
Volume 61

Issue 4 *The 2011 Randolph W. Thorer Symposium – Judging Politics: Judges as Political Actors, Candidates, and Arbiters of the Political*

2012

Designing Around a Patent Injunction: Developing a Comprehensive Framework for Determining When Contempt Proceedings Are Appropriate

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**DESIGNING AROUND A PATENT INJUNCTION:
DEVELOPING A COMPREHENSIVE FRAMEWORK FOR
DETERMINING WHEN CONTEMPT PROCEEDINGS ARE
APPROPRIATE**

ABSTRACT

Spurred by TiVo Inc. v. Dish Network Corp., this Comment proposes a factor-based framework for determining when contempt proceedings are appropriate in a patent infringement case. Once a court determines that an accused device infringes a patent and issues an injunction, the infringing party will often try to design around the injunction by creating a modified device. Patentees can then respond to potential continued infringement by instituting a new infringement suit or by making a motion for contempt. Previously, under the contempt framework established by KSM Fastening Systems, Inc. v. H.A. Jones Co., the district court was required to undertake a substantial analysis into the propriety of contempt proceedings. Unfortunately, TiVo, which overruled KSM, eliminated the threshold inquiry into the propriety of contempt proceedings and produced a contempt standard that creates a lack of notice, certainty, and consistency that will adversely affect all of the parties involved.

A comprehensive contempt framework should provide the district courts with the means of creating a reasoned distinction between modified devices that merit contempt proceedings and those that merit a separate infringement suit. This Comment argues that the Federal Circuit should reinstate the threshold inquiry and proposes a factor-based analysis to strengthen the KSM standard. The result is a comprehensive framework for determining whether contempt proceedings are appropriate that would cure the deficiencies of the TiVo contempt analysis.

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INTRODUCTION

Contempt in the context of patent infringement is the rare moment when criminal sanction and patent law interact.¹ A prevailing patent owner, having already enjoined the defendant from further production of an enjoined infringing device, may still face the possibility of additional infringement if the defendant² attempts to design around the injunction by creating a modified device. In response to the defendant's design-around attempt, the patent owner will have the option of either instituting a separate suit to enjoin the modified device or making a motion for contempt. Unfortunately, the courts have failed to develop a sufficient framework to compare the enjoined device with the modified device and determine whether contempt proceedings are appropriate. Recently, *TiVo Inc. v. Dish Network Corp.*³ highlighted the confusion created by the lack of a comprehensive framework.

TiVo brought suit against EchoStar⁴ alleging infringement of certain claims of U.S. Patent No. 6,233,389 (the '389 Patent), titled "Multimedia Time Warming System."⁵ EchoStar designs digital video recorders (DVRs) as a component of its satellite service, and these DVRs are "central to the '389 patent."⁶ At trial, TiVo accused two categories of EchoStar DVR receivers of infringing the '389 patent.⁷ The jury found that all of the pertinent claims of the '389 patent were not invalid and that EchoStar willfully infringed the '389 patent by clear and convincing evidence.⁸ As a result, the jury awarded monetary damages to TiVo, and the court enjoined EchoStar from further

¹ See *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1524 (Fed. Cir. 1985) ("[T]he contemnor may be punished by fine (payable to the patent owner) and imprisonment, even in civil contempt."), *overruled by TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed. Cir. 2011) (en banc).

² The defendant will also be referred to as the "infringing party" or the "enjoined party."

³ 640 F. Supp. 2d 853 (E.D. Tex. 2009), *aff'd in part, vacated in part en banc sub nom. TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed. Cir. 2011).

⁴ Defendants EchoStar Communications Corporation, EchoStar DBS Corporation, EchoStar Technologies Corporation, EchoStar Satellite LLC, and EchoSphere LLC are collectively referred to as EchoStar. *Id.* at 857. The EchoStar companies operate and support the satellite television service known as "Dish Network." *Id.*

⁵ *Id.* TiVo specifically asserted that the EchoStar receivers infringed claims 1, 5, 21, 23, 32, 36, and 52 (together called the "Hardware Claims"), and claims 31 and 61 (the "Software Claims") of the '389 patent. *Id.*

⁶ *Id.* DVR systems allow "for simultaneous storage and playback of television signals from sources such as cable and satellite providers." *Id.*

⁷ *Id.* TiVo specifically asserted that seven models of EchoStar DVR receivers—three models that used a chip from ST Microelectronics and four models that used a chip from Broadcom—infringed the '389 patent. *Id.*

⁸ *Id.*

infringement.⁹ The injunction prohibited EchoStar “from making, using, offering to sell, selling or importing in the United States, the Infringing Products, either alone or in combination with any other product and all other products that are only colorably different therefrom in the context of the Infringed Claims.”¹⁰

In response to the jury verdict, EchoStar invested seven hundred thousand dollars and eight thousand hours in an effort to design around the ’389 patent.¹¹ Engineers changed five thousand of the ten thousand lines of DVR code,¹² and EchoStar subsequently consulted an intellectual property firm that advised EchoStar that the modifications to the DVR receiver should be sufficient to avoid further infringement.¹³ TiVo contended that, despite the modifications, EchoStar failed to comply with the injunction and continued to infringe the ’389 patent.¹⁴ Rather than instituting a new infringement suit, however, TiVo made a motion to hold EchoStar in contempt.¹⁵ EchoStar responded by arguing that it had successfully designed around the ’389 patent and, as a result, should not be subject to contempt proceedings.¹⁶ The district court agreed with TiVo and found EchoStar in contempt of the court’s permanent injunction.¹⁷

On appeal, the Federal Circuit used the “more than a colorable difference” standard from *KSM Fastening Systems, Inc. v. H.A. Jones Co.*, as discussed in greater detail in Part I, to decide whether contempt proceedings were appropriate.¹⁸ Under the two-step *KSM* analysis, the Federal Circuit found that EchoStar’s enjoined DVR and its modified DVR were “not more than colorably different” and that no substantial issues remained for the parties to

⁹ *Id.*

¹⁰ *Id.* at 858.

¹¹ *Id.* at 869. In comparison, EchoStar spent more than \$120 million on advertising over the same time period. *Id.*

¹² *Id.*

¹³ See *TiVo Inc. v. EchoStar Corp.*, No. 2009-1374, 2010 U.S. App. LEXIS 4543, at *18 (Fed. Cir. Mar. 4, 2010), *aff’d in part, vacated in part en banc*, 646 F.3d 869 (Fed. Cir. 2011).

¹⁴ *Dish Network*, 640 F. Supp. 2d at 857.

¹⁵ *Id.* at 856. Contempt authority is granted to the federal courts under 18 U.S.C. § 401 (2006), which provides that “[a] court of the United States shall have power to punish by fine or imprisonment, or both, at its discretion, such contempt of its authority, [as results from] disobedience or resistance to its lawful writ, process, order, rule, decree, or command.” *Id.*

¹⁶ *Dish Network*, 640 F. Supp. 2d at 857.

¹⁷ *Id.* at 874.

¹⁸ *TiVo*, 2010 U.S. App. LEXIS 4543, at *7–8, *14, *16 (quoting *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530 (Fed. Cir. 1985), *overruled en banc by TiVo*, 646 F.3d 869) (internal quotation marks omitted).

litigate in either a contempt proceeding or a separate trial.¹⁹ With only colorable differences between the two DVRs, the Federal Circuit affirmed the holding of the district court that contempt proceedings were appropriate.²⁰

On rehearing en banc, the Federal Circuit overruled the two-step *KSM* analysis and attempted to clarify the standard governing contempt proceedings in patent infringement cases.²¹ The court remanded to the district court to make a factual determination of colorable differences under the new standard,²² but the parties settled before the district court reached a decision.²³

EchoStar's attempt to design around the '389 patent demonstrated the uncertainty created by the *KSM* standard, and as this Comment will argue, the rehearing en banc failed to remedy the deficiencies of the *KSM* contempt analysis. This uncertainty is unsettling in light of the fact that contempt proceedings provide an important check on the scope of injunctions and are the gatekeeper for patent law's transition to criminal sanction.²⁴ Contempt proceedings offer a number of distinct advantages to the patent owner.²⁵ Most importantly, the infringing party cannot raise unenforceability or invalidity in defense.²⁶ In addition, the court handling the contempt proceeding is already familiar with the case, and as a result, the proceeding will be much quicker and cheaper than a separate infringement proceeding.²⁷ Moreover, because the proceeding will take place in the same court that ordered the injunction, there is also the possibility that the court will look unfavorably on the accused infringer's possible failure to obey the injunction.²⁸ On the other hand, the

¹⁹ *Id.* at *13.

²⁰ *Id.* at *19.

²¹ *See TiVo*, 646 F.3d at 881.

²² *Id.* at 884.

²³ *TiVo Inc. v. EchoStar Corp.*, 429 F. App'x 975, 976 (Fed. Cir. 2011).

²⁴ *See KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1524 (Fed. Cir. 1985) ("[T]he contemnor may be punished by fine (payable to the patent owner) and imprisonment, even in civil contempt."), *overruled en banc by TiVo*, 646 F.3d 869.

²⁵ *See* KIMBERLY A. MOORE ET AL., *PATENT LITIGATION AND STRATEGY* 693 (3d ed. 2008) (listing the advantages to contempt proceedings for the patent owner).

²⁶ *See KSM*, 776 F.2d at 1530 (finding that the court's original claim construction is the law of the case in contempt proceedings). *But see* *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1350 (Fed. Cir. 1998) (performing claim construction in a contempt proceeding). The defense of invalidity involves rebutting the presumption of a patent's validity by showing that one or more of the patent's claims are invalid. 6 DONALD S. CHISUM, *CHISUM ON PATENTS* § 19.02 (Supp. 2005). A patent can be unenforceable or invalid if the patent owner fraudulently obtained the patent-in-suit. *Id.* § 19.03.

²⁷ MOORE ET AL., *supra* note 25, at 693.

²⁸ *Id.*

patent owner will be faced with a greater burden to prove infringement by clear and convincing evidence.²⁹

For the infringing party, which faces a possibly unreasonable or overly broad injunction, the stakes in contempt proceedings are daunting, with possible punishment in the form of fine or imprisonment.³⁰ Because of both the potential consequences and disadvantages of contempt proceedings, a clear framework for determining whether contempt proceedings are appropriate is of vital importance to the enjoined party and the integrity of the patent system. Both parties to a patent dispute should have a clearer understanding of the circumstances that will mandate contempt proceedings and require new suits for infringement. Accordingly, this Comment argues in favor of a threshold inquiry into the propriety of contempt proceedings and proposes a more concrete, factor-based framework to aid the courts in determining whether contempt proceedings are appropriate.

Part I of this Comment explores the relationship between permanent injunctions and contempt in patent law. The standard for contempt serves the dual function of helping courts determine when contempt proceedings are appropriate as well as acting as a limit on the scope of injunctions. Almost twenty-five years ago, the Federal Circuit laid out a basic standard for determining when contempt proceedings are appropriate in *KSM*. Subsequent cases, however, including *TiVo*'s rehearing en banc, have failed to develop the standard in a satisfactory manner, resulting in considerable uncertainty to all of the parties involved. Part I further discusses the policies critical to a decision of whether to (1) sustain a motion to proceed with contempt proceedings or (2) institute a separate suit, including concerns over judicial economy, judicial uniformity, and incentives to patent and continue downstream innovation.

Part II examines the process by which the district courts have decided whether to proceed with contempt proceedings in light of the absence of instruction from the Federal Circuit. District courts have used a number of factors to support their decisions, but deciding which factors are relevant, and to what extent the factors will weigh on the decision, varied markedly from case to case. While the district courts are inconsistent in how they utilize each factor, a limited number of specific factors can aid in creating a basis for establishing a more concrete contempt framework in patent law that can be consistently applied in all courts.

²⁹ *KSM*, 776 F.2d at 1524.

³⁰ 18 U.S.C. § 402 (2006).

Part III of this Comment analyzes contempt law within other areas of intellectual property. Because of the number of similarities between patent law and other types of intellectual property law (and, consequently, the increasing number of recent Supreme Court decisions that use copyright law as a reference point for patent law and vice versa), copyright and trademark present a logical reference to aid in the further development of the contempt framework in patent law. The comparative analysis is beneficial because the role of good faith has historically been unclear in patent law, and despite the ruling in *TiVo*, trademark law clarifies that good faith should be a factor in the decision of whether contempt proceedings are appropriate.

In light of the importance of the contempt standard in controlling the scope of an injunction and the lack of guidance from the Federal Circuit, a concrete, factor-based threshold inquiry will provide a clearer understanding of the circumstances that will mandate contempt proceedings and the circumstances that will require new suits for infringement. Part IV suggests a framework based on six factors for determining whether contempt proceedings are appropriate: the presence of additional expert testimony, further claim construction, additional substantial factual analysis or new theories of infringement, the enjoined party's ability to obtain a patent on the modified device, the presence of good faith, and a balance of the hardships associated with a decision to proceed via contempt. Use of these factors will create more consistency and will subsequently provide greater notice to all of the parties involved.

I. PERMANENT INJUNCTIONS AND CONTEMPT IN PATENT LAW

To provide a context for the importance of contempt proceedings, this Part establishes the connection between narrowly drafted permanent injunctions in patent law and contempt proceedings. The current standard for determining whether contempt proceedings are appropriate, which this Comment argues is not sufficient, originated from language in the Supreme Court case of *California Artificial Stone Paving Co. v. Molitor*.³¹ The Federal Circuit further refined the analysis in *KSM*, but the substance of the *KSM* analysis was recently overruled in *TiVo*. This Part concludes with a discussion of the relevant policies that must be considered when deciding whether contempt proceedings are appropriate.

³¹ 113 U.S. 609 (1885).

A. *Connection Between Permanent Injunctions and Contempt in Patent Law*

Following the issuance of an injunction for patent infringement, an enjoined party may try to design around the originally infringed patent.³² Confronted with the possibility of additional infringement, the patent owner may in turn attempt to discourage the infringing party through contempt proceedings or by instituting a separate suit to enjoin the modified device.³³ Contempt punishes the enjoined party for insulting the court by failing to obey the court order.³⁴ Thus, before discussing the particulars of when contempt proceedings are appropriate, there is a benefit to understanding permanent injunctions in patent law.

In a civil action for patent infringement, a court may order a judgment for money damages³⁵ and an injunction as a remedy.³⁶ Of the two basic types of injunctions, permanent and preliminary,³⁷ this Comment is only concerned with the scope of a permanent injunction. According to the Federal Rules of Civil Procedure, “Every order granting an injunction . . . must: (A) state the reasons why it issued; (B) *state its terms specifically*; and (C) describe in reasonable detail—and not by referring to the complaint or other document—the act or acts restrained or required.”³⁸ Applied to patent law, the Patent Act grants courts permission to use “injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”³⁹

The Supreme Court, finding that equitable relief is not mandatory in all instances of patent infringement,⁴⁰ laid out the standard for determining whether a permanent injunction is appropriate in *eBay Inc. v. MercExchange L.L.C.*⁴¹ For a court to grant permanent injunction,

[a] plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages,

³² *KSM*, 776 F.2d at 1524.

³³ *Id.*

³⁴ *Id.*

³⁵ 35 U.S.C. §§ 284, 289.

³⁶ *Id.* § 283.

³⁷ *Cf.* *Lerner Ger. GmbH v. Lerner Corp.*, 94 F.3d 1575, 1577 (Fed. Cir. 1996) (“A permanent injunction issues to a party after winning on the merits A preliminary injunction is extraordinary relief that alters the status quo during the course of litigation.”).

³⁸ FED. R. CIV. P. 65(d) (emphasis added).

³⁹ Patent Act of 1952, ch. 950, § 283, 66 Stat. 792, 812 (codified as amended at 35 U.S.C. § 283).

⁴⁰ *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392–93 (2006).

⁴¹ *Id.* at 391.

are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.⁴²

Once the court decides that a permanent injunction is the appropriate remedy, the court must tailor the injunction to the acts sought to be restrained.⁴³

Specifically tailoring the scope of an injunction has a number of benefits for all of the parties involved.⁴⁴ A clearly defined injunction provides notice to the enjoined party of what is lawful, thereby eliminating uncertainty.⁴⁵ Moreover, a clearly defined injunction gives notice to the party protected by the injunction (generally the patent owner) so that it may effectively monitor and enforce the injunction.⁴⁶ From the perspective of an appellate court, a clearly defined injunction enables it to be adequately prepared to review the injunction.⁴⁷ Further, from the perspectives of the district court and judicial economy, a clear injunction reduces the need for judicial intervention because the parties should not have to return to court to debate the scope of the injunction. As a result, clearly defined injunctions provide a basis with which courts can analyze alleged failures to comply with an injunction and the necessity for contempt proceedings.⁴⁸ Unfortunately, the courts have demonstrated that creating clearly defined injunctions can be a difficult task. As the Federal Circuit noted in *KSM*, “It is apparent . . . from a review of patent cases dealing with contempt proceedings that injunctions are frequently drafted or approved by the courts in general terms, broadly enjoining ‘further infringement’ of the ‘patent,’ despite the language of Rule 65(d), and Supreme Court interpretation.”⁴⁹

⁴² *Id.*

⁴³ FED. R. CIV. P. 65(d)(1)(C).

⁴⁴ Stacey L. Dogan, *Trademark Remedies and Online Intermediaries*, 14 LEWIS & CLARK L. REV. 467, 487–88 (2010).

⁴⁵ *Id.* at 487.

⁴⁶ *Id.* at 487–88.

⁴⁷ *Id.* at 487.

⁴⁸ *See id.* at 487–88 (noting that the requirement of specificity in an injunction prevents undue guessing as to whether behavior is covered by an injunction).

⁴⁹ *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1526 (Fed. Cir. 1985), *overruled en banc* by *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed. Cir. 2011).

B. Historical Standard for Determining Whether Contempt Proceedings Are Appropriate

When courts issue broad injunctions, the possibility that an infringing party may violate the injunction increases significantly, and the standard for whether contempt proceedings are appropriate becomes more important. The Supreme Court first provided the basis for a standard for determining whether contempt proceedings are appropriate in *California Paving*.⁵⁰ Subsequently, in *KSM*⁵¹ and *TiVo*,⁵² the Federal Circuit expanded on the language from *California Paving* to create the current framework for the contempt analysis.

In *California Paving*, the Supreme Court articulated the “fair ground of doubt” language that was the original basis for determining whether contempt proceedings were appropriate in the context of a patent infringement case.⁵³ In that case, the patent owner obtained an injunction against a defendant to prevent further infringement of a patented method of laying pavement.⁵⁴ Even after the court enjoined the defendant from further infringement, the defendant continued to lay pavement as part of a new construction project, and the patent owner contended that the defendant was still using the process for laying pavement as described in the patent.⁵⁵ In the contempt proceeding, the circuit court judges disagreed as to whether the defendant’s method of laying concrete continued to infringe the patent.⁵⁶ In response, the Supreme Court found that contempt proceedings are not appropriate when the judges disagree and notably commented that the “[p]rocess of contempt is a severe remedy, and should not be resorted to where there is *fair ground of doubt* as to the wrongfulness of the defendant’s conduct.”⁵⁷ The Federal Circuit subsequently used the language “fair ground of doubt” in *KSM* as a basis for developing a more comprehensive standard for determining whether contempt proceedings are appropriate.⁵⁸

⁵⁰ 113 U.S. 609, 618 (1885).

⁵¹ See 776 F.2d at 1527.

⁵² See 646 F.3d at 882.

⁵³ *Cal. Paving*, 113 U.S. at 618.

⁵⁴ *Id.* at 610.

⁵⁵ *Id.* at 617.

⁵⁶ *Id.*

⁵⁷ *Id.* at 618 (emphasis added).

⁵⁸ E.g., *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1531–32 (Fed. Cir. 1985), *overruled en banc* by *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed. Cir. 2011).

With the language from the Supreme Court as a starting point, the Federal Circuit developed a two-step inquiry in *KSM* for the contempt analysis.⁵⁹ In *KSM*, the patent owner obtained an injunction against the defendant to prevent further infringement of a patent claiming a particular hangar assembly for securing refractory linings to furnace walls.⁶⁰ The defendant responded to the injunction by selling a modified hangar assembly, and the patent owner moved to punish the defendant with contempt for violating the injunction.⁶¹

Surveying the case law, the court found a lack of uniformity in the standards for determining when contempt proceedings are appropriate.⁶² The court acknowledged that not all subsequent infringements by an enjoined party merit contempt proceedings.⁶³ Before proceeding with an infringement analysis with respect to the redesigned product, the court stated that it must first determine whether contempt proceedings are the appropriate forum by comparing the enjoined device with the redesigned modified device.⁶⁴ The court held that contempt proceedings are appropriate when an enjoined device and a modified device are merely colorably different.⁶⁵ If there is more than a “colorable difference” between the enjoined and modified devices, then contempt proceedings are not appropriate.⁶⁶ The court found that an exact standard “is difficult to articulate with precision, since it involves, to a large extent, the exercise of judicial discretion.”⁶⁷

To substantiate the threshold inquiry in the first step, the colorable-difference analysis, the court rejected the use of a standard based on the doctrine of equivalents⁶⁸ and adopted a procedural standard requiring the

⁵⁹ *Id.*

⁶⁰ *Id.* at 1523. The injunction enjoining further infringement was pursuant to a settlement agreement that was entered as a consent decree. *Id.*

⁶¹ *Id.* at 1524.

⁶² *Id.* at 1525.

⁶³ *Id.*

⁶⁴ *Id.* at 1530–32.

⁶⁵ *Id.* at 1531–32.

⁶⁶ *Id.* at 1531.

⁶⁷ *Id.* at 1530.

⁶⁸ For purposes of infringement, patent law allows patent owners to claim both the literal scope of their patent claims as well as equivalents to each of the claims’ limitations under the doctrine of equivalents. *See* Timothy R. Holbrook, *Equivalency and Patent Law’s Possession Paradox*, 23 HARV. J.L. & TECH. 1, 16–17 (2009). As a result, if a component is not literally present in an accused device, a court may still find infringement if the component is equivalent to the element in the claim. *Id.* Previous contempt standards used a formulation of the doctrine of equivalents to determine whether an enjoined device and accused device were merely colorably different. *See, e.g.,* *Interdynamics, Inc. v. Firma Wolf (Interdynamics II)*, 698 F.2d 157, 162

determination of whether any substantial open issues must be litigated to determine infringement.⁶⁹ Expanding on the language from the Supreme Court in *California Paving*, the court held that substantial new issues provide a “fair ground of doubt” that the defendants have violated the injunction, and thus, contempt proceedings are inappropriate.⁷⁰ Under this standard, courts can use principles of claim and issue preclusion to determine which issues have already been settled and which issues would have to be tried.⁷¹ Contempt proceedings are appropriate only if the issues are suitable for summary disposition, and consequently, a separate suit for infringement would most likely be appropriate if proceedings require “expert and other testimony subject to cross-examination.”⁷² Further, in contempt proceedings, the patent owner may not revisit a previous claim construction to broaden the scope of the claims, and “[t]he validity of the patent is the law of the case in such proceedings.”⁷³ Ultimately, the decision to proceed with contempt proceedings was left to the discretion of the lower courts so long as such decisions were made in accordance with the constraints of the *KSM* standard.⁷⁴

C. *Rejecting KSM and Developing a New Standard in TiVo*

The Federal Circuit, sitting en banc in *TiVo*, made the most dramatic changes since *KSM* to the contempt analysis by rejecting *KSM*'s two-step inquiry⁷⁵ and clarifying the role of good faith.⁷⁶ With regard to the two-step inquiry, the Federal Circuit took issue with the first step of the *KSM* analysis, which was the threshold inquiry of the propriety of initiating a contempt proceeding, because the analysis was often confused with the merits of contempt.⁷⁷ As a result, the court “telescope[d] the current two-fold *KSM* inquiry into one, eliminating the separate determination whether contempt

(3d Cir. 1982). The *KSM* court noted that “no correlation between infringement by the accused device and by the adjudged device necessarily exists as a result of their equivalence to each other.” *KSM*, 776 F.2d at 1528.

⁶⁹ *KSM*, 776 F.2d at 1531–32.

⁷⁰ *Id.* at 1532.

⁷¹ *Id.* Whether the original suit ended in a consent decree or was fully litigated affects the determination of what issues remain to be settled. *Id.*

⁷² *Id.* at 1531.

⁷³ *Id.* at 1529.

⁷⁴ *Id.* at 1532. Appellate courts, applying Federal Circuit law, review a district court's decision to employ contempt proceedings for abuse of discretion. *Abbott Labs. v. TorPharm, Inc.*, 503 F.3d 1372, 1380 (Fed. Cir. 2007).

⁷⁵ *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 880–81 (Fed. Cir. 2011) (en banc).

⁷⁶ *Id.* at 880.

⁷⁷ *Id.* at 881.

proceedings were properly initiated.”⁷⁸ The propriety of contempt proceedings is now left to the discretion of the trial court, and “[a]llegations that contempt proceedings were improper in the first instance do not state a defense to contempt.”⁷⁹

For the first step of the telescoped inquiry, the Federal Circuit continued to employ the colorable-differences standard to compare the newly accused product and the adjudged infringing product.⁸⁰ The court rejected the infringement-based understanding of the colorable-differences test⁸¹ and clarified that “the contempt analysis must focus . . . on the differences between the features relied upon to establish infringement [in the adjudged infringing product] and the modified features of the newly accused products.”⁸² This approach requires the parties to focus their attention on the “elements of the adjudged infringing products that the patentee previously contended, and proved, satisfy specific limitations of the asserted claims.”⁸³ If an element that was found to infringe has been modified, the next inquiry is whether that modification is significant.⁸⁴ If the modifications are significant, then the newly accused product is colorably different from the adjudged infringing product. As a result, inquiry into whether the newly accused product actually infringes is irrelevant, and the court will not hold the defendant in contempt.⁸⁵

The difficulty in applying the *TiVo* analysis will undoubtedly arise in determining whether the modifications are significant. The Federal Circuit clarified that a district court may seek expert testimony in making the determination and advised that the “obviousness” of the modification will be a relevant consideration.⁸⁶ While there is not a concrete rule, a nonobvious modification may tend to result in a finding that the modification was not

⁷⁸ *Id.*

⁷⁹ *Id.* “What is required for a district court to hold a contempt proceeding is a detailed accusation from the injured party setting forth the alleged facts constituting the contempt.” *Id.* On review, the propriety of contempt proceedings will be reviewed under an abuse of discretion standard. *Id.*

⁸⁰ *Id.* at 882.

⁸¹ The infringement-based understanding of the colorable-differences test required determining whether “substantial open issues with respect to infringement” existed. *Id.* (quoting *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1532 (Fed. Cir. 1985), *overruled en banc* by *TiVo*, 646 F.3d 869) (internal quotation mark omitted).

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.* Determining the significance of the modification is a question of fact. *Id.* at 883.

⁸⁵ *Id.* at 882.

⁸⁶ *Id.* “The court must also look to the relevant prior art, if any is available, to determine if the modification merely employs or combines elements already known in the prior art in a manner that would have been obvious to a person of ordinary skill in the art at the time the modification was made.” *Id.*

significant.⁸⁷ The Federal Circuit also advised that the analysis may take into account “the policy that legitimate design-around efforts should always be encouraged as a path to spur further innovation.”⁸⁸

If a court concludes that the modifications are insignificant, the next step will require determining whether the newly accused product continues to infringe the relevant claims.⁸⁹ The court is required to evaluate the modified elements against the asserted claims of the patent-in-suit on a limitation-by-limitation basis.⁹⁰ The burden is on the patentee to prove both colorable differences and infringement by clear and convincing evidence.⁹¹

Finally, the Federal Circuit clarified the role of good faith as a defense to civil contempt.⁹² EchoStar argued that contempt was improper “where the defendant engaged in diligent, good faith efforts to comply with the injunction and had an objectively reasonable basis to believe that it was in compliance.”⁹³ The court rejected EchoStar’s argument and held that intent alone cannot save an infringer from a finding of contempt.⁹⁴ The court explained, however, that the presence of good faith could still be considered by the district court when assessing penalties.⁹⁵

D. Policies Underlying the Determination of Whether Contempt Proceedings Are Appropriate

In moving beyond the current contempt standard and developing a more comprehensive framework for contempt proceedings, the courts must delicately balance the interests of all of the parties involved.⁹⁶ Part D discusses the policy interests that the Federal Circuit used in developing the *TiVo* and *KSM* standards as well as other policy interests that remain crucial to the development of a more comprehensive framework. The Tenth Circuit provided

⁸⁷ See *id.* at 883–84.

⁸⁸ *Id.* at 883.

⁸⁹ *Id.*

⁹⁰ *Id.* The district court is bound by any claim construction previously performed in the case. *Id.*

⁹¹ *Id.*

⁹² *Id.* at 880.

⁹³ *Id.* (internal quotation marks omitted).

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ See *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530 (Fed. Cir. 1985) (identifying the conflicting interests involved in determining whether infringement should be adjudicated in contempt proceedings), *overruled en banc by TiVo*, 646 F.3d 869.

a succinct description of the conflicting interests in a passage, quoted by the Federal Circuit in *KSM*:

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.⁹⁷

Along with the interests of judicial economy⁹⁸ and judicial uniformity,⁹⁹ the courts have a significant number of interests to balance while defining a comprehensive standard for contempt proceedings.

In accord with the greater goals of patent law, a standard for contempt proceedings should ensure that the use of contempt does not hinder downstream innovation.¹⁰⁰ Courts have consistently emphasized the importance of encouraging competitors to design around patented technologies.¹⁰¹ If a party feels that any attempt to design around the injunction will lead to a judgment of contempt, that party will be disinclined to invest the resources to work around the injunction.¹⁰² Of further consequence, a tendency to always resort to contempt proceedings will, in effect, broaden the scope of patents by deterring parties from marketing new devices that may fall outside the scope of the patents.¹⁰³ This deterrent effect would give patent owners protection beyond the mere equivalents of their inventions.¹⁰⁴ The proper use of contempt proceedings ensures that the patent owner has the appropriate level of protection to maintain the integrity of the patent system while ensuring

⁹⁷ *Id.* (quoting *McCullough Tool Co. v. Well Surveys, Inc.*, 395 F.2d 230, 233 (10th Cir. 1968)).

⁹⁸ *MOORE ET AL.*, *supra* note 25, at 693 (“[A] contempt proceeding is generally quicker and significantly less expensive than a second full trial.”).

⁹⁹ *KSM*, 776 F.2d at 1527.

¹⁰⁰ See Brief of Amici Curiae Five Law Professors in Support of Defendants-Appellants’ Petition for Rehearing En Banc at 1, *TiVo Inc. v. EchoStar Corp.*, No. 2009-1374, 2010 U.S. App. LEXIS 4543 (Fed. Cir. Mar. 4, 2010) [hereinafter *TiVo* Brief of Amici Curiae].

¹⁰¹ See *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1355 (Fed. Cir. 1999) (“[P]atent law encourages competitors to design or invent around existing patents.”); *TiVo* Brief of Amici Curiae, *supra* note 100, at 2.

¹⁰² See *TiVo* Brief of Amici Curiae, *supra* note 100, at 1, 6.

¹⁰³ *Id.* at 6; see also *KSM*, 776 F.2d at 1530.

¹⁰⁴ For a discussion on the doctrine of equivalents in patent law, see *supra* note 68.

continued incentives for enjoined parties to attempt to design around the patents-in-suit.¹⁰⁵

Courts also seek uniformity in a framework for determining whether contempt proceedings are appropriate.¹⁰⁶ A framework for the proper use of contempt proceedings should be consistent between circuits to ensure uniformity in the scope of relief available to the patent owner.¹⁰⁷ Without uniformity, forum shopping will continue until the plaintiff finds the court with the most beneficial policies.¹⁰⁸ While a uniform standard for the scope of injunctions would be an ideal prerequisite, judges instead have a great deal of discretion within the dictates of Rule 65(d) for framing injunctions.¹⁰⁹ A uniform contempt framework alleviates the concern over unreasonable and overly broad injunctions by confining the discretion of judges to certain boundaries defined by a single and clear contempt framework.¹¹⁰

Finally, the courts must consider the greater goal of judicial economy.¹¹¹ Forcing parties to undertake a new trial each time there is a dispute over a previously adjudicated infringing device would add unnecessary strain to the court system and work against the goals of judicial economy.¹¹² The courts must seek a framework that balances the respective interests of the parties and also makes the most efficient use of the courts' time.¹¹³

As the law currently stands, both parties are at a distinct disadvantage because of the lack of certainty involved in deciding whether contempt proceedings are appropriate.¹¹⁴ *TiVo* effectively eliminated any potential for

¹⁰⁵ See *KSM*, 776 F.2d at 1530; see also *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985) (stating that infringing design-around efforts "should not be discouraged by punitive damage awards except in cases where conduct is so obnoxious as clearly to call for them").

¹⁰⁶ See *KSM*, 776 F.2d at 1527.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ See *id.*

¹¹¹ See *TiVo Inc. v. EchoStar Corp.*, No. 2009-1374, 2010 U.S. App. LEXIS 4543, at *15 (Fed. Cir. Mar. 4, 2010), *aff'd in part, vacated in part en banc*, 646 F.3d 869 (Fed. Cir. 2011). The Federal Circuit panel decision was withdrawn in favor of reinstating the appeal to the Federal Circuit sitting en banc. *TiVo Inc. v. EchoStar Corp.*, 376 F. App'x 21 (Fed. Cir. 2010). The policy considerations discussed in the panel opinion were not modified by the en banc decision.

¹¹² See *id.* at *15-16.

¹¹³ See *id.* at *15 ("Compelling the parties to undertake a new trial every time there is a dispute over previously adjudicated infringing products would fail to serve the goals of judicial economy.").

¹¹⁴ In *TiVo*, the actions by EchoStar in anticipation of a permanent injunction and subsequent to the jury verdict highlight the confusion and lack of certainty over the standard for contempt proceedings. EchoStar paid fifteen engineers to spend eight thousand hours in an effort to design around the '389 patent and consulted

notice and uniformity by placing the determination of whether contempt proceedings are appropriate entirely at the discretion of the district court judge.¹¹⁵ Accordingly, the contempt standard as it currently stands is inadequate and requires further development to address the concerns of all of the parties involved.

II. SURVEY OF CONTEMPT IN THE DISTRICT COURTS

Prior to *TiVo*, as a result of the lack of instruction from the Federal Circuit, the district courts filled out the standard for determining whether contempt proceedings were appropriate on a case-by-case basis. According to one district court judge, “*KSM* and *Additive Controls* leave unclear exactly what makes a change in products ‘merely colorable,’ what creates a ‘substantial open issue of infringement’ and how a court should compare the new product, the original product and the claims of the patent to make the[contempt] determinations.”¹¹⁶ While the Federal Circuit overruled *KSM* and the threshold inquiry, *TiVo*’s standard for contempt proceedings gives even less instruction to a district court about these issues and leaves the propriety of contempt proceedings to the complete discretion of a district court judge.¹¹⁷ As a result, to develop a more comprehensive framework, there is value in understanding how district courts have proceeded in the absence of instruction from the Federal Circuit. A survey of contempt decisions by the district courts¹¹⁸ revealed the tendency of the courts to focus primarily on whether the dispute is

with a prominent intellectual property firm; nevertheless, the Federal Circuit panel affirmed the decision of the lower court finding contempt. *Id.* at *18.

¹¹⁵ See *TiVo*, 646 F.3d at 881.

¹¹⁶ *First Years, Inc. v. Munchkin, Inc.*, No. 07-cv-558-bbc, 2009 U.S. Dist. LEXIS 99279, at *5 (W.D. Wis. Oct. 26, 2009).

¹¹⁷ *TiVo*, 646 F.3d at 881.

¹¹⁸ District court cases that included discussion of whether contempt proceedings were appropriate were collected using a search on LexisNexis. For purposes of reproduction, the search focused on district court cases from the past fifteen years that included LexisNexis headnote thirty-four from *KSM*, which tracks the following excerpt from the case:

Under the . . . standard for determining a colorable difference, a party may seek relief by way of contempt proceedings only if the issues are appropriate for summary disposition. If substantial issues need to be litigated, particularly if expert and other testimony subject to cross-examination would be helpful or necessary, the court may properly require a supplemental or new complaint. The question to be answered under such standard is essentially a *procedural* one. Must substantial new issues be litigated to determine infringement?

KSM Fastening Sys., Inc. v. H.A. Jones Co., 776 F.2d 1522, 1531 (Fed. Cir. 1985), *overruled en banc by TiVo*, 646 F.3d 869. The search focused on *KSM* because there have been relatively few cases considering contempt post-*TiVo*.

appropriate for resolution by summary proceedings.¹¹⁹ Using various factors, the summary nature of the proceedings has effectively served as a proxy for determining whether the differences between the modified device and enjoined device are merely colorable.

Expert testimony was one of the factors most consistently used to determine whether contempt proceedings were appropriate.¹²⁰ Courts varied on whether the use of expert testimony was appropriate in contempt proceedings, from holding that expert testimony presented a complete bar to contempt proceedings¹²¹ to allowing the limited use of expert testimony in contempt hearings.¹²² In some cases the absence of expert testimony was sufficient for the court to find that contempt proceedings were appropriate,¹²³ while in another case a court used extensive expert testimony that had been incorporated into a magistrate's recommendation to find that contempt proceedings were appropriate.¹²⁴

Even in some cases where expert testimony was not required, the courts found that contempt proceedings were still inappropriate because of the need for further claim construction.¹²⁵ On the other hand, the Supreme Court has held that claim construction is a matter of law for the court to consider,¹²⁶ making it generally more conducive to summary proceedings. As with expert

¹¹⁹ The notion that contempt proceedings are appropriate only if the issues are appropriate for summary disposition is consistent with the policy of *KSM*. *See id.*

¹²⁰ *See, e.g.,* *Suntiger, Inc. v. Telebrands Adver. Corp.*, No. 97-423-A, 2003 U.S. Dist. LEXIS 26564, at *18 (E.D. Va. Dec. 29, 2003) (“Of particular significance to a determination of whether the product comparison yields ‘substantial open issues’ of infringement is the agreement of all experts on certain key facts. . . .”).

¹²¹ *See* *Gemtron Corp. v. Saint-Gobain Corp.*, No. 1:04-0387, 2010 U.S. Dist. LEXIS 9999, at *16 (W.D. Mich. Feb. 5, 2010) (rejecting the use of contempt proceedings because “expert testimony, accompanied by testing, seems necessary to resolv[e] th[e] dispute”).

¹²² *See, e.g.,* *Brine, Inc. v. STX, L.L.C.*, 367 F. Supp. 2d 61, 68 n.3 (D. Mass. 2005) (“The fact that the Court convened a two-hour evidentiary hearing involving expert testimony does not, itself, indicate that ‘substantial new issues’ are presented by the dispute.”); *Litecubes L.L.C. v. N. Light Prods., Inc.*, No. 4:04CV00485-ERW, 2007 U.S. Dist. LEXIS 20085, at *6 (E.D. Mo. Mar. 21, 2007) (using expert testimony to decide whether there were substantial open issues of infringement).

¹²³ *See, e.g.,* *Bass Pro Trademarks, L.L.C., v. Cabela’s, Inc.*, No. 03-3124-CV-S-RED, 2005 U.S. Dist. LEXIS 44979, at *6 (W.D. Mo. Aug. 24, 2005) (“There appears to be no need for additional factual or expert evidence. Therefore, a summary contempt proceeding is appropriate to decide infringement in this case.”).

¹²⁴ *Liquid Dynamics Corp. v. Vaughan Co.*, No. 01 C 6934, 2008 U.S. Dist. LEXIS 83976, at *3, *8–10 (N.D. Ill. Oct. 20, 2008).

¹²⁵ *See, e.g.,* *Inzer v. Frantz*, No. 91 C 4228, 2002 U.S. Dist. LEXIS 14439, at *12–13 (N.D. Ill. Aug. 6, 2002) (denying the motion for contempt because, among other reasons, additional claim construction would be required).

¹²⁶ *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384–85 (1996).

testimony, there is a lack of consistency between the courts in how they factor in the necessity for further claim construction. In some instances further claim construction rendered contempt proceedings unavailable,¹²⁷ while in other cases claim construction was not a barrier to the use of contempt proceedings.¹²⁸

An additional factor considered by the district courts was the need for analysis of substantial factual evidence.¹²⁹ To compare the modified device with the enjoined device, certain cases required further analysis of factual evidence, and as a result, some courts found that contempt proceedings were inappropriate.¹³⁰ Other courts delved into a thorough comparison of the modified device, the enjoined device, and the patent-in-suit; in some cases, the differences were “substantial” and contempt proceedings were inappropriate,¹³¹ while in other cases, the differences were “insubstantial” and contempt proceedings were appropriate.¹³² The analysis relied heavily on the discretion of the court, and it is quite difficult to categorize the manner in which courts were deciding whether contempt proceedings were appropriate. Often, however, as an exception to the general lack of consistency exhibited by the district courts, where the further factual analysis coincided with new

¹²⁷ See, e.g., *Mahurkar v. Arrow Int'l, Inc.*, No. 91 C 8243, 1999 U.S. Dist. LEXIS 12262, at *8–9 (N.D. Ill. Aug. 3, 1999) (denying the motion for contempt because, among other reasons, additional claim construction would be required).

¹²⁸ See, e.g., *Bass Pro Trademarks*, 2005 U.S. Dist. LEXIS 44979, at *6 (finding that further claim construction is not a bar to contempt proceedings); *Aero Prods. Int'l, Inc. v. Intex Recreation Corp.*, No. 02 C 2590, 2005 U.S. Dist. LEXIS 9792, at *10–11 (N.D. Ill. May 11, 2005) (“Construing new terms at this stage does not preclude the use of contempt proceedings.”).

¹²⁹ See, e.g., *Mahurkar*, 1999 U.S. Dist. LEXIS 12262, at *9 (“In this case we find that analysis of substantial factual evidence is necessary to determine whether [the accused device infringes the patents-in-suit].”).

¹³⁰ See, e.g., *Suntiger, Inc. v. Telebrands Adver. Corp.*, No. 97-423-A, 2003 U.S. Dist. LEXIS 26564, at *18 (E.D. Va. Dec. 29, 2003) (stating that requiring further factual development is a contributing factor to the decision to deny the motion for contempt).

¹³¹ See, e.g., *Mykrolis Corp. v. Pall Corp.*, No. 03-10392-GAO, 2005 U.S. Dist. LEXIS 518, at *12 (D. Mass. Jan. 12, 2005) (denying the motion for contempt in one instance after having sustained the motion for contempt in another instance because the “questions are ‘substantial’ enough to be more properly addressed outside the context of the issue of contempt”); *TA Instruments, Inc. v. Perkin-Elmer Corp.*, No. 95-545-SLR, 2002 U.S. Dist. LEXIS 5953, at *13 (D. Del. Mar. 28, 2002) (denying the motion for contempt because the differences alleged by the parties created substantial issues that were inappropriate for resolution through a contempt proceeding).

¹³² See, e.g., *Mykrolis*, 2005 U.S. Dist. LEXIS 518, at *11 (sustaining the motion for contempt in two instances, after having denied the motion in another instance, because the “two devices are merely colorable imitations of the [patent-in-suit]”).

theories of infringement, courts refused to find that contempt proceedings were appropriate.¹³³

Other factors related less to the summary nature of contempt proceedings and instead spanned a range of other miscellaneous interests. Some courts made the decision of whether contempt proceedings were appropriate with the explicit goal of balancing the incentive to design around patents against the interest of maintaining the integrity of the patent system.¹³⁴ Other factors included the presence of good faith, which, in spite of Federal Circuit precedent, continued to be a relevant factor in a limited number of cases.¹³⁵ Other courts used less common factors, including the “polar positions of the parties”¹³⁶ and a sufficient level of certainty that the differences were merely colorable.¹³⁷ Most courts, however, felt that contempt proceedings may be appropriate “when changes to a product relate only to features not claimed in the patent because such changes are ‘merely colorable.’”¹³⁸

The district courts utilized a variety of factors, but the ultimate decisions relied more on the use of judicial discretion. The factors were tools to help explain the decisions, but viewed as a whole, these decisions failed to create a workable framework that would lead to uniformity in patent law. While the decision-making process of the district courts does not present a dramatic change from the guidelines laid out by Federal Circuit precedent, the absence

¹³³ See *TruePosition Inc. v. Andrew Corp.*, No. 05-747-SLR, 2010 U.S. Dist. LEXIS 43510, at *17–18 (D. Del. May 4, 2010) (stating that the differences between the enjoined device and modified device presented new theories of infringement, and courts “must exercise restraint in affording the patent owner the benefit of contempt proceedings to litigate . . . new patent infringement claims”).

¹³⁴ *First Years, Inc. v. Munchkin, Inc.*, No. 07-cv-558-bbc, 2009 U.S. Dist. LEXIS 99279, at *6 (W.D. Wis. Oct. 26, 2009) (“[T]he question whether a contempt hearing is the proper forum should be considered in light of [policy interests].”).

¹³⁵ See, e.g., *Electrovert Ltd. v. Specnor Tecnic Corp.*, No. 8:00-cv-2033-T-26, 2010 U.S. Dist. LEXIS 80267, at *4 (M.D. Fla. July 13, 2010) (“A ‘colorable difference’ in the device is one only ‘made for the purpose of evading the decree without essential change in the nature of the device.’” (quoting *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530–31 (Fed. Cir. 1985), *overruled en banc* by *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed. Cir. 2011))).

¹³⁶ See, e.g., *id.* at *5.

¹³⁷ See, e.g., *Kooima v. Zacklift Int’l, Inc.*, No. CIV 01-4078, 2009 U.S. Dist. LEXIS 56295, at *8–9 (D.S.D. June 30, 2009) (“Because it cannot be said with certainty that the differences . . . are merely colorable, contempt proceedings are inappropriate . . .”). The court failed to elaborate on what was meant by “certainty.”

¹³⁸ *First Years*, 2009 U.S. Dist. LEXIS 99279, at *5; see also *Suntiger, Inc. v. Telebrands Adver. Corp.*, No. 97-423-A, 2003 U.S. Dist. LEXIS 26564, at *15–16, *18 (E.D. Va. Dec. 29, 2003) (arguing that the comparison of the adjudicated infringing product with the redesigned accused product, for the purposes of determining whether substantial open issues of infringement exist, “focuses solely on product features which are potentially read upon by the asserted claims of the [patent-in-suit]”).

of a concrete framework creates inconsistency between cases. Different courts use the aforementioned factors in different ways, emphasizing some at the expense of others and creating uncertainty in the minds of both the patent owner and enjoined party as to how the court will proceed. The role of discretion in *TiVo* makes it unlikely that the lack of consistency in the district courts will be remedied. The confusion at the district court level demonstrates the need to improve the current contempt standard to improve the notice and consistency afforded to the proceedings.

III. PERMANENT INJUNCTIONS AND CONTEMPT OUTSIDE OF PATENT LAW

In light of the uncertainties engendered by a lack of a uniform framework in the past and the current deficiencies of the new standard adopted in *TiVo*, the connection between patents and other areas of intellectual property makes copyright and trademark law a logical comparative source for developing a contempt framework in patent law. Through a discussion of contempt in copyright and then trademark law, the following analysis contributes to this Comment's proposed factor-based framework by recognizing the role of good faith in the analysis. Beyond good faith, trademark law introduces the concept of a buffer zone to effectively punish the trademark owner who has already been previously adjudged to infringe the mark-in-suit. While this is a potential solution for adding notice and enhancing the current contempt framework, this section will argue that the nature of the incentives in patent law makes this sort of change impractical.

In both copyright and trademark, there is very little discussion of whether contempt proceedings are appropriate because the practical implications of proceeding in contempt rather than instituting a separate suit are minimal. Contempt proceedings in trademark and copyright will almost always be summary in nature relative to patent litigation.¹³⁹ Regardless of the potential informative value of the comparative analysis, however, the exercise is

¹³⁹ The issues in patent litigation tend to be much more complex than those in copyright and trademark litigation. Compare *Waldman Publ'g Corp. v. Landoll, Inc.*, 43 F.3d 775 (2d Cir. 1994) (discussing the relative similarity of books), with *Abbott Labs. v. Apotex, Inc.*, 455 F. Supp. 2d 831 (N.D. Ill. 2006), *rev'd on other grounds sub nom. Abbott Labs. v. TorPharm, Inc.*, 503 F.3d 1372 (Fed. Cir. 2007) (comparing the differences between a pharmaceutical drug and a pharmaceutical patent). Thus, the consequences of proceeding with contempt proceedings in copyright and trademark are relatively inconsequential. As a result, the comparison with copyright and trademark concerns whether the court should hold the infringing party in contempt, rather than whether contempt proceedings are appropriate. The analysis remains relevant because the standards still require the court to make a distinction between an accused mark or copyright and a design-around mark or copyright.

beneficial as means of understanding contempt in patent law in the context of other intellectual property.

A. Copyright

Because of the similarity in the underlying incentives between patent and copyright law, courts in the past have looked to copyright law to aid in further developing patent law concepts.¹⁴⁰ With origins in the Constitution, both copyrights and patents are legal devices intended to promote their respective fields by providing a set of exclusive rights.¹⁴¹ “A copyright, like a patent, is ‘at once the equivalent given by the public for benefits bestowed by the genius and meditations and skill of individuals and the incentive to further efforts for the same important objects.’”¹⁴² As discussed below, copyright law ultimately fails to contribute to a contempt framework in patent law, but because of the recent emphasis on the relationship between patent law and copyright law, a brief discussion of the contempt process under copyright law remains relevant.¹⁴³

Like patent law, the scope of an injunction resulting from copyright infringement should also be narrowly tailored to the adjudicated infringing acts.¹⁴⁴ Courts generally prefer not to issue blanket injunctive statements that merely enjoin the infringing party from breaking the law.¹⁴⁵ However, notwithstanding the general principles for issuing narrowly tailored

¹⁴⁰ See, e.g., *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2066–67 (2011) (referencing a Supreme Court copyright decision for guidance on contributory infringement); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392–93 (2006) (referencing copyright law to affirm an approach to permanent injunctions in patent law); *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 935–37 (2005) (referring to patent law for the standard for active inducement to address a question of inducement in the copyright context); *Eldred v. Ashcroft*, 537 U.S. 186, 214–17 (2003) (referencing the legality of the legislative extension of the duration of patent terms while addressing the legality of the legislative extension of copyright terms); *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 434–35, 439 (1984) (referring to patent law for the standard for contributory infringement to address a question of contributory infringement in the copyright context).

¹⁴¹ See U.S. CONST. art. I, § 8, cl. 8 (“The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . .”).

¹⁴² *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127–28 (1932) (quoting *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 328 (1858)).

¹⁴³ For a list of cases emphasizing the relationship between patent law and copyright law, see *supra* note 140.

¹⁴⁴ *Waldman Publ’g*, 43 F.3d at 785.

¹⁴⁵ See, e.g., *Mulcahy v. Cheetah Learning LLC*, 386 F.3d 849, 852 n.1 (8th Cir. 2004) (“By permanently enjoining defendants . . . [the court] threatens defendants with contempt sanctions . . . , contrary to the principle that blanket injunctions to obey the law are disfavored.”).

injunctions, the question of whether a party has violated an injunction and should be held in contempt is not always clear.¹⁴⁶ Absent simple copying in the case of further copyright infringement, courts determine proper injunctive scope, as well as whether a defendant has subsequently violated an existing injunction, via copyright's contempt standard.¹⁴⁷

For purposes of illustration, in *Frye v. YMCA of Lincoln*,¹⁴⁸ the court faced the question of whether the defendant should be held in contempt as a result of possible further copyright infringement.¹⁴⁹ To prove further copyright infringement, the plaintiff had to prove that there was "substantial similarity" between the accused work and the original copyrighted work in both ideas and expression.¹⁵⁰ The substantial similarity analysis required two steps.¹⁵¹ "First, similarity of ideas is analyzed extrinsically, focusing on objective similarities in the details of the works. Second, if there is substantial similarity in ideas, similarity of expression is evaluated using an intrinsic test depending on the response of the ordinary, reasonable person to the forms of expression."¹⁵² The court in this case held that an evidentiary hearing would be required to assist in determining whether the two expressions in question were substantially similar.¹⁵³

Under a *Frye*-type analysis, during the first step of the substantial similarity analysis, courts may use expert testimony to show the similarity of ideas, while the second step of the analysis requires the response of an ordinary person.¹⁵⁴ Analogizing to patent law, the ordinary person standard could be modified into

¹⁴⁶ See, e.g., *Frye v. YMCA of Lincoln*, No. 4:98CV3105, 2009 U.S. Dist. LEXIS 41905, at *6 (D. Neb. May 18, 2009) ("However, it is not clear at this time whether this similarity of ideas is substantial or if any similarity of expression is substantial and protectable under the copyright law.").

¹⁴⁷ See, e.g., *id.* at *4 ("Therefore, the YMCA should be held in contempt for violating the injunction if the Court finds substantial similarity between the two productions.").

¹⁴⁸ *Frye* was one of very few cases that I was able to find where the courts addressed copyright infringement during contempt proceedings. Simple copying proved to be significantly more common in copyright cases, and as a result, the standard for contempt in copyright did not seem to have the same significance as under patent law.

¹⁴⁹ *Id.* at *1.

¹⁵⁰ *Id.* at *4. In addition to substantial similarity, the plaintiff also had to prove that he owned the right to the copyright in question and that the defendant had access to that copyright. *Id.*

¹⁵¹ *Id.* at *4–5.

¹⁵² *Id.* at *5 (quoting *Hartman v. Hallmark Cards, Inc.*, 833 F.2d 117, 120 (8th Cir. 1987) (citation omitted)) (internal quotation marks omitted).

¹⁵³ *Id.* at *6.

¹⁵⁴ *Hartman*, 833 F.2d at 120.

a standard based on a person having ordinary skill in the art;¹⁵⁵ however, the testimony of a person having ordinary skill in the art would presumably be unnecessary following the testimony of an expert witness. Even the first step alone—the default use of expert testimony to discuss the objective similarities of the inventions in question—has the potential to turn many contempt proceedings into full-blown trials under the pretext of contempt proceedings. While in a copyright context courts may be able to easily repeat the copyright infringement analysis for contempt proceedings, a second, complete patent infringement analysis would eliminate the distinction between contempt proceedings and a new separate trial in patent law. Contempt proceedings for copyright infringement will almost always be conducive to summary proceedings, and as a result, the implications of proceeding via contempt or a separate trial are minimal.

B. Trademark

While there is no clear solution in copyright law, trademark law provides a potential resource for developing a more concrete framework. Unlike the incentives to invent and innovate in patent law, trademark law focuses on preventing consumer confusion; trademarks protect the consumer by preventing “the use of confusingly similar marks on similar or related goods and services of others.”¹⁵⁶ Although the policy rationales underlying trademark law do not directly correspond with patent law in the same manner as copyright law, there is practical overlap between patent and trademark law with respect to protection of product design.¹⁵⁷ Trademark introduces two concepts that can potentially be applied to patent law: namely, the concept of a buffer zone around the mark-in-suit and the influence of good faith. While the buffer zone is an intriguing concept, ultimately only good faith is applicable to a framework in patent law.

Under trademark law there are traditionally two standards—a strict majority standard and a liberal minority standard—for determining whether an enjoined party’s new trademark is so similar to the original trademark covered

¹⁵⁵ See 35 U.S.C. § 103(a) (2006) (stating that a patent may not be obtained if the “subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains”).

¹⁵⁶ Jim Jubinsky, Note, *Copyright and Trademark: Are They Too Substantially Similar for Literary Works?*, 5 TEX. INTELL. PROP. L.J. 389, 390 (1997).

¹⁵⁷ Moshe H. Bonder, *Patent & Lanham Acts: Serving Two Legitimate Purposes or Providing an Indefinite Monopoly?*, 15 ALB. L.J. SCI. & TECH. 1, 6–9 (2004).

by an injunction that a court should hold the enjoined party in contempt.¹⁵⁸ Similarly to patent law, the basic issue during a contempt proceeding for trademark infringement is whether the enjoined party used “colorable imitations” of the enjoined trademark.¹⁵⁹ “Colorable imitation” means “any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.”¹⁶⁰ Under the strict standard, the enjoined party “should thereafter be required to keep a safe distance away from the dividing line between violation of, and compliance with, the injunction.”¹⁶¹ In other words, the court will create a buffer zone around the particular mark that is only applicable to that enjoined party. In contrast, under the liberal minority standard, courts apply the same test for determining infringement in contempt proceedings as they do in the original infringement proceeding.¹⁶² In both infringement proceedings, the main issue is whether “the newly adopted mark [is] so similar to plaintiff’s mark that it is likely to cause confusion.”¹⁶³

Under the strict majority standard, the court in *Wolfard Glassblowing Co. v. Vanbragt* upheld a finding of contempt against the defendant for violating a consent judgment and permanent injunction that enjoined the defendant from making or selling oil lamps that were colorable imitations of the plaintiff’s oil lamps.¹⁶⁴ The court required the plaintiff to successfully show that the defendant “violated the consent judgment beyond substantial compliance” and, relevant to patent law, “that the violation was *not based on a good faith* and reasonable interpretation of the judgment.”¹⁶⁵ The court held that, to establish violation of a consent decree, the plaintiff did not need to prove a likelihood of consumer confusion in the same manner that would be required in a trademark infringement case.¹⁶⁶

Although the terms of such an injunction impose a heavier burden on an infringing party with a redesigned mark than is imposed on a newcomer with a similar mark, “a party who has once infringed a

¹⁵⁸ 3 ANNE GILSON LALONDE, GILSON ON TRADEMARKS § 14.02(d) (2000).

¹⁵⁹ *Wolfard Glassblowing Co. v. Vanbragt*, 118 F.3d 1320, 1322 (9th Cir. 1997).

¹⁶⁰ 15 U.S.C. § 1127.

¹⁶¹ LALONDE, *supra* note 158, § 14.02(d) n.182 (quoting *Eskay Drugs, Inc. v. Smith, Kline & French Labs.*, 188 F.2d 430, 432 (5th Cir. 1951)) (internal quotation mark omitted).

¹⁶² *Id.* § 14.02(d).

¹⁶³ *Id.*

¹⁶⁴ 118 F.3d at 1321.

¹⁶⁵ *Id.* at 1322 (emphasis added).

¹⁶⁶ *Id.*

trademark may be required to suffer a position less advantageous than that of an innocent party.”¹⁶⁷

Without this strict standard, the owner of a trademark would be required to institute an entirely new trademark suit to protect against an enjoined party that had attempted to bypass an injunction by making only “tiny change[s].”¹⁶⁸

The liberal minority view fails to offer any direction to a contempt standard under patent law because, analogizing to patent law, simply repeating the patent infringement analysis would eliminate the distinction between contempt proceedings and new infringement proceedings. In contrast, the strict majority view under trademark would add a degree of clarity to the decision. The buffer zone between the patent-in-suit and any design-around devices would improve the degree of notice afforded to the parties; however, the notice would come at the expense of the enjoined party. By adding certainty, the balance of interests stressed in *KSM* would tilt toward the patent owner and harm the incentive to design around the injunction. Contempt law would effectively broaden the patent by broadening the scope of any injunction or consent agreement. While trademark cases under the strict view acknowledge the handicap on the party attempting to design around the injunction, the nature of the incentives in trademark law—and specifically the prevention of consumer confusion—allows for a handicap. In contrast, the incentives in patent law make the handicap difficult to rationalize because any handicap harms the incentive to design around an injunction and further advance science. The absence of any requirement under trademark law to sustain an incentive to design around an injunction makes analogizing contempt under trademark law to that under patent law very difficult.

In summation, copyright fails to inform a new framework in patent law because the practical implications of contempt proceedings are minimal in a copyright infringement case. Unlike patent law, the proceedings will almost always be summary in nature. Trademark law introduces the concept of a buffer zone, but the nature of the incentives in trademark law, unlike those in patent law, allows for a buffer zone. While a comparative analysis is relevant regardless of the potential benefits, this comparative analysis also advises on the role of good faith in patent law. The Federal Circuit has historically taken

¹⁶⁷ *Id.* (quoting *Wella Corp. v. Wella Graphics, Inc.*, 37 F.3d 46, 48 (2d Cir. 1994)).

¹⁶⁸ *Id.* at 1323.

numerous views on the role of good faith,¹⁶⁹ and while *TiVo* seemingly ended the discussion,¹⁷⁰ it is still informative to note the use of good faith during contempt proceedings in trademark law. Patent law does not exist in isolation, and a framework for whether contempt proceedings are appropriate should be constructed in reference to other areas of the law.¹⁷¹

IV. DEVELOPING A FRAMEWORK

Using the rough guidelines of the Federal Circuit, some of the factors employed by the district court decisions, and the role of good faith from trademark law, this Part proposes a more concrete, factor-based approach to contempt proceedings. This Comment argues that the Federal Circuit was wrong to reject the threshold inquiry into the propriety of contempt proceedings. As a result, this Comment's approach maintains the two-step inquiry reinstating the threshold inquiry into whether contempt proceedings are appropriate.¹⁷² However, in contrast to the *KSM* framework, application of this proposed framework to the facts of *TiVo* counsels against the use of contempt proceedings.¹⁷³

A. *Rejecting the Federal Circuit: Reinstating the Threshold Inquiry*

Perhaps the most significant aspect of the en banc *TiVo* decision was the elimination of the threshold inquiry into the propriety of contempt proceedings. The Federal Circuit argued this initial step was unnecessary because the “inquiry confuses the merits of the contempt with the propriety of initiating contempt proceedings[, and] . . . as a practical matter, district courts do not separately determine the propriety of a contempt proceeding before proceeding

¹⁶⁹ See *Arbek Mfg., Inc. v. Moazzam*, 55 F.3d 1567, 1570 (Fed. Cir. 1995) (using good faith as a factor in determining whether contempt proceedings were appropriate). *But see* *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1353 (Fed. Cir. 1998) (discounting the use of good faith as a factor in determining whether contempt proceedings are appropriate).

¹⁷⁰ See *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 880 (Fed. Cir. 2011) (en banc) (discounting good faith as a defense in contempt proceedings).

¹⁷¹ See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006) (comparing patent law to copyright law to ensure a consistent approach to the treatment of injunctions).

¹⁷² The second step, the infringement analysis comparing the modified device with the patent-in-suit, is not a focus of this Comment.

¹⁷³ The en banc panel in *TiVo* remanded to the district court for a determination under the new contempt framework, but the parties settled before the district court addressed the issue. *TiVo Inc. v. EchoStar Corp.*, 429 F. App'x 975 (Fed. Cir. 2011). Thus, the facts of *TiVo* have not yet been analyzed by a court under the new contempt standard.

to the merits of the contempt itself.”¹⁷⁴ Review of district court cases, however, demonstrates that the Federal Circuit was incorrect; district courts generally determine separately the propriety of a contempt proceeding before continuing to the merits of contempt.¹⁷⁵

For example, in *Aero Products International, Inc. v. Intex Recreation Corp.*, the district court followed the two-step analysis as required by *KSM*.¹⁷⁶ After finding that the plaintiffs demonstrated by “clear and convincing evidence that no substantial open issues of infringement exist with the redesigned device,” the court found that contempt proceedings were an appropriate method of determining whether the redesigned product infringed the patent-in-suit.¹⁷⁷ Just as originally prescribed in *KSM*,¹⁷⁸ the district court’s threshold inquiry examined whether there were substantial open issues of infringement with the redesigned product.¹⁷⁹ As discussed *supra* in Part II, *KSM* failed to explain to the district courts what constitutes “substantial open issues of infringement,” but as demonstrated by, inter alia, *Aero Products*, this deficiency still did not cause the courts to conflate the two steps of the *KSM* inquiry. Once the court in *Aero Products* determined that contempt proceedings were appropriate, it moved on to the second step to determine whether the redesigned product infringed the claims of the patent-in-suit.¹⁸⁰ While a court’s decision that contempt proceedings are appropriate may be indicative that a court should hold a party in contempt, numerous district court decisions demonstrate that the courts are able to properly distinguish the propriety of contempt proceedings from the merits of contempt.¹⁸¹

¹⁷⁴ *TiVo*, 646 F.3d at 881. As a practical matter, the Federal Circuit also failed to explain why possibly confusing the merits of contempt with the propriety of contempt proceedings was an issue.

¹⁷⁵ See, e.g., *Kooima v. Zacklift Int’l, Inc.*, No. CIV 01-4078, 2009 U.S. Dist. LEXIS 56295, at *8–9 (D.S.D. June 30, 2009); *Bass Pro Trademarks, L.L.C. v. Cabela’s Inc.*, No. 03-3124-CV-S-RED, 2005 U.S. Dist. LEXIS 44979, at *4–5 (W.D. Mo. Aug. 24, 2005); *Aero Prods. Int’l, Inc. v. Intex Recreation Corp.*, No. 02 C 2590, 2005 U.S. Dist. LEXIS 9792, at *9–10 (N.D. Ill. May 11, 2005). *But see* *First Years, Inc. v. Munchkin, Inc.*, No. 07-cv-558-bbc, 2009 U.S. Dist. LEXIS 99279, at *6 (W.D. Wis. Oct. 26, 2009) (conflating the two steps of the *KSM* analysis).

¹⁷⁶ See *Aero Prods.*, 2005 U.S. Dist. LEXIS 9792, at *7–16.

¹⁷⁷ *Id.* at *12–13.

¹⁷⁸ *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530–32 (Fed. Cir. 1985) (adopting a procedural standard requiring the determination of whether any substantial open issues must be litigated to determine infringement), *overruled en banc* by *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed. Cir. 2011).

¹⁷⁹ *Aero Prods.*, 2005 U.S. Dist. LEXIS 9792, at *12–13.

¹⁸⁰ *Id.* at *13.

¹⁸¹ For a list of cases, see *supra* note 175.

B. Creating a Factor-Based Framework

To substantiate the reinstatement of the threshold inquiry, this Comment proposes a factor-based framework for determining whether contempt proceedings are appropriate. While similar in some respects to the manner in which district courts have proceeded in the absence of Federal Circuit instruction, this proposed framework for the propriety of contempt proceedings reduces the number of factors for the courts to consider, adds a degree of consistency and increased certainty, and maintains room for judicial discretion. Relying on only a subset of the factors considered by the district courts, this framework further defines the individual significance of each of the factors, defines the relationship between each factor, and provides a context with which to view each factor. The result is a more comprehensive framework that will be easier to consistently apply, affording notice and certainty to all of the parties involved. The decision of whether to proceed with contempt proceedings should depend on six factors:

1. the requirement of additional expert testimony;
2. the need for further claim construction;
3. additional substantial factual analysis or newly proposed theories of infringement;
4. the ability of the enjoined party to obtain a patent for the modified device;
5. good faith; and
6. a balance of the hardships implicated by a decision to proceed with contempt proceedings.

While the facts of each case will not necessarily implicate each factor, the court should weigh the relevant factors to decide if contempt proceedings are appropriate.

1. Expert Testimony, Further Claim Construction, and Further Factual Analysis or New Theories of Infringement

In assessing the first three factors—expert testimony, further claim construction, and further factual analysis or new theories of infringement—courts should place significant emphasis on the interests of judicial economy. As previously discussed, to require a new infringement trial in every instance

would be impractical. The judge that adjudicated the original infringement proceeding is already familiar with the facts and, more importantly, the technology of the case. While considerations of judicial economy may create a slight bias toward allowing contempt proceedings, the last two factors—the presence of good faith and a balance of the hardships—will work to balance out any preference in favor of contempt proceedings.

Courts should weigh the first factor, expert testimony, with a view toward preserving the summary nature of contempt proceedings. The presence of expert testimony alone must not preclude the use of contempt proceedings; however, extensive expert testimony is indicative of significant modifications.¹⁸² The concern with denying a motion for contempt whenever the judge requires expert testimony is the possibility that enjoined parties may be able to consistently evade contempt proceedings.¹⁸³ Especially in the pharmaceutical context, “[n]o judge is qualified to determine by looking at a heap of powder . . . whether a change in the process by which a chemical is made has altered the chemical structure of the product without scientific testing conducted by experts.”¹⁸⁴ Some fields may always require expert testimony, and to deny contempt proceedings merely because of the need for experts would render contempt worthless as a device to protect the patent owner.¹⁸⁵ As a result, expert testimony should be less influential to the extent that a judge requires the testimony to further understand the issues at hand. However, when the parties heavily rely on expert testimony and require further demonstrative scientific testing, a court should deny contempt proceedings because these circumstances indicate significant modifications.¹⁸⁶

The absence of the second factor, the need for further claim construction, should weigh in favor of contempt proceedings. Often, additional claim construction is indicative of new theories of infringement or more than a mere colorable difference between the modified and enjoined device; however, in

¹⁸² Significant modifications are indicative of more than colorable differences. *TiVo*, 646 F.3d at 882–83. Under *KSM*, “substantial open issues with respect to infringement” indicated more than colorable differences. *Id.* at 882 (quoting *KSM*, 776 F.2d at 1532) (internal quotation mark omitted).

¹⁸³ *Abbott Labs. v. Apotex, Inc.*, 455 F. Supp. 2d 831, 839–40 (N.D. Ill. 2006), *rev’d on other grounds sub nom.* *Abbott Labs. v. TorPharm, Inc.*, 503 F.3d 1372 (Fed. Cir. 2007).

¹⁸⁴ *Id.*

¹⁸⁵ *Id.*

¹⁸⁶ *See, e.g., Gemtron Corp. v. Saint-Gobain Corp.*, No. 1:04-0387, 2010 U.S. Dist. LEXIS 9999, at *16–17 (W.D. Mich. Feb. 5, 2010) (rejecting the use of contempt proceedings because “the parties’ reliance on experts to address th[e] issue[made] expert testimony, accompanied by testing, seem[] necessary to resolv[e] th[e] dispute”).

other cases claim construction may not be indicative of significant modifications, and consequently, contempt proceedings would be appropriate.¹⁸⁷ Alternatively, claim construction may apply in a different manner for analyzing the modified device than analyzing the original enjoined device. To the extent that the court must reconstrue the claim construction that was previously applied by a jury to determine infringement, this factor should weigh in favor of instituting a separate infringement suit. In contrast, this factor should weigh in favor of contempt proceedings in the name of judicial efficiency if the court is simply reapplying the previously construed claims.

The third factor, the presence of new theories of infringement or further factual analysis, should counsel against the use of contempt proceedings. Both are indicative of significant modifications and, as a result, must heavily weigh in favor of instituting a separate suit. Absent special circumstances, adjudicating new theories of infringement would be contrary to the purpose behind contempt proceedings. New theories of infringement are indicative of significant modifications that would not be appropriate for contempt proceedings;¹⁸⁸ the parties should have the opportunity to litigate over these significant modifications in a new trial.¹⁸⁹ In contrast, whether further factual analysis weighs in favor of contempt proceedings may be dependent on whether a judge or jury resolved the infringement in the underlying case. If the underlying case was a bench trial and if the analysis is appropriate for summary disposition, this factor should weigh in favor of contempt proceedings. However, while contempt proceedings are based in equity,¹⁹⁰ this factor should weigh in favor of a new infringement suit if a jury resolved the underlying infringement case. The enjoined party is already at a distinct disadvantage because it is in a potentially hostile courtroom¹⁹¹ and unable to

¹⁸⁷ See, e.g., *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1350 (Fed. Cir. 1998). But see *KSM*, 776 F.2d at 1529 (determining that previously adjudicated claims may not be broadened in contempt proceedings where the validity of the patent is the law of the case).

¹⁸⁸ See *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 882 (Fed. Cir. 2011) (en banc) (“[T]he contempt analysis must focus initially on the differences between the features relied upon to establish infringement and the modified features of the newly accused products.”); *TiVo Inc. v. EchoStar Corp.*, No. 2009-1374, 2010 U.S. App. LEXIS 4543, at *39–40 (Fed. Cir. Mar. 4, 2010) (Rader, J., dissenting) (stating that new theories of infringement are not appropriate for contempt proceedings), *aff’d in part, vacated in part en banc*, 646 F.3d 869.

¹⁸⁹ At this point the plaintiff has already had his day in court, and as a result, he should not be able to raise new theories of infringement. If the modified device requires new theories of infringement to find further patent infringement, the plaintiff should raise the new theories of infringement in a new trial.

¹⁹⁰ See 18 U.S.C. § 401 (2006) (providing that the power to punish is at the discretion of the court).

¹⁹¹ See *MOORE ET AL.*, *supra* note 25, at 693.

present any affirmative defenses during contempt proceedings.¹⁹² As a result, the enjoined party should have the opportunity to present any new substantial factual concerns to a jury, and this factor should weigh in favor of a new infringement suit.

2. *The Existence of Patents Associated with the Modified Device, the Presence of Good Faith, and a Balance of the Hardships*

The presence of the fourth factor, the existence of any patents associated with the modified device, should weigh against contempt proceedings. While the Federal Circuit has stated that the existence of a patent is not dispositive,¹⁹³ if the enjoined party has submitted all of the relevant materials to the patent examiner, the existence of a patent should be indicative of more than mere colorable differences. A patent examiner's determination that the modified device was nonobvious in light of the patent-in-suit and enjoined device should strongly weigh against the use of contempt proceedings.

The fifth, and perhaps the most controversial, factor is the role of good faith. While discounted by the Federal Circuit in *TiVo*,¹⁹⁴ the comparative analysis in Part III demonstrated that good faith is a relevant factor for contempt proceedings in trademark law. Because contempt is an affront to the court,¹⁹⁵ a good-faith effort to comply with a court's decision should militate against the use of contempt proceedings.¹⁹⁶ The role of good faith, however, is complicated by a party's ability to portray a guise of good faith in order to evade contempt proceedings. The expense of "extensive" research and the use of "substantial" man-hours to design around an injunction will almost always pale in comparison to the cost of additional damages and costs associated with contempt proceedings. The burden of demonstrating good faith would be greater when the alleged infringer is a competitor of the patent owner, while the burden might be lower if the infringing party's device will have no effect

¹⁹² *Additive Controls*, 154 F.3d at 1350 (explaining that, during contempt proceedings, the enjoined party may only argue in its defense that the modified device does not infringe and it may not present invalidity or unenforceability as an affirmative defense).

¹⁹³ See *id.* at 1350–51 (finding that the existence of a patent on the accused device was not relevant because the file history showed that neither the infringing device nor the original device was submitted to the patent examiner).

¹⁹⁴ *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 880 (Fed. Cir. 2011) (en banc).

¹⁹⁵ *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1524 (Fed. Cir. 1985), *overruled en banc* by *TiVo*, 646 F.3d 869.

¹⁹⁶ A colorable difference in the device is one obviously "made for the purpose of *evading* the decree without essential change in the nature of the device." *Id.* at 1531 (emphasis added) (quoting *Am. Foundry & Mfg. Co. v. Josam Mfg. Co.*, 79 F.2d 116, 118 (8th Cir. 1935)).

on the patent owner's business. In summation, good faith should weigh against the use of contempt proceedings, but the presence of good faith alone should not be conclusive.

Following pre-*TiVo* Federal Circuit case law, the court should also consider expert testimony (the first factor) in light of the presence of good faith. The rule of expert testimony precluding contempt proceedings should apply, as the Federal Circuit has indicated, only in the context of "a good-faith effort to modify a previously adjudged or admitted infringing device."¹⁹⁷ To the extent that there is significant evidence of good faith—to be determined on a case-by-case basis—and the litigation requires extensive expert testimony, these two factors should be almost dispositive in favor of instituting a new suit.

The sixth factor is a balance of the hardships implicated by a decision to proceed with contempt proceedings. Reflecting sentiments from the district courts,¹⁹⁸ language from *KSM*,¹⁹⁹ and language from *TiVo*,²⁰⁰ this factor requires an analysis of the effects on the patent system from the perspective of both the enjoined party and the patent owner. On one extreme, allowing the patent owner to have access to contempt proceedings in every instance would have the effect of deterring attempts to design around injunctions.²⁰¹ At the other extreme, requiring a new infringement suit every time there is an attempt at a design-around attempt would harm the significance of the patent and the holding of the court in the original infringement proceeding.²⁰² This factor will also be necessary to counterbalance any of the negative consequences of focusing on judicial economy with the first three factors. To the extent that a focus on judicial economy is harming the interests of either party, this factor should work to restore the balance. The facts of the case may rarely implicate

¹⁹⁷ *Abbott Labs. v. TorPharm, Inc.*, 503 F.3d 1372 (Fed. Cir. 2007) (quoting *Arbek Mfg., Inc. v. Moazzam*, 55 F.3d 1567, 1570 (Fed. Cir. 1995)).

¹⁹⁸ *See First Years, Inc. v. Munchkin, Inc.*, No. 07-cv-558-bbc, 2009 U.S. Dist. LEXIS 99279, at *6 (W.D. Wis. Oct. 26, 2009) ("[T]he question whether a contempt hearing is the proper forum should be considered in light of the [conflicting interests of the patent owner and the enjoined party].").

¹⁹⁹ *KSM*, 776 F.2d at 1530 (stating that the "conflicting interests" of the patent owner and the enjoined party ought to be considered when determining "whether infringement should be adjudicated in contempt proceedings").

²⁰⁰ *TiVo*, 646 F.3d at 883 (noting that the analysis of whether contempt proceedings are appropriate may "take account of the policy that legitimate design-around efforts should always be encouraged as a path to spur further innovation" but that determining that a design around a patent was permissible "should not be used to mask continued infringement").

²⁰¹ *KSM*, 776 F.2d at 1530.

²⁰² *Id.*

policy interests, but policy should be a significant aspect of any contempt framework.

Ultimately, the court must balance all six factors, to the extent each is present in a given case, to decide whether contempt proceedings are appropriate. One factor in particular, possible new theories of infringement or further substantial factual analysis following a jury verdict—while not dispositive—should be weighted heavily toward instituting a separate suit because this factor is highly indicative of the appropriateness of contempt proceedings. In contrast, when the courts do not require expert testimony and there are no substantial new theories of infringement, the court should move forward with contempt proceedings.²⁰³ The absence of these two factors should be almost dispositive in light of the summary nature of contempt proceedings. The court must examine the rest of the factors in the context of the facts of the particular case.

Even to the extent that the Federal Circuit is correct about the confusion created by a two-step inquiry, this Comment's framework remedies that confusion. In the past, any possible confusion resulted from a lack of instruction by the Federal Circuit about how to proceed with the threshold inquiry.²⁰⁴ This lack of instruction caused the district courts to develop their own methods for resolving the threshold inquiry, and these methods confused the two steps of the *KSM* analysis.²⁰⁵ This Comment's factor-based analysis reduces any potential confusion by establishing a clear framework for the threshold inquiry. While the presence of new theories of infringement has a role as a factor in the analysis, presence of this factor does not resolve the second part of the *KSM* analysis: the infringement analysis. Even to the extent contempt proceedings are appropriate, the court must still proceed with an infringement analysis.

Further, the benefits of a threshold inquiry outweigh any possible negative consequences. The threshold inquiry, especially in the form proposed by this Comment, gives a greater deal of notice to the litigating parties. Rather than

²⁰³ See, for example, *Brine, Inc. v. STX, L.L.C.*, 367 F. Supp. 2d 61, 67–68 (D. Mass. 2005), where contempt proceedings were appropriate when the court found no outstanding legal issues and only required a two-hour evidentiary hearing.

²⁰⁴ See *First Years, Inc. v. Munchkin, Inc.*, No. 07-cv-558-bbc, 2009 U.S. Dist. LEXIS 99279, at *5 (W.D. Wis. Oct. 26, 2009) (“*KSM* and *Additive Controls* leave unclear exactly what makes a change in products ‘merely colorable,’ what creates a ‘substantial open issue of infringement’ and how a court should compare the new product, the original product and the claims of the patent to make the[contempt] determinations.”).

²⁰⁵ For further discussion on the methods employed by the district courts, see *supra* Part II.

leaving the parties at the complete discretion of the judge as to whether a design-around attempt will necessitate contempt, this framework allows the parties to at least make an educated guess about the propriety of contempt. The survey of district court decisions in Part II demonstrated the confusion created by too much discretion, and *TiVo* provides for even more discretion than the *KSM* approach. Reinstating a threshold inquiry and the resulting increased predictability has a number of benefits, including limiting the potential impact of forum shopping. A uniform standard that minimizes the role of discretion would limit the potential for any surprises after a design-around attempt.

A factor-based threshold inquiry also prevents contempt proceedings from becoming a full trial under the guise of contempt. Previously, under *KSM* and other Federal Circuit precedent, the threshold inquiry ensured that contempt would be a summary proceeding.²⁰⁶ After *TiVo*, the summary nature of contempt proceedings is no longer a limit on the discretion of the trial court judge. The propriety of contempt proceedings is left entirely to the discretion of the judge, and “[a]llegations that contempt proceedings were improper in the first instance do not state a defense to contempt.”²⁰⁷ Nothing in *TiVo* indicates that the contempt proceedings should be anything more than summary proceedings, but there is no longer a requirement that this be considered with respect to contempt proceedings. The threshold inquiry preserves the summary nature of contempt proceedings and gives the adjudged infringer a defense with a lower standard than abuse of discretion.²⁰⁸ As a result, even to the extent that the courts confuse the two steps, the added notice and potential conservation of judicial resources weigh in favor of a threshold inquiry.

C. Applying the New Framework to *TiVo*

Using these six factors in the context of *KSM*'s two-step inquiry will create a more substantial framework that will provide all of the parties involved with a greater level of certainty, consistency, and notice. Applying this factor-based framework to the facts in *TiVo* yields a different result than that reached by the district court under *KSM*. While *TiVo* believed there were two theories under which *EchoStar* should be held in contempt,²⁰⁹ this Comment only focuses on

²⁰⁶ *KSM*, 776 F.2d at 1531.

²⁰⁷ *TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 881 (Fed. Cir. 2011) (en banc).

²⁰⁸ The court in *TiVo* gave no indication about what would constitute abuse of discretion.

²⁰⁹ *TiVo Inc. v. Dish Network Corp.*, 640 F. Supp. 2d 853, 859–60 (E.D. Tex. 2009), *aff'd in part, vacated in part en banc sub nom. TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed. Cir. 2011).

the second theory—that EchoStar’s design-around attempt was not sufficient.²¹⁰ The district court found that contempt proceedings were appropriate because the differences between the infringing software and the modified software were not more than colorably different.²¹¹ Contempt proceedings were appropriate because the “modifications d[id] not relate to elements of the pertinent patent claims.”²¹² The court reasoned that, despite the fact that the modifications presented new theories of infringement, the differences between the enjoined software and modified software did not present substantial issues for litigation.²¹³ The district court acknowledged the evidence of good faith but, citing to Federal Circuit precedent, found that good faith was not relevant to the decision.²¹⁴

Specifically, the district court examined two modifications relating to software claims 31 and 61 of the ’389 patent that presented two new theories of infringement.²¹⁵ With regard to claim 31, there was a “parsing” limitation that was a part of the process for detecting programming start codes from the incoming broadcast data.²¹⁶ EchoStar’s receivers retrieved data from the broadcast signal and created an index of the start codes for easy retrieval.²¹⁷ Following claim construction in which the district court construed “parsing” as analyzing, the jury found that EchoStar’s indexing system for retrieving programming data satisfied the parsing limitation.²¹⁸ For the design-around attempt, EchoStar replaced the indexing system with an “indexless” statistical approximation, or “brute-force” approach.²¹⁹ As a result, for the contempt motion, TiVo abandoned its original infringement theory and focused on a separate structure, the PID filter, which TiVo had intentionally not claimed to be infringing during the original trial.²²⁰ The district court, agreeing with TiVo, found that EchoStar’s PID filter satisfied the parsing limitation because it also

²¹⁰ The second theory of infringement related to EchoStar’s failure to comply with the disablement provision of the injunction by failing to disable DVR functionality in the enjoined receivers. *TiVo*, 640 F. Supp. 2d at 859.

²¹¹ *Id.* at 871.

²¹² *Id.* at 870.

²¹³ *Id.* at 870–71.

²¹⁴ *Id.* at 869–70.

²¹⁵ *Id.* at 864.

²¹⁶ *Id.* at 865.

²¹⁷ *Id.* at 864.

²¹⁸ *Id.* at 865.

²¹⁹ *Id.* at 864.

²²⁰ *See id.* at 865. PID filtering “involves analyzing the incoming data stream and selecting the appropriate packets of data associated with a program or channel selected by the viewer.” *Id.*

parsed incoming data, and the court held that the two EchoStar DVRs were “not more than colorably different.”²²¹

The second new theory of infringement concerned the modifications relating to software claim 61’s “automatic flow control” limitation and the DVR’s ability to record data to a hard drive.²²² EchoStar’s original DVR consisted of eleven buffers in a circular structure, including one buffer that EchoStar intended to act as a “record buffer” that would control the flow of data from the ten transport buffers to the hard drive.²²³ In the modified software, EchoStar removed the record buffer, leaving only ten buffers that were still in a circular structure.²²⁴ EchoStar argued that, by eliminating the blocking function of the record buffer, the DVR software no longer satisfied the automatic-flow-control limitation.²²⁵ The court found that the data loss was nearly identical with both the enjoined software and modified software, but the manner in which the software dealt with the data loss differed between the two devices.²²⁶ Nonetheless, the district court found that the enjoined software and the modified software were only colorably different.²²⁷

When analyzed under this Comment’s proposed framework, the EchoStar design-around attempt clearly necessitates a new trial, rather than contempt proceedings. Addressing the factors in the order presented above, the district court required expert testimony to perform the contempt analysis.²²⁸ According to the district court, “Given the complex technology in this suit, this Court believes that expert testimony was helpful . . . [because] this Court [required expert testimony] to analyze the source code in EchoStar’s modified software.”²²⁹ While this factor alone is far from dispositive, it weighs against the use of contempt proceedings, because expert testimony is not conducive to summary proceedings. The weight of this factor is tempered by the fact that the court required the expert testimony to better understand the technology, rather than allowing the parties to request expert testimony for litigation purposes.²³⁰

²²¹ *Id.* at 870.

²²² *Id.* at 866.

²²³ *Id.* at 865–66.

²²⁴ *Id.* at 866.

²²⁵ *Id.*

²²⁶ *Id.* at 870–71.

²²⁷ *Id.* at 871.

²²⁸ *Id.* at 862 n.4.

²²⁹ *Id.*

²³⁰ *See id.* (“Although expert testimony may not be necessary with regard to more tangible technology, the Court found it helpful under the circumstances of this case.”).

For the second and third factors—the need for further claim construction and factual analysis or new theories of infringement—the facts that the district court had to reapply the claim construction to a previously nonadjudicated DVR component, undertake further factual analysis, and adjudicate new theories of infringement²³¹ should weigh heavily away from the use of contempt proceedings. While the court did not need to reconstrue any additional claims, unlike in the district court trial, where TiVo argued that the indexing system satisfied the parsing limitation, TiVo relied on the PID filter to satisfy that same parsing limitation.²³² Moreover, the alleged flow-control limitation, the eleventh buffer, was no longer present in EchoStar's DVRs.²³³ As a result, the district court was required to undertake further factual analysis and reapply the claim construction to EchoStar's alleged newly infringing DVR components²³⁴—a role that would normally be reserved for the finder of fact. The PID filter and buffer removal present new theories of infringement that are not appropriate for contempt proceedings and cannot be resolved through claim and issue preclusion. Perhaps reapplication of claim construction alone can be conducive to summary proceedings, but the combination of new theories of infringement, further factual analysis, and expert testimony is not appropriate for contempt proceedings.

Addressing the final three factors, EchoStar did not attempt to acquire a patent on the new DVR configuration, and as a result, the fourth factor, the presence of any patents, has no bearing on the facts of the case. For the fifth factor, there was extensive evidence of good faith by EchoStar, including an investment of seven hundred thousand dollars and eight thousand hours in an effort to design around the '389 patent.²³⁵ EchoStar engineers changed five thousand of the ten thousand lines of DVR code²³⁶ and consulted an intellectual property firm, which advised EchoStar that the modifications to the DVR receiver should be sufficient to avoid further infringement.²³⁷ While this appearance of good faith pales in comparison to the \$120 million EchoStar spent on advertising over the same period,²³⁸ the appearance of good faith,

²³¹ TiVo Inc. v. EchoStar Corp., No. 2009-1374, 2010 U.S. App. LEXIS 4543, at *40 (Fed. Cir. Mar. 4, 2010) (Rader, J., dissenting), *aff'd in part, vacated in part en banc*, 646 F.3d 869 (Fed. Cir. 2011).

²³² *TiVo*, 640 F. Supp. 2d at 865.

²³³ *Id.* at 866.

²³⁴ *Id.* at 870–71.

²³⁵ *Id.* at 869.

²³⁶ *Id.*

²³⁷ TiVo Inc. v. EchoStar Corp., No. 2009-1374, 2010 U.S. App. LEXIS 4543, at *47 (Fed. Cir. Mar. 4, 2010) (Rader, J., dissenting), *aff'd in part, vacated in part en banc*, 646 F.3d 869 (Fed. Cir. 2011).

²³⁸ *TiVo*, 640 F. Supp. 2d at 869.

while not dispositive, should still weigh in favor of instituting a new infringement suit. Following Federal Circuit precedent, the presence of good faith also gives further credence to the presence of expert testimony weighing against contempt proceedings.²³⁹

With respect to the final factor, a balance of the hardships, the facts of this particular case do not shift the weight of this factor in any particular direction. TiVo and EchoStar are two direct competitors, and EchoStar's effort to design around TiVo's patent does not seem to have any implications for altering the currently existing incentives to innovate. This is not such an extreme case that granting contempt proceedings or instituting a separate suit for infringement would alter the perceived strength of the patent system or reduce the incentive to design around patents.

Notwithstanding the absence of a number of proposed factors, the presence of new theories of infringement, the need for further factual analysis, and the presence of good faith suggest that there are more than colorable differences between the enjoined software and the modified software. Contempt proceedings, while appropriate in some circumstances, deal with an affront to the court, and the facts of *TiVo* do not indicate that the court should subject EchoStar to contempt proceedings.

CONCLUSION

TiVo highlights the concern over the contempt standard established by the Federal Circuit in *KSM* and subsequent cases. The current *TiVo* standard, which eliminates the threshold inquiry of the propriety of contempt proceedings, creates an uncertain standard that fails to effectively provide notice to any of the parties involved in the litigation. The enjoined party should be aware of what will be a lawful action moving forward, and the party protected by the injunction should have notice such that it may be able to effectively enforce the injunction. As a result, in the context of the Supreme Court's "fair ground of doubt" standard and the two-step inquiry laid out by *KSM*, this proposed framework utilizes six factors to provide an element of certainty and consistency that will ensure parties have sufficient notice and overly broad injunctions are properly constrained.

This proposed framework will allow the courts to consider the consequences of accepting or denying motions of contempt on the balance of

²³⁹ Though this is admittedly questionable after the en banc *TiVo* decision.

incentives that are crucial to the patent system. By frequently and wrongfully allowing the patent owner to proceed with contempt proceedings, the court reduces the incentive to design around an injunction and become a competitor in the market. Deterring individuals from proceeding with inventions that are legitimately outside the scope of the patent-in-suit would significantly harm downstream innovation. The courts would be giving the patent owner an undeservedly broad patent scope, and the incentives of the patent system would suffer as a result.

In the alternative, awarding a new infringement suit for every attempted design-around would lessen the significance of the patent and the order of the court that instituted the injunction. The economic costs on both parties, as well as on the court system, would not be sustainable long term. As a result, this Comment's proposed factor-based analysis in the context of a threshold inquiry strives to allow the court to balance the competing policy considerations. While a more exact framework is difficult to articulate because the decision to proceed with contempt proceedings must be applied on a case-by-case basis and always involves a significant exercise of judicial discretion, this new framework should allow the courts to remedy the confusion highlighted by *TiVo*.

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* Notes and Comments Editor, *Emory Law Journal*; J.D., Emory University School of Law (2012); B.S., Mechanical Engineering, Rice University (2008). I would like to express my sincerest gratitude to Professor Timothy Holbrook for his invaluable insight, guidance, and contagious passion for patent law. I would also like to express my appreciation to Rob Ellis and Alan White for their consistent encouragement and feedback on each draft. I am especially grateful for my parents' continued support and feedback, which enabled them to learn far more about patent law than they could have ever desired. Finally, I would like to thank the entirety of the editorial staff of the *Emory Law Journal* for their suggestions and conscientious editing.