

No. 2009-1556

**United States Court of Appeals
for the Federal Circuit**

TRANSOCEAN OFFSHORE DEEPWATER DRILLING, INC.,

Plaintiff-Appellant,

v.

MAERSK CONTRACTORS USA, INC.,

Defendant-Appellee.

**Appeal From The United States District Court
For The Southern District of Texas
In Case No. 07-CV-2392, Judge Kenneth M. Hoyt**

REPLY BRIEF FOR PLAINTIFF-APPELLANT

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CERTIFICATE OF INTEREST

Counsel for the appellant, Transocean Offshore Deepwater Drilling, Inc., certifies the following:

1. The full name of every party or amicus represented by me is:
Transocean Offshore Deepwater Drilling, Inc.
2. The name of the real party in interest represented by me is:
Transocean Offshore Deepwater Drilling, Inc.
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:
Transocean, LTD.
4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:
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Jones Day (Gregory A. Castanias & Thomas J. Davis).

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TABLE OF ABBREVIATIONS

In addition to the abbreviations set forth in Transocean's opening brief (at ix-x), the following abbreviations are used in this brief:

TBr.____	Transocean's opening appeal brief
MBr.____	Maersk's appeal brief

All emphasis in this brief is added unless otherwise indicated.

INTRODUCTION

Transocean's opening brief established that when the facts are viewed in the light most favorable to Transocean, a reasonable jury could find: (i) the three patents at issue in this case are not obvious; (ii) those patents' claims are enabled; and (iii) Maersk infringes those patents. Summary judgment was therefore inappropriate.

Maersk's response seems to forget the procedural posture of this case. It mostly argues that Transocean's factual assertions are incorrect, and that Maersk should win under its version of the facts. This counter-factual response itself demonstrates that disputed issues of material fact preclude summary judgment. Further, Maersk's brief reflects a misunderstanding of this Court's precedents regarding the legal elements of obviousness, enablement, and infringement. Thus, this Court should reverse the district court's summary-judgment ruling, and order summary judgment of infringement to Transocean.

ARGUMENT

I. THE DISTRICT COURT ERRED IN GRANTING SUMMARY JUDGMENT OF OBVIOUSNESS

A. The Prior Art Does Not Render Transocean's Invention Obvious

Transocean showed (TBr.29-35) that its invention—a dual-activity drilling apparatus for simultaneous operations on a single well—was not obvious in light of *Horn* and *Lund*, the prior-art references relied upon by the district court. Under

KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398 (2007), a combination is not obvious if it is “more than the predictable use of prior art elements according to their established functions.” *Id.* at 417-18. In *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314 (Fed. Cir. 2009), this Court held that “the ‘predictable result’ discussed in *KSR* refers not only to the expectation that prior art elements are capable of being physically combined, but also that the combination would have worked for its intended purpose,” and “if the prior art indicated that the invention would not have worked for its intended purpose or otherwise taught away from the invention,” then the invention is not obvious. *Id.* at 1326.

Here, Transocean showed that the premises underlying Maersk’s argument, *i.e.*, that *Horn* plus *Lund* obviously result in Transocean’s rig, are incorrect. *First*, *Horn* teaches a dual-drilling rig operating simultaneously on two wells, and teaches away from a dual-activity rig like Transocean’s. (TBr.32.) *Second*, *Lund* teaches transfer of pipe-stands from a preparation area to a single drill station, whereas Transocean’s patents address the transfer of tubulars between two drill stations capable of seabed operations. (TBr.32-33.) Transocean’s invention is thus not “performing the same function the prior art had been known to perform and yield[ing] no more than one would expect” from that art, *DePuy Spine*, 567 F.3d at 1326 (internal quotation marks omitted); rather, it is performing a quite different function. An “obvious” combination of the two references would yield

two independent drilling stations, each with a *Lund*-style preparation station to preassemble pipe for that station. Transocean’s invention, by contrast, requires a creative, patentable leap: creating a dual-activity rig working on one well (which *Horn* teaches away from), combined with transfer between two tubular advancing stations capable of seabed operations (unlike *Lund*). (TBr.33-34.)

In response, Maersk largely ignores this Court’s actual teachings regarding obviousness, and conspicuously fails to address *DePuy Spine*. Maersk’s arguments should be rejected.

1. Transocean Set Forth The Disputed Facts In Its Summary-Judgment Papers

Maersk first attempts to sidestep the factual issues regarding obviousness by arguing that “Transocean did not challenge or respond to” its separately-filed, purported “Statement of Undisputed Facts.” (MBr.33 (citing A4098-A4594).) What Maersk omits, however, is that the Southern District of Texas has no rule providing for such statements, let alone requiring the non-movant to file an opposition to such a statement. Transocean’s opposition to Maersk’s motion—consistent with the Federal Rules of Civil Procedure and the local rules—set forth the legal and factual reasons why summary judgment was inappropriate. Maersk’s unauthorized document, not referenced by the district court, is irrelevant.

2. Maersk's Anticipation-Based Arguments Are Nonresponsive To Transocean's Nonobviousness Showings

Maersk next argues that *Horn* is capable of operations on a single well, and, therefore, proves Transocean's patented rig obvious. (MBr.33-34.) In support, Maersk cites cases involving *anticipation*, not obviousness. (*Id.* at 34 & n.6.) But, as this Court has noted, "anticipation and obviousness are different." *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1364 (Fed. Cir. 2008). Anticipation is ultimately based on an invention's actual or inherent qualities; "if the prior art necessarily functions in accordance with, or includes, the claims limitations, it anticipates" even when an "[a]rtisan of ordinary skill [would] not recognize the inherent characteristics or functioning of the prior art." *Perricone v. Medicis Pharm. Corp.*, 432 F.3d 1368, 1375-76 (Fed. Cir. 2005). Obviousness, by contrast, cannot be established based on "inherent" qualities, but rather on the scope and content of the prior art, as understood by a person of ordinary skill. *KSR*, 550 U.S. at 406-07; *In re Dillon*, 919 F.2d 688, 718 (Fed. Cir. 1990) ("Arguments based on 'inherent' properties can not stand when there is no supporting teaching in the prior art."). Thus, a claim could be anticipated, but not obvious. *Cohesive Techs.*, 543 F.3d at 1364 & n.2 ("[i]t does not follow that every technically anticipated invention would also have been obvious"; citing examples) (quotation marks omitted).

Here Maersk does not argue that *Horn* anticipates—nor could it, since *Horn* does not teach transfer between stations. (MBr.33.) Rather, Maersk makes an inherency argument: that despite teaching a dual-drilling apparatus, “the *Horn* rig is capable of operations on a single well,” and “it is irrelevant whether anyone appreciated that fact at the time of the alleged invention.” (MBr.33-34.) As shown, inherency has no place in assessing obviousness. Were it otherwise, the “teaching away” doctrine would be meaningless, as it relies on the notion that prior art may not recognize the inherent capabilities of a subsequent combination of elements, and thus the act of discovering those capabilities is proof of the invention’s nonobviousness. *See, e.g., KSR*, 550 U.S. at 416.

Here, *Horn* teaches away from Transocean’s dual-activity invention, specifying that, when drilling a single well, its rig should be equipped with only one set of drilling equipment—a critical fact Maersk fails to address. (A5202:1:94-100.) Further, *Horn* obtains efficiency by drilling two wells simultaneously to decrease drilling time. (A5202:1:66-76.) Adding transfer between *Horn* stations would not increase dual-drilling efficiency, but rather would increase the time to drill two wells, which would lead a person of ordinary skill away from the invention.¹

¹ Maersk also incorrectly argues that “even if there were a factual dispute regarding whether *Horn* is capable of operations on a single well,” it is immaterial due to the court’s claim construction. (MBr.34-35.) Transocean argued that the relevant

3. Maersk Misstates the Record Evidence Regarding *Lund*

Maersk next claims that *Lund* discloses Transocean's invention, arguing both that "Transocean admitted that *Lund* teaches the claimed pipe handling equipment" during the *Markman* hearing, and that *Lund* "transfers tubulars between two advancing stations." (MBr.35-36.) Maersk is wrong.

At the *Markman* hearing, as elsewhere, Transocean showed that *Lund* taught the transfer of tubulars between (1) a preparation station *not* capable of seabed operations, and (2) an advancing station capable of seabed operations. (A3635-37; *see also, e.g.*, A1542-43, A1553-54, A1789, A1805-07.) The PTO itself recognized this distinction. (A1815-17.) By contrast, the sentence fragment Maersk cites merely acknowledges that *Lund* and Transocean's rig could use rail-mounted pipe handlers; it did not assert that *Lund* moved pipe between two stations capable of seabed operations. (*See* A:3615-16 (cited in MBr.35).)

Likewise, Maersk's claim that Transocean's inventor Scott testified that the *Lund* preparation station is "capable of advancing tubulars" does not support its obviousness argument. Mr. Scott testified that *Lund* was different from his invention because *Lund* taught a "light weight hoist" that was not able "to do

claim language was directed at rigs "capable of performing operations on a single well," but that Maersk should not escape infringement by claiming that its rig was *additionally* capable of working two wells. (A692-94.) This has no bearing on obviousness. Transocean's rig *is* "capable of operations on a single well," and *Horn* taught away from a rig with such capability; thus, Transocean's rig was not obvious in light of *Horn*.

anything to the seabed,” except theoretically in “very, very shallow water” of 30’ or less depth. (A4330:13-21.) But, as Mr. Scott indicated, *Lund* teaches that its hoist is for building pipe stands; it does not teach seabed operations.

(A4331:14:20.) Transocean’s patents, by contrast, focus on deepwater with two stations capable of seabed operations. (A63:3:7-15.) Maersk cites no authority for its contention that *Lund* renders Transocean’s invention obvious because of the *possibility* that, in a non-deepsea context, and contrary to its teachings, *Lund* might have been able to use its preparation hoist for a different purpose. Nor could it. In such circumstances, Transocean’s patent plainly does not involve the “predictable use” of *Lund*’s elements “according to their established functions.” *KSR*, 550 U.S. at 417.

4. Transocean’s Patents are Not an Obvious Combination of *Horn* Plus *Lund*

Having established its false premises, Maersk returns to its flawed conclusion that *Horn* discloses all of Transocean’s patent except “means ... for transferring tubulars,” that *Lund* discloses a means for transferring tubulars, *ergo* it was obvious to combine the two as a consequence of automation. (MBr.36-39.) This argument, however, remains pure hindsight and ignores the actual teachings of *Horn* and *Lund*, that if combined would yield something far afield from Transocean’s invention. (*See supra* at 2-3; TBr.32-33.) Maersk fails to point to any expert evidence supporting the notion that a person of ordinary skill would

avoid the natural combination of *Horn* and *Lund*, and instead both (a) transform *Horn* to a dual-activity rig and (b) eliminate *Lund*'s preparation station in favor of transfer between the drill sites themselves. (MBr.37-39.)

Maersk admits that it lacks such evidence, but insists that *Horn* and *Lund* themselves “evidence the knowledge and motivation of a person skilled in the art.” (MBr.37.) To support its theory, Maersk cites *Horn* for the proposition that using two drilling stations allows “the possibility of concentrating common auxiliary equipment” and *Lund* for the notion that transferring tubulars creates “substantial savings” of time. (MBr.37.) On its face, however, the *Horn* statement references the utility of *other* auxiliary equipment servicing the drill stations. (A5202:1:119-129). It does not suggest that the stations be used for auxiliary support of *each other*, as in Transocean's patents. Moreover, the *Lund* language describes transfer between a preparation area and a drill area, *not* transfer between two seabed-capable tubular advancing stations. (A3153:2:55-3:20.) Again, Maersk's “proof” of the “obvious” logical leap from the prior art to Transocean's patents is at odds with the actual teachings of the art. This is hardly clear and convincing evidence, let alone evidence so one-sided that Maersk was entitled to summary judgment.

B. The District Court Erred by Failing to Assess Secondary Considerations

Transocean also showed that the district court's obviousness ruling was fatally flawed because it failed to address the strong secondary considerations of

non-obviousness, as required by *Graham v. John Deere Co.*, 383 U.S. 1 (1966). (TBr.35-37.) This real-world evidence demonstrates why, despite an industry desperate for efficiency gains, the seven- and sixteen-year old *Lund* and *Horn* art were never previously combined into Transocean's ultimate invention. (TBr.35.)

Specifically, Transocean showed record evidence that (1) its dual-activity design was greeted with skepticism; (2) Transocean's dual-activity rig received significant industry praise; (3) Transocean's rig commands premium prices; and (4) Maersk and others sought to copy Transocean's design. (TBr.35-36.) Not only was the district court required by law to consider this evidence of nonobviousness; it was required to consider it in the light most favorable to Transocean. (TBr.34-35.) The court did neither, rendering its summary-judgment ruling erroneous.

Maersk concedes that the district court failed to address secondary considerations. Nor does Maersk dispute that secondary considerations, including commercial success, skepticism, industry praise, and copying, may defeat an obviousness claim. (*See* MBr.39-40.) Rather, Maersk argues that its obviousness case is so strong that secondary considerations are irrelevant, and it disputes the facts Transocean presented. (MBr.40-43.) Neither argument can salvage the summary-judgment ruling. First, Maersk's case on obviousness is *not* strong. Its theory that Transocean's invention is an obvious combination of *Horn* plus *Lund* (a finding not made by the PTO or the *GSF* jury, which considered both patents) rests

on incorrect legal premises, and it simply ignores the teaching-away issue. (*See supra* at 4-8; TBr.19-21.) The record does not present clear-and-convincing evidence of invalidity, much less a “strong” case, when viewed most favorably to Transocean.

Second, by conceding Transocean’s legal arguments regarding the effect of secondary considerations, and challenging only Transocean’s evidence, Maersk inadvertently demonstrates why summary judgment was incorrect. The summary-judgment posture of this case demands that *Transocean* is entitled to the benefit of factual inferences.

In all events, Maersk’s evidentiary arguments are wrong.

Clashing. Maersk claims that there was no industry skepticism of clashing, because *Williford*, *Heerema*, and *Horn* disclosed multiple tubulars in the water simultaneously. (MBr.41.) But Maersk simply ignores (and does not rebut) the multiple record citations indicating that the industry, including Maersk, believed that the risk of clashing would obviate any time-savings from having two drill strings in the water. (*See, e.g.*, A5026-27; A5033-34; A5037-38; A5057; A5224.)

Nor do Maersk’s patent citations weaken, let alone discredit, evidence of industry skepticism. *Williford* directly recognizes the risk of clashing, sets its drilling stations in separate derricks spaced far apart, and proposes using a computerized “riser management” program to determine whether conditions were

safe enough to permit dual-drilling. (A1115-17 at 8:8-56, 10:67-11:5.) *Heerema* does not teach two drill strings operating on a single derrick (*i.e.*, a configuration with more clashing risk), but rather teaches a preparation area (34) situated at the back of a vessel, far away from the drilling derrick (14). (A4507; 4524-25.) And *Horn* showed two advancing stations on paper, but Maersk cites no evidence that such a design was ever built, let alone that it proved clashing was not a problem. Indeed, all of Transocean's evidence of skepticism *post-dates* these references, which undercuts any inference Maersk (improperly) seeks to have drawn in its favor.

Industry Praise. Maersk next claims that the evidence of industry praise “is impossible to ascribe to the subject matter of Transocean's claims.” (MBr.41.) The evidence shows otherwise. (TBr.13-14.) For example: *Drilling Contractor* magazine specifically praised the efficiency gains from Transocean's new “dual-activity” rig onboard the Discoverer Enterprise drillship, noting that it “allow[s] drilling to be conducted while running equipment at the same time rather than sequentially” (A4632); *i.e.*, precisely due to “the subject matter of Transocean's claims.”

Commercial Success. Maersk next suggests that Transocean's evidence of commercial success as demonstrated by its licenses is invalid because Transocean sued GlobalSantaFe, citing *Iron Grip Barbell Co. v. USA Sports, Inc.*, 392 F.3d

1317 (Fed. Cir. 2004), and because the evidence of significant adoption of dual-activity drillships is unrelated to Transocean. (MBr.42.) Maersk is wrong.

Iron Grip rejected the relevance of licenses in that case because (1) there was no showing that that invention's own merits warranted a license; and (2) the record showed that those licenses were taken as a litigation settlement. 392 F.3d at 1324. The Court thus held that the evidence *in that case* was probative only of the fact that those licenses were cheaper than litigation. *Id.* By contrast, Transocean's evidence shows that dual-activity rigs yield premium leasing rates due to their efficiency, creating a commercial incentive to license the technology; moreover, Transocean's licenses were for up to \$15 million per rig plus a percentage of revenue—far beyond litigation costs. (TBr.16.) As to the explosion in dual-activity rig construction, Maersk's own pre-litigation document identifies “dual-activity” rigs as the class exemplified by Transocean's Discoverer Enterprise. (TBr.16.) Transocean's dual-activity rig has been a commercial success.

Copying. Maersk, again quoting *Iron Grip*, also argues that Transocean cannot show copying because “[n]ot every competing product that arguably falls within the scope of a patent is evidence of copying.” (MBr.43.) Maersk tellingly omits the rest of this Court's guidance that “copying requires the replication of a specific product” which “may be demonstrated ... through internal documents.” *Iron Grip*, 392 F.3d at 1325. This is precisely what the record contains: an internal

memorandum from Maersk's parent setting forth a "functional description" of its desired rig, including a requirement that it "incorporate . . . 'dual activity,'" and specifically identifying Transocean's rig, and its ability to perform simultaneous operations on a single well as the source of that idea.² (See TBr.16-17.) Maersk's parent ultimately contracted to build such a dual-activity rig, and Maersk sold it via a contract explicitly recognizing, through an indemnity clause, that it may infringe Transocean's patents. (TBr.18.) Viewed most favorably to Transocean, this evidence demonstrates copying.

II. THE DISTRICT COURT ERRED IN GRANTING SUMMARY JUDGMENT TO MAERSK ON ENABLEMENT GROUNDS

Transocean also demonstrated that the challenged portion of its claims, related to a means for transferring tubulars between two advancing stations, is enabled. (TBr.39-45.) Transocean's patents claim a new modification of known transfer equipment as part of the dual-activity rig. Specifically, they teach that known pipe-handling equipment will be arranged in order to move pipe between

² Maersk all but concedes the probative value of this memorandum later in its brief by claiming that the "functional description" report refers to a different, dual-drilling rig (the DSS-20) and not the rig at issue here (the DSS-21). (MBr.55-56 & n.14.) The cover memo Maersk cites plainly indicates that the new rig containing the features described therein will be built *after* the DSS-20's delivery. (See A5048 (stating that DSS-20 will be delivered on 9/1/2003, and that "final recommendation" for building the new rig was due by the DSS-20's delivery date).) The memo also plainly indicates that Maersk will build a dual-activity rig like Transocean's, and *not* a dual-drilling rig as Maersk misleadingly claims. (See A5050.) Besides, any disputed inferences to be drawn from the memo would be for a jury.

two new areas (*i.e.*, tubular advancing stations), in contrast to existing rig designs in which known pipe-handling equipment moved pipe between different locations such as a preparation station and a drilling station. (*See* TBr.39.) This portion of the claim—which in essence says “arrange pipe handlers between points A and B, not the usual points of Y and Z”—is a “trivial” modification in the words of Maersk’s own expert, and a matter of rearranging rails on a drilling deck. (TBr.39-40.) A claim merely calling for rearranging of existing parts—in effect, “simply a matter of plumbing”—is enabled without the need for detailed technical descriptions of the well-known equipment that is to be rearranged. *See, e.g., Bruning v. Hirose*, 161 F.3d 681, 686 (Fed. Cir. 1998). Maersk’s attempt to avoid this law should be rejected.³

A. Transocean’s Patents Describe A Novel Combination of Existing Equipment

Maersk’s enablement response begins with the same false premise it presented to the district court: that Transocean claimed novel pipe-handling equipment, not a novel combination of existing equipment. (MBr.44-47.)

³ Notably, Maersk does not dispute Transocean’s showing that the district court also erred by failing either to perform a *Wands* analysis, or mention the relevant factors for enablement (including evidence regarding “undue experimentation”). (TBr.42.) Instead, Maersk suggests that Transocean is being “pejorative[]” by pointing out this error. (MBr.51.) There is nothing “pejorative” about pointing out a court’s legal error to support reversal.

Tellingly, Maersk asserts this “fact” as a given, without ever describing how it arrives at this conclusion. (MBr.44-47.)

Maersk’s implicit premise is demonstrably false. Claim 17 of the ‘069 patent describes a “multi-activity drilling assembly including ... an assembly *positioned adjacent* to said first and second tubular advancing stations operable to transfer tubular assemblies.” (A112:17:13-35.) The patent illustrates the positioning of transfer equipment between the two advancing stations, (A99-100), indicates that the purpose of the tubular handling equipment is moving pipe between those two locations (A107:7:59-62), and states that the equipment should be existing technology for moving pipe between two points, such as “rail-supported pipe handlers” or “rugged overhead cranes” (A107:7:50-54), equipment the district court acknowledged as known art. (A11.) The patent also describes, through examples, how the novel arrangement of all its parts is the invention that creates time-savings. (A108:9:21-42; A109:12:41-47.)

Given the teachings of the patents, the invention here was not new pipe-handlers, but rather the arrangement of old pipe-handlers within the context of a novel combination. Even the district court “agree[d] that the transferring equipment is not the invention.” (A11.) Maersk is wrong to claim otherwise.

B. Transocean Raised, At Minimum, A Disputed Issue of Fact Regarding “Undue Experimentation”

Maersk next argues that undue experimentation was required to enable Transocean’s claims, citing exclusively to testimony related to Transocean’s efforts to build one specific, commercial embodiment of its invention: the Discoverer Enterprise drillship. (MBr.47-51.) Again, however, Maersk’s arguments derive from the false premise that the invention was a novel pipe-handler; it thus claims undue experimentation was needed because Transocean’s patent did not describe various specifications of the tubular transfer equipment on board the Discoverer Enterprise, such as “software,” “the weight it could handle” and the “hoisting range.” (See MBr.48.) As this Court has held, however, enablement does not require a description of commercial specifications; rather, enablement is sufficient if *any* such system could be created without undue experimentation. *See, e.g., CFMT, Inc. v. Yieldup Int’l Corp.*, 349 F.3d 1333, 1338 (Fed. Cir. 2003).

Once Maersk’s improper characterization of the patent is set aside, the enablement question is simple. This Court must ask whether there is record evidence to support a finding that the actual claim limitation at issue—a modification of known equipment to transfer pipe between two new locations on a derrick—could be done without undue experimentation. *See Warner-Lambert Co. v. Teva Pharms USA, Inc.*, 418 F.3d 1326, 1337 (Fed. Cir. 2005). Transocean set

forth such evidence. Maersk's expert George Boyadjieff admitted that pipe-handling equipment capable of moving pipe between two points on a rig was well-known to a person skilled in the art, *and* that positioning such equipment between two tubular advancing stations would be a "trivial" matter of locating that equipment "between the positions" called for in the patent. (TBr.40.)

Maersk's response to this damning evidence is that Boyadjieff was answering a "hypothetical" question about his own patent. (MBr.50.) This is absurd; a court may "hear expert testimony ... relating to relevant factual inquiries including the state of the art and the understanding of a hypothetical person of ordinary skill in the art." *DePuy Spine*, 567 F.3d at 1324 (internal quotation marks omitted). Mr. Boyadjieff admitted that (1) known pipe-handling equipment was capable of moving pipe between two points on a single derrick, as his own patent demonstrated; and (2) while his patent described transfer between a preparation area and an advancing station, that it would be "trivial" for someone skilled in the art to use the same equipment to *instead* transfer pipe between two advancing stations on the same derrick. (A4897: 18:2-20:1.) To the same effect is Transocean's inventors' testimony, demonstrating that they, too, were aware of such pipe-handling equipment. (TBr.40.) These facts show enablement.

C. Transocean Enabled an Embodiment of Its Apparatus, Which Is All That Is Required

Finally, Maersk argues that the patent is invalid because it contains three “embodiments” of tubular transfer equipment but does not enable two of them: “rugged overhead crane structure[s]” and “other tubular handling arrangement[s].” (MBr.52-53.) Maersk further claims Transocean waived this issue by failing to respond to it in the appellant’s brief, and because Transocean was denied an opportunity to file a sur-reply in the district court. (MBr.53 n.13.) Maersk is wrong, both procedurally and substantively.

Procedurally, Maersk’s claim that Transocean waived any response to this issue is frivolous. The district court did not rest its enablement decision on the theory that Transocean had to provide an enabling disclosure for three different types of transfer equipment.⁴ (A11-12.) Rather, as Transocean showed, the court relied on the theory that the patents did not explain how the tubular transfer equipment was “used in a time-savings manner” or explain its programming. (TBr.41-45.) Transocean’s opening appellate brief challenged this reasoning on appeal, and Maersk has no basis for its theory that Transocean had to foresee alternate theories Maersk might raise. *See Alicea-Hernandez v. Catholic Bishop of*

⁴ To the contrary, the court indicated that “transferring equipment is not the invention,” that the patents discussed “known pipe handling equipment,” and that an enabling disclosure “does not and should not include” such “known equipment.” (A11-12.)

Chicago, 320 F.3d 698, 701 (7th Cir. 2003) (responding, to identical procedural argument, that “[w]e do not require an appellant to anticipate and preemptively address all defenses that an appellee might raise”); *Atwood v. Union Carbide Corp.*, 847 F.2d 278, 280 (5th Cir. 1988) (“It would be onerous to require the appellant, subject to dismissal of an appeal, to frame and argue all issues conceivably presented by a given case.”).⁵

Maersk’s theory is also substantively flawed. “It is the specification, not the knowledge of one skilled in the art, that must supply the *novel aspects* of an *invention* in order to constitute adequate enablement.” *Auto. Techs. Int’l, Inc. v. BMW of N. Am., Inc.*, 501 F. 3d 1274, 1283 (Fed. Cir. 2007). By contrast, “[a] patent need not teach, and preferably omits, what is well known in the art.” *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1534 (Fed. Cir. 1987). Here, Maersk again implies that the “invention” at issue is the tubular transfer equipment. Again, it is not. (*See supra* at 14-15.) Nor is the tubular transfer equipment the novel aspect of the invention; the invention is the novel combination of equipment well-known in the art. This fact is fatal to Maersk’s argument.

⁵ Maersk also implies that Transocean never addressed this issue in the district court, except in a disallowed sur-reply. (MBr.53 n.13). In truth, Maersk’s one-page argument section in its summary-judgment brief did not specifically raise the “embodiment” theory (*see* A3868, A3878-79), but Transocean’s response brief *did* specifically address it, and distinguished the cases Maersk relies on now. (A4853, A4865-66.)

The recent decision in *Epistar Corp. v. ITC*, 566 F.3d 1321 (Fed. Cir. 2009) is instructive. There, the novel invention included as an element a “transparent window layer,” which the ITC construed to include layers fabricated from indium-tin oxide (“ITO”). *Id.* at 1327, 1330-31. The infringer claimed that the invention was not enabled, because the patent only referenced with respect to its use in electrical contacts, not as a “transparent window layer.” *Id.* at 1335-36. This Court disagreed, stating that “[a]n applicant is not required to describe in the specification every conceivable and possible future embodiment of his invention,” and that “if an invention pertains to an art where the results are predictable, ... a broad claim can be enabled by disclosure of a single embodiment.” *Id.* at 1336 (quoting *Cordis Corp. v. Medtronic AVE Inc.*, 339 F.3d 1352, 1365 (Fed. Cir. 2003) and *Spectra-Physics*, 827 F.2d at 1534) (alterations in original). Thus, “[b]ecause ITO as a transparent conductive layer was already known to those of skill in the art, the ‘718 patent specification did not need to make further enabling disclosures about its prior art uses.” *Id.*

So too here. Transocean’s novel invention is its dual-activity apparatus, which as a whole included the use of well-known, mechanical, prior-art equipment used to move pipe from Point A to Point B. Transocean showed that a person of ordinary skill in the art would know how to use that existing equipment in the same way, but between two novel locations. (*See supra* at 16-17.) It was not necessary

for Transocean to describe how each variation of tubular transfer equipment worked.⁶ See *Epistar*, 566 F.3d at 1336; accord *AK Steel Corp. v. Sollac*, 344 F.3d 1234, 1244 (Fed. Cir. 2003) (“the artisan’s knowledge of the prior art and routine experimentation can often fill gaps, interpolate between embodiments, and perhaps even extrapolate beyond the disclosed embodiments, depending upon the predictability of the art”).

III. THE DISTRICT COURT SHOULD HAVE DENIED SUMMARY JUDGMENT OF NONINFRINGEMENT, AND GRANTED SUMMARY JUDGMENT OF INFRINGEMENT

Transocean’s opening brief also demonstrated that the district court erred in finding no infringement as a matter of law, and likewise denying Transocean’s motion that there was infringement based on the undisputed facts. (TBr.45-46.)

A. The Offer to Sell and Sale Occurred “Within the United States”

Maersk violated 35 U.S.C. § 271(a) when it offered to provide Statoil, another United States company, an infringing dual-activity rig for Statoil’s use in the U.S. Gulf of Mexico, in a contract expressly made subject to U.S. law. This is so regardless of the fact that the contract was physically signed abroad: This Court has expressly rejected the formalistic approach that a sale occurs at a “single point

⁶ By contrast, Maersk cites cases where the challenged element was the novel aspect of the invention, was unknown in the art, or where the specification taught away from the alternate embodiment. See *Liebel-Flarsheim Co. v. Medrad*, 481 F.3d 1371, 1379 (Fed. Cir. 2007); *Auto. Tech.*, 501 F.3d at 1284; *Sitrick v. Dreamworks, LLC*, 516 F.3d 993, 1000 (Fed. Cir. 2008).

at which some legally operative act took place,” but rather looks to such factors as the location of performance and whether the sale and offer to sell is made “to” the United States. *See Litecubes, LLC v. N. Light Prods., Inc.*, 523 F.3d 1353, 1357 (Fed. Cir. 2008) (finding sale within U.S. where “products were delivered directly to” a U.S. customer in the United States); *TransCore, LP v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271, 1278 (Fed. Cir. 2009) (finding infringement where products were “sold and shipped to” a U.S. corporation in Illinois).⁷

Indeed, this Court just issued another ruling demonstrating that sales and offers to sell “to” the United States support infringement liability. *See Seb S.A. v. Montgomery Ward & Co.*, No. 09-1099, 2010 WL 398118 (Fed. Cir. Feb. 5, 2010). There, the alleged infringer, a Hong Kong corporation, argued that “an offer in the United States to sell goods outside of the United States [does] not violate the ‘offer to sell’ provision of § 271(a),” and “that, in determining if a sale occurred in the United States, [a jury should not] consider ‘where the products were shipped from and where the products were shipped to.’” *Id.* at *10. Reviewing for fundamental error, this Court reiterated *Litecubes*’ rejection of the formalistic notion that the “sale” occurs abroad simply because that is the location where goods were shipped, and found the jury instructions appropriate in light of evidence that the infringer

⁷ Maersk claims that *TransCore*, as a “patent exhaustion and implied license case,” “has no relevance” here. (MBr.63 n.17.) Not so. *TransCore* involved the location of a sale, and concluded that, under *Litecubes*, a sale occurs in the U.S. when an item is sold and delivered to a U.S.-based corporation. 563 F.3d at 1278.

“intended to sell its [goods] directly in the United States” and had “invoices ... identify[ing] delivery to U.S. destinations. *Id.* at *11. So, too, here.

In response, Maersk offers mostly fact-based arguments which, at best, show that trial is required.⁸ First, Maersk argues that the provision of the drilling contract calling for the use of the rig in U.S. waters (TBr.17) is somehow negated by another provision giving Statoil the right to also use the rig elsewhere. (MBr.58.) Maersk cites no authority for this proposition; indeed, if a party offering to sell a product into the United States could avoid liability simply by

⁸ Maersk makes a cursory argument that the Statoil contract was not a “sale,” either because the rig had not been delivered or because the contract was a “drilling” contract. (MBr.60, 68.) These arguments are baseless.

Traditional contract-law principles govern whether a transaction constitutes a “sale” or “offer for sale” under Section 271(a). *Rotec Indus, Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1254-55 & n.3 (Fed. Cir. 2000). Under the ordinary meaning of “sale,” “[i]t is common for a ‘sale’ to be completed even though delivery is to be made in the future”; a sale need not involve “an immediate ‘delivery’ of the goods.” *Enercon GmbH v. ITC*, 151 F.3d 1376, 1382-83 (Fed. Cir. 1998). A “sale” likewise encompasses a contract to provide a product for use—*e.g.*, a lease or license—and **does not** require transfer of title. *Minton v. Nat’l Ass’n of Secs. Dealers, Inc.*, 336 F.3d 1373, 1378 (Fed. Cir. 2003); *Transocean Offshore Deepwater Drilling, Inc. v. Stena Drilling Ltd.*, 659 F. Supp. 2d 790, 798-801 (S.D. Tex. 2009).

The contract here was a sale and offer to sell. It is a contract requiring Maersk to provide a dual-activity rig for Statoil’s authorized use in U.S. waters. (A7166-68; A7211.) Nor does it matter that the contract permitted Maersk to modify the rig at some later date to avoid infringement (A7190); this does not alter the fact that the offered and executed contract was for an infringing rig; there is no dispute that the rig was not modified until *after* the offer and sale were complete. (TBr.18.)

including a provision that the U.S. buyer could also use the products elsewhere, the “offer to sell” provision of the statute would be meaningless. Moreover, this argument rings hollow given that Maersk admittedly did deliver the rig to Statoil in U.S. waters. (MBr.24.) At the very best for Maersk, this is a “fact” for trial.

Maersk next argues that it was not liable because the rig it offered and sold was not yet completed. (MBr.58-60.) Transocean showed, however, that the reason that § 271(a) contains an “offer to sell” provision is to foreclose that very argument. (TBr.55.) Maersk’s contract provided detailed technical specifications for a rig that had already been approved for construction, and that design infringed Transocean’s patents. (*See, e.g.*, TBr.54 n.6.) As Transocean explained (TBr.55-56), once Maersk generated commercial interest by offering to sell Statoil an infringing rig, and then proceeding to effect that sale, it violated the offer-to-sell and sale provisions of the statute. *3D Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1379 (Fed. Cir. 1998) (“One of the purposes of adding ‘offer[] to sell’ to § 271(a) was to prevent exactly the type of activity [defendant] has engaged in, *i.e.*, generating interest in a potential infringing product to the commercial detriment of the rightful patentee.”). Maersk does not refute this authority.

Next, Maersk argues that “[a]ctivities that occur outside of the United States are irrelevant to infringement,” followed by a bare string cite. (MBr.59.) The only two Federal Circuit cases it cites for this proposition, however, *Rotec Industries*

and *MEMC Electronic*, are both expressly addressed in *Litecubes*, which rejected the rigid, formalistic interpretation of these authorities Maersk now advances. *See* 523 F.3d at 1370-71. And Maersk’s only attempt to distinguish *Lightcubes* is its erroneous claim that there, the “customers were in the United States when they contracted,” whereas “in the present case, the customer was in Stavanger, Norway.” (MBr.62.) This is plainly wrong: The customer, Statoil LLC, was (and is) a U.S. corporation based in Texas, and the corporation did not cease to be “in the United States” simply because a human representative went abroad. Maersk offered to sell, and sold, an infringing rig to a U.S. corporation for use in the United States. That violates the law.⁹ (TBr.46-48.)

B. Transocean’s Infringement Claim Is Not Barred By Collateral Estoppel

Transocean’s brief also showed that the district court erred by holding any “present and future” infringement claims collaterally estopped by the injunction order in *GlobalSantaFe*. (TBr.49-52.) In the Fifth Circuit, collateral estoppel only applies when both the facts *and* legal standards under comparison are identical.

⁹ For similar reasons, Maersk’s implicit argument that it is entitled to summary judgment because the rig was modified with a casing sleeve before it entered U.S. waters (MBr.63-64) must fail. Not only is the casing-sleeve insufficient itself to avoid infringement, *see infra*, the offer to sale, and sale was for an infringing rig, and the infringement was complete before Maersk considered modifying its rig. (TBr.48.) Moreover, contrary to Maersk’s assertion (MBr.60-61), Transocean never waived its claim that ongoing “use” of the rig also constitutes infringement; rather, it did not assert such a claim because the rig did not enter the U.S. until after the district court proceedings had ended.

(TBr.50.) This is not the case here, where the *GlobalSantaFe* remedy required monitoring and reporting obligations that Maersk is not subject to, **and** where the legal and policy considerations underlying the injunctive remedial relief in *GlobalSantaFe* are different from the legal standards for infringement here. (*Id.*)

Maersk offers no response to Transocean's argument, thus effectively conceding that the legal standards need to be identical here, yet are not. (MBr.64-67.) For that reason alone, its collateral-estoppel claim should be rejected.

Maersk also ignores the factual differences between the *GlobalSantaFe* judgment and its own limited, voluntary actions. Maersk does not deny that, unlike *GlobalSantaFe*, it has no obligation to provide Transocean with reports proving that the plate remains attached, nor is it subject to any legal requirement to keep the plate attached. Instead, it claims that the injunction did not actually require those conditions. (MBr.67.) This is false. The *GlobalSantaFe* injunction explicitly enjoins any "making, using, selling, offering for sale, or importing" of *GlobalSantaFe*'s rigs unless it *both* installed the plate, *and* provided Transocean with activity reports "to ensure the auxiliary well center has not been used for operations to the seabed other than as set forth herein." (A4687-88.) The injunction says so on its face. Maersk's voluntary actions are not identical to the conditions imposed by the *GlobalSantaFe* injunction. Thus, collateral estoppel does not apply.

C. The Record Establishes That the Rig Maersk Sold or Offered to Sell Meets Every Limitation of Claim 17 of the '069 Patent

The district court also erred by denying Transocean's motion for summary judgment that Maersk's rig infringed claim 17 of the '069 patent. As conceded by Maersk, there are only two points of dispute: Maersk's claim that its rig does not infringe because its pipe-transferring equipment is located outside of the derrick, and its claim that its transfer assembly is not "positioned adjacent to" the tubular advancing stations because it not "near enough to interact with" the hoisting system." (TBr.56-57; MBr.72-74.) And, as explained, both issues are resolved by reference to the claim construction. (TBr.56-57.)

Maersk's primary response is procedural; it argues that Transocean cannot appeal the denial of summary judgment because that decision was interlocutory. (MBr.70-72.) Maersk is wrong. This is an appeal from a final judgment; all interlocutory orders in the case "merge" into that judgment and are final and appealable. *See Invitrogen Corp. v. Clontech Labs, Inc.*, 429 F.3d 1052, 1069 (Fed. Cir. 2005). This Court routinely review denials of summary judgment. *See, e.g., Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1302 (Fed. Cir. 2005); *DeMarini Sports, Inc. v. Worth, Inc.*, 239 F.3d 1314, 1322 (Fed. Cir. 2001).¹⁰

¹⁰ Maersk also suggests that this Court should not address the district court's denial of Transocean's infringement motion because it presented "very different" issues

Substantively, Maersk offers no rebuttal to the key legal errors underpinning its infringement argument: (1) that the claim construction of “assembly ... to transfer” requires only that *pipe* start and end within a derrick, and does *not* (as Maersk claims) require the entire transfer assembly to be physically located within the derrick’s confines, and (2) it is the *assembly itself* that must be close enough to interact with the advancing stations, not any specific subpart of the assembly (as Maersk claims). (*See generally* MBr.72-75.) These unaddressed legal showings must be considered conceded, and there is no factual dispute that (1) on Maersk’s rig, *pipe* both begins and ends in the derrick, and (2) the assembly as a whole is adjacent to, and in fact interacts with, the tubular advancing stations. (TBr.56-57.) The Court should thus reverse and order summary judgment of infringement.

IV. MAERSK EFFECTIVELY CONCEDES THE ARGUMENT THAT SUMMARY JUDGMENT OF NO WILLFULNESS WAS ERROR

Finally, Transocean’s opening brief showed that a reasonable jury could conclude that Maersk willfully infringed Transocean’s patent. (TBr.57-61.)

Maersk offered to sell, and sold, its rig despite affirmatively recognizing a high

than those ruled on by the court. Yet Maersk does not suggest when Transocean can obtain appellate review. That said, the court denied Transocean’s motion and granted Maersk’s cross-motion on infringement for the same reasons. (A12-13.) Moreover, where, as here, “the parties do not dispute any relevant facts regarding the accused product ... but disagree over possible claim interpretations, the question of literal infringement collapses into claim construction and is amenable to summary judgment.” *Gen. Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 983 (Fed. Cir. 1997).

risk of infringement in its contract with Statoil. Moreover, the record shows that Maersk studied and copied Transocean's dual-activity rig when designing its own rig, and that it ignored Transocean's written warning of infringement. (*Id.*) Both copying and failure to cease infringement despite notice from the patent holder have been found relevant to a finding of willful infringement. *See DePuy Spine*, 567 F.3d at 1336-37; *Creative Internet Advertising Corp. v. Yahoo! Inc.*, No. 6:07cv354, 2009 WL 2382132, at *6 (E.D. Tex. July 30, 2009) (citing authorities).

Maersk does not dispute that it knew about Transocean's patents when offering to sell and selling its rig, nor does it dispute doing so despite being warned of the potential infringement. (*See generally* MBr.69-70.) Maersk also does not dispute that evidence of copying would support a willfulness ruling, but rather only argues that, as a factual matter, it did not copy. (MBr.69-70.) Again, Maersk's concessions, and its tacit admission of disputed facts, demonstrate that the district court should not have granted summary judgment. This Court should therefore reverse the no-willfulness ruling as well.

CONCLUSION

The judgment of the district court should be reversed.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned counsel hereby certifies that two copies of the Reply Brief for Plaintiff-Appellant Transocean Offshore Deepwater Drilling, Inc. were served by UPS (overnight delivery) and e-mail on February 16, 2010, upon the following:

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B), because it contains 6,951 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6), because it has been prepared in a proportionally spaced typeface using Microsoft Word 2003 in Times New Roman 14 point font.

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