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FEDERAL CIRCUIT CASES

Federal Circuit Affirms Willful Infringement Judgment and Enhanced Damages Award

In an October 14, 2014, decision, the Federal Circuit upheld a judgment of willful infringement and an award of enhanced damages against Citrix Systems, Inc. The case came to the Federal Circuit on cross-appeals from Judge J. Rodney Gilstrap's court in the Marshall Division of the Eastern District of Texas. At trial, SSL Services LLC asserted that Citrix willfully infringed U.S. Patent Numbers 6,061,796 and 6,158,011. The jury found that Citrix's "GoTo" software products, which permit direct and secure communication between two computers, infringed the '011 patent, but not the '796 patent, and awarded $10 million in damages. The jury also found that Citrix's infringement of the '011 patent was subjectively willful and that Citrix failed to prove that the claims of that patent were invalid. The district court awarded an additional $5 million to SSL as enhanced damages for the willful infringement, but declined to give SSL "prevailing party" status for the purpose of awarding costs. Following the district court's denial of their respective post-trial motions, both parties appealed.

SSL appealed the district court's denial of its motion for a new trial on infringement of the '796 patent and its decision that SSL was not the prevailing party. The Federal Circuit affirmed the district court's decision on the non-infringement finding, concluding that the court correctly construed one of the key claim terms and that, under this construction, all relevant evidence supported the jury's non-infringement verdict. But the panel vacated the court's decision to deny "prevailing party" status to SSL. The Federal Circuit acknowledged that Citrix had achieved some success against SSL, but held that SSL was the prevailing party nonetheless. In particular, the panel noted that "SSL has a judgment for damages against Citrix" and that such a judgment is the type of relief on the merits that entitles a party to prevailing party status. The Federal Circuit observed, however, that SSL's prevailing party status "d[id] not automatically entitle it to any particular level of fees," and remanded to allow the district court to assess the appropriate fees.

Citrix cross-appealed, seeking judgments as a matter of law of non-infringement and invalidity of the '011 patent and a new trial on willfulness, among other relief. The Federal Circuit agreed with the district court that substantial evidence supported both the verdict of infringement and the jury's finding that asserted prior art did not disclose a necessary claim element. In affirming the district court's denial of Citrix's JMOL motion, the Federal Circuit relied on the testimony of SSL's expert witness and its own analysis of the asserted prior art.

The Federal Circuit next considered the finding of willful infringement. Applying the Federal Circuit's holding in *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs*., 682 F.3d 1003 (Fed Cir. 2012), the district court had addressed the threshold question of whether Citrix's conduct was objectively willful before it submitted the question of subjective willfulness to the jury. The Federal Circuit agreed with Judge Gilstrap's finding that SSL satisfied the objective prong. In reaching this conclusion, the panel gave weight to the jury's rejection of Citrix's invalidity and non-infringement arguments and the USPTO's ultimate rejection of SSL's invalidity arguments in an *ex parte* reexamination.

The Federal Circuit also held that the jury's finding of subjective willfulness was supported by substantial evidence and that Citrix was not entitled to a new trial on the issue. Citrix argued that the district court erroneously prevented it from presenting fact testimony from its chief engineer that Citrix had a good faith belief that its products did not infringe and that Citrix initiated reexamination proceedings in the USPTO. The panel found that the district court did not abuse its discretion in excluding this testimony under Federal Rule of Evidence 403. The panel observed that Citrix's engineer was a lay witness and that his personal beliefs regarding non-infringement, without the benefit of claim constructions, had little probative value and were potentially prejudicial. With respect to the reexamination proceedings, the panel cited precedent that "warned of the limited value of actions by the PTO," and concluded that the district court did not abuse its discretion in finding that the risk of prejudice outweighed any probative value of "unfinished agency proceedings."

SSL Services, LLC v. Citrix Systems, Inc., 2013-1419-1420 (Fed. Cir. Oct. 14, 2014).

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DISTRICT COURT CASES

Plaintiff's NPE Status Is No Basis to Stay Injunction Beyond Sunset Period

Following a jury verdict of infringement, a court in the Northern District of California permanently enjoined the defendants from making or selling the infringing products, providing customer support related to those products, and modifying or updating any document regarding the operation or use of those products. The court delayed the injunction with a nine month sunset period for the defendants to get its affairs in order and minimize any effect on third parties. Toward the end of the nine months, the defendants moved to stay the injunction altogether or, in the

alternative, for a five month extension to pursue an appeal to the Federal Circuit.

The defendants argued that the injunction would cause irreparable harm because the lack of an acceptable non-infringing design may put them out of business. The court rejected this argument as speculative and noted that the defendants' claims about the centrality of the claimed invention to its revenue stream undermines rather than supports the argument in favor of a stay.

Defendants also argued that the plaintiff, as a non-practicing entity, would not be harmed if the injunction is stayed pending appeal. The court flatly rejected this argument, noting that defendants "take no account of the fundamental nature of the right at issue: the right to exclude." The court went on to note that this period of exclusivity is particularly important given the inevitable expiration date: "[W]hether for Thomas Edison and his light bulb patents or AMI and its off-the-shelf purchase, the exclusive rights under 35 U.S.C. 271 are the same; that period of exclusivity never comes back."

Ultimately, the court denied the motion to stay and the motion to extend the sunset period.

Accessories Marketing, Inc. v. Tek Corp., 5-11-cv-00774 (N.D. Cal. Oct. 13, 2014).

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