

Keywords: equitable estoppel, noninfringement

General: Equitable estoppel bars patentee from alleging patent infringement following a substantial delay in pursuing action, but does not consequentially apply to family members of the patent.

Radio Systems, Corp. v. Lalor

No. 2012-1233 (Fed. Cir. March 6, 2013)

I. Facts

Tom Lalor (president of Bumper Boy, Inc., hereinafter “Bumper Boy”) develop and sell hunting training devices for dogs. At issue in the present matter are two patents for improvements to electronic dog collars, U.S. Patent Nos. 6,830,014 (“the ‘014 patent”) and 7,267,082 (“the ‘082 patent”). The ‘082 patent is a continuation-in-part of the ‘014 patent. Although the ‘082 patent contains some new matter, there was no dispute that the asserted claims from the ‘082 patent are supported by the ‘014 patent specification.

In February of 2005, Bumper Boy sent a demand letter to Innotek, Inc. (“Innotek”), alleging that Innotek’s “UltraSmart” electronic animal collar infringed the ‘014 patent. The letter did not mention the ‘082 continuation, as it had not yet issued at the time of the letter. Innotek responded to Bumper Boy, contending that the ‘014 patent was invalid at least in view of its own “Elite Receiver” collar. Subsequently, Bumper Boy took no action for more than four years. During this time period (September 2006), Innotek was acquired by Radio Systems, Corp. (“Radio Systems”). Radio Systems continued to develop the UltraSmart animal collar as well as other electronic animal collars based on the UltraSmart design. In November of 2009, Bumper Boy sent a second demand letter to Radio Systems alleging infringement of both the ‘014 patent and the ‘082 patent. Radio Systems responded by filing an action in May of 2010 seeking declarations of noninfringement and invalidity. Bumper Boy counterclaimed for infringement.

Following claim construction of the ‘014 patent and the ‘082 patent, Radio Systems moved for summary judgment of noninfringement and invalidity. The district court denied the motion for summary judgment of invalidity, however, it granted summary judgment of noninfringement. In granting summary judgment of noninfringement, the district court concluded that the three accused animal collar designs of Radio Systems did not infringe any of the asserted claims as construed and, moreover, that equitable estoppel barred Bumper Boy from alleging that the fourth animal collar design (the UltraSmart animal collar) infringed the ‘014 and ‘082 patents.

II. Issues

- A. Did the district court err by holding the summary judgment of noninfringement as to the first three accused animal collar designs of Radio Systems based on construction of the claims?
- B. Did the district court err by holding that equitable estoppel barred Bumper Boy’s infringement claims as to the ‘014 and ‘082 patents with respect to the UltraSmart animal collar?

III. Discussion

- A. No. The Federal Circuit agreed that the district court correctly applied its constructions of the asserted claims to the first three accused animal collar designs, and affirmed the district court's judgment of noninfringement for these three animal collar designs.
- B. Yes. The Federal Circuit reviewed the district court's decision as to equitable estoppel under the abuse of discretion standard. In doing so, the court applied the test for equitable estoppels as set forth in the *en banc* decision of *Aukerman v. Chaides Constr.* As set forth therein, three elements are required for equitable estoppel to bar a patentee's suit: (1) the patentee, through misleading conduct (or silence), leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer; (2) the alleged infringer relies on that conduct; and (3) the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim.

With respect to the '014 patent, the Federal Circuit held that the district court did not abuse its discretion in concluding that equitable estoppel barred Bumper Boy's infringement claims on the UltraSmart collar against Innotek, as well as Bumper Boy's infringement claims against Radio Systems, Innotek's successor-in-interest. In particular, the Federal Circuit noted that all three elements of equitable estoppel were present as to the '014 patent.

However, with respect to the '082 patent, the Federal Circuit reversed the district court's holding, and ruled that the district court abused its discretion in extending equitable estoppel to the '082 patent. The Federal Circuit noted that the first notice of infringement sent to Radio Systems regarding the '082 patent was in Bumper Boy's November 2009 demand letter. The Federal Circuit stated that regardless of whether the '082 patent claims are supported by the subject matter of the earlier '014 patent, the patents contain claims of different scope. Thus, the Federal Circuit noted that '082 patent claims could not have been asserted against Innotek or Radio Systems until those claims issued. *See* 35 U.S.C. § 281 ("A patentee shall have remedy by civil action for infringement of his patent."); *GAF Building Materials Corp. v. Elk Corp. of Dallas*, 90 F.3d 479, 482 (Fed. Cir. 1996) (holding that no case or controversy exists unless patent has issued prior to filing suit).

Therefore, Federal Circuit concluded that the three elements of equitable estoppel were not present with respect to the '082 patent. Specifically, the Federal Circuit deduced that there was simply no misleading conduct or silence by Bumper Boy to indicate that it did not intend to enforce the '082 patent against Radio Systems. Furthermore, there was also no evidence that Radio Systems actually relied on such misleading conduct or silence. Accordingly, the Federal Circuit concluded that the district court abused its discretion by granting summary judgment of noninfringement for the UltraSmart collar on the basis of equitable estoppel as to the '082 patent. Thus, the Federal Circuit reversed and remanded the judgment of noninfringement as to the '082 patent, citing that the district court abused its discretion in relying on equitable estoppel.

IV. Conclusion

Equitable estoppel does not apply to patents in a family that have not yet issued when those non-issued patents are not referenced in a demand letter.