FEDERAL CIRCUIT CASES

Federal Circuit Quashes $287 Million Enhanced Damages Award Finding Objectively Reasonable Defenses Raised During Litigation

The Federal Circuit has reversed a district court’s award of enhanced damages after a de novo review of whether there was an objectively high likelihood of infringement.

In Carnegie Mellon Univ. v. Marvel Tech. Grp., Ltd., a jury awarded over a billion dollars in damages after finding Marvel had infringed Carnegie Mellon’s patents. The district court added 23 percent in enhanced damages after finding willful infringement on the grounds that Marvel’s trial defenses were not objectively reasonable and that Marvel knew of should have known its actions would infringe the patents. On appeal, the Federal Circuit held Marvel had presented defenses during the litigation that were objectively reasonable.

First, the court rejected the district court’s premise that a reasonable defense had to be known to Marvel during the time prior to the litigation. Quoting In re Seagate, the court reiterated that “[t]he state of mind of the accused infringer is not relevant to the objective inquiry into the risk of liability to the defendant necessary for a finding of recklessness.” Citing further precedent, the court held there is no temporal aspect to the objective reasonableness of a defense, i.e. Marvel need not have “had the defense in mind before the litigation.”

Second, the court rejected the district court’s distinction between those defenses presented at trial and those raised an earlier stage, such as during summary judgment proceedings. The court held objectively reasonable defenses can include “claim-construction arguments [and] other defense that [do] not make the cut for consuming precious time and attention of the jury. Indeed, the court noted the record of defenses as a whole must be examined, and that the “record is not limited to evidence presented to the jury.” Thus, Marvel did not have to present a defense to the jury for that defense to be found objectively reasonable.


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PATENT TRIAL AND APPEAL BOARD

Customer of Party Sued for Infringement Does Not Have Standing to File Covered Business Method Review

On August 11, 2015, the Patent Trial and Appeals Board (PTAB) denied institution of a covered business method review (CBMR) petition by Acxiom because the petitioner did not have standing under § 18(a)(1)(B) of the AIA. The original petition was filed by Acxiom, AT&T, and Ford Motor. But the patent owner had only filed lawsuits against AT&T and Ford Motor. Shortly after filing the present petition, AT&T and Ford Motor filed joint motions to terminate the CBMR, leaving Acxiom as the sole petitioner.

Under § 18(a)(1)(B) of the AIA, a party may not file a petition for CBMR unless the party or its “real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under the patent.” In its petition, Acxiom argued that it was a privy of one or more parties who had been sued for infringement.
The PTAB, however, held that Acxiom lacked standing to file the CBMR petition. The PTAB noted that “the fact that Ford has been sued for infringement . . . does not thereby confer standing on every privy, or customer, of Ford . . . .” In order to confer standing on Acxiom, the party sued must be a *privy of Acxiom*, not the converse. Because Acxiom was a customer of the party charged with infringement, and not the other way around, the PTAB denied institution.


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