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TECHNOLOGY LAW
UPDATE

A report of the latest Federal Circuit updates brought to you by Preston Gates.

Globetrotter Software, Inc. v. Elan Computer Group, Inc.

Nos. 03-1179, -1205 (Fed. Cir. Mar. 23, 2004)

"[F]ederal patent law preempts state-law tort liability for a patentholder's good faith conduct in communications asserting infringement of its patent and warning about potential litigation. State-law claims [can] survive federal preemption only to the extent that those claims are based on a showing of 'bad faith' action in asserting infringement."

On March 23, 2004, the Federal Circuit, *inter alia*, affirmed the district court's summary judgment in favor of Globetrotter on Greer's state-law counterclaims for tortious interference with prospective economic advantage and unfair competition arising from Globetrotter's allegations that Elan and Greer infringed U.S. Patents No. 5,390,297, No. 5,386,369, and No. 5,671,412, which related to a software license management system. The Federal Circuit stated:

> Greer asserts state-law claims of tortious interference with prospective economic advantage and unfair competition, based on the allegations of patent infringement in Globetrotter's e-mail and letters sent to Rainbow. [F]ederal patent law preempts state-law tort liability for a patentholder's good faith conduct in communications asserting infringement of its patent and warning about potential litigation. State-law claims such as Greer's can survive federal preemption only to the extent that those claims are based on a showing of "bad faith" action in asserting infringement. [T]o avoid preemption, "bad faith must be alleged and ultimately proven, even if bad faith is not otherwise an element of the tort claim."
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> [Greer] argues that Globetrotter engaged in bad faith, but he endeavors to show it only through attempts to demonstrate subjective bad faith. For example, Greer argues that the timing of Globetrotter's e-mail and letters alleging infringement shows that Globetrotter sought only to interfere with Rainbow's pending acquisition of Elan and agreement with Greer. Greer also argues that Globetrotter believed that the patent was invalid, relying on statements made by Globetrotter and Christiano before Auto-trol assigned the '297 patent to Globetrotter. In addition, Greer notes that Globetrotter never actually sued for infringement of the '369 or the '412 patents, demonstrating, in his view, that Globetrotter never intended to do so.
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> [Noerr immunity is] an exception to antitrust liability for activities directed toward influencing government action. [But immunity does] not exist if the accused activity, although "ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor." . . . Our decision to permit state-law tort liability for only objectively baseless allegations of infringement rests on both federal preemption and the First Amendment. The federal patent laws preempt state laws that impose tort liability for a patentholder's good faith conduct in communications asserting infringement of its patent and warning about potential litigation. In addition, the same First Amendment policy reasons that justify the extension of Noerr immunity to pre-litigation conduct in the context of federal antitrust law apply equally in the context of state-law tort claims.
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> [T]he objectively baseless standard [applies] to state-law claims based on communications alleging patent infringement . . . . A plaintiff claiming that a patent holder has engaged in wrongful conduct by asserting claims of patent infringement must establish that the claims of infringement were objectively baseless. Greer has not even attempted to make such a showing here. The district court properly granted summary judgment dismissing Greer's claims because of his failure to show that Globetrotter's assertions of infringement were objectively baseless.

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