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Federal Circuit Patent Bulletin: *Genband US LLC v. Metaswitch Networks Corp.*

July 11, 2017

"[U]nder the causation approach suitable for a multi-feature, multi-purchaser context, the patentee may be able to make the causal connection between infringement and the relevant lost sales through evidence of various kinds, e.g., that the infringing features significantly increased the product's desirability, that soundly supports an inference of causation of a significant number of purchasers' decisions."

On July 10, 2017, in *Genband US LLC v. Metaswitch Networks Corp.*, the U.S. Court of Appeals for the Federal Circuit (Lourie, Taranto,* Chen) vacated and remanded the district court's denial of a permanent injunction following entry of the jury verdict that Metaswitch infringed U.S. Patents No. 6,772,210, No. 6,791,971, No. 6,885,658, No. 6,934,279, No. 7,995,589, No. 7,047,561, No. 7,184,427, and No. 7,990,984, which related to voice over IP (VoIP) services, and award of \$8,168,400 in damages. The Federal Circuit stated:

In this case, the sole basis for denial of the requested injunction was the district court's finding that Genband did not show irreparable injury from the conduct it sought to enjoin, one precondition to issuing the requested injunction. Genband relied on evidence that Metaswitch was making sales in direct competition with it, causing Genband to lose sales and thereby to suffer harms of the type often found irreparable. But the district court held that Genband had not met a requirement that is part of the irreparable-injury component of eBay in cases like this—namely, the requirement of "some causal nexus" between the infringing features of the infringer's products and the sales lost to the patentee. The district court's opinion, however, leaves us uncertain whether the court relied on too stringent an interpretation of the causal-nexus requirement. The court declared

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that Genband had to prove that “the patented features drive demand for the product.” But we cannot be sure that the district court, in demanding such proof, used the standard for causal nexus now established to be the governing standard.

The “drive demand” formulation, on its face, is susceptible to importantly different interpretations, some stricter, some more flexible, at least in situations where the product at issue has multiple purchasers and multiple features that different purchasers might assign different weights in their purchasing decisions. For example, . . . the “drive demand” formulation could require that the infringing feature be “the driver” of decisions by consumers treated collectively as a kind of unit, even requiring proof that no or almost no buyers would buy the product but for the infringing feature. Or it could require less, e.g., that the infringing feature be “a driver” of decisions by a substantial number of individual consumer decision-makers considering multiple features. . . .

Where the patentee relies on lost sales to show irreparable injury, it matters what reasons various buyers have for making the purchases lost to the patentee. If all but an insignificant number of purchases from the infringer would have been made even without the infringing feature, the causal connection to the asserted lost-sale-based injury is missing. But this court’s cases have now made clear that, under the causation approach suitable for a multi-feature, multi-purchaser context, the patentee may be able to make the causal connection between infringement and the relevant lost sales through evidence of various kinds, e.g., that the infringing features significantly increased the product’s desirability, that soundly supports an inference of causation of a significant number of purchasers’ decisions.

Of course, the causation requirement does not end the injunction inquiry, even as to the irreparable-injury requirement, let alone as to the other elements of the eBay analysis. But here the only dispositive basis of the district court’s denial of the injunction was the causal-nexus requirement. And we cannot be confident that the district court applied the current governing approach to causation rather than an unduly demanding approach.

We conclude that a remand is needed. We are not in a position to conclude that applying the Apple III/Apple IV standards would make no difference to the district court’s finding of no causal nexus and, hence, no irreparable injury. In its application of the “drive demand” formulation, the district court included just one paragraph, making only a summary reference to Genband’s evidence, without explaining in that paragraph why that evidence was deficient. And in this court, Genband has not only argued about the evidence the district court mentioned in that paragraph but also pointed to extensive additional evidence, not discussed in that paragraph, as relevant to the inquiry. Given the roles of fact-finding and discretion in the inquiry, it is for the district court, not for this court, to undertake application of the proper causal-nexus standard to the full record in this case.

Apart from its causal-nexus determination, the district court deemed the timing of Genband’s suit and Genband’s choice not to seek a preliminary injunction to weigh against a finding of irreparable injury. Genband asks us to disapprove of the court’s analysis of those considerations. Genband correctly points out that, when a patent owner postpones suit and forgoes a preliminary injunction, there may well be reasons for

the patent owner's actions independent of any implied concession that the infringement-caused injury is not actually irreparable: for example, the competitive threat may initially be small, or the merits may be much better presented through full litigation than through abbreviated preliminary-injunction proceedings. But Genband has not justified a per se rule making the patent owner's choices about when to sue and whether to seek interim relief legally irrelevant.

In this case, the timing of Genband's suit and Genband's decision not to ask for preliminary relief call for an evidentiary judgment—a determination of what weight they have in determining irreparability of the harm at issue (under the governing legal standards) in the context of the evidence as a whole. We are remanding for a redetermination of the causal-nexus issue. That determination, and the findings made in making it, may affect the need for and content of the required evidentiary evaluation of these additional, irreparability considerations. We therefore include these matters in the remand.