No. 2009-1374

United States Court of Appeals For the Federal Circuit

TIVO INC.,

Plaintiff-Appellee,

v.

ECHOSTAR CORPORATION, ECHOSTAR DBS CORPORATION, ECHOSTAR TECHNOLOGIES CORPORATION, ECHOSPHERE LIMITED LIABILITY COMPANY, ECHOSTAR SATELLITE LLC, AND DISH NETWORK CORPORATION,

Defendants-Appellants.

On Petition from the United States District Court for the Eastern District of Texas in case no. 2:04-CV-01, Hon. David Folsom

BRIEF FOR *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

Alan J. Kasper, President
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
241 18th Street, South, Suite 700
Arlington, VA 22202
(202) 663-7903

Edward R. Reines
WEIL, GOTSHAL & MANGES LLP
201 Redwood Shores Pkwy.
Redwood Shores, CA 94065
(650) 802-3000

Amber H. Rovner
WEIL, GOTSHAL & MANGES LLP
700 Louisiana, Suite 1600
Houston, TX 77002
(201) 386-2955

Counsel for Amicus Curiae

CERTIFICATE OF INTEREST

Counsel for *amicus curiae*, the American Intellectual Property Law Association, certifies the following:

1. The full name of every party or *amicus* represented by me is:

   American Intellectual Property Law Association.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: **N/A.**

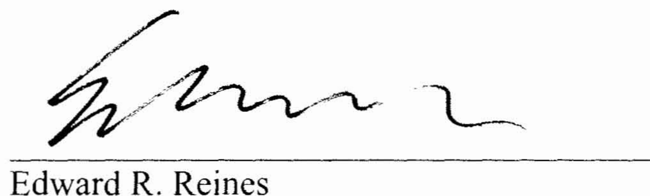
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are: **None.**

4. There is no such corporation as listed in paragraph 3.

5. The names of all law firms and the partners or associates that appeared for the party or *amicus* now represented by me in the trial court or agency or are expected to appear in this court are:

   WEIL, GOTSHAL & MANGES LLP
   Edward R. Reines
   Amber H. Rovner

   AMERICAN INTELLECTUAL PROPERTY
   LAW ASSOCIATION
   Alan J. Kasper, President



August 2, 2010
Date

Edward R. Reines

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STATEMENT OF INTEREST OF *AMICUS CURIAE*

The American Intellectual Property Law Association ("AIPLA") is a national bar association of more than 15,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. AIPLA members represent both owners and users of intellectual property.[1]

AIPLA has received the consent of Appellants and Appellee for the filing of this *amicus* brief. In addition, this brief is submitted under authority of this Court's Order dated May 14, 2010, granting *en banc* review, in which the Court stated that *amici curiae* may submit briefs without leave of Court.

[1] After reasonable investigation, AIPLA believes that (a) no member of its Board or amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF THE ARGUMENT

The Court's May 14, 2010, Order directs briefing on four issues. AIPLA respectfully submits that the Court should rule *en banc* according to the following answers to each stated issue.

a) *Following a finding of infringement by an accused device at trial, under what circumstances is it proper for a district court to determine infringement by a newly accused device through contempt proceedings rather than through new infringement proceedings? What burden of proof is required to establish that a contempt proceeding is proper?*

A request for a contempt order should continue to be considered under the two-question analysis of the Court's decision in *KSM Fastening Systems, Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1532 (Fed. Cir. 1985), asking: (1) is it appropriate to hold a contempt proceeding? and (2) has the injunction against infringement been violated in a way that requires a contempt finding? The appropriateness of commencing contempt proceedings should be committed to the district court's discretion, following application of the procedural "colorable differences" test adopted in *KSM*. In more refined terms this test asks whether an allegedly new product implicates substantial new questions of infringement and uses principles of claim preclusion to help answer that question.

b) *How does "fair ground of doubt as to the wrongfulness of the defendant's conduct" compare with the "more than colorable differences" or "substantial open issues of infringement" tests in evaluating the newly accused device against the adjudged infringing device? <u>See Cal. Artificial Stone Paving Co. v.</u>*

Molitor, 113 U.S. 609, 618 (1885); KSM Fastening Sys., Inc. v. H.A. Jones Co., 776 F.2d 1522, 1532 (Fed. Cir. 1985).

The Supreme Court's use of the phrase "fair ground of doubt" in *California Artificial Stone Paving* confirms that the "substantial open question" of infringement test adopted in *KSM* is appropriate. The "substantial open question" test applied in the claim preclusion and contempt context by this Court, as set forth in *KSM*, is a workable test and is consistent with *California Artificial Stone*. Shifting gears in favor of the particular semantics of *California Artificial Stone* would remove clarity and deprive litigants of the benefit of substantial case law that has developed around the "substantial open question" test.

c) *Where a contempt proceeding is proper, (1) what burden of proof is on the patentee to show that the newly accused device infringes (see KSM, 776 F.2d at 1524) and (2) what weight should be given to the infringer's efforts to design around the patent and its reasonable and good faith belief of noninfringement by the new device, for a finding of contempt*?

This Court should continue to adhere to its precedent establishing that contempt is proper only when there is clear and convincing evidence that the new product is infringing in the same manner as the accused product that was adjudged to infringe at trial.

An infringer's efforts to design around the patent and its good faith belief should play no role in a finding whether there is a violation of an injunction. Those considerations should, however, play a role in selecting the equitable

remedy for a violation of the order, which, in the district court's discretion, should be proportionate and intended to require compliance, not to punish.

d) *Is it proper for a district court to hold an enjoined party in contempt where there is a substantial question as to whether the injunction is ambiguous in scope?*

It is an abuse of discretion to find contempt of an ambiguous injunction where the defendant's interpretation of the injunction is found to be objectively reasonable under all of the circumstances. On the other hand, if the enjoined party was on notice of the ambiguity and had an opportunity to have that ambiguity addressed judicially, failure to do so may operate as a waiver of a subsequent challenge based on such ambiguity.

Supplementary issue: Does a district court have authority to enjoin noninfringing conduct as well as infringing conduct and find contempt for engaging in the enjoined noninfringing conduct?

This Court should confirm its precedent by holding that the scope of an injunction should be "narrowly tailored" to proscribe the conduct specifically found to be infringing, while affording the district court discretion to impose the scope of injunction that is necessary to deter future infringement. This Court should also rule that, in certain circumstances (as, for example, where there is record evidence of a defendant's bad faith refusal to comply with district court orders or of a competitive position unfairly obtained by the infringement), district courts retain the inherent authority to do equity by enforcing injunctions against

noninfringing conduct as well, to ensure compliance by creating a safety zone around the infringed patent rights. Accordingly, in instances where the district court fashioned an injunction to address issues broader than just infringement (such as to account for the infringer's market entry and other competition-related issues), those issues must be addressed within the framework of a "narrowly tailored" injunction supported by the record of its granting.

ARGUMENT

I. THE PROCEDURAL "COLORABLE DIFFERENCES" TEST ADOPTED IN *KSM* SHOULD CONTINUE TO GOVERN INITIATION OF CONTEMPT PROCEEDINGS SUBJECT TO A DISTRICT COURT'S DISCRETION

The initiation of civil contempt proceedings always requires a careful balance of interests, as the Supreme Court explained in *International Union, United Mine Workers v. Bagwell*, 512 U.S. 821, 830 (1994) (hereafter, "*Mine Workers*"). Such a proceeding must be focused on its remedial purpose, which is to coerce compliance with a court order, while never directed to punitive purposes. *Id.*

In reaching this balance, district courts must have broad discretion to enforce their orders. This is because courts must have the "power to impose silence, respect, and decorum, in their presence, and submission to their lawful mandates." *Mine Workers*, 512 U.S. at 831. At the same time, the safeguard of appellate review is vital because the contempt power is uniquely "liable to abuse." *Bloom v.*

Illinois, 391 U.S. 194, 202 (1968). Unlike most areas of law, "where a legislature defines both the sanctionable conduct and the penalty to be imposed," civil contempt proceedings "leave the offended judge solely responsible for identifying, prosecuting, adjudicating, and sanctioning the contumacious conduct." *Mine Workers*, 512 U.S. at 831.

Courts have also long recognized that the summary procedures of a contempt proceeding deprive a defendant of a jury-trial right and discourage design-around activities, but have further acknowledged that an injunction would be meaningless if enforcement required a full-blown civil case. These competing considerations were explained well by the Tenth Circuit in *McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 233 (10th Cir. 1968):

> The question is presented as to how a patentee should be allowed to proceed when following a successful infringement suit the infringer modifies the infringing structure and continues as before. Allowing the patentee to proceed by a summary contempt proceeding in all cases would unnecessarily deter parties from marketing new devices that are legitimately outside the scope of the patent in question. On the other hand, to require in each instance the patentee to institute a new infringement suit diminishes the significance of the patent and the order of the court holding the patent to be valid and infringed.

In identifying the threshold test to balance these considerations, the *McCullough* court applied the "colorable" differences test, under which the "dividing point" between summary contempt proceedings and full-blown infringement proceedings hinges on "whether the alleged offending device is

‘merely “colorably” different from the enjoined device or from the patent.’” *Id.* In invoking this test, the *McCullough* court described it as the standard “uniformly” applied by courts. *Id.* Although the characterization of this test as “uniformly” applied was perhaps too strong, the Tenth Circuit has been joined by at least the Second, Third, Eighth and Eleventh Circuits in embracing some form of the “colorable differences” test. *E.g.*, *Hopp Press, Inc. v. Joseph Freeman & Co., Inc.,* 323 F.2d 636, 638 (2d Cir. 1963); *Interdynamics, Inc. v. Firma Wolf*, 653 F.2d 93, 98 (3d Cir. 1981); *Siebring v. Hansen*, 346 F.2d 474, 477 (8th Cir. 1965); *Sure Plus Mfg. Co. v. Kobrin,* 719 F.2d 1114, 1118 (11th Cir. 1983).

Following these authorities, this Court in *KSM* adopted the “colorable differences” test for initiating contempt proceedings in patent cases. In so doing, this Court noted that the test is premised on procedural considerations, which it deemed to be appropriate for meeting due process requirements in determining whether a summary disposition is warranted over a full-blown infringement proceeding. *KSM*, 776 F.2d at 1532. Under this procedural standard, “the district court is able to utilize principles of claim and issue preclusion (*res judicata*) to determine what issues were settled by the original suit and what issues would have to be tried.” *Id.* If application of the “colorable differences” test reveals that substantial disputed issues remain to be litigated, contempt proceedings are inappropriate. *Id.*

In emphasizing the procedural nature of the "colorable differences" test as adopted, this Court in *KSM* noted that some courts had utilized a "substantive" standard for determining colorability in determining whether a contempt proceeding should be allowed, such as by reference to the doctrine of equivalents to determine whether differences were colorable. *Id*. (citing *Interdynamics*, 653 F.2d at 98-99: "In determining whether the changes made by the Trans Tech product were merely colorably different and therefore a contempt, it is necessary to apply the well-established doctrine of equivalents."). The *KSM* decision emphasized that the initial question of propriety of contempt proceedings should be a procedural question, to be followed by a substantive investigation in determining whether the injunction had been violated, which would require a finding of infringement. *Id*. at 1532.

This Court's adoption in *KSM* of a procedural approach to initiation of contempt proceedings under the "colorable differences" test was the right approach, and this Court's *en banc* opinion should reiterate that approach. As illustrated by the analysis in *KSM*, the right test for the commencement of contempt proceedings based on an infringer's distribution of an allegedly modified product is best discerned by examining the principles justifying commencement of a summary contempt proceeding. Foremost among the justifications for bypassing the normal safeguards of a full litigation is the notion of claim preclusion—that the

adjudicated infringer has had its "day in court," and the underlying patent infringement issue has already been adjudicated in the proceeding in which the injunction issued. Application of claim preclusion in a patent case turns on whether "the accused product or process in the second suit is 'essentially the same' as the accused product or process in the first suit." *See, e.g.*, *Nystrom v. Trex Co., Inc.*, 580 F.3d 1281, 1285 (Fed. Cir. 2009) ("'Colorable changes in an infringing device or changes unrelated to the limitations in the claim of the patent would not present a new cause of action.'") (citations omitted); *Roche Palo Alto LLC v. Apotex, Inc*., 531 F.3d 1372, 1379 (Fed. Cir. 2008) ("Accused products "are 'essentially the same' where the differences between them are merely 'colorable' or 'unrelated to the limitations in the claim of the patent.'").

In short, contempt proceedings and claim preclusion share a close analytic relationship and common policy underpinnings. Therefore, it makes good sense and good law to continue to follow the *KSM* approach and rely upon the law of claim and issue preclusion under the "colorable differences" test in determining whether a summary contempt proceeding is appropriate in lieu of a full-blown infringement proceeding. *See KSM*, 776 F.2d at 1532.

Looking to claim preclusion law, the "colorable differences" test for initiation of a contempt proceeding thus should turn on whether there is a "substantial open question of infringement" presented solely by the differences

between the product adjudicated in the first case and the putatively new product that is the subject of the proposed contempt proceeding. This approached was applied in the claim preclusion context in *Acumed LLC v. Stryker Corp.*:

> It follows from *Young Engineers* that claim preclusion does not apply unless the accused device in the action before the court is "essentially the same" as the accused device in a prior action between the parties that was resolved by a judgment on the merits. Accused devices are "essentially the same" where the differences between them are merely "colorable" or "unrelated to the limitations in the claim of the patent."

525 F.3d 1319, 1324 (Fed. Cir. 2008) (citations omitted); *see also Roche Palo Alto*, 531 F.3d at 1377 (same); *Hallco Mfg. Co. v. Foster*, 256 F.3d 1290 (Fed. Cir. 2001) (same). Reference to claim preclusion law has the benefit of providing a large body of law to guide courts and litigants facing the often-tough issue of whether a summary contempt proceeding is warranted.

In sum, district courts must have broad discretion to invoke contempt proceedings. In guiding the district courts on the exercise of that discretion, this Court should continue to apply the principles expressed in *KSM*, with a focus on the substantial open question test applied also in the claim preclusion context. Application of these principles would permit district courts to navigate the narrow path between insubstantial product changes and those that are substantial enough that a summary contempt proceeding is inappropriate.

II. THE "FAIR GROUND OF DOUBT" LANGUAGE IS NOT A RIGID TEST THAT SHOULD CROWD OUT THE "SUBSTANTIAL OPEN QUESTION" TEST

The Supreme Court's use of the phrase "fair ground of doubt" in *California Artificial Stone Paving Co. v. Molitor*, 113 U.S. 609 (1885), confirms that the "substantial open question" of infringement test is appropriate. "Fair ground of doubt" in the context of *California Artificial Stone* case is best understood as providing that an issue subject to legitimate debate would warrant the need for a full adjudication, as compared to summary proceedings. Reading too much into the semantics of the phrase "fair ground of doubt" would, however, invest that language with too much significance. As described in the preceding section, the "substantial open question" test applied in the claim preclusion and contempt context by this Court is a workable test. It is also consistent with *California Artificial Stone*. Resorting to the semantics of *California Artificial Stone* would remove clarity and deprive litigants of the benefit of substantial case law that has developed around the "substantial open question" test.

III. THE COURT SHOULD CONTINUE TO ADHERE TO THE CLEAR-AND-CONVINCING STANDARD FOR PROOF OF INFRINGEMENT TO SUSTAIN A CONTEMPT FINDING

Because contempt proceedings are generally decided without the formalities of a full trial, courts (including this Circuit) have uniformly held the movant to the heavy burden of proving a violation by "clear and convincing evidence." *KSM*,

776 F.2d at 1524 (citing 11 C. WRIGHT & A. MILLER, FEDERAL PRACTICE AND PROCEDURE: CIVIL § 2960 at 584-91 (1973) (collecting cases))*; see also, e.g.*, *Kansas City Power & Light Co. v. NLRB*, 137 F.2d 77, 79 (8th Cir. 1943) (noting "unanimous" agreement by appellate courts that "a heavy burden of proof rests upon the party urging contempt"). The appropriateness of this rule is confirmed by the fact that the patent owner has the option of initiating a fresh infringement proceeding should it wish to have its claims decided by a jury and measured by the lower preponderance standard. Although this option may not be as expedient as a contempt proceeding, a second infringement action would likely be expedited by the district court through adoption of prior rulings, such as claim-construction rulings.

In addition, application of a heightened burden of proof is consistent with the Supreme Court's admonition in *California Artificial Stone Paving* that a finding of contempt is not proper "where there is a fair ground of doubt as to the wrongfulness of the defendant's conduct." 113 U.S. at 618. Indeed, many circuits have invoked that very language in support of the heightened burden of proof. *See, e.g.*, *King v. Allied Vision*, 65 F.3d 1051, 1058 (2d Cir. 1995) (noting need for heightened burden of proof in view of "potent" nature of contempt order, and citing *California Artificial Stone Paving*); *A.H. Robins Co. v. Fadely*, 299 F.2d 557, 559 & n.4 (5th Cir. 1962); *Kansas City Power & Light Co.*, 137 F.2d at 79.

Given the often grave nature of summary contempt proceedings, and the circuit courts' uniform requirement that a complainant must prove contempt by clear and convincing evidence, no justification exists for this Court to retract its own precedent to that effect. Therefore, this *en banc* Court should adhere to the "clear and convincing" burden for proof of a violation sufficient to sustain a contempt ruling.

IV. AN ADJUDICATED INFRINGER'S GOOD FAITH EFFORTS TO DESIGN AROUND ARE RELEVANT ONLY TO THE CONTEMPT REMEDY, NOT TO THE EXISTENCE OF A VIOLATION

Because the purpose of civil contempt is purely to force compliance with a court order, "it matters not with what intent the defendant did the prohibited act." *McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 191 (1949). As the Supreme Court explained in the seminal *McComb* decision, an "act does not cease to be a violation of a law and of a decree merely because it may have been done innocently." *Id*. This Court has applied those principles in patent cases. *See, e.g.*, *Additive Controls & Measurement Sys. v. Flowdata, Inc.*, 154 F.3d 1345, 1353 (Fed. Cir. 1998) ("The general rule in civil contempt is that a party need not intend to violate an injunction to be found in contempt."). The policies behind exacting a remedy even for a "good faith" violation of an injunction are especially compelling in the case of patent infringement. Just as a defendant's "innocent" infringement does not deprive a patent owner of its right to recover at least a "reasonable

royalty" as provided for in the Patent Statute,[2] neither should the defendant's good faith prevent the patent owner from a compensatory remedy for the continued infringement. Indeed, it is illogical to put a repeat offender in a better position than a first offender.

This is not to say, however, that a defendant's good faith is irrelevant. The appropriate remedy for violation of a court order is within the district court's broad discretion, and in its consideration the district court may impose judicial sanctions to either coerce a party into compliance with the court's order, or to compensate the movant for losses sustained, or both. *See United States v. United Mine Workers*, 330 U.S. 258, 303-04 (1947); *see also Missouri v. Jenkins*, 515 U.S. 70, 136 (1995) (Thomas, J., concurring) (noting the lower courts' "substantial flexibility" to "tailor a remedy to fit a violation"). For example, in some cases, where violations have been "flagrant" and lesser remedies appeared to have failed, some courts have noted that prospective fines may be appropriate and necessary to coerce compliance. *See, e.g.*, *NLRB v. A.W. Thompson, Inc.*, 651 F.2d 1141, 1145 (5th Cir. 1981) (noting that employer's continued violation of orders requiring

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[2] *See, e.g.*, *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 n.2 (Fed. Cir. 1996) ("Infringement itself ... is a strict liability offense, ... and a court must award 'damages adequate to compensate for the infringement,' 35 U.S.C. § 284, regardless of the intent, culpability or motivation of the infringer."); *see also Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 35 (U.S. 1997) ("Application of the doctrine of equivalents, therefore, is akin to determining literal infringement, and neither requires proof of intent.").

collective bargaining justified prospective fine for future violation, but declining to impose in view of change in ownership). In a patent infringement context, such coercive measures may take the form of enhanced damages for continued willful infringement as well as attorneys' fees. *See, e.g., Stryker Corp. v. Davol Inc.*, 234 F.3d 1252, 1260 (Fed. Cir. 2000) (noting that the district court did not abuse its discretion in trebling the damages and awarding attorney fees for flagrant contemptuous conduct; *Spindelfabrik Suessen-Schurr v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1578 (Fed. Cir. 1990) (same).

Given this latitude, a district court is well within its discretion to consider, and should consider, a defendant's good faith in determining the remedy that should be imposed for what the court determines was a violation of its original injunction. For example, a defendant's good faith may suggest that coercive sanctions (such as enhanced damages and/or attorneys' fees) are unnecessary, and the remedy may then be limited, for example, to an extended compliance period and/or a reasonable compensation for the continued infringement. *Cf. Vuitton et Fils S.A. v. Carousel Handbags*, 592 F.2d 126, 130-31 (2d Cir. 1979) (noting discretion of district court in fashioning coercive sanction for willful violation of an injunctive decree, including an award attorneys' fees, but further holding that a district court does not enjoy discretion to withhold an award of remedial damages, to the extent they are established).

V. VIOLATIONS OF OBJECTIVELY AMBIGUOUS INJUNCTIONS SHOULD NOT GIVE RISE TO CONTEMPT LIABILITY

This Court's final question presented for *en banc* review asks whether violation of an ambiguous injunction can support contempt liability.

As a fundamental matter, ambiguous injunctions violate the mandate of Federal Rule 65(d), which requires that "[e]very order granting an injunction must . . . state its terms specifically [and] describe in reasonable detail—and not by referring to the complaint or other document—the act or acts restrained or required." FED. R. CIV. P. 65(d) (emphasis added). The Supreme Court has highlighted the importance of injunction specificity by emphasizing that Rule 65(d) was designed to prevent uncertainty and confusion on the part of those faced with injunctive orders, and to avoid the possible founding of a contempt citation on a decree too vague to be understood: "When [the judicial contempt power] is founded upon a decree too vague to be understood, it can be a deadly one. … [T]hose who must obey [injunctions must] know what the court intends to require and what it means to forbid." *Int'l Longshoremen's Ass'n, Local 1291 v. Phila. Marine Trade Ass'n*, 389 U.S. 64, 76 (1967); *see also Schmidt v. Lessard*, 414 U.S. 473, 476 (1974) ("[B]asic fairness requires that those enjoined receive explicit notice of precisely what conduct is outlawed.") (citations omitted). The proper measure of clarity is not whether the decree is clear in some general sense, but

whether it unambiguously proscribes the challenged conduct. *Chao v. Gotham Registry, Inc.*, 514 F.3d 280, 292 (2d Cir. 2008).

Given the fundamental requirement that injunctions be clear, courts generally have denied contempt sanctions for violations of ambiguous or unclear injunctions.[3] In *Chao*, for example, the defendant's alleged violation of the injunction turned on a novel question of interpretation of a provision of the Fair Labor Standards Act that had been incorporated into the injunction. *Chao*, 514 F.3d at 291-92. Reversing the contempt judgment in view of the inherent

[3] *See, e.g.*, *Abbott Labs. v. Torpharm, Inc.*, 503 F.3d 1372, 1382 (Fed. Cir. 2007) (noting that contempt citation cannot be premised on "decree too vague to be understood," quoting *Schmidt*); *see also AccuSoft Corp. v. Palo*, 237 F.3d 31, 47 (1st Cir. 2001) (civil contempt sanction appropriate only if order allegedly violated is clear and unambiguous); *EEOC v. New York Times Co.*, 196 F.3d 72, 80-81 (2d Cir. 1999) (same); *Harris v. City of Philadelphia*, 47 F.3d 1342, 1349 (3d Cir. 1995) (civil contempt sanction appropriate only because violated order was specific and definite); *Ashcraft v. Conoco, Inc.*, 218 F.3d 288, 295 (4th Cir. 2000) (civil contempt sanction appropriate only when order violated is definite, clear, specific, and leaves no doubt or uncertainty in minds of those to whom addressed); *Piggly Wiggly Clarksville, Inc. v. Mrs. Baird's Bakeries*, 177 F.3d 380, 382 (5th Cir. 1999) (civil contempt sanctions appropriate only when violated order is specific and definite); *Glover v. Johnson*, 138 F.3d 229, 245 (6th Cir. 1998) (civil contempt sanction appropriate only for disobeying court's lawful order, but not for disregarding its urging); *Goluba v. Sch. Dist. of Ripon*, 45 F.3d 1035, 1037 (7th Cir. 1995) (civil contempt sanction appropriate only when violated order sets forth in specific detail an unequivocal demand); *Imageware, Inc. v. U.S. West Comm'ns*, 219 F.3d 793, 797 (8th Cir. 2000) (contempt should be clear and certain and not result of violating ambiguous order); *FTC v. Affordable Media, LLC*, 179 F.3d 1228, 1239 (9th Cir. 1999) (civil contempt sanction appropriate only when violated order sets forth in specific detail an unequivocal demand); *In re Southeast Banking Corp.*, 204 F.3d 1322, 1332 (11th Cir. 2000) (civil contempt sanction appropriate only when order states in specific and clear terms the acts required or prohibited).

uncertainty, the Second Circuit explained that "it seems unreasonable that [defendant] be required, on pain of contempt, to arrive at a correct answer to such a difficult question of first impression." *Id.* at 292; *see also Int'l Longshoremen's Ass'n*, 389 U.S. at 76 (reversing contempt order on grounds of vagueness, noting, "We do not deal here with a violation of a court order by one who fully understands its meaning but chooses to ignore its mandate. We deal instead with acts alleged to violate a decree that can only be described as unintelligible.").

A material ambiguity in an injunction does not, however, grant a defendant a license freely to disregard the court's order. Ambiguities may be waived if not timely and properly challenged, in which case the defendant will be bound to the injunction as properly interpreted. *See McComb*, 336 U.S. at 192 (noting that where respondents knowingly failed to abide by an ambiguous decree, their failure to appeal the decree or to petition the district court for modification, clarification or construction of the decree precluded them from later escaping sanctions for violation of the decree); *see also Swift & Co. v. United States*, 276 U.S. 311, 315-16 (1928) (noting that generality of a decree did not render it subject to a motion to vacate, given that the defendants had consented to the decree and thus "by their consent lost the opportunity of raising the question on appeal"). Thus, the failure to seize an opportunity to appeal and/or modify an allegedly ambiguous injunction may well waive the right to later challenge the scope of the injunction.

Such waiver, however, should not be based solely on the failure to appeal *per se*, but should be supported by record evidence establishing that the asserted scope of the injunction was adjudicated—that is, that the enjoined party was on notice of the ambiguity and had an opportunity to have that ambiguity addressed judicially. *See McComb*, 336 U.S. at 192 (emphasizing that the respondents "knew they acted at their peril"). In addition, although the intent or good faith of the defendant is ordinarily irrelevant to the existence of a violation (*see supra*), district courts should not hold a defendant in contempt where the operative provision is objectively ambiguous and the party's action "appears to be based on a good faith and reasonable interpretation of the [court's order]." *In re Dual-Deck Video Cassette Antitrust Lit.*, 10 F.3d 693, 695 (9th Cir. 1993); *see also Chao*, 514 F.3d at 291-92; *Vertex Distributing, Inc. v. Falcon Foam Plastics, Inc.*, 689 F.2d 885, 891 (9th Cir. 1982) (holding that the district court did not abuse its discretion in refusing to hold defendants in contempt where the language of the original consent agreement was ambiguous and "defendants' interpretation was not unreasonable"). Of course, in evaluating a party's failure to comply with an ambiguous injunction where it has waived its right to challenge that ambiguity, the failure of a party to ask for clarification of the ambiguity once it is on notice of the ambiguity is certainly relevant to whether it employed good faith.

AIPLA takes no position, however, on how these principles apply to the dense and contested record in this case.

VI. A DISTRICT COURT MAY EXERCISE DISCRETION IN EQUITY TO ENJOIN CONDUCT BEYOND SPECIFICALLY ADJUDICATED INFRINGING CONDUCT

The issues posed by this Court for *en banc* consideration raise a related issue of whether, and to what extent, a district court may have authority to enjoin additional conduct beyond conduct adjudicated to be infringing, and to find contempt for engaging in the enjoined noninfringing conduct. It is generally accepted that the scope of an injunction should be "narrowly tailored" to proscribe the conduct specifically found to be infringing. *Riles v. Shell Exploration & Prod. Co.*, 298 F.3d 1302, 1311 (Fed. Cir. 2002) ("This court has stressed that a trial court, upon a finding of infringement, must narrowly tailor an injunction to fit the specific adjudged violations. … Thus, an injunction cannot impose unnecessary restraints on lawful activity.") (citation omitted). But in certain circumstances (as, for example, record evidence of a defendant's bad faith refusal to comply with district court orders or of an unfair advantage that resulted from the infringement), a district court should retain the discretion to enforce injunctions against certain other conduct as well. Authority for such proposition may be found, for example, in the Supreme Court's decision in *McComb*, wherein the Court noted that a decree broadly proscribing conduct in general terms was "wholly warranted" in view of

the respondents' history of "continuing and persistent violations." *McComb*, 336 U.S. at 191-92. The Court further observed that "[d]ecrees of that generality are often necessary to prevent further violations where a proclivity for unlawful conduct has been shown." *Id*. at 192.

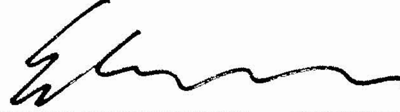
This Court has applied those principles in patent cases. Broad injunctions have been approved especially in cases of repeat offenders. *See, e.g., Additive Controls*, 154 F.3d at 1357 (upholding contempt finding based on violation of broadly worded injunction, noting that "[a]lthough such broad injunctions should be used only in exceptional cases, the district court reasonably concluded that such measures were necessary in this case to compel compliance with the court's orders"); *Spindelfabrik Suessen-Schurr*, 903 F.2d at 1577 (affirming broad injunction deemed by the district court to be necessary in light of repeated past violations of the original injunction). In addition, even where recidivism is not at issue, district courts retain discretion to impose an injunction of appropriate scope that is necessary to deter future infringement. Thus, for example, a district court may impose an injunction precluding all sales of a product adjudicated to induce infringement of method claims, placing the burden on the defendant to avoid the injunction by making appropriate modifications to prevent use of that product in an infringing manner. *See Nat'l Instr. Corp. v. Mathworks, Inc.*, 113 Fed. Appx. 895, 899 (Fed. Cir. 2004) (affirming injunction against all sales of software used to

induce infringement, noting "to the extent [the software] may have noninfringing uses, the burden rests with [defendant] to avoid the injunction by separating out the infringing uses through reprogramming or the like").

CONCLUSION

In support of neither party, AIPLA respectfully urges the Circuit to: (1) confirm that the procedural "colorable differences" test adopted in *KSM* continues to govern initiation of contempt proceedings subject to a district court's discretion; (2) hold that the "fair ground of doubt" language in *California Artificial Stone Paving* is not a rigid test that crowds out the "substantial open question" test; (3) continue to apply the clear-and-convincing burden of proof to support a contempt finding; (4) confirm that the good faith of a defendant is not material to the existence of a violation but may be relevant to the remedy; (5) recognize an exception to the intent rule in cases of objectively ambiguous injunctions, allowing allow district courts to refuse to hold a party in contempt where the party has abided in good faith by a reasonable interpretation of an objectively ambiguous injunction, unless the ambiguity has been waived; and (6) continue to allow district courts discretion in fashioning the scope of an injunction sufficient to deter infringing conduct and provide equitable relief for the patentee.

Respectfully submitted,



Edward R. Reines
WEIL, GOTSHAL & MANGES LLP
201 Redwood Shores Pkwy.
Redwood Shores, CA 94065
(650) 802-3000

Amber H. Rovner
WEIL, GOTSHAL & MANGES LLP
700 Louisiana, Suite 1600
Houston, TX 77002
(201) 386-2955

Alan J. Kasper, President
AMERICAN INTELLECTUAL
PROPERTY LAW ASSOCIATION
241 18th Street, South, Suite 700
Arlington, VA 22202
(202) 663-7903

Counsel for Amicus Curiae American Intellectual Property Law Association

Dated: August 2, 2010

CERTIFICATE OF SERVICE

I hereby certify that an original and thirty (30) copies of the foregoing **BRIEF FOR *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY** were filed via Federal Express, overnight delivery, on August 2, 2010, addressed to the Clerk's Office, U.S. Court of Appeals for the Federal Circuit, 717 Madison Place, N.W., Washington, D.C. 20439.

I also certify that two true and correct copies of the foregoing **BRIEF FOR *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY** were served via Federal Express, overnight delivery, on August 2, 2010, to each of the principal counsel of record as follows:

Seth P. Waxman
WILMER CUTLER PICKERING
HALE & DORR LLP
1875 Pennsylvania Ave., N.W.
Washington, D.C. 20006

Counsel for Plaintiff-Appellee

E. Joshua Rosenkranz
ORRICK, HERRINGTON &
SUTCLIFFE LLP
666 Fifth Ave.
New York, NY 10103-0001

Counsel for Defendants-Appellants

Robert P. Merges
Univ. of Cal., Berkeley School of Law
215 Boalt Hall
Berkeley, CA 94720-7200
(510) 642-1741

Counsel of Record for Amici Curiae Five Law Professors (Douglas Lichtman, Robert P. Merges, Adam Mossoff, Joshua Sarnoff, and Joshua D. Wright)

Raymond Millien
PCT Law Group, PLLC
818 Connecticut Ave., NW, Suite 700
Washington, DC 20006
(202) 293-3556

Counsel of Record for Amicus Curiae Association for Competitive Technology

Caroline C. Maxwell
Patton Boggs, LLP
2000 McKinney Ave., Suite 1700
Dallas, TX 75201
(214) 758-1500

Counsel of Record for Amicus Curiae Greatbatch, Inc.

Michael K. Kellogg
Kellogg, Huber, Hansen, Todd, Evans
1615 M Street, NW, Suite 400
Washington, DC 20036-3209
(202) 326-7902

Counsel of Record for Amicus Curiae Verizon Communications, Inc.

Edward R. Reines

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE REQUIREMENTS

1. This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because the brief contains 5272 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii) and Fed. Cir. R. 32(b).

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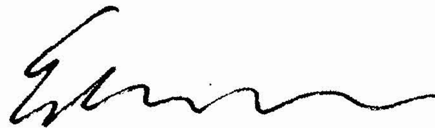

Edward R. Reines
Attorney for *Amicus Curiae*
American Intellectual Property Law Association

Date: August 2, 2010