Finnegan's monthly update on developments affecting licensing and other IP transactions

October 2014

Patent Co-Owner May Prevent Other Co-Owners from Enforcing Jointly-Owned Patents by Refusing to Join an Infringement Suit and May Not Be Involuntarily Joined as a Party

by John C. Paul, D. Brian Kacedon, and Kevin D. Rodkey

The Federal Circuit has long held that a patent co-owner seeking to maintain a patent-infringement suit must join all other co-owners. Co-owners, however, are not always willing to join. In a recent decision denying standing to a university licensing entity, the Federal Circuit held that a patent co-owner's substantive right to refuse to join the infringement suit trumped a federal procedural rule that otherwise may have forced the co-owner to join suit. Thus, unless a co-owner has given up the right to refuse to join a suit, the co-owner can effectively impede another co-owner's ability to sue infringers.

Stay Pending Resolution of Patent-Office Review Denied Because of Undue Prejudice to Licensing Entity Based on Impending Expiration of Patent and Effects of Ongoing Alleged Infringement

by John C. Paul, D. Brian Kacedon, and R. Benjamin Cassady

Patent-litigation defendants who utilize one of the America Invents Act's patent-review provisions will often also seek a stay of the litigation, pending the outcome of the Patent Office's review. In determining whether to stay the litigation, one factor considered by courts is whether there will be undue prejudice to the nonmoving party. In examining this factor, courts have typically been more willing to find undue prejudice where the parties are direct competitors, as opposed to where a patent owner licenses but does not practice the patent. In a recent decision denying a motion to stay, a court found undue prejudice to the patent owner, though the patent owner does not practice the patent or compete with the defendant. The court considered the patents' impending expiration dates and reasoned that the licensing value was negatively affected by ongoing, allegedly infringing activity, causing prejudice to the patent owner's ability to license.

Defendant Is Ordered To Pay Patent Owner's Attorney Fees for Aggressively Pursuing Patent-Invalidity Defenses that "Bordered on Frivolous" To Increase Plaintiff's Costs

by John C. Paul, D. Brian Kacedon, and Daniel F. Roland

A Connecticut court recently declared a case "exceptional" under the Patent Act and awarded a prevailing plaintiff its attorney fees, finding that the defendants' continued pursuit of

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patent-invalidity defenses was an attempt to prolong litigation and exponentially increase plaintiff's cost and risk of maintaining the suit. The court determined that the defendants pursued a near-frivolous indefiniteness defense, which was dismissed on summary judgment. Further, despite presenting no evidence at trial to support its remaining invalidity defenses, the defendants maintained their patent expert on their witness list throughout trial and did not formally withdraw those defenses until after trial. The court also sought to deter defendants with deep pockets from driving up litigation costs and strong-arming plaintiffs into relinquishing their claims, particularly where, as here, the plaintiff risked its principal business asset to garner only a small damages award.

Error in Issued Patent Not Corrected Before Filing Suit Results in Dismissal of Claim

by John C. Paul, D. Brian Kacedon, and Robert D. Wells

The U.S. Court of Appeals for the Federal Circuit recently affirmed a district court's decision, holding that (1) the district court did not have authority to correct an error in a patent claim that was not evident on the face of the patent, (2) the district court properly did not consider a certificate of correction because it issued after the litigation began, and (3) the patent holder could not assert either the original or corrected patent claim in that lawsuit. The error, which was made by the PTO, was only evident from review of the prosecution history and ultimately proved fatal to the plaintiff's claim.

Court Permits Royalty Based on End Product Price Where Smaller Component Fails To Capture Value of Infringement and Component Prices Were "Artificially Deflated Because of Pervasive Infringement"

by John C. Paul, D. Brian Kacedon, and Andrew E. Renison

A Texas court recently rejected a defendant's proposed reasonable royalty for failing to account for the infringed patent's true value. The defendant tried to base the royalty on the price of a product component physically implementing the patent's inventive aspect. But the court found this royalty base insufficient, emphasizing that the true value lay in the patented idea and the solution it brought to a prevailing problem in the industry. The defendant's proposal was particularly problematic, the court noted, given the pervasive infringement of the plaintiff's patent in the industry, which artificially deflated the price of the product's components. The court then ruled that the defendant's end products served as the most appropriate royalty base, as they more suitably captured the patent's value and reflected the patent owner's licensing practices.

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