

EPLUS, INC. v. LAWSON SOFTWARE, INC., Appeal No. 2013-1506, -1587 (Fed. Cir. July 25, 2014). Before Prost, Dyk and O'Malley. Appealed from E.D. Va. (Judge Payne).

Background:

ePlus sued Lawson for allegedly infringing two patents owned by ePlus, the '683 patent and the '172 patent. At trial, the district court found two of the asserted system claims and three of the asserted method claims not invalid, and a jury found that Lawson infringed all of these claims. Lawson appealed. On appeal, the Federal Circuit reversed the district court's ruling in part, affirming the infringement verdict as to only one method claim, claim 26 of the '683 patent. The Federal Circuit then remanded the case back to the district court to make necessary modifications to the injunction. On remand, the district court modified the injunction by deleting from its scope a product not covered by claim 26, found that the injunction should remain in effect in all other respects, and held Lawson in contempt for violating the injunction. Lawson appealed the injunction and the contempt order. While Lawson's appeal was pending, the USPTO completed reexamination of the '683 patent, and found that claim 26 was invalid, which was later affirmed by the Federal Circuit in a separate appeal. The USPTO then canceled claim 26.

Issues/Holdings:

Should an injunction be set aside when the USPTO cancels the patent claim on which the injunction is based? Yes. Should civil contempt sanctions be set aside if the underlying injunction on which they are based has been overturned on direct appeal? Yes.

Discussion:

Citing the U.S. Supreme Court decision *Pennsylvania v. Wheeling & Belmont Bridge Co.*, the Federal Circuit noted that it is well established that an injunction must be set aside when the legal basis for it ceases to exist. The Federal Circuit stated that there is no longer any legal right to enjoin Lawson's conduct based on rights that claim 26 previously conferred, because those rights have ceased to exist. Thus, the Federal Circuit vacated the injunction.

Turning to the second issue, the Court first distinguished between criminal and civil contempt sanctions, noting that criminal contempt orders for violating sanctions are not set aside simply because the underlying claim is canceled. In contrast, the Federal Circuit found that the rule for civil contempt is that the right to remedial relief falls with an injunction which events prove was erroneously issued, so long as the original judgment is not final when the underlying claim is found to be invalid. Citing the U.S. Supreme Court decision *Worden v. Searls*, the Federal Circuit also noted that the Supreme Court has specifically applied the rule that civil contempt sanctions imposed for violating an injunction based on patent subsequently found to be invalid should be set aside. Thus, because the district court had found Lawson to be in civil, rather than criminal, contempt, the Federal Circuit also vacated the civil contempt order.

Judge O'Malley issued a dissenting opinion with regard to the contempt issue only.