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) Townsend 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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