



Portfolio Media, Inc. | 648 Broadway, Suite 200 | New York, NY 10012 | www.law360.com
Phone: +1 212 537 6331 | Fax: +1 212 537 6371 | customerservice@portfoliomedia.com

Jury Backs Seagate, Snuffs Siemens' Sensor Patent

By **Sam Howard**

Law360, New York (December 29, 2008) -- A California jury dealt Siemens AG a reeling blow, invalidating a patent the electronics powerhouse asserted against disc drive manufacturer Seagate Technology, concluding an infringement action that once sought nearly \$400 million in damages.

The verdict, handed down Dec. 23 in the U.S. District Court for the Central District of California, found that Siemens' patent was invalid based on anticipation and obviousness, leaving the patent holder empty-handed some 30 months after lodging the suit.

The verdict is an overwhelming victory for Seagate, which fended off allegations that all of its disc drives sold since 2000 infringed Siemens' patent for a sensor used in read heads for hard disc drives, the defendant announced in a statement last week

After the jury invalidated all six of the claims of U.S. Patent Number 5,686,838, David J.F. Gross, a partner at Faegre and Benson LLP, who served as lead trial counsel for Seagate, said the verdict was gratifying but not entirely unexpected.

"We were pleased with the verdict, which we believed was well-supported by the evidence," Gross said in a statement.

A spokesman for Siemens said the company hopes for a more favorable outcome against Seagate in a similar infringement action under way in the U.K.

"Siemens is disappointed with the verdict, which we believe was against the weight of the evidence. We will evaluate all of our options, including any post-trial motions and appeals," the spokesman said.

Judge James V. Selna ruled this fall that Seagate did violate Siemens' patent but allowed a jury to consider the validity of the patent and Siemens' bid for damages.

Gross contended that Siemens deserved nothing in damages because the patent is invalid. His argument hinged on claims that Siemens' patent is anticipated and obvious based on technology that IBM Corp. invented first and on two articles that IBM scientists authored.

The jury discounted allegations that Siemens committed inequitable conduct for failing to disclose the two articles by the scientists to the U.S. Patent and Trademark Office.

John A. O'Malley, an attorney representing the German electrical engineering firm, told a California federal jury during his closing argument last week that Seagate's infringement of its magnetoresistive sensor patent warranted an award of \$160 million in damages.

Siemens had originally sought damages of more than \$1 billion, but when the trial began Nov. 14, Siemens asked for \$366 million in damages, claiming that the amount was a small percentage of the billions of dollars in sales that Seagate allegedly generated from the infringing disc drives.

But Judge Selna cut down the original damages amount, concluding that Siemens could only focus on sales made after Nov. 24, 2004.

Siemens targeted Cayman Islands-based Seagate with the lawsuit in August 2006, alleging its disk drives incorporating giant magnetic resistance sensors and other devices violated a patent that reads information stored on disk drives and helps computers run faster.

Seagate fired back with counterclaims that the patent-in-suit was invalid.

The patent-in-suit is U.S. Patent Number 5,686,838.

Siemens AG is represented by Fulbright & Jaworski LLP. Seagate Technology is represented by Faegre and Benson LLP and Howrey LLP.

The case is Siemens AG v. Seagate Technology, case number 8:06-cv-00788, in the U.S. District Court for the Central District of California.

--Additional reporting by Erin Coe