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Federal Circuit Patent Bulletin: *ePlus, Inc. v. Lawson*

July 28, 2014

"[An] injunction must be set aside when the legal basis for it has ceased to exist [such as after the USPTO has cancelled a claim during patent reexamination]."

On July 25, 2014, in *ePlus, Inc. v. Lawson*, the U.S. Court of Appeals for the Federal Circuit (Prost, Dyk,* O'Malley) vacated and remanded the district court's injunction and contempt order regarding Lawson's infringement of U.S. Patents No. 6,023,683 and No. 6,505,172, which related to methods and systems for electronic sourcing using electronic databases to search for product information and ordering selected products from third-party vendors. The Federal Circuit stated:

The first question is whether the district court's modified injunction against Lawson must be set aside now that the PTO has cancelled the patent claim on which it is based. It is well established that an injunction must be set aside when the legal basis for it has ceased to exist. . . . Our court has applied these principles to an injunction barring infringement of patents later found to be invalid. [T]here is no longer any legal basis to enjoin Lawson's conduct based on rights that claim 26 of the '683 patent previously conferred as those rights have ceased to exist. The PTO found claim 26 invalid, we affirmed that decision, our mandate issued, and the PTO cancelled the claim. Claim 26 no longer confers any rights that support an injunction against infringement. During oral argument, ePlus even admitted that there could be no injunction moving forward. The PTO's cancellation of claim 26 requires that we now vacate the injunction.

The second question is whether the civil contempt sanctions should be set aside. It is well established that "[v]iolations of an order are punishable as criminal contempt even though the order is set aside on appeal . . . or though the basic action has become moot." If Lawson had been found guilty of criminal contempt, that order and any resulting penalties would not be set aside simply because claim 26 had been cancelled. However, the district court found Lawson in civil, not criminal, contempt. It awarded "compensation" to ePlus for economic injury during the period that the injunction was in effect. . . . Civil contempt sanctions must be set aside when the resolution of the case requires overturning the injunction on which those sanctions are

based. . . .

This case does not require us to decide whether civil contempt sanctions would survive if the injunction had been final at the time the district court imposed civil contempt sanctions. The injunction here was not final even though claim 26 had been held infringed. [E]ven if this court has rejected an invalidity defense to infringement, an “intervening decision invalidating the patents unquestionably applies” as long as “the judgment in [the present] litigation is not final.” . . . There is no question here that the district court’s modified injunction was not final when the PTO cancelled claim 26. . . . We conclude that the compensatory award for the violation of the injunction must be set aside in light of the cancellation of claim 26. Given our disposition, we need not reach the question of whether Lawson’s redesigned products are more than colorably different from the original accused products and whether the redesigned products infringe.