

Bad Faith Needed for Injunction of Patent Infringement Threat

Myco Indus., Inc. v. BlephEx, LLC,
No. 2019-2374, 2020 WL 1647245, (Fed. Cir. Apr. 3, 2020)

By: Reid Huefner (rhuefner@irwinip.com) and Adam Reis (areis@irwinip.com) | April 10, 2020

The Federal Circuit recently reversed a decision granting a preliminary injunction prohibiting patent infringement threats and allegations on the grounds that the district court failed to consider whether the statements were made in bad faith, reaffirming longstanding Federal Circuit precedent regarding the scope of a patentee's protected speech.

In March 2019, Myco Industries, Inc. ("Myco") filed a declaratory judgment action against its competitor BlephEx, LLC ("BlephEx") based on statements BlephEx made to potential customers concerning Myco's product and whether it infringed BlephEx's patent. Dr. James Rynerson is the inventor of U.S. Patent No. 9,039,718 (the "'718 patent"), directed to a method for treating conditions of the eye. Dr. Rynerson contacted John Choate, and Choate agreed to help develop a commercial product based on the '718 patent. The two commercialized the product beginning in 2013 under the name BlephEx. In early 2014, however, Choate ended this relationship with Rynerson and became chairman of Myco. Then, in 2019, Myco began marketing a device used for treating a medical condition similar to that of the BlephEx product. That same year, Rynerson and Choate both hosted booths at a trade show in New Orleans. Choate contended that Rynerson approached the Myco booth and, upon observing the Myco device, became hostile and accused the Myco device of infringing the '718 patent. Rynerson allegedly "made loud accusations of infringement within earshot of prospective customers, while videotaping at least part of the encounter on his cell phone." After the trade show, a third party emailed Choate stating he had overheard Rynerson at the BlephEx booth repeating his infringement claims to potential customers and that he would be "taking action."

Myco moved for a preliminary injunction. In its opinion, the court discussed the four standard preliminary injunction factors as set forth by the Sixth Circuit: (1) likelihood of success on the merits; (2) irreparable injury without the injunction; (3) substantial harm to others; and (4) public interest. Finding in Myco's favor on each factor, the district court granted the motion and entered an injunction preventing BlephEx from making patent infringement threats against Myco's potential customers, and from making allegations of infringement.

The Federal Circuit reversed, vacated, and remanded on the grounds that the district court failed to consider whether Rynerson's statements were made in bad faith. The Federal Circuit noted that the four factors considered by the district court are the appropriate factors, but, when a preliminary injunction seeks to prevent a patentee from communicating its patent rights, a court must apply federal law to discern whether notice of patent rights was properly given. This requires a showing of "bad faith," supported by a finding that the claims were objectively baseless. *GP Indus., Inc. v. Eran Indus., Inc.*, 500 F.3d 1369, 1373–74 (Fed. Cir. 2007). The Federal Circuit was clear: "the district court neither made a finding of bad faith nor even adverted to the requirement. To the extent the court made any factual findings relevant to bad faith, ... [it] declined to find that any of BlephEx's statements were either false or misleading. This alone warrants reversal."

As the Federal Circuit noted at the outset of its opinion, "[this] is a case about free speech and a district court's authority to place prior restraints on that speech." A patentee is entitled to provide notice of its patent rights. That right, however, can be at conflict with the desire to prevent unprotected speech, such as making false or misleading statements about a competitor. The bad faith requirement serves as a litmus test for whether a patentee's speech is protected, and a failure to consider it runs the risk of inappropriately enjoining valid, protected speech.