attention, or if you feel ill or need to go to the restroom, please send a note to the Court Security Officer, who will deliver it to me. I want you to be comfortable, so please do not hesitate to inform me of any problem.

I will reserve the last instruction, on deliberations, until after the presentation of evidence and closing arguments.

INSTRUCTION NO. 19 - DELIBERATIONS

In conducting your deliberations and returning your verdict, there are certain rules that you must follow.

First, when you go to the jury room, you must select one of your members as your foreperson. That person will preside over your discussions and speak for you here in court.

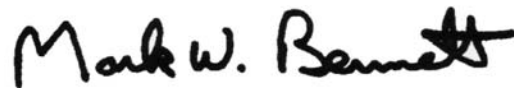
Second, it is your duty, as jurors, to discuss this case with one another in the jury room. You should try to reach agreement if you can do so without violence to individual judgment. Each of you must make your own conscientious decision, but only after you have considered all the evidence, discussed it fully with your fellow jurors, and listened to the views of your fellow jurors. Do not be afraid to change your opinions if the discussion persuades you that you should, but do not come to a decision simply because other jurors think it is right, or simply to reach a verdict. Remember at all times that you are not advocates, you are judges—judges of the facts. Your sole interest is to seek the truth from the evidence in the case.

Third, if you need to communicate with me during your deliberations, you may send a note to me through the Court Security Officer, signed by one or more jurors. I will respond as soon as possible either in writing or orally in open court. *Remember that you should not tell anyone—including me—how your votes stand numerically.*

Fourth, your verdict must be based solely on the evidence and on the law as I have given it to you in my instructions. Nothing I have said or done is intended to suggest what your verdict should be—that is entirely for you to decide.

Finally, I am giving you the Verdict Form. A Verdict Form is simply the written notice of the decision that you reach in this case. *Your verdict on each claim must be unanimous.* You will take the Verdict Form to the jury room. When you have reached a unanimous verdict on each claim, your foreperson must complete one copy of the Verdict Form and all of you must sign that copy to record your individual agreement with the verdict and to show that it is unanimous. The foreperson must bring the signed Verdict Form to the courtroom when it is time to announce your verdict. When you have reached a verdict, the foreperson will advise the Court Security Officer that you are ready to return to the courtroom

DATED this 2nd day of February, 2009.

A handwritten signature in black ink that reads "Mark W. Bennett". The signature is written in a cursive style with a horizontal line extending from the end of the name.

MARK W. BENNETT
U. S. DISTRICT COURT JUDGE
NORTHERN DISTRICT OF IOWA

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF IOWA**

LINCOLN NATIONAL LIFE
INSURANCE COMPANY,

Plaintiff,

vs.

TRANSAMERICA LIFE
INSURANCE COMPANY,
WESTERN RESERVE LIFE
ASSURANCE CO. OF OHIO, and
TRANSAMERICA FINANCIAL
LIFE INSURANCE COMPANY,

Defendants.

No. C 06-110-MWB

VERDICT FORM

On plaintiff Lincoln's infringement claim and Transamerica's invalidity claims in this action, we, the Jury, find as follows:

I. LINCOLN'S INFRINGEMENT CLAIM		
Step 1: Infringement in general		
Has plaintiff Lincoln proved that Transamerica infringes one or more of the pertinent claims of the '201 patent, as Lincoln's "infringement" claim is explained in Instruction No. 7? <i>(If you answer "yes," then go on to consider specific questions concerning Lincoln's "infringement" claim and damages in this section. If you answer "no," then do not answer any more questions in this section. Instead, go on to consider Transamerica's "invalidity" claims in Section II.)</i>	___ Yes	___ No
	■ ■ ▼	■ ■ ▼
Step 2: Date that infringement began		■
What date do you find that Transamerica's infringement of the '201 patent began?	■	
_____, _____ (Month) (Day) (Year)	■ ▼	

Step 3: Claims infringed			■
Which of the following claims, if any, do you find Transamerica has infringed?			■ ■ ■ ▼
_____ Claim 35	_____ Claim 36	_____ Claim 37	
_____ Claim 38	_____ Claim 39	_____ Claim 42	
Step 4: Damages			■
What amount do you find is a “reasonable royalty” for Transamerica’s infringement of the claim or claims in question, the “royalty rate,” and the “base,” as general principles of “damages” are explained in Instruction No. 8 and a “reasonable royalty” is explained in Instruction No. 9?			■ ■ ■ ■
Total reasonable royalty of \$			■
Royalty rate:			■
Base:			■ ▼
II. TRANSAMERICA’S INVALIDITY CLAIMS			
Step 1: Invalidity in general			
Has defendant Transamerica proved that one or more of the pertinent claims of the ‘201 patent are invalid, as Transamerica’s invalidity claims are explained in Instructions Nos. 10 through 13? <i>(If you answer “yes,” then go on to consider specific questions concerning Transamerica’s invalidity claims in this section. If you answer “no,” then please inform the Court Security Officer that you have reached a verdict.)</i>			___ Yes
			___ No
Step 2: “Priority date”			
What date do you find is the “priority date” for the ‘201 patent, as “priority date” was explained to you in Instruction No. 10, beginning on page 25?			
___ September 24, 1999, as the date of the patent application.			
___ September 25, 1998, as the date of a provisional application with an adequate written description.			
___ September 25, 1998, as the date of conception.			
August 21, 1998, as the date of conception.			
Step 3: Invalidity for “anticipation”			
(a) “Anticipation”			
Has Transamerica proved by clear and convincing evidence that any claim or claims of the ‘201 patent are invalid as “anticipated,” as “anticipation” is explained in Instruction No. 11? <i>(If you answer “no” to this question, do not answer the question in subpart 3(b); instead, go on to Step 4 to answer questions about “obviousness.”)</i>			___ Yes ___ No

(b) Invalid claims	
Which of the following claims, if any, do you find are invalid as “anticipated” and what is the “anticipating” prior art reference for each such claim?	
_____ Claim 35 as anticipated by	
_____ Claim 36 as anticipated by	
_____ Claim 37 as anticipated by	
_____ Claim 38 as anticipated by	
_____ Claim 39 as anticipated by	
_____ Claim 42 as anticipated by	
Step 4: Invalidity for “obviousness”	
(a) “Obviousness”	
Has Transamerica proved by clear and convincing evidence that any claim or claims of the ‘201 patent are invalid as “obvious,” as “obviousness” is explained in Instruction No. 12? (<i>If you answer “no” to this question, do not answer the question in subpart 4(b); instead, go on to Step 5 to answer questions about “inadequate written description.”</i>)	☐ Yes ☐ No
(b) Invalid claims	
Which of the following claims, if any, do you find are invalid as “obvious” and what are the invalidating prior art references for each such claim?	
_____ Claim 35 as rendered obvious by	
_____ Claim 36 as rendered obvious by	
_____ Claim 37 as rendered obvious by	
_____ Claim 38 as rendered obvious by	
_____ Claim 39 as rendered obvious by	
_____ Claim 42 as rendered obvious by	

Step 5: Invalidity for “inadequate written description”	
(a) “Inadequate written description”	
Has Transamerica proved by clear and convincing evidence that any claim or claims of the ‘201 patent are invalid for an “inadequate written description,” as “inadequate written description” is explained in Instruction No. 13? <i>(If you answer “no” to this question, do not answer the question in subpart 5(b); instead, notify the Court Security Officer that you have reached a verdict.)</i>	☐ Yes ☐ No
(b) Invalid claims	
Which of the following claims, if any, do you find are invalid for an “inadequate written description”?	
☐ Claim 35 ☐ Claim 36 ☐ Claim 37	
☐ Claim 38 ☐ Claim 39 ☐ Claim 42	

Date: _____ **Time:** _____

_____	_____
Foreperson	Juror
_____	_____
Juror	Juror
_____	_____
Juror	Juror
_____	_____
Juror	Juror