

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

June 19, 2015

"[A]n injunction [not may] continue after the PTO has cancelled the only claim on which the injunction was based [and] civil contempt remedies based on the violation of an injunction are [not] appropriate when the injunction has been overturned on direct appeal."

On June 18, 2015, in *ePlus, Inc. v. Lawson Software, Inc.*, the U.S. Court of Appeals for the Federal Circuit (Prost, Dyk,* O'Malley) vacated and remanded the district court's injunction and contempt orders involving U.S. Patents No. 6,023,683 and No. 6,505,172, which related to methods and systems for electronic sourcing. 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. . . . Those principles reflect the fact that "[a] continuing decree of injunction directed to events to come is subject always to adaptation as events may shape the need. . . . [A] court does not abdicate its power to revoke or modify its mandate, if satisfied that what it has been doing has been turned through changing circumstances into an instrument of wrong." . . . We recognized that upholding injunctions would be "anomalous in the extreme in connection with patents this court has just held invalid." Under these authorities, there 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

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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. The Supreme Court has specifically applied this rule to set aside civil contempt sanctions imposed for violating an injunction based on patents found to be invalid on appeal of the (non-final) injunction. . . . 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. . . . Once the system claims were invalidated, there remained a substantial question of whether an injunction against sales and manufacturing could be justified on a theory of inducement. The core functionality of Lawson's systems (which ePlus itself characterizes as the "core" functionality) allowed a purchaser to search an internal database and order items. But that functionality did not infringe claim 26. Only using the so-called "Punchout" feature that allowed customers to also order from third-party databases was held to be infringing. . . . Thus, because the propriety of the injunction against sales and manufacturing was still an issue after the first appeal, there had not been "a final decree . . . that finally adjudicates upon the entire merits, leaving nothing further to be done except the execution of it." And the "scope of relief remain[ed] to be determined" The injunction was not final [and] the cancellation of the claim by the PTO required that the injunction and contempt sanctions be vacated.