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IP Newsflash



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FEDERAL CIRCUIT CASES

Federal Circuit Vacates Injunction and Contempt Order After Reexamination Finds At-Issue Claims Invalid

On July 25, the Federal Circuit vacated an injunction and \$18 million civil contempt fine in a patent infringement case after a subsequent reexamination invalidated the claims at issue. In the district court, a jury found that the defendant had infringed a number of claims of plaintiffs' electronic sourcing patents. The court issued an injunction, but did not award damages, because the plaintiffs' damages expert was excluded.

In defendant's initial appeal, the Federal Circuit determined that only one of the claims was valid and infringed, and remanded the case to have the injunction modified. During remand, the court modified the injunction, but also ordered the defendant to pay a \$18 million civil contempt fine for violating the injunction. During this appeal, the USPTO cancelled the sole claim at issue after finding it invalid, and that ruling was affirmed by the Federal Circuit. The defendant appealed both the injunction and contempt rulings, arguing that they could not be upheld as a result of the reexamination.

The Federal Circuit vacated both the injunction and the contempt fine. The court noted that "[i]t is well established that an injunction must be set aside when the legal basis for it has ceased to exist." With respect to the contempt ruling, the court distinguished between criminal and civil contempt, noting that criminal contempt orders are a form of punishment, whereas civil contempt proceedings are to ensure full compensation. With civil contempt fines, the plaintiff's right to the compensatory fine "is dependent upon the outcome of the basic controversy." Because the PTO had invalidated the sole claim at issue, the court vacated the contempt fine.

ePlus Inc. v. Lawson Software Inc., Nos. 2013-1506, 2013-1587 (Fed. Cir., July 25, 2014).

- Author: [Romeo Jennings](#)

DISTRICT COURT CASES

Intel's Inaction Cited in Denial of its Motion for Attorney's Fees

After successfully defending against Stragent's patent infringement lawsuit involving video compression technology, defendant Intel filed a motion to recover its attorney's fees under section 285 of the Patent Act, which permits a court to award fees in "exceptional" patent cases. Intel based its motion on the substantive lack of strength of Stragent's litigating positions and Stragent's conduct during litigation.

The Supreme Court recently relaxed the standard for attorney's fees under Section 285 in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), and Judge Timothy Dyk — sitting by designation in the Eastern District of Texas — held that even under the relaxed standards of *Octane Fitness*, Intel was not entitled to recover its attorney's fees.

Describing Intel's motion as one "primarily based on the fact that Stragent made losing arguments," Judge Dyk clarified that Stragent's arguments "were losing arguments, but they were not frivolous." Of particular concern to Judge Dyk was Intel's inaction in failing to move for summary judgment of non-infringement on the basis of the claim limitation at issue. Because Intel's motion for fees was based partly on its criticism of Stragent's "implausible" theory of infringement, Judge Dyk doubted Intel always believed Stragent's theory was frivolous when it never moved for summary judgment. Judge Dyk also questioned Intel's complaints of bad faith discovery when it, "never sought discovery sanctions against Stragent or even a court ruling limiting the scope of discovery."

Quoting *Octane Fitness*, Judge Dyk concluded that the case was not exceptional and noted, "this case is not one that 'stands out from others with respect to the substantive strength of [Stragent's] litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.'" *Octane*, 134 S. Ct. at 1756."

Stragent, LLC v. Intel Corp., No. 6:11-cv-00421 (E.D. Tex. August 6, 2014, Order) (Dyk, T.B.).

- Author: [John Grantham](#)

PATENT TRIAL AND APPEAL BOARD

Joint Defense Agreement with IPR Petitioner Does Not Require Estoppel as a Condition of

Stay

On August 7, 2014, Magistrate Janie Mayerson granted defendant's motion for stay pending *inter partes* review (IPR) of the asserted patents and rejected plaintiff's request that defendant be estopped as a condition of the stay. In April 2014, a third party filed two IPR petitions relating to the asserted patents. The Patent Trial and Appeal Board (PTAB) issued an order for one of the two petitions, thereby instituting an IPR proceeding over one of the five asserted patents. At oral argument it was revealed that: [i] defendant had entered into a joint defense agreement (JDA) with the IPR petitioner; and [ii] the same law firm represented defendant and the IPR petitioner. Plaintiff argued that in light of the JDA and common law firm nexus, defendant was not "divorced from what is going on" with the IPRs and as such, any stay should be conditioned on defendant agreeing to be estopped from asserting the same grounds raised by the petitioner in the IPR proceeding. In response, defendant represented that it did not participate in, control, support, or pay for the preparation or filing of the IPR petitions.

In granting the stay without estoppel, the court reasoned that estoppel was not necessary because PTAB decisions become part of a patent's file history and as such, become part of the record for any court to consider in addressing those same arguments. In addressing plaintiff's fairness argument that it would be unfair for defendant to obtain the benefit of IPR proceedings without being bound by the arguments raised therein, the court reasoned that it would be more unfair to bound the defendant to arguments raised by a third party in a proceeding that defendant had no control over. Accordingly, the court found that regardless of the JDA and use of the same law firm by defendant and petitioner, estoppel was not a necessary condition to the stay.

Intellectual Ventures II LLC v. US Bancorp et al., No. 13 Civ. 2071 (D. Minn. August 7, 2014) (Mayeron, M.J.).

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