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Federal Circuit Highlights “Control and Direction” Requirement for a Finding of Joint Infringement Liability

In a decision concerning the issue of “joint infringement,” titled *Golden Hour Data Sys., Inc. v. emsCharts, Inc., et al.*, Nos. 2009-1306, -1396 (Fed. Cir. Aug. 9, 2010), the Federal Circuit affirmed the U.S. District Court for the Eastern District of Texas’s post-trial judgment as a matter of law (JMOL) that rejected the jury’s verdict of “joint infringement.” The jury had found that the defendants “jointly” infringed, but the district judge disagreed with the jury and the Federal Circuit agreed with the district judge. The Federal Circuit stated that “[w]here the combined actions of multiple parties are alleged to infringe process claims, the patent holder must prove that one party exercised ‘control or direction’ over the entire process such that all steps of the process can be attributed to the controlling party, i.e., the ‘mastermind.’” The Federal Circuit concluded that the district judge was correct in finding the jury’s verdict on joint infringement could not be sustained because there was insufficient evidence that there was “control or direction” of defendant Softech by co-defendant emsCharts.

Plaintiff Golden Hour asserted several claims of U.S. Patent No. 6,117,073 (the ‘073 patent) against defendants emsCharts and Softech. The ‘073 patent relates to a system and method for information management services in connection with emergency medical transport. EmsCharts produces a web-based medical charting program called emsCharts. Softech produces computer-aided flight dispatch software called Flight Vector, which coordinates flight information, such as patient pickup and delivery, and flight tracking. Softech and emsCharts formed a strategic partnership, made it possible for their programs to work together, and then collaborated to sell the programs as a unit.

At the district court, after a trial on invalidity and infringement issues, the jury returned a verdict of infringement in favor of Golden Hour. The jury found that defendant emsCharts had directly infringed several claims, and that defendant emsCharts and co-defendant Softech had jointly infringed several claims. EmsCharts’ infringement was found to be willful, and Golden Hour was awarded \$3.5 million in damages.

After the jury’s verdict, a bench trial was held on the issue of inequitable conduct. A single, undated brochure, which the parties agreed would have been anticipatory had it been considered prior art, was the primary subject of the inequitable conduct bench trial. The district court determined that the brochure was highly material and that Golden Hour’s selective disclosure of only certain portions of the brochure to the U.S. Patent and Trademark Office (USPTO) evidenced intent to deceive the patent office about the relevant prior art system described by Golden Hour’s competitor. Then, balancing the high

materiality of the brochure with Golden Hour's intent, the district court concluded that Golden Hour committed inequitable conduct, rendering the '073 patent unenforceable.

On appeal, plaintiff Golden Hour challenged the inequitable conduct finding that resulted from the bench trial, while defendant emsCharts challenged the findings of infringement. With respect to the issue of inequitable conduct, the Federal Circuit reviewed the district court's findings of fact and conclusions regarding materiality and intent, under USPTO Rule 56 and in view of relevant legal precedent. The Federal Circuit concluded that it must remand the finding of deceptive intent to the district court for it to make "detailed factual findings" regarding whether one of the inventors of the '073 patent or the prosecuting patent agent in fact read the brochure and deliberately decided to withhold damaging information from the USPTO.

On the issue of "joint infringement," the Federal Circuit concluded that there was not enough evidence presented to the jury of the "control or direction" of defendant Softech by co-defendant emsCharts to support its finding of joint infringement of the asserted process claims. Therefore, the Federal Circuit affirmed the district court judge's granting of JMOL as to the asserted process claims, which the jury had found to be jointly infringed by defendants emsCharts and Softech.

Additionally, plaintiff Golden Hour argued in its appeal that emsCharts was liable for infringement of the asserted system claims because it sold its own program and Softech's program together, which products in combination infringed the asserted system claims. The Federal Circuit reasoned that such a sale might well create liability on the part of emsCharts, whether it controlled Softech or not. However, the jury's verdict, which was limited to joint infringement with regard to the asserted system claims, could only be sustained by the Federal Circuit if there was control or direction of Softech by emsCharts. Under these factual circumstances, the district court's grant of JMOL rejecting the jury's finding of joint infringement of the asserted system claims was proper because the sale of the combined programs by emsCharts did not alone establish that emsCharts controlled or directed Softech.

A copy of the slip opinion may be found at <http://www.cafc.uscourts.gov/images/stories/opinions-orders/09-1306.pdf>.

An Eastern District of Texas Decision Addresses Willful Infringement Based on Post-Filing Willful Activities

In the 2007 case *In re Seagate*, the U.S. Court of Appeals for the Federal Circuit seemed to indicate that a plaintiff-patentee who failed to move for a preliminary injunction would be precluded from using a defendant's post-filing conduct to prove a charge of willful infringement. *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

The *In re Seagate* court stated that "when an accused infringer's post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement. A patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct." *Id.*, 497 F.3d at 1374.

Since 2007, however, there has been some confusion on this issue, as a number of U.S. district courts have allowed plaintiffs to pursue a willfulness charge without moving for a preliminary injunction.

On September 10, 2010, an interesting opinion on this topic was issued by Magistrate Judge Everingham of the U.S. District Court for the Eastern District of Texas. In *Webmap Technologies, LLC v. Google, Inc., et al.*, No. 2:09-cv-0343 (E.D. Tex.), Judge Everingham collected and analyzed numerous “willfulness” cases from various U.S. district courts that have been decided on the *Seagate* post-filing willfulness issue since 2007. Judge Everingham concluded that, absent narrow “extenuating circumstances,” a plaintiff that has not moved for a preliminary injunction may *not* recover enhanced damages based on the defendant’s post-filing conduct. The key portion of the court’s opinion explained that “[b]ecause only the plaintiff can invoke this test at the time the alleged infringement is taking place, a plaintiff’s failure to seek a preliminary injunction forces a defendant to choose between resting on theories of invalidity and non-infringement it believes to be objectively reasonable and engaging in costly and potentially unnecessary redesign of its accused products.”

Judge Everingham acknowledged that “certain extenuating circumstances may exist to allow a plaintiff to sustain a claim of post-filing willful infringement despite the plaintiff’s failure to first seek a preliminary injunction.” However, the only circumstance actually identified by the court was “a material change that could create an objectively high likelihood of infringing a valid patent, such as a patent surviving reexamination proceedings without narrowed claims.” Absent that particular situation, it is unclear how, at least in the Eastern District of Texas, a plaintiff that has not sought a preliminary injunction can rely on post-filing conduct to prove willfulness.

Judge Everingham concluded that because the plaintiff in *Webmap* did not rely upon any allegation of pre-filing willful infringement and made no effort to stop the defendant’s alleged continued willful infringement, the plaintiff was not entitled to pursue enhanced damages for willful infringement.

The *Webmap* decision illustrates the hurdles that plaintiffs face in pursuing enhanced damages for willful infringement based on post-filing conduct, especially in the Eastern District of Texas.

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