

Keywords: injunction; damages; irreparable harm; market entry fee; compulsory license; upfront fee; running royalty

General: Upon a finding of patent infringement, a court may not award the patentee forward-looking damages and enjoin the infringer from future infringing activities.

Innogenetics N.V. v. Abbott Laboratories

No. 2007-1145, -1161 (Fed. Cir. 2008)

Decided January 17, 2008

I. Facts

Innogenetics, N.V. (Innogenetics) sued Abbott Laboratories (Abbott) for infringement of U.S. Patent No. 5,846,704 (the '704 patent) in the U.S. District Court for the Western District of Wisconsin. The '704 patent claims a method of genotyping hepatitis C virus (HCV) based on distinct genetic sequences in the 5 prime untranslated region (5' UTR) of the HCV genome, teaching specifically hybridizing probes (short strands of nucleic acids) to target a sequence in the 5' UTR. Complexes formed between the probes and the nucleic acids of the 5' UTR are subsequently detected. Abbott produces genotyping assay kits which also employ specifically hybridizing probes to the nucleic acids of the 5' UTR of HCV. The kits then detect complexes that are formed using a process of realtime polymerase chain reaction (PCR), which destroys the complexes to release fluorescent signals.

Claim 1 of the '704 patent recites, among other things, "detecting a complex as formed." The district court construed the above limitation to mean "detecting a complex that is or has been formed." Abbott disagreed with the claim construction, arguing that the word "as" limits the claims to detecting hybridized complexes in a contemporaneous manner. Because Abbott's genotyping assay kits detect the formation of hybridized complexes by observing fluorescence emitted when the complexes are destroyed, Abbott argued that its products did not observe the actual complexes themselves and thus did not infringe the claim.

Abbott conceded its entire noninfringement argument rested on a construction of the claims not adopted by the district court, leading the district court to enter judgment as a matter of law of literal infringement against Abbott. At a bifurcated trial, the jury first concluded that claim 1 of the '704 patent was not anticipated in the liability phase. In the damages phase of the trial, the jury awarded \$7 million in damages to Innogenetics, exactly tracking the amount of damages proposed by Innogenetics' expert.

The \$7 million proposed damage award included an upfront market entry fee of \$5.8 million and a running royalty of 5 to 10 Euros per test on the 190,000 tests then sold by Abbott. The expert testified that his assessment included considering "what over a longer term, would be a sensible license." In multiple depositions, the expert had further explained that the damage award contemplated a running royalty and an upfront fee, the latter being based on projected sales until 2019. Furthermore, the jury was instructed that damages could "include both an up-front payment and an *ongoing* royalty payment" (emphasis added).

Post-trial, despite upholding the damage award, the district court granted a motion for a permanent injunction against Abbott's sales of its genotyping assay kits.

II. Issues

May a permanent injunction be granted to prohibit an infringing activity, when damages awarded for the infringing activity contemplate compensation for future infringing activity?

III. Discussion

No. Under *eBay, Inc. v. MercExchange, LLC*, an injunction does not necessarily follow a determination that a patent has been infringed, but rather is determined according to the well-established four-part test. 126 S. Ct. 1837, 1840 (2006). The Federal Circuit court reasoned that when a patentee obtains a damage award including an upfront entry fee based on future sales in a long term market, the patentee “cannot be heard to complain that it will be irreparably harmed by future sales.” Slip op., page 26. Further, the court held that the factor of irreparable harm greatly outweighed the other eBay factors in this case. Since the damages awarded to Innogenetics included a market entry fee of \$5.8 million contemplating ongoing royalty payments from future sales, the court held that the district court abused its discretion by granting the injunction and further held that the injunction must be vacated.

Though the market entry fee contemplated future sales through 2019, the court noted that such future sales would be subject to a compulsory license. As such, the court remanded the case to the district court finalize the terms of the compulsory license, which would include conditioning future sales of Abbott’s genotyping assay kits on payment of the running royalty of 5-10 Euros per kit.

IV. Conclusion

A court may not enjoin a patent infringer from an infringing activity when a patentee has been awarded damages contemplating future infringement from that infringing activity.