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INTELLECTUAL PROPERTY NEWS

July 2015

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www.shimokaji.com
info@shimokaji.com

IS IT SURPRISING THAT YOU CANNOT COLLECT PATENT ROYALTIES AFTER THE PATENT EXPIRES?

Patents are valid for 20 years. Upon expiration, everyone is free to use the invention. When everyone is free to use the invention, can there be a binding obligation to pay to use the invention?

In *Kimble v. Marvel,* the US Supreme Court infringement answered the question "no".

Kimble sued Marvel for patent infringement. To settle the matter, Marvel purchased the Spider-Man patent from Kimble for a royalty on future sales. The purchase agreement had no end date for the royalties.

A prior US Supreme Court decision - *Brulotte* - ruled that a patent owner cannot charge royalties to use the invention after the patent expired. But a lower court of appeals in *Kimble* said that *Brulotte* was "counterintuitive." So, the US Supreme Court decided that it had to set the law straight.

The US Supreme Court in *Kimble* pointed out that *Brulotte* allows a licensee to defer making payments, for pre-expiration use, during the post-expiration period. The *Kimble* court further pointed out that *Brulotte* allows post-expiration payments that are tied to non-patent rights.

The *Kimble* court decided that it had to respect the *Brulotte* rule and let Congress make a change if one was needed.

COMMENT:

Does it seem counterintuitive that one could be contractually obligated to pay royalties for using an invention after its patent expired?

SLOPPY OR BAD LAWYERING IS NOT ENOUGH TO AWARD ATTORNEY FEES IN PATENT LITIGATION

The patent laws allow a court to award attorney fees to the prevailing party in an "exceptional case." The US Supreme Court in *Octane* explained that a case is "exceptional" upon "considering the totality of the circumstances."

Software patents continue to be the targets of invalidity claims by alleged infringers, especially since the US Supreme Court decision in *Alice.* And in those cases, the prevailing party often seeks to recover its attorney fees.

In a Federal Circuit patent infringement case, *Gaymar v. Cincinnati,* the trial court denied attorney fees because the party seeking them had "unclean hands."

The Federal Circuit disagreed and said that "at worst" the actions that served as the basis for seeking attorney fees amounted to "sloppy argument" by counsel. It did not "amount to misrepresentation or misconduct." Finally, the court cautioned that the district court should be "particularly careful not to characterize bad lawyering as misconduct."

COMMENT:

The case presents an interesting potential defense to a motion for attorney fees. One might be able to admit to wrongdoing, but attribute it to "sloppy lawyering."

INFRINGEMENT OR FAIR USE OF THE 70'S COMEDY SHOW "THREE'S COMPANY"?

Adjmi authored "3C", a play based on the 70's comedy show "Three's Company." DLT owned the copyright to the show.

For those who did not grow up in the 70's, Three's Company was about a "bumbling bachelor" living with a "down-to-earth" female roommate and a "dim-bulb blonde" female roommate.

Three's Company was based on a British comedy called "Man About the House" featuring three roommates - two female and one male. The male roommate pretended to be homosexual, just like in Three's Company.

Adjmi admitted that his play "copies the plot premise, characters, sets, and certain scenes" from Three's Company.

In deciding whether Adjmi had a right of "fair use", the court first found that Adjmi's use was of a commercial nature that weighed against fair use.

But the court also found that 3C transformed Three's Company into "an upside-down, dark version of itself." More descriptively, 3C turned Three's Company into a "nightmarish version of itself, using the familiar Three's Company construct as a vehicle to criticize and comment on the original's light-hearted, sometimes superficial, treatment of certain topics and phenomena."

When considering other factors such as the the nature of the copyrighted work, the amount Adjmi used from Three's Company and the diminished market value of Three's Company, the court found Adjmi's use to be fair.

COMMENT:

Though not articulated by the court, perhaps an important factor in deciding the existence of fair use was that Three's Company was also based on another comedy with the same plot.

ANNUAL PRICEWATERHOUSE (PWC) LITIGATION FINDINGS FOR 2014

PwC annually publishes stats on patent litigation. Here are a few:

***new patent lawsuits declined for the first time since 2009, dropping 13%

***new patents granted increased by 14%

***median patent damage award was $2M, the second lowest point in the last twenty years

***non-practicing entity median awards has increased to 4.5x the practicing entity median awards of the last five years

***largest award was $467M

***median jury awards far exceeds judge awards

COMMENT:

Does this mean companies can worry less about patent litigation? Likely not.