

Recent U.S. Court Decisions And Developments Affecting Licensing

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1. Taxation of Patent Transfer

Obtaining favorable capital gains taxation treatment on payments for transferring patent rights.

2. Reasonable Royalty

Using patent litigation settlement agreements to support reasonable royalty damages in later litigation.

3. Infringement by Offers for Sale

Avoiding liability for patent infringement when listing infringing products of third-party sellers on a website.

4. Litigation Bars by Collateral Estoppel

Using a summary affirmance by the Federal Circuit to prevent infringement issues from being re-litigated.

5. Standing to Sue

Challenging a litigation agent's standing to sue for infringement and attempting to cure standing by joining the patent owner.

6. Patent Marking

Attempting to avoid patent marking requirements by a retroactive disclaimer.

7. Willful Infringement

Attempting to establish willful infringement based on activities by an infringer after it is sued for patent infringement.

8. Injunctions

Losing the opportunity for injunctive relief by licensing patents to competitors.

9. Venue for Suit

Dealing with new restrictions on where patent owners may sue for patent infringement.

Below are abstracts, for the full articles go to: LES Global News—September 2017 at LESI.org

1. Favorable Capital Gains Taxation Rates Apply to Payments for Transfer of All Substantial Rights in Patents

A patent holder may treat payments from the sale or exchange of a patent as long-term capital gain under *IRC 1235*, which taxes such gains at a lower rate than ordinary income. In January 2017 the IRS considered whether the individual partners in a partnership could count a portion of a termination payment under an agreement between a partnership and a company as transferring all substantial rights in a patent as long-term capital gain under *§ 1235*.

2. Patent Litigation Settlement Agreements May Be Used to Support Reasonable Royalty Damages in Later Litigation

Litigation settlement agreements can be submitted as evidence to establish the amount of reasonable royalty damages and are more likely to be admitted into evidence when they occur at a later stage of the litigation, if the use of the patented technology by the party that settled is similar to the use made by the accused infringer, and if there are no enhanced damages at issue in the settled litigation.

3. eBay Not Liable for Listing Infringing Products of Third-Party Sellers—Not an Offer to Sell by eBay

An Alabama court granted eBay's motion for summary judgment, finding that eBay's hosting of a listing created by a third party does not constitute an "offer to sell," and thus, eBay could not be liable for patent infringement as a matter of law.

4. A Summary Affirmance by the Federal Circuit Can Bar Re-Litigation of Infringement Claims

The Federal Circuit held that the doctrine of collateral estoppel could bar a patent owner from re-litigating issues even when the prior decision on those issues was only summarily affirmed by the Federal Circuit without opinion.

5. Litigation Agent's Lack of Standing to Sue for Infringement Cannot be Cured by Joining Patent Owner

A California court ruled that an exclusive patent licensee acting simply as the licensor's litigation agent lacked standing to sue on its own for infringement because the licensor had not transferred all substantial rights in the patents to the licensee, and that adding the patent owner would not cure the standing deficiency because the licensee had no proprietary interest or exclusive license in the patents and therefore

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did not suffer any injury in fact traceable to infringement of the patents.

6. Patent Marking Requirements Cannot Be Avoided by Retroactive Disclaimer

Although a disclaimer of rights to patent claims surrenders any rights the patent owner may have, the Federal Circuit held that disclaimer does not relinquish the rights of the public. Therefore, using a disclaimer after the fact will not remedy a failure to mark products and will not revive pre-notice damages.

7. Activities by an Infringer Occurring After it is Sued for Patent Infringement May Not Support a Finding of Willful Infringement

A Georgia court did not allow a patent owner to amend its complaint to allege willful infringement based solely on knowledge and conduct of the accused infringer occurring after the original complaint was filed.

8. Licensing Patents to Competitors Could Weigh Against Granting an Injunction

The Federal Circuit refused to grant a permanent injunction, reasoning that the injunction was not necessary to protect the patent holder from irreparable harm, in part because it had previously licensed several of its competitors.

9. Supreme Court Restricts Where Patent Owners May Sue for Patent Infringement

The United States Supreme Court recently restricted where patent owners may file suits for patent infringement against domestic corporations, reversing the Federal Circuit by finding that domestic corporations reside only in their State of incorporation. The Court's decision, however, leaves open the question of what constitutes a defendant's "regular and established place of business" for purposes of venue in patent suits. ■