

Keywords: “practicing the prior art”; implied license; express license

General: The Federal Circuit again rejects a “practicing the prior art” defense to patent infringement; the court also finds that a purchaser of the patented product at issue has an implied license to use the product in an otherwise infringing manner based on express licenses between the patentee and manufacturers.

Zenith Electronics Corp. v. PDI Communication Systems, Inc.
No. 2007-1288, -1321 (Fed. Cir. Apr. 16, 2008)

I. Facts

Zenith holds two patents, the ‘301 patent and the ‘513 patent, related to TV remote control devices for use in hospital beds, commonly referred to as “pillow speakers.” Generally, pillow speakers use three wires to communicate analog control signals from the remote control to the TV and power and audio signals from the TV to the pillow speaker. The patents held by Zenith encoded digital control signals over the three-wire interface, providing increased control functionality, while still powering the pillow speaker from the TV. Zenith licensed three companies (“licensees”) to manufacture and distribute products under the ‘301 patent. The licensed devices were specifically designed to operate with Zenith TVs using Zenith codes.

In 2003, PDI began marketing a 20” LCD television for use in the healthcare industry that was designed to interoperate with the pillow speakers manufactured by the licensees. On July 24, 2003, Zenith filed suit against PDI alleging direct infringement of the ‘301 and ‘513 patents through testing and operating the televisions, and indirect infringement by supplying the TVs and encouraging customers to operate the TVs using the products manufactured under the licenses. PDI counterclaimed that the patents were invalid due to anticipation, unenforceable because of inequitable conduct, and not infringed by the PDI TV.

After the close of discovery, both parties filed motions for summary judgment. The court held that PDI was entitled to summary judgment on claim 1 of the ‘301 patent and claim 1 of the ‘513 patent because the patents were anticipated by the public use of a J20525 TV and 205-E pillow speaker prior to the critical date. The court also held that PDI was entitled to summary judgment on the infringement issue because of an implied license based on the express license to the licensees. Additionally, the court dismissed without prejudice the inequitable conduct counterclaim as to the ‘301 patent and claim 1 of the ‘513 patent. Finally, the court dismissed with prejudice PDI counterclaim of inequitable conduct with respect to claims 2-8 of the ‘513 patent because PDI did not attempt to prove material conduct during prosecution with respect to those claim limitations. Zenith appealed the judgment and PDI cross-appealed.

II. Issues

1. Did the district court err in granting summary judgment with regard to invalidity of claim 1 in the ‘301 patent and claim 1 in the ‘513 patent, respectively, based on the public use of the J20525 television prior to the critical date?
2. Did the district court err in determining that PDI had an implied license in the ‘301 and ‘513 patents, respectively?

III. Discussion

1. No and yes. The Federal Circuit panel determined that there was no error in granting summary judgment on the invalidity of claim 1 of the '301 patent, but that the district court did err in granting summary judgment with respect to invalidity of claim 1 of the '513 patent. With respect to the '301 patent, PDI presented evidence that each of the elements of claim 1 of the '301 patent were present in the prior art of the J20525 television and 205-E pillow speaker. The panel concluded that no reasonable juror could find claim 1 of the '301 patent not anticipated by the public use of the J20525 television and 205-E pillow speaker, as none of the arguments set forth by Zenith raised a genuine issue of fact with respect to the evidence presented by PDI.

With respect to claim 1 of the '513 patent, however, the panel concluded that PDI did not support the burden of proving that claim 1 was anticipated by the public use of the J20525 television and 205-E pillow speaker. In particular, PDI did not provide any evidence that the J20-525 TV met the last two elements of the claim. Rather, PDI simply asserted that "to the extent the [allegedly infringing] PDI P20LCD is considered to practice them, then so did the RCA J20525 television." The panel stated that regardless of whether the statement is true or not, anticipation cannot be proved by merely establishing that one "practices the prior art." Anticipation requires a showing that each element of a claim at issue is found in a prior art reference. Because there was no evidence presented with regard to the last two elements of claim 1 of the '513 patent, summary judgment of invalidity due to anticipation is improper. Additionally, the panel noted that even if the prior art is proved to be identical in all material respects to an allegedly infringing product it is not clear and convincing evidence of invalidity. Thus, the panel vacated the summary judgment holding with respect to claim 1 of the '513 patent.

2. No and yes. The panel concluded that the district court did not err in determining that PDI had an implied license in claim 1 of the '301 patent which is tied to the express license, but that the court erred in finding noninfringement as to claim 1 of the '513 patent. Generally, an implied license arises when a patentee or licensee sells a product and 1) the article has no noninfringing uses, and 2) the circumstances of the sale plainly indicate that the grant of a license should be inferred. On appeal, both parties presented arguments related to whether there were noninfringing uses. The Federal Circuit panel, however, noted that noninfringing uses are irrelevant in the context of this case, as the license is not merely implied by the sale of a pillow speaker, but is also based on an express license between Zenith and the licensees. In arriving at this conclusion, the panel referred to the terms of the licensing agreements and concluded that Zenith granted the manufacturers a license to make and sell any pillow speaker unit the use of which would otherwise infringe the '301 patent.

Zenith also argued that the scope of the license was limited to use with Zenith televisions based on the intent of the parties to the license agreements. However, again referring to the licensing agreements, the panel found that there was no limitation included in the license and, more particularly, no limitation or statement of intent in the granting clause of the agreements.

With respect to the '513 patent, the panel found that the district court erred in concluding that claim 1 of the '513 patent is not infringed. Indeed, there is nothing in the record that can support summary judgment on this issue. The only noninfringement arguments are directed to the implied license and exhaustion defenses. However, the exhaustion defense is inapplicable to method claims. Additionally, the '513 patent was not part of the licensing agreements and the panel found that there are noninfringing uses. Therefore, there is no basis for the summary judgment holding by the district court as to noninfringement of claim 1 of the '513 patent.

IV. Conclusion

There are no short-cuts. For the purposes of finding a claim invalid, “anticipation cannot be proved by merely establishing that one ‘practices the prior art.’” Rather, there must be an element by element analysis comparing the prior art to the claim at issue.

An implied license may be found, without regard to non-infringing uses, when the patentee expressly licenses a manufacturer to sell its products for infringing uses.