

IP MARKETPLACE

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

September 2014

District Court Applies Recent Supreme Court Ruling in Awarding Attorney Fees Against the Patent Owner for Failing to Timely Produce Any Evidence of Infringement

by John C. Paul, D. Brian Kacedon, and Robert C. MacKichan III

A California federal district court recently awarded attorney fees under Section 285 of the Patent Act to a prevailing defendant in view of the Supreme Court's recent Octane Fitness opinion. The court found that the defendant met the required "exceptional case" standard of § 285 based on the unreasonable way in which the patent-owner litigated the case. Though the court awarded attorney fees under § 285, the court denied the defendant's request for sanctions under 28 U.S.C. § 1927, because there was no evidence of bad faith by the plaintiff's counsel in pursuing the litigation.

District Court Stays Patent Litigation Pending CBM Review in a Case Brought by a Non-Practicing Entity Who Did Not Seek a Preliminary Injunction

by John C. Paul, D. Brian Kacedon, and Aaron V. Gleaton

A California court recently granted a motion to stay a patent infringement litigation pending CBM review of the patent-in-suit. The court emphasized that a stay would not unduly prejudice the plaintiff, a nonpracticing entity, because it did not compete with the defendant or seek preliminary injunctive relief, indicating that the plaintiff had no stake in the case other than alleged money damages. This finding combined with the early stage of litigation and the potential to reduce the burden of litigation on the parties tipped the scale in favor of imposing the stay pending CBM review.

Patent Rights May Be Exhausted by Offering a Covenant Not to Sue Even When the Parties Have Not Agreed to the Terms of the Covenant

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

A New Jersey court recently applied the doctrine of patent exhaustion in dismissing a patent holder's infringement suit against the customer of a manufacturer. The patent holder had previously offered a covenant not to sue to the manufacturer in order to obtain dismissal of the manufacturer's declaratory judgment claims for patent invalidity and noninfringement. The court concluded that the patent holder's offer of the covenant not to sue constituted an "authorized sale," which exhausted its patent rights against the customers, despite the fact that the covenant was never

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entered into and the patent holder never intended the offer to extend to the manufacturer's customers.

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If you have any questions or need additional information, please contact:

John C. Paul, Editor
D. Brian Kacedon, Editor
Mindy L. Ehrenfried, Editor
Christopher L. McDavid, Editor

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