

# PATENT LAW

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CLASS 12

**Infringement pt. 4;  
Additional Defenses;  
Remedies**

## Infringement pt. 4

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## Infringement and Foreign Activity

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### NTP, Inc. v. Research In Motion, LTD

- Fed. Cir. 2005
- Issue
  - Can a party infringe a system claim under 271(a) when an element is physically located outside the country?

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### NTP, Inc. v. Research In Motion, LTD

- District Court (E.D.VA)
- Blackberry device by RIM infringed various NTP patents
- Awarded NTP \$53,704,322.69 in damages
- Enjoined further infringement by RIM, stayed the injunction pending Fed. Cir. appeal

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### NTP, Inc. v. Research In Motion, LTD

- Fed Cir – Review D.C. ruling and stated D.C.:
  - erred in construing the claim for the “originating processor”;
  - correctly found infringement under 271(a);
  - correctly denied RIM’s motion for judgment as a matter of law (JMOL)
  - didn’t abused its discretion in evidentiary rules
  - remanded case to district court

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### NTP, Inc. v. Research In Motion, LTD

- NTP alleged over forty system and method claims had been infringed by the Blackberry system
- The court construed thirty-one disputed claim terms
- RIM asked for summary judgment of both non-infringement and invalidity
  - The asserted claims, properly construed, did not read on the accused RIM system
  - The physical location of the “relay” component put RIM’s allegedly infringing conduct outside the reach 271

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## NTP, Inc. v. Research In Motion, LTD

- “The district court agreed with NTP, holding that ‘no genuine issue of material fact’ existed as to infringement of four claims.” ...
- “The case proceeded to trial on fourteen claims. ...
- “On every issue presented, the jury found in favor of the plaintiff, NTP. The jury found direct, induced, and contributory infringement by RIM on all asserted claims of the patents-in-suit. The jury also found that the infringement was willful. It rejected every defense proposed by RIM. Adopting a reasonable royalty rate of 5.7%, the jury awarded damages to NTP in the amount of approximately \$23 million.”

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## NTP, Inc. v. Research In Motion, LTD

- D.C. awarded
  - \$33 million in compensatory damages,
  - \$4 million in attorneys’ fees
  - \$2 million prejudgment interest
  - \$14 million enhanced damages
- DC entered a permanent injunction against RIM, enjoining it from further manufacture, use, importation, and/or sale of all accused BlackBerry systems, software and handhelds.

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## NTP, Inc. v. Research In Motion, LTD

- 271(a) – “Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”

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## NTP, Inc. v. Research In Motion, LTD

- “The territorial reach of a patent right is limited, so that section 271(a) is only actionable against patent infringement that occurs within the United States.”
- “This case presents an added degree of complexity, however in that: (1) the ‘patented invention’ is not one single device, but rather a system comprising multiple distinct components or a method with multiple distinct steps; and (2) the nature of those components permits their function and use to be separated from their physical location.”

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## NTP, Inc. v. Research In Motion, LTD

- “According to RIM, the statutory requirement that all steps of the allegedly infringing activity take place ‘within the United States’ was not satisfied because the BlackBerry Relay component of the accused system was located in Canada.”
- “[The court] ... found that ‘the fact that the BlackBerry relay is located in Canada is not a bar to infringement in this matter.’ The court therefore instructed the jury that the ‘location of RIM’s Relay in Canada does not preclude infringement.’”

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## NTP, Inc. v. Research In Motion, LTD

- “... RIM’s position is that if a claim limitation of a patented system would only be met by a component of the accused system, or a step of the accused method, located outside the United States, then the entire system or method is beyond the reach of Section 271(a), even if the use and function of the whole system in operation occur in the United States.”

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## NTP, Inc. v. Research In Motion, LTD

- “The question before us is whether the location of a component of an accused system abroad, where that component facilitates operation of the accused system in the United States, prevents the application of section 271(a) to that system.”

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## NTP, Inc. v. Research In Motion, LTD

- In Deepsouth, the Supreme Court held that the export of unassembled components of an invention could not infringe a patent under 271(a).
- As a result, Congress enacted 271(f) to extend infringement to cover the export of elements of patented inventions.

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## NTP, Inc. v. Research In Motion, LTD

- “The key premise in Deepsouth was that DeepSouth was not using the machines in the United States as a ‘whole operable system assembly’ because DeepSouth did not combine the components for use in the United States.”
- “The case before us can be distinguished from DeepSouth in that ‘the location of the infringement is within United States territory, not abroad as in Deepsouth.”

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## NTP, Inc. v. Research In Motion, LTD

- “Even though one of the accused components in RIM’s BlackBerry system may not be physically located in the United States, it is beyond dispute that the location of the beneficial use and function of the whole operable system assembly is the United States.”

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## NTP, Inc. v. Research In Motion, LTD

- “The claims are directed to systems and methods for sending email messages between two subscribers; the transmission is made between an originating processor and destination processor. Although RIM’s relay, which is located in Canada is the only component that satisfies the ‘interface’ of the ‘interface switch’ limitation is the asserted claims, because **all of the other components of RIM’s accused system are located in the United States, and control and beneficial use of RIM’s system occur in the United States, we conclude that the situs of the “use” of RIM’s system for purposes of 271(a) is the United States.**”

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## AT&T v. Microsoft

- Ordinarily to infringe, the acts of infringement must all occur in the United States.
- Issue – When computer software that is recorded onto a golden master disk and sent abroad, and the software infringes within the United States, does the act of infringement also occur Outside of the United States?
- Answer – No

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## Finding Direct Infringement

- Do you have to show that a user actually used a product for a finding of direct infringement?
- Moleculon Research Corp. v. CBS, Inc., 793 F.2d 1261 (Fed. Cir. 1986)
  - circumstantial evidence of extensive puzzle sales, dissemination of an instruction sheet teaching the method of restoring the preselected pattern with each puzzle, and the availability of a solution booklet on how to solve the puzzle was sufficient

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## Eli Lilly & Co. v. American Cyanamid Co.

- Fed. Cir. 1996
- Issue
  - Applicability of 35 U.S.C. §271(g)

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## Eli Lilly & Co. v. American Cyanamid Co.

- **"Prior to the enactment of the 1988 statute**, a patentee holding a process patent could sue for infringement if others used the process in this country, but had **no cause of action if such persons used the patented process abroad to manufacture products, and then imported, used, or sold the products in this country.** In that setting, the process patent owner's only legal recourse was to seek an exclusion order for such products from the International Trade Commission . . . By enacting the Process Patent Amendments Act, the principal portion of which is codified as 35 U.S.C. § 271(g), Congress changed the law by making it an act of infringement to import into the United States, or to sell or use within the United States 'a product which is made by a process patented in the United States . . . if the importation, sale, or use of the product occurs during the term of such process patent.'"

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## Eli Lilly & Co. v. American Cyanamid Co.

- "A concern raised during Congress's consideration of the process patent legislation was whether and to what extent the new legislation would affect products other than the direct and unaltered products of patented processes -- that is, whether the new statute would apply when a **product was produced abroad** by a patented process but then **modified or incorporated into other products before being imported** into this country."

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## Eli Lilly & Co. v. American Cyanamid Co.

- "Congress . . . [provided] that a product that is 'made by' a patented process within the meaning of the statute 'will . . . not be considered to be so made after -- (1) it is materially changed by subsequent processes; or (2) it becomes a trivial and nonessential component of another product.' 35 U.S.C. §271(g)."

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## Eli Lilly & Co. v. American Cyanamid Co.

- "We cannot accept the argument that the question whether one compound is 'materially changed' in the course of its conversion into another depends on whether there are other products of the first compound that have economic value. We therefore do not adopt Lilly's proposed construction of section 271(g). We look instead to the **substantiality of the change between the product of the patented process and the product that is being imported.**"

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## Eli Lilly & Co. v. American Cyanamid Co.

- “In the chemical context, a **‘material’ change in a compound is most naturally viewed as a significant change in the compound’s structure and properties.** Without attempting to define with precision what classes of changes would be material and what would not, we share the district court’s view that a change in chemical structure and properties as significant as the change between compound 6 and cefaclor cannot lightly be dismissed as immaterial.”

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## Additional Defenses

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## Experimental Use

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## Statutory and Common Law Experimental Use

- What is covered under the common law and statutory experimental use exception?

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## Madey v. Duke

- 2002 Federal Circuit Panel Decision
- Invention
  - Laser technology
- Issue
  - How is the common law experimental use defense applied?

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## Madey v. Duke

- What was/is the relationship between Madey and Duke?
  - Madey professor with a laser research program
  - Madey had sole ownership of two patents
  - Madey removed as director of lab

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## Madey v. Duke

- What are the three primary errors asserted by Madey?
  - 1) Improper shift of burden to Madey
  - 2) D.C. applied an overly broad version of the defense
  - 3) No support for defense in this case

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## Madey v. Duke

### Experimental Use Defense

- The accused infringer has the burden of establishing the defense
- The defense is very narrow and limited to actions performed “for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry.”

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## Madey v. Duke

- “[U]se does not qualify for the experimental use defense when it is undertaken in the ‘guise of scientific inquiry’ but has ‘definite, cognizable, and not insubstantial commercial purposes.’”
- “[U]se is disqualified from the defense if it has the ‘slightest commercial implication.’”

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## Madey v. Duke

- “In short, regardless of whether a particular institution or entity is engaged in an endeavor for commercial gain, so long as the act is in furtherance of the alleged infringer’s legitimate business and is not solely for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry, the act does not qualify for the very narrow and strictly limited experimental use defense. Moreover, the profit or non-profit status of the user is not determinative.”

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## Statutory Experimental Use

- **35 USC 271 (e) (1)**: It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.

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## Infringement under Sec. 271(e)(2)

- (2) It shall be an act of infringement to submit--
  - (A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act (j)] or described in section 505(b)(2) of such Act (b)(2)] for a drug claimed in a patent or the use of which is claimed in a patent, or

...

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### Infringement under Sec. 271(e)(2), con'd:

- (B) an application under section 512 of such Act or under the Act of March 4, 1913 for a drug or veterinary biological product which is not primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques and which is claimed in a patent or the use of which is claimed in a patent, **if**

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### Infringement under Sec. 271(e)(2)(B), con'd:

- **if** . . . the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug or veterinary biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.
- i.e., an NDA or ANDA

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### Merck KGaA v. Integra LifeSciences I, LTD

- “This case presents the question whether uses of patented inventions in preclinical research, the results of which are not ultimately included in a submission to the Food and Drug Administration (FDA), are exempted from infringement by 35 U. S. C. §271(e)(1).”

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### Merck KGaA v. Integra LifeSciences I, LTD

- “[Congress] exempted from infringement *all* uses of patented compounds ‘reasonably related’ to the process of developing information for submission under *any* federal law regulating the manufacture, use, or distribution of drugs.”

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### Merck KGaA v. Integra LifeSciences I, LTD

- “At least where a drugmaker has a reasonable basis for believing that a patented compound may work, through a particular biological process, to produce a particular physiological effect, and uses the compound in research that, if successful, would be appropriate to include in a submission to the FDA, that use is ‘reasonably related’ to the ‘development and submission of information under . . . Federal law.’ §271(e)(1).”

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### Reasonably Related

- “Congress did not limit §271(e)(1)’s safe harbor to the development of information for inclusion in a submission to the FDA . . . Rather, it exempted from infringement all uses of patented compounds ‘reasonably related’ to the process of developing information for submission under any federal law regulating the manufacture, use, or distribution of drugs.”
- Eli Lilly & Co. v. Medtronic, Inc., 496 U.S. 661 (1990)

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## Additional Defenses

Defenses that may bar a patentee from obtaining relief in an infringement action include:

- Statutory
  - Noninfringement
  - Absence of liability for infringement
  - Invalidity
  - First inventor/prior use defense
- Equitable
  - Unclean hands
  - Unenforceability for fraud and inequitable conduct
  - Misuse
  - Delay in filing suit resulting in laches or estoppel

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## 35 U.S.C. 282 Presumption of validity; defenses.

- “A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. ... The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”

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## 35 U.S.C. 282 Presumption of validity; defenses.

- “The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
  - (1) Noninfringement, absence of liability for infringement, or unenforceability,
  - (2) Invalidity of the patent or any claim in suit on any ground specified in **part II** of this title as a condition for patentability,
  - (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of **sections 112 or 251** of this title,
  - (4) Any other fact or act made a defense by this title. ...”

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## Misuse

- Attempting to extend a patent beyond the patent terms
- Remember to alter a licensing rate paid based on expiration of applicable patents

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## Impression Products, Inc. v. Lexmark Int’l, Inc

- Fed. Cir. 2016 (en banc)
- “We decided to hear this case en banc to consider whether two decisions of this court concerning the uncodified doctrine of patent exhaustion—one decision from 1992, the other from 2001—remain sound in light of later decisions of the Supreme Court. Today we reaffirm the principles of our earlier decisions.”

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## Impression Products, Inc. v. Lexmark Int’l, Inc

- “[W]e adhere to the holding of Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700 (Fed. Cir. 1992), that a patentee, **when selling a patented article subject to a single-use/no-resale restriction that is lawful and clearly communicated to the purchaser, does not by that sale give the buyer, or downstream buyers, the resale/reuse authority that has been expressly denied.** Such resale or reuse, when contrary to the known, lawful limits on the authority conferred at the time of the original sale, remains unauthorized and therefore remains infringing conduct under the terms of §271. Under Supreme Court precedent, a patentee may preserve its §271 rights through such restrictions when licensing others to make and sell patented articles; Mallinckrodt held that there is no sound legal basis for denying the same ability to the patentee that makes and sells the articles itself.”

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## Impression Products, Inc. v. Lexmark Int'l, Inc

- “[W]e adhere to the holding of Jazz Photo Corp. v. International Trade Comm’n, 264 F.3d 1094 (Fed. Cir. 2001), that a **U.S. patentee, merely by selling or authorizing the sale of a U.S.-patented article abroad, does not authorize the buyer to import the article and sell and use it in the United States, which are infringing acts in the absence of patentee-conferred authority.** Jazz Photo’s noexhaustion ruling recognizes that foreign markets under foreign sovereign control are not equivalent to the U.S. markets under U.S. control in which a U.S. patentee’s sale presumptively exhausts its rights in the article sold. A buyer may still rely on a foreign sale as a defense to infringement, but only by establishing an express or implied license—a defense separate from exhaustion, as Quanta holds—based on patentee communications or other circumstances of the sale”

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## Impression Products, Inc. v. Lexmark Int'l, Inc

- Supreme Court 2016
- Impression raises the following questions in its newly filed petition for writ of certiorari:
  1. Whether a “conditional sale” that transfers title to the patented item while specifying post-sale restrictions on the article’s use or resale avoids application of the patent exhaustion doctrine and therefore permits the enforcement of such post-sale restrictions through the patent law’s infringement remedy.
  2. Whether, in light of this Court’s holding in Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351, 1363 (2013), that the common law doctrine barring restraints on alienation that is the basis of exhaustion doctrine “makes no geographical distinctions,” a sale of a patented article—authorized by the U.S. patentee—that takes place outside of the United States exhausts the U.S. patent rights in that article.

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## Laches and Estoppel

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## A.C. Aukerman Co. v. R.L. Chaides Construction Co.

- 2002 Fed. Cir. (en banc)
- Issue
  - Standards for laches and equitable estoppel

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## A.C. Aukerman Co. v. R.L. Chaides Construction Co.

- “1. **Laches** is cognizable under 35 U.S.C. §282 (1988) as an equitable defense to a claim for patent infringement.
- 2. Where the defense of laches is established, the patentee’s claim for damages prior to suit may be barred.
- 3. Two elements underlie the **defense of laches**: (a) the patentee’s delay in bringing suit was unreasonable and inexcusable, and (b) the alleged infringer suffered material prejudice attributable to the delay. The district court should consider these factors and all of the evidence and other circumstances to determine whether equity should intercede to bar pre-filing damages.
- 4. A presumption of laches arises where a patentee delays bringing suit for more than six years after the date the patentee knew or should have known of the alleged infringer’s activity.
- 5. A presumption has the effect of shifting the burden of going forward with evidence, not the burden of persuasion.”

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## A.C. Aukerman Co. v. R.L. Chaides Construction Co.

- “1. **Equitable estoppel** is cognizable under 35 U.S.C. §282 as an equitable defense to a claim for patent infringement.
- 2. Where an alleged infringer establishes the defense of equitable estoppel, the patentee’s claim may be entirely barred.

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## A.C. Aukerman Co. v. R.L. Chaides Construction Co.

3. Three elements must be established to bar a patentee's suit by reason of **equitable estoppel**:  
(a) The patentee, through misleading conduct, leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer. 'Conduct' may include specific statements, action inaction, or silence where there was an obligation to speak.  
(b) The alleged infringer relies on that conduct. (c) Due to its reliance, the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim.  
4. No presumption is applicable to the defense of equitable estoppel."

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## SCA Hygiene v. First Quality Baby Products, LLC

- 2015 Fed. Cir. (en banc)
- Waiting for a Supreme Court decision...
- Issue
  - Does laches remain a legal defense to patent infringement?
- Invention
  - adult incontinence products

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## SCA Hygiene v. First Quality Baby Products, LLC

- 10/31/03 – SCA letter to First Quality indicating possible infringement
- 11/21/03 – First Quality responds patent invalid in light of '646 patent
- 7/7/04 – SCA requests reexamination in light of '646 patent
- 3/27/07 – All claims of SCA patent survive reexamination
- 8/2/10 – SCA files a complaint for patent infringement

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## SCA Hygiene v. First Quality Baby Products, LLC

- "The district court proceeded with discovery and issued a claim construction order. First Quality then moved for partial summary judgment of noninfringement and for summary judgment of laches and equitable estoppel. The district court granted First Quality's motion as to laches and equitable estoppel and dismissed the noninfringement motion as moot."

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## SCA Hygiene v. First Quality Baby Products, LLC

- "SCA appealed, and on September 17, 2014, a panel of this court affirmed the district court's opinion on laches, but reversed as to equitable estoppel."
- "On laches, the panel rejected SCA's argument that the Supreme Court's Petrella decision abolished laches in patent law, reasoning instead that the panel was bound by this court's prior en banc opinion in A.C. Aukerman Co. []"

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## SCA Hygiene v. First Quality Baby Products, LLC

- 2 Questions on en banc appeal
  - "In light of the Supreme Court's decision in Petrella v. Metro-Goldwyn-Mayer, 134 S. Ct. 1962 (2014) (and considering any relevant differences between copyright and patent law), should this court's en banc decision in A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020 (Fed. Cir. 1992), be overruled so that the defense of laches is not applicable to bar a claim for damages based on patent infringement occurring within the six-year damages limitations period established by 35 U.S.C. §286?"
  - "In light of the fact that there is no statute of limitations for claims of patent infringement and in view of Supreme Court precedent, should the defense of laches be available under some circumstances to bar an entire infringement suit for either damages or injunctive relief? See, e.g., Lane & Bodley Co. v. Locke, 150 U.S. 193 (1893)."

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## SCA Hygiene v. First Quality Baby Products, LLC

### Findings of Aukerman

1. "Laches was codified in 35 U.S.C. §282."
2. "Laches is routinely applied within the prescribed statute of limitations period for bringing the claim."
3. "We rejected the argument 'that laches, by reason of being an equitable defense, may be applied only to monetary awards resulting from an equitable accounting, not to legal claims for damages.'"
4. "[L]aches prohibits recovery of pre-filing damages only"

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## SCA Hygiene v. First Quality Baby Products, LLC

- For over two decades, Aukerman governed the operation of laches in patent cases. However, last year in Petrella the Supreme Court held that laches was not a defense to legal relief in copyright law. Petrella calls portions of Aukerman's reasoning into question, necessitating our present en banc reconsideration of laches."

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## SCA Hygiene v. First Quality Baby Products, LLC

- "[In Petrella,] the Supreme Court reversed, holding that laches is no defense to a copyright infringement suit brought within the Copyright Act's statutory limitations period. ...
- "Petrella consequently held that "in face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief."

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## SCA Hygiene v. First Quality Baby Products, LLC

- On to the Supreme Court...

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## Shop Rights

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## Shop Right

- "... [T]he right of an employer to use employee's invention in employer's business without payment of royalty. The 'shop right' doctrine is that, where an employee during his hours of employment working with his employer's materials and appliances conceives and perfects an invention for which he obtains a patent, he must accord his employer a nonexclusive right to practice the invention. The employer, however, is not entitled to a conveyance of the invention, this remains the right of the employee-inventor."

Blacks Law Dictionary, Abridged Sixth Edition

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## McElmurry v. Arkansas Power & Light Co.

- 1993 Fed. Cir.
- Issue
  - Holding of shop rights

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## McElmurry v. Arkansas Power & Light Co.

- Procedural Background
  - Appeal of the district court's granting of a motion for summary judgment holding that AP&L holds "shop rights" to certain subject matter in the claimed invention and therefore has not infringed the patent.

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## McElmurry v. Arkansas Power & Light Co.

- Shop right
  - Common law right
  - Entitles an employer to use without charge an invention patented by one or more of its employees without liability for infringement.
  - Totality of circumstances test
    - "[C]ircumstances surrounding the development of the patent invention and the inventor's activities respecting that invention, once developed, to determine whether equity and fairness demand that the employer be allowed to use that invention in his business."

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## McElmurry v. Arkansas Power & Light Co.

- Totality of circumstances determine that the employer received shop rights in the inventor's invention.

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## Shop Right

- If you are an employee, what could you do to avoid providing your employer a shop right in your invention?

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## United States v. Dubilier Condenser Corp.

- "One employed to make an invention, who succeeds, during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained. The reason is that he has only produced that which he was employed to invent. His invention is the precise subject of the contract of employment."

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## United States v. Dubilier Condenser Corp.

- “On the other hand, if the employment be general, albeit it covers a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent, the contract is not so broadly construed as to require an assignment of the patent.”

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## United States v. Dubilier Condenser Corp.

- “[S]hop right ... is ... where a servant, during his hours of employment, working with his master’s materials and appliances, conceives and perfects an invention for which he obtains a patent, he must [then] accord his master a nonexclusive right to practice the invention.”

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## Shop Right

- If you are an employee, what could you do to avoid providing your employer a shop right in your invention?

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## Prior Use Rights

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## Prior Use Defense

- **Before AIA**
  - Business method patents only
- **After AIA**
  - “Appropriate delimited prior user rights protect third parties who can demonstrate that they were commercially using the an invention for at least one year prior to the filing date of a patent application relative to such invention.”
  - Covers all technologies

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## Prior Use Defense

- “[D]efense is available to persons who independently commercially employed the invention in the United States in connection with an internal commercial use, an arm’s length sale, or an arm’s length transfer of a useful end result of the commercial use.”

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## Prior Use Defense

- “[M]ust establish that the relevant activities occurred more than one year before the earlier of (1) the filing date of the patent application; or (2) the date of public disclosure by the patentee during the patentee’s grace period.”

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## Prior Use Defense

- Limitations and exceptions to the defense include:
  - a prohibition against license, assignment or transfer of the defense, other than in connection with an assignment or transfer of the entire business to which the defense relates;
  - geographic limitation to cover only those sites where the invention was used before the critical date; and
  - an explicit exception to the defense for patents owned by or assigned to universities or affiliated technology transfer organizations.

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## Remedies

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## Remedies

- What happens when someone has been found to infringe a patent?
- A right to exclude typically implies injunctive relief.

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## Remedies

- §283 Injunctive Relief
  - The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

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## Remedies

- §284 Damages
  - Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

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## Remedies

- §285 Attorney Fees.
  - The court in exceptional cases may award reasonable attorney fees to the prevailing party.

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## Injunctions

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## Injunction

- What is an injunction?
  - “right to enjoin the defendant-infringer from continuing infringing activities”
- When can they occur during litigation?

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## Permanent Injunctions

- Courts may grant permanent injunctions upon entry of a final judgment of infringement. However, a permanent injunction following a finding of infringement is not automatic, but lies within the discretion of the trial court.

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## eBay v. MercExchange

- 2006 Supreme Court
- Issue
  - Should a permanent injunction ordinarily be granted?

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## eBay v. MercExchange

- **Petitioner** – eBay and Half.com
- **Respondent** – MercExchange, owner of business method patents
- MercExchange sought to license its patent to eBay, but the parties did not agree.
- MercExchange sued for patent infringement in E.D.Va. MercExchange’s patent was found valid, infringed, and an award of damages was deemed appropriate.

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## eBay v. MercExchange

- MercExchange then sought a permanent injunction. The district court denied the motion for permanent injunction, but the Fed Circuit reversed, applying a general rule that courts issue permanent injunctions absent exceptional circumstances.

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## eBay v. MercExchange

- Plaintiff must satisfy a four-factor test before a court may grant a permanent injunction:
  - 1) that it has suffered an irreparable injury;
  - 2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury;
  - 3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and
  - 4) that the public interest would not be disserved by a permanent injunction.
- The decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion.

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## eBay v. MercExchange

- “We hold only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.”

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## eBay v. MercExchange

- What is the effect of the decision?
  - May limit possibility of obtaining permanent injunctions (thereby reducing leverage):
    - Patent holders without a product (e.g., , patent trolls;
    - Where patented invention is a small part of the final product; and
    - Business method patents

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## Preliminary Injunction

- An injunction that occurs prior to a decision in an ongoing patent case.
- “If preliminary injunctions were not granted to enforce valid patents, then the patentee would obtain only money damages for the infringement occurring during the litigation, and ‘infringers could become compulsory licensees for as long as the litigation lasts.’”

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## Granting a Preliminary Injunction

- “The grant or denial of a preliminary injunction under 35 U.S.C. §283 (1994) is within the sound discretion of the district court.”
- “As the moving party, Amazon is entitled to a preliminary injunction if it can succeed in showing: (1) a reasonable likelihood of success on the merits; (2) irreparable harm if an injunction is not granted; (3) a balance of hardships tipping in its favor; and (4) the injunction’s favorable impact on the public interest.”

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## Damages

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## Reasonable Royalty

- Why shouldn't a reasonable royalty be the only penalty for patent infringement?

99

### Panduit Corp. v. Stahlin Bros Fibre Works, Inc.

- 1978 6<sup>th</sup> Cir.
- Issue
  - How show the patent holder be compensated for damages?

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### Panduit Corp. v. Stahlin Bros Fibre Works, Inc.

- § 284 – damages adequate to compensate for the infringement
- "To obtain as damages the profits on sales he would have made absent the infringement, i.e., the sales made by the infringer, a patent owner must prove: (1) demand for the patented product, (2) absence of acceptable noninfringing substitutes, (3) his manufacturing and marketing capability to exploit the demand, and (4) the amount of the profit he would have made."

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### Panduit Corp. v. Stahlin Bros Fibre Works, Inc.

- "When actual damages, e.g., lost profits, cannot be proved, the patent owner is entitled to a reasonable royalty. 35 U.S.C. §284. A reasonable royalty is an amount "which a person, desiring to manufacture and sell a patented article, as a business proposition, would be willing to pay as a royalty and yet be able to make and sell the patented article, in the market, at a reasonable profit."

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### Panduit Corp. v. Stahlin Bros Fibre Works, Inc.

- "The setting of a reasonable royalty after infringement cannot be treated, as it was here, as the equivalent of ordinary royalty negotiations among truly 'willing' patent owners and licensees. That view would constitute a pretense that the infringement never happened. It would also make an election to infringe a handy means for competitors to impose a 'compulsory license' policy upon every patent owner."

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## Finding Lost Profits

- “In accordance with the Court’s guidance, we have held that the general rule for determining actual damages to a patentee that is itself producing the patented item is to **determine the sales and profits lost to the patentee because of the infringement**. To recover lost profits damages, the patentee must show a reasonable probability that, “but for” the infringement, **it would have made the sales** that were made by the infringer.”
- Rite-Hite Corp. v. Kelley Co., (Fed. Cir. 1995)

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## Lucent Technologies, Inc. v. Gateway, Inc.

- “Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.” 35 U.S.C. § 284. As the Supreme Court has framed the general issue of determining damages, at least for competitors, a court must ask, “[H]ad the Infringer not infringed, what would [the] Patent Holder[ ] have made?”

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## Lucent Technologies, Inc. v. Gateway, Inc.

- “The burden of proving damages falls on the patentee. ... Two alternative categories of infringement compensation are the patentee’s lost profits and the reasonable royalty he would have received through arms-length bargaining.”

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## Lucent Technologies v. Gateway, Inc.

- Approaches for calculation of a reasonable royalty
  - **analytical method**--focuses on the infringer’s projections of profit for the infringing product
  - **hypothetical negotiation** or the “willing licensor-willing licensee” approach, attempts to ascertain the royalty upon which the parties would have agreed had they successfully negotiated an agreement just before infringement began.

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## Lucent Technologies v. Gateway, Inc.

- **Entire Market Value Rule**
  - “For the entire market value rule to apply, the patentee must prove that “the patent-related feature is the ‘basis for customer demand.’”
  - “[T]he objective of the Court’s concern has been two-fold: determining the correct (or at least approximately correct) value of the patented invention, when it is but one part or feature among many, and ascertaining what the parties would have agreed to in the context of a patent license negotiation.”

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## Lucent Technologies v. Gateway, Inc.

- “There is nothing inherently wrong with using the market value of the entire product, especially when there is no established market value for the infringing component or feature, so long as the multiplier accounts for the proportion of the base represented by the infringing component or feature.”

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### Georgia-Pacific Corp. v. United States Plywood Corp.

#### Factors

1. The **royalties received by the patentee** for the licensing of the patent in suit, proving or tending to prove an established royalty.
2. The **rates paid by the licensee** for the use of other patents comparable to the patent in suit.
3. The **nature and scope of the license**, as exclusive or non-exclusive; or as restricted or non-restricted in terms of territory or with respect to whom the manufactured product may be sold.

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### Georgia-Pacific Corp. v. United States Plywood Corp.

4. The licensor's **established policy and marketing program** to maintain his patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly.
5. The **commercial relationship between the licensor and licensee**, such as, whether they are competitors in the same territory in the same line of business; or whether they are inventor and promoter.

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### Georgia-Pacific Corp. v. United States Plywood Corp.

6. The effect of selling the patented specialty in **promoting sales** of other products of the licensee; the existing value of the invention to the licensor as **a generator of sales** of his non-patented items; and the extent of such derivative or conveyed sales.
7. The **duration** of the patent and the **term of the license**.
8. The established **profitability of the product** made under the patent; its commercial success; and its current popularity.

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### Georgia-Pacific Corp. v. United States Plywood Corp.

9. The utility and **advantages** of the patent property over the old modes or devices, if any, that had been used for working out similar results.
10. The **nature** of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention.

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### Georgia-Pacific Corp. v. United States Plywood Corp.

11. The extent to which the infringer has **made use** of the invention; and any evidence probative of the value of that use.
12. The **portion of the profit or of the selling price** 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 realizable profit** that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.

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### Georgia-Pacific Corp. v. United States Plywood Corp.

14. The **opinion testimony** of qualified experts.
15. The **amount** that a licensor (such as the patentee) and a licensee (such as the infringer) **would have agreed upon** (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee -- who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention -- would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patentee who was willing to grant a license.

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## Marking

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## Patent Marking

- In general, a patented article should have the word “patent” or the abbreviation “pat.” together with the number of the patent(s) affixed to the article itself or packaging of the article. By providing such notice, the company retains its ability to obtain pre-suit damages for its patents subject to the statute of limitations.

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## Marking

- Provides notice of patent rights
- “Patent” or “pat.” along with the number of the patent on patented articles
- A label may instead be placed on article or its packaging
- If not marked, no damages until after the infringer receives actual notice of the infringement

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## Marking

### 35 U.S.C. 287§(a)

- Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word “patent” or the abbreviation “pat.” together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

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## False Marking

- False marking occurs when the word “patent” or a patent number is used on an article in combination with an intent to deceive the public regarding the patent rights associated with the article. False marking also occurs when, in combination with intent to deceive the public, the words “patent pending” or a similar designation is used on an article when no patent application has been filed on the article or the patent application associated with the article is no longer pending. Anyone found guilty of false marking is subject to a fine of \$500 per offense.

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## Pre-AIA False Marking Issue

- The standard of the intent to deceive the public with false marking is subjective. For example, the patent marking of an article need not be immediately removed after expiration of the associated patent in certain situations. Rather, the issue is whether the inclusion of the false marking on the article or packaging was made with the subjective intent to deceive. Presently, there is no presumption of intent to deceive based on a particular fact pattern (e.g., known expiration of a patent but continued marking of the article for a period of time). However, an appeal to the Federal Circuit on the 2009 case of Pequinot v. Solo Cup Company, 644 F.Supp.2d 790 (E.D.Va 2009) may occur and thereby clarify whether a presumption exists.

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## Virtual Marking

- 287(a)
- "Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, **or by fixing thereon the word 'patent' or the abbreviation 'pat.' together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when ...**"
- Allows an additional option for marking...

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## False Marking

- **35 U.S.C. 292 False marking.**
- (a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the person into the United States, the name or any imitation of the name of the patentee, the patent number, or the words "patent," "patentee," or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article the word "patent" or any word or number importing the same is patented, for the purpose of deceiving the public; or Whoever marks upon, or affixes to, or uses in advertising in connection with any article the words "patent applied for," "patent pending," or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public - Shall be fined not more than \$500 for every such offense. Only the United States may sue for the penalty authorized by this subsection.

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## False Marking

- b) A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.
- (c) The marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section.

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## False Marking

- Denies standing for any false marking complainant who cannot prove a competitive injury
- Provision is retroactive
- False marking claims have already been dismissed; issue is essentially dead

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## Repair/Reconstruction

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## "First Sale" Doctrine

- A sale of a patented article is generally considered to exhaust patentee's rights in the patent article
- Permits the purchase to use and sell the patented article
- What is the patented article needs alternation to continue operation?

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## Repair v. Reconstruction

- Repair – permissible
  - “Precedent has classified as repair the disassembly and cleaning of patented articles accompanied by replacement of unpatented parts that had become worn or spent, in order to preserve the utility for which the article was originally intended.”
- Reconstruction – impermissible
  - Reconstruction requires a more extensive rebuilding of the patented entity.
  - “The unrestricted sale of a patented article, by or with the authority of the patentee, ‘exhausts’ the patentee’s right to control further sale and use of that article by enforcing the patent under which it was first sold.”

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## Jazz Photo Corp. v. International Trade Comm.

- “While the ownership of a patented article does not include the right to make a substantially new article, it does include the right to preserve the useful life of the original article.”

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## Jazz Photo Corp. v. International Trade Comm.

- “Mere replacement of individual unpatentable parts, one at a time, whether of the same part repeatedly or different parts successively, is not more than the lawful right of the owner to repair his property.”

130

## Jazz Photo Corp. v. International Trade Comm.

- “Precedent has classified as repair the disassembly and cleaning of patented articles accompanied by replacement of unpatented parts that had become worn or spent, in order to preserve the utility for which the article was originally intended.”

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## Jazz Photo Corp. v. International Trade Comm.

- “‘Reconstruction,’” precedent shows, requires a more extensive rebuilding of the patented entity...”

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## Jazz Photo Corp. v. International Trade Comm.

- “The unrestricted sale of a patented article, by or with the authority of the patentee, ‘exhausts’ the patentee’s right to control further sale and use of that article by enforcing the patent under which it was first sold.”

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***Program  
Completed***

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