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

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U.S. Supreme Court Upholds Ban on Post-Expiration Royalties in Patent Licenses

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

The Supreme Court recently declined to overturn its 1964 decision in Brulotte v. Thys Co., where it held that a patentee could not receive royalties for sales made after the patent at issue expired. Adhering to its precedent, the Court noted that while the Brulotte rule prevents some parties from entering into contracts they desire, it still leaves open ways for them to allocate risk and reward in commercializing inventions.

To Recover Lost Profits for Infringing Sales, Patented Feature Should Drive Customer Demand and Products Should Be Substitutes

by John C. Paul and D. Brian Kacedon

A California court recently rejected a patent owner's attempt to recover the profits it lost from infringing sales because it did not establish that the patented feature drove customer demand and did not address significant differences in pricing and product features between its own and the accused products, which the court found foreclosed the assumption that the products could be sold as substitutes for each other.

Repeated Filing of Lawsuits to Force Settlements with No Intention of Testing the Merits of the Case May Be Relevant to Awarding Attorney Fees

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

Courts may award reasonable attorney fees to the prevailing party in "exceptional cases" that "stand out" in terms of a party's litigation position or its conduct during the case. Recently, the Federal Circuit concluded that conduct for determining whether to award attorney fees to a prevailing party is not limited to the conduct of the case between the parties. Rather a pattern of litigation abuses characterized by the repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one's claims, is relevant to a district court's exceptional case determination. In this case, however, the Federal Circuit found that the defendant had not established such a pattern of abuse.

Lost Profits Cannot Be Recovered for Patent Owner's Loss of Foreign-Service Contracts Due to Use Abroad of Accused Device

by John C. Paul and D. Brian Kacedon

The U.S. Court of Appeals for the Federal Circuit recently held

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that a patent owner cannot recover lost profits resulting from its failure to win foreign-service contracts due to the use abroad of the accused device. Both the patent owner and the accused infringer manufacture devices in the United States that are used abroad to search for oil and gas beneath the ocean floor. The jury awarded the patent owner over $93 million in lost profits stemming from the patent owner's loss of foreign contracts it alleged it would have won but for the accused infringer's supply of accused devices to foreign customers. The Federal Circuit reversed the lost-profits award, finding that U.S. patent law does not permit recovery of foreign profits from the use abroad of a patented item.

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