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# Recent U.S. Court Decisions Affecting Licensing

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# Topics for today

- Licensing provisions and practices
- Ability to sue and be sued in court
- Patent office invalidity proceedings
- Litigating infringement in the courts
- Remedies - damages, sanctions, injunctions

# 1. License provisions

- Forum selection provision prevents PTO validity challenge -  
Dodocase v. MerchSource
- Licensing existing and new patents – interpretation of provisions
  - Licensing “existing patents” did not license later divisional patents - Cascades v. Evertz
  - Most-favored license provision did not license newly-acquired patents - Wi-LAN v. Ericsson
- Arbitration provision
  - Does not apply to infringement after termination - Roof N Box v GAF-ELK
  - Does not bind third parties to arbitrate - Waymo v. Uber

# 1. License provisions (continued)

- Third party beneficiary has standing to sue to enforce agreement - *Alter v. Autodesk*
- No challenge provision prevents subsequent infringement and validity challenges - *Kenall v. Cooper*
- Termination of agreement and survival of provisions - interpretation - *Zebra v. Typenex*
- Restrictions on patent exhaustion
  - Contractual restrictions don't prevent exhaustion after authorized sales - *Lexmark v. Impression Products (S.Ct.)*
  - Contractual restrictions prevent exhaustion by restricting scope of licensed sales rather than use of products after authorized sale by licensee - *Chrimar v. Alcatel*

## 2. Licensing practices

- Delay in asserting rights
  - No laches defense for unreasonable delay if sue within statute of limitations - SCA Hygiene v. First Quality Baby Products (S.Ct.)
  - Delay in demanding arbitration may waive that right - Sgromo v. Bestway
- Complying with the policy of a standards organization - patent enforceability - Momenta v. Amphastar
- Terminating rights - bankrupt trademark licensor cannot terminate licensee rights - Tempnology v. Mission Products Holdings (S.Ct.)

## 2. Licensing practices (continued)

- Anticompetitive licensing practices - refusal to license competitors, “no license, no chips” to customers - FTC v. Qualcomm
- Inequitable conduct and unenforceability - lack of due diligence in investigating intentional abandonment in patent revival - 3D Medical v Visage
- Protecting communications and work product - attorney-client privilege and work product immunity
  - Sharing confidential communications during patent acquisition, common-interest doctrine - Crane v. Rolling Optics
  - Legal advice v. business advice –  
A/C: primary purpose - legal advice  
W/P totality of the circumstances - legal advice -  
Limestone v. Micron

### 3. Ability to be sued in a particular court – personal jurisdiction and venue

- Where corporations reside and can be sued - TC Heartland v. Kraft Foods (S.Ct.)
- Presence of an exclusive licensee (no) New World v Ford
- Employing part-time field technicians (yes) InVue v Mobile Tech
- Limited number of employees not involved in infringement (no)  
Towsend v Brooks
- Frequent participation in Hatch-Waxman litigation (yes)  
Bristol-Myers v. Mylan

### 3. Ability to be sued in a particular court – personal jurisdiction and venue (continued)

- Work-from-home employees (no) *Billingsnetwork v. Modernizing Medicine*
- Future intent to market an accused product (no) *Galderma v. Teva*
- Mere clinical testing (no) *Snyders v St. Jude*
- Collaboration with defendant who can be sued (no) *Unity Opto v LG Sourcing*
- Activity prior to the patent grant (no) *NexLearn v. Allen*



## 4. Ability to sue in court –

### Standing, joinder, ripeness, and ability to sue

- Lack of standing and attempt joinder of patent owner (no) SPH v. Huawei
- Prior to resolving patent ownership (no) First Data v. Inselberg
- Reforming patent assignment in ITC to cure standing (no) Intellectual Ventures / Encap
- Agreement to transfer litigation proceeds (yes) Agarwal v. Buchanan
- Assignee estoppel challenge during pleadings (no) MACOM v. Infineon
- Licensee's patent owner has sovereign immunity (no) Gensetix v. BCM

# 5. Patent office validity proceedings

- Avoiding PTO validity challenges
  - Forum selection provision in agreement - *Dodocase v. MerchSource*
  - Sovereign immunity - *Covidien v. University of Florida*
- Determining standing for appeal of PTO decision
  - Alleging injury - *Philgenix v. ImmunoGen*
  - Covenant not to sue - *PPG v. Valspar*
  - Appeal of decision to institute validity challenge (timing) - *Broadcom v. WiFi One*
- Effect on modifying an ITC order (exhaustion and discretion) - *Cisco v. Arista*
- Impact of disclaiming or cancelling claims on related claims - *Smith & Nephew v Arthrex*

# 6. Litigating infringement in the courts

- Induced infringement - evaluating active encouragement - Power Integrations v. Fairchild
- Listing a product for sale v. offering for sale - Blazer v. eBay
- Staying infringement suit pending decision on enforceability of covenant not to sue - Zebra v. Typenex
- Summary affirmance can bar relitigating - Phil-Insul v. Airlite Plastics

# Final topics

## Remedies – damages, sanctions, injunctions

- Calculating a reasonable royalty rate
- Determining an appropriate royalty base
- Determining willful infringement and sanctions
- Evaluating factors for injunctions

# 7. Calculating a reasonable royalty rate

- Broad types of evidence from experts are permitted - forward citation analysis, settlement agreements, licensing preferences of infringer, etc. - Comcast v. Sprint
- Expert opinions must tie comparable licenses to facts of the case - Bayer v. Baxalta
- Expert opinions need to account for technological and economic differences - Biscotti v. Microsoft

# 7. Calculating a reasonable royalty rate (continued)

- Willful infringer not entitled to reasonable profit under increased royalty award for future sales - *Artic Cat v. Bombardier*
- Patent litigation settlement agreements are permissible evidence - *Prism v. Sprint*
- Royalties in agreements with non-profit organizations are relevant - *Raindance/Biorad v. 10x Genomics*
- 0% royalty rate award is unacceptable despite prospective non-infringing alternative - *Tinnus v. Telebrands*

## 8. Determining an appropriate royalty base

- Entire market value of product may be used as royalty base without showing market demand - *Exmark v. Briggs & Stratton*

# 9. Determining willful infringement & sanctions

- Activities occurring after lawsuit may not support willful infringement –  
Cooper v. Cordelia
- Dismissing a suit to avoid a ruling on patent invalidity –  
Shipping and Transit v. Hall
- Suing and losing after PTO warning of patent invalidity –  
SAP v. Investpic
- Asserting patent infringement without standing –  
Keith Manufacturing v. Cargo Floors



# 10. Evaluating factors for injunctions

- Licensing of competitors -  
Nichia v. Everlight
- Demonstrating patented features are “a driver” of consumer demand -  
Genband v Metaswitch
- Enjoining foreign patent enforcement -  
Huawei v. Samsung

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