

Bench and Bar - December 2005
By Tony Zeuli

Patent Infringement; Attorneys' Fees and Costs. Judge Montgomery rejected two arguments made by patent-infringement defendant Allflex to recover its attorneys' fees and costs following the Court's final judgment in Allflex's favor. The Court found that a license agreement between the parties prevented Digital Angel's claims of patent infringement. A fee-shifting clause in the license and the "exceptional case" provision of the Patent Act were the two arguments made by Allflex to recover its fees and costs. The license agreement included a fee-shifting clause that entitled a prevailing party to recover its fees and costs. However, the clause was explicitly limited to claims of breach of the license agreement. The Court held that claims of patent infringement were not breach of contract claims and, therefore, did not fall within the fee-shifting clause of the agreement. The Court also rejected Allflex's argument that this case was "exceptional" under Section 285 of the Patent Act, which could also support an award of fees and costs to the prevailing party. Allflex argued that Digital Angel should have known that the license agreement prevented its claims and therefore the claims were baseless. However, the burden of proof for an "exceptional" case is clear and convincing evidence. The Court held that Allflex had "not met their burden by clear and convincing evidence that [Digital Angel] knew or should have known its claims of patent infringement were baseless." *Digital Angel Corp. v. Allflex USA, Inc., et al.*, 04-4545 (D. Minn. 10/6/05).

Trademark Infringement; Preliminary Injunction. Judge Frank ruled that the Court did not have authority to consider a request for a preliminary injunction because of an arbitration clause in a trademark license agreement. Clarus sued Myelotec for trademark infringement and sought a preliminary injunction. Clarus and Myelotec had been parties to a license agreement related to the trademarks and that contained an arbitration clause. One week after Clarus filed its motion for an injunction, Myelotec demanded arbitration under the terms of the license. However, the license also included the following language, on which Clarus relied: "each party shall be entitled to seek injunctive and other equitable relief in any court or forum of competent jurisdiction . . ." The Court, relying on *Manion v Nagin*, 255 F.3d 535 (8th Cir. 2001), held that the language Clarus relied on was not sufficient "qualifying contractual language" to allow the court to consider the motion for an injunction and, at least temporarily, bypass the arbitration provision. The Court explained that "qualifying contractual language" is "language which provides the court with clear grounds to grant relief without addressing the merits of the underlying arbitrable dispute." *Clarus Medical, LLC v. Myelotec, Inc.*, No. 05-934 (D. Minn. 9/9/05).

Patent Infringement; Standing. Please do not let the following befall you and your patent client: The Court of Appeals for the Federal Circuit upheld another dismissal with prejudice where the plaintiff did not have standing to assert claims for patent infringement. Sicom, twice, sued Defendants for patent infringement. The first complaint was dismissed without prejudice because the trial court found that Sicom, a licensee of the patent, did not have standing to sue. Under the Patent Act, only the "patentee" can sue for patent infringement. The "patentee" is the person(s) to whom the patent issued or the subsequent owner(s) of the patent (e.g., assignee). With rare exception, a licensee, alone, cannot sue for infringement. Rather than join the patent owner as a co-plaintiff in the second complaint, Sicom went it alone, again, after attempting to secure additional rights under the patent from the owner. Sicom paid a heavy price for its gamble. The trial court held, and the CAFC affirmed, that dismissal with prejudice was appropriate because Sicom still did not have standing to sue and "already had a chance to cure the defect and failed." *Sicom Systems Ltd. v. Agilent Techs., Inc., et al.*, No. 05-1066 (Fed Cir. 10/18/05).

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