



## **Understanding Patent Pledges: An Overview of Legal Considerations**

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# **Understanding Patent Pledges: An Overview of Legal Considerations**

**Forward by Diane M. Peters**

**General Counsel, Open Source Development Labs, Inc.**

Patent pledges and covenants provide assurance to developers and users of software and technology that the patent holders making the pledges and covenants will not sue them for patent infringement, provided they comply with certain terms and conditions.

The number of companies, universities and individuals considering making pledges and covenants is growing, as are the number of developers and users who are considering relying on those pledges and covenants to innovate. Naturally, developers and users should understand the legal foundation on which pledges and covenants rest, how they operate, and the associated legal risks.

This paper provides an overview of legal considerations for those who are considering relying on publicly made promises and covenants. It first examines the legal basis for pledges and covenants, and then turns to the broader question of patent infringement liability.

What this paper does not provide is legal advice, nor may it be relied on as a substitute for it. It is intended to serve as one tool among many for those who want to understand and take advantage of this promising solution to the complex problem of software patents.

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### I. The Legal Theories Underlying Patent Pledges and Covenants\*

Patent pledges and covenants made by Contributors to the Patent Commons are not licensed to the Open Source Community as a whole, nor are they licensed to any particular individual or company. Instead, ownership of the patents remains with the pledgor or promisor, but subject to an enforceable pledge or promise governing how the owner or holder will or will not enforce the patents in the future.

Individuals and others who take advantage of these promises or covenants (“users”) to facilitate innovation do so in reliance on the legal doctrines of implied license,<sup>1</sup> equitable estoppel,<sup>2</sup> or laches<sup>3</sup> to protect themselves against a claim of patent infringement by the pledgors and promisors (collectively, “Contributors”).<sup>4</sup> These doctrines allow users to rely on the representations for the uses described in the pledges and covenants (collectively, “Commitments”). Understanding the basics of these theories is the first step in using the Patent Commons safely.

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- 1 See *Wang Labs v. Mitsubishi*, 103 F.3d 1571, 1582 (Fed. Cir. 1997) (finding an implied license where the accused infringer relied on patentee's public statements and conduct, showing acquiescence, in creating the infringing goods for the purpose of promoting an industry standard). See also *AT&T Corp. v. Microsoft*, 2004 U.S. Dist. LEXIS 1214, 15 (granting AT&T's motion for partial summary judgment dismissing Microsoft's affirmative defense of implied license where Microsoft failed to proffer evidence showing a nexus between AT&T's course of conduct or alleged waiver of patent rights and Microsoft's actions).
- 2 See *B. Braun Medical Inc. v. Abbott Laboratories et al.*, 124 F.3d 1419, 1425-1426 (Fed. Cir. 1997) (reversing a finding of equitable estoppel where the evidence did not support a finding that the patentee stated that they would not sue the defendant for patent infringement). See generally *Ecolab, Inc. v. Envirochem, Inc.*, 264 F.3d 1358, 1371 (Fed. Cir. 2001) (citing *Scholle Corp. v. Blackhawk Molding Co. Inc.*, 133 F.3d 1469, 1473 (Fed. Cir. 1998)) (“Three elements must be established to bar a patentee's suit by means of equitable estoppel: 1) the patentee, through misleading conduct, 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) due to its reliance, the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim.”).
- 3 See *Odetics, Inc. v. Storage Technology Corp et al.*, 185 F.3d 1259, 1272-1273 (Fed. Cir. 1999) (affirming the trial court's grant of summary judgment based upon laches and denying plaintiff's appeal seeking injunctive relief despite the finding of laches). See generally *Mainland Industries, Inc. v. Standdal's Patents Ltd.*, 799 F.2d 746, 748 (Fed. Cir. 1986) (“In order to assert the defense of laches successfully [the accused infringer] must prove (1) unreasonable and unexcusable delay in the assertion of the claim and 2) material prejudice resulting from the delay.”); 6 Donald S. Chisum, *Chisum on Patents* § 19.05[3][a] (2000) (noting that the doctrines of equitable estoppel and laches differ in that equitable estoppel precludes the recovery of damages by a patentee that occur after a lawsuit is filed, while laches bars the recovery of damages that arise prior to a lawsuit being filed).
- 4 Patent infringement liability is not limited to those who produce an infringing product, but extends to anyone who makes, uses, offers to sell, sells, or imports a patented article, or actively induces one of these proscribed activities. See 35 U.S.C. § 271 et seq.

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### A. Implied License, Equitable Estoppel and Laches

Each of these doctrines varies from the others in some important respects. An implied license is based on an affirmative grant of consent or permission to make, use, or sell the patented invention.<sup>5</sup> Equitable estoppel, on the other hand, arises from misleading conduct by the patentee (i.e., the patent holder) suggesting that she will not enforce her patent rights.<sup>6</sup> That conduct can arise from specific statements, action, inaction, or silence when there is an obligation to speak.<sup>7</sup> Finally, laches arises where there is some type of delay by the patentee in defending her rights, and that delay materially prejudices the alleged infringer.<sup>8</sup>

### B. Patent Infringement Liability

While these doctrines protect users of the patents identified in the Commitments, these doctrines have limits that users should understand in order to innovate safely in reliance on the Commitments.

First, users are not shielded from potential liability for *other* patents referenced *within* the patents themselves. These referenced patents are called “Secondary References,” and the permission granted by the Commitments does not extend to them without a Commitment being made by the owner of the patent identified as a Secondary Reference. A user of a Commitment cannot rely on the Commitment to protect herself from a claim of patent infringement if the user's implementation incorporates technology disclosed in a Secondary Reference.

Second, these doctrines do not protect those who invent beyond the scope of the invention claimed in the pledged patents. Use beyond the scope of what is claimed could infringe on the patented technology of another patent holder. To mitigate the risk of patent infringement, a user should be prepared to explain how her technology is different from the patented technology of that other patent holder.

Both of these scenarios are explored in more additional detail below following a brief overview of infringement liability.<sup>9</sup>

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5 See, e.g., *Wang Labs*, 103 F.3d at 1581-1582 (“Although judicially implied licenses are rare under any doctrine, Mitsubishi proved that the 'entire course of conduct' between the parties over a six-year period led Mitsubishi to infer consent to manufacture and sell the patented products.”)

6 See *id.*, 103 F.3d at 1581. See generally Rachel Clark Hughey, *Implied Licenses by Legal Estoppel*, 14 Alb. L.J. Sci. & Tech. 53 (2003) (outlining the various flavors of implied license and comparing to equitable estoppel).

7 *AT&T Corp.*, 2004 U.S. Dist. LEXIS at 5.

8 See 6 Donald S. Chisum, *Chisum on Patents* § 19.05[3][a] (2000) (“In terms of the required showing, laches arises from unreasonable delay by the patent owner coupled with material prejudice to the infringer; estoppel arises from misrepresentation and reliance.”).

9 In providing this overview, we hope to educate users on some of the metes and bounds of the law covering liability for patent infringement. In no case should this overview supplant a formal infringement opinion by a competent patent attorney addressing how a user's technology is distinct from the patented technology of another.

### II. Patent Infringement Liability

#### A. Affirmative Acts of the Infringer

In general, two conditions must be met before liability will attach for patent infringement: (1) an affirmative act of the infringer, typically unlawful use of claimed, patented technology, and (2) an affirmative act of the patentee<sup>10</sup> putting the alleged infringer on notice of the allegedly infringing act. The notice requirement is discussed in Section B, below.

##### 1. Secondary References

An affirmative act on the part of the alleged infringer may include using technology disclosed in a patent cited as a Secondary Reference in order to make, use, or sell a particular device such as a piece of software.<sup>11</sup> To avoid liability, the alleged infringer must demonstrate how and why her technology is different from the patented technology disclosed as a Secondary Reference.

Generally, patents as Secondary References are disclosed in three different ways. First, almost all patents have one or more patents cited on the cover page under the heading “References Cited.” The patents disclosed under this heading are typically patents identified by the patent applicant on an information disclosure statement provided to the patent examiner examining the patent when it is first filed as an application. In some instances, these references are supplied by third parties in protest<sup>12</sup> to the filing of the initial patent application. The references usually contain information about the Secondary Reference such as patent number, date of issuance, and the inventor's name.

In addition to the patents disclosed under the References Cited section, patents may also be disclosed via a mechanism known as incorporation by reference.<sup>13</sup> Using this disclosure mechanism, a patentee can cite various United States patents, and have the technological disclosures in those patents included with the filed application to assist in complying with the enablement, best-mode, and/or written-description requirements for the patentee's own patent application.<sup>14</sup>

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10 The term “patentee” as defined herein includes an assignee and, in some cases, an exclusive licensee. *See generally* 35 U.S.C. § 100(d) (“The word 'patentee' includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.”).

11 These Secondary References can arguably serve as the basis for putting someone on inquiry notice, whereupon a duty of care arises to investigate whether she is infringing the patented technology of another. *See generally* John E. Wright, *Comment: Willful Patent Infringement and Enhanced Damages- Evolution and Analysis*, 10 Geo. Mason L. Rev. 97, 108 (2001) (describing a spectrum of inquiry notice where at one end of the spectrum one has no knowledge of the infringed patent, and there is no duty to investigate, while at the other end of the spectrum, one is told of a patent and is offered a license, thus creating an affirmative duty to investigate). These Secondary References fall somewhere on the spectrum described above by Wright.

12 *See* MPEP § 1901.

13 *See* MPEP § 608.01(p).

14 *See* 35 U.S.C. § 112 ¶ 1.

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The third type of Secondary Reference is a prior art citation made in the patent application itself. This occurs when the drafter of a patent application wants to preemptively distinguish certain types of prior art patents<sup>15</sup> to reduce the likelihood that a patent examiner will use that prior art against the applicant. In distinguishing a prior art patent, the patent drafter may provide details regarding the technology, such as how it is produced, how it works, and other related information in order to distinguish adequately the patented prior art technology from the technology claimed in the patent application.

In all of these cases, an alleged infringer must be able to explain how and why their technology is distinct from the patented technology in the Secondary Reference. If the technology cannot be distinguished, then once the patentee puts the alleged infringer on notice it becomes easier for her to claim that the alleged infringer deliberately copied the ideas or designs of a patent. That, in turn, may result in a higher damage award if infringement is found.<sup>16</sup>

In sum, the more an alleged infringer knows about a patent that is claiming the technology of a product that she is making, using or selling, the greater the likelihood that she will be liable for damages for patent infringement.<sup>17</sup> If an alleged infringer merely knows the patent number, date of issuance, and the inventor's name from a patent cited in a References Cited section, this would more than likely not constitute an affirmative act that, in turn, could support a finding of liability for damages. If, however, the alleged infringer knows how to implement a particular technology by reading, for example, a prior art citation within a patent, it becomes more likely to be deemed an affirmative act that would support a finding of liability for damages<sup>18</sup> (assuming

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15 See 35 U.S.C. §§ 102 et seq. and 103(a) (outlining what constitutes prior art for the purpose of rejecting the claims in a patent application).

16 The amount of liability for damages may be proportional, in some instances, to the amount of technological knowledge gleaned from a particular Secondary Reference as disclosed in a contributed patent. See *Read Corp. et al. v. Portec Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992) (describing enhanced liability for damages as based upon the egregiousness of the defendants conduct in, for example, copying the patented invention). See generally *Honeywell International, Inc. et al. v. Hamilton Sundstrand Corporation*, 166 F. Supp. 2d 1008, 1040 (D. Del 2001) (outlining the factors for a totality of the circumstances test for determining whether enhanced damages are appropriate, with the first factor being "(1) evidence that the infringer deliberately copied the ideas or designs of the patentee").

17 This fact has lead some commentators to note that the patent system promotes an atmosphere of "willful ignorance" or "willful blindness" when it comes to reviewing and reading patents. See *Note, The Disclosure Function of the Patent System (or Lack Thereof)*, 118 Harv. L. Rev. 2007, 2023 (2005) (discussing the problems associated with the present willful infringement regime and the use of "willful ignorance" as a solution, whereby employees are instructed not to read patents); Mark A. Lemley and Ragesh K. Tangri, *Ending Patent Law's Willfulness Game*, 18 Berkeley Tech. L.J. 1085, 1102 (2003) (discussing "willful blindness" as a protection against enhanced damages based upon a finding of willful infringement).

18 *Compare Studiengesellschaft Kohle GmbH v. Dart Industries*, 829 F.2d 1075, 1084 (Fed. Cir. 1987) ("an appreciation of the technological and commercial significance of Suessen's patent rights . . . put Schubert on notice to exercise due care prior to initiating any activity which had the possibility of infringing."); with *Great Northern Corp. v. Davis Core & Pad Co.*, 782 F.2d 159, 167 (Fed. Cir. 1986) ("At the May 1980 meeting between Joel T. Davis of Davis Core and Thomas Roellchen of Ace Polymers, Roellchen inquired whether Davis Core wanted to manufacture Rollrider and advised that there was a similar patented product on the market but that the patent was invalid. . . Davis Core had an affirmative duty, on the facts of this case, to obtain a validity and infringement opinion.").

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she is making, using or selling the technology). A formal, competent legal opinion<sup>19</sup> such as an infringement opinion from a patent attorney may assist an alleged infringer in distinguishing her technology from technology disclosed in a Secondary Reference.

### 2. Blocking Patents

Another affirmative act that may serve as a basis for patent infringement liability is improving on patented technology the alleged infringer is legally entitled to use, yet the improvements are already patented. Again, an alleged infringer must be able to explain how and why her improvements to the existing patented technology are distinct from the patented technology of another. This problem is exemplified in the Blocking Patent<sup>20</sup> scenario, described below.

A patent grants the right to exclude others from a particular area of claimed technology, but does not confer the right to practice an invention.<sup>21</sup> In the Blocking Patent scenario, patent infringement liability may attach when the scope of the claims in the patent are exceeded and infringe on the patented technology of another patentee. If, for example, Patent A claims a method of using a particular algorithm with a particular type of processor, and someone legally entitled to use<sup>22</sup> Patent A tries to improve the scalability of the algorithm so that it can be used with a second processor, it is possible that a second patent, Patent B, already claims this improvement. The result is that someone legally entitled to use the Patent A must obtain a license to use the technology claimed in Patent B, and an individual entitled to use the technology claimed in Patent B must obtain a license to use the technology claimed in Patent A. Without those licenses, both individuals are prevented, or “blocked,” from practicing the other party's claimed invention, and both are potentially liable for patent infringement if they do so.<sup>23</sup>

19 *But see Stryker Corp. et al. v. Intermedics Orthopedics, Inc. et al.*, 96 F.3d 1409, 1415 (Fed. Cir. 1996) (affirming the trial court's finding of actual notice, even where patent counsel for the defendant did not believe that actual infringement was taking place due to the failure of patent counsel to adequately investigate the alleged infringement).

20 *See Prima Tek II LLC et al. v. A-Roo Company*, 222 F.3d 1372, 1379 (Fed. Cir. 2000) (“A 'blocking patent' is an earlier patent that must be licensed in order to practice a later patent. This often occurs, for instance, between a pioneer patent and an improvement patent.”). *See generally Amgen, Inc., v. Hoechst Marion Roussel, Inc. et al.*, 339 F. Supp. 2d 202, 288 (D. Mass. 2004) (“A blocking patent situation occurs when an improvement is patented but the improvement patent infringes on the original patent. Lemley, Economics, at 1009-1010. The original patent owner is entitled to damages from past infringement and an injunction against future use of the infringing invention. *Id.* At the same time, however, the original patent owner cannot use the patented improvement without risking liability for damages and a potential injunction. *Id.* Thus, the original patent owner can prevent the improver from using his patented technology but the improver can prevent the original patent owner from using the improvement. Unless the parties bargain, no one gets the benefit of the improvement.”).

21 *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc) (“It is a 'bedrock principle' of patent law that 'the claims of a patent define the invention to which the patentee is entitled the right to exclude.’”) (quoting *Innova/Pure Water, Inc. v. Safari Water Filtration Systems, Inc.*, 381 F.3d 1111, 1115 (Fed. Cir. 2004)).

22 The right to use a patent may be granted in a patent license or, for example, relying on a Commitment to use a patent contributed to the Patent Commons. As of the date of this writing, the enforceability of Commitments made by Contributors to the Patent Commons Project has not been tested in court.

23 *See Catalina Mktg. Int'l v. Coolsavings*, 289 F.3d 801, 809-810 (Fed. Cir. 2002) (providing a hypothetical

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Given this possibility, it may be advisable to conduct a search of patents to determine if a second patent covers improvements to the technology claimed in patents contributed to the Patent Commons. If a second patent is found, a formal legal opinion by competent legal counsel should ideally be sought that describes how the improved technology is distinct from the discovered patent.

### B. Affirmative Acts of the Patentee: Putting an Alleged Infringer on Notice

A patentee is required to put an alleged infringer on notice of possible infringement in order to recover damages.<sup>24</sup> The law distinguishes between constructive notice and actual notice.<sup>25</sup> Only actual notice will give rise to a claim of damages.

Constructive notice often occurs when a potential infringer sees a patent number (e.g., “Pat. Num. 1234567”) on a product or product packaging. Actual notice, on the other hand, occurs when the potential infringer learns in any number of ways from a patentee that she (the patentee) claims patent rights in the technology. Actual notice can be as informal as a conversation at a trade show<sup>26</sup>, a letter to the potential infringer offering a patent license<sup>27</sup>, or as formal as a cease-and-desist letter.<sup>28</sup>

Once an alleged infringer is put on actual notice, through either her own affirmative act or those of the patentee, an affirmative duty of care arises requiring the alleged infringer to investigate whether she is infringing the patent.<sup>29</sup> One way to help demonstrate that she has met

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example illustrating the use of a blocking patent).

- 24 See *Amsted Industries Incorporated v. Buckeye Steel Castings Company*, 24 F.3d 178, 187 (Fed. Cir. 1994) (“Dunlap thus established that notice must be an affirmative act on the part of the patentee which informs the defendant of his infringement. We regard Dunlap as highly persuasive, if not controlling, on the meaning of the notice requirement of section 287.”). See also *Statements on Introduced Bills and Joint Resolutions*, Senate, S. 1948, Cong. Rec. S1471 (Nov. 17, 1999) (“The requirement of actual notice is critical. The mere fact that the published application is included in a commercial database. . .insufficient. The published applicant must give actual notice of the published application to the accused infringer and explain what acts are regarded as giving rise to provisional rights.”).
- 25 See *Imonex Services, Inc., v. Munzprufer Dietmar Trenner Gmbh et al.*, 408 F.3d 1374, 1377-1378 (Fed. Cir. 2005) (citing constructive notice as the marking of a product with a patent number, and actual notice as, among other things, the actual affirmative act of informing the potential infringer of the infringing act by the patentee). See generally 35 U.S.C. § 287(a) (describing marking, actual notice and/or the filing of a complaint as the three possible bases for notice).
- 26 See *Imonex Services, Inc.*, 408 F.3d at 1378 (“The record shows that Imonex disclosed its coin selection devices to employees of the original equipment manufacturers, or OEM, defendants at trade shows years before it filed suit.”).
- 27 See *Underwater Devices, Inc., v. Morrison-Knudsen Company, Inc. et al.*, 717 F.2d 1380, 1384 (Fed. Cir. 1983) (“UDI wrote a letter to M-K on September 28, 1973, advising that it was the owner of the Robley patents. . .and that UDI would grant a license for use of the patented method and apparatus.”).
- 28 See *Tenneco Automotive Operating Company, Inc. v. Visteon Corp.*, 375 F. Supp. 2d 360, 366 (D. Del. 2005) (denying defendant's motion for summary judgment on the issue of actual knowledge and willfulness, where defendant failed to take any remedial actions after receiving a cease and desist letter).
- 29 See *Honeywell International, Inc. et al.*, 166 F. Supp. 2d at 1040 (outlining the factors for a totality of the circumstances test for determining whether an accused infringer has exercised the duty of care or whether



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that duty is to obtain an objective written opinion from competent patent counsel indicating that she has not engaged in infringing activities.<sup>30</sup> Unless she demonstrates that she has fulfilled her duty, the alleged infringer may be liable for treble damages for willfully infringing the patent.<sup>31</sup>

### III. Conclusion

The Contributors who have made Commitments to the Patent Commons Project understand the importance of providing the open source community with a safe place to innovate and create. The users who take advantage of the Commitments have at their disposal various legal doctrines that allow them to use these contributed patents without fear of facing liability for patent infringement by the Contributors, provided the users comply with the terms of the applicable Commitment. Those legal doctrines, like all legal doctrines, have limits that need to be understood and respected by users if they are to innovate safely.

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enhanced damages lie for the acts of the alleged infringer).

30 See *Underwater Devices, Inc.*, 717 F.2d at 1390 (outlining the factors for a valid written opinion of counsel to show affirmative steps to exercise due care); *Aspen Eyewear, Inc. v. E'Lite Optik, Inc.*, 276 F. Supp. 2d 1084, 1091 (D. Nev. 2003) (outlining factors and example evidence for determining competency of legal opinion). See also *Harris Corporation v. Ericsson, Inc.*, 417 F.3d 1241, 1259 (Fed. Cir. 2005) (affirming a finding of willful infringement where the written opinion of counsel, based entirely upon a document prepared for possible litigation, lacked objectivity). See generally *Knorr-Bremse Systeme Fuer Nutzfahrzeuge, GmbH v. Dana Corporation et al.*, 383 F.3d 1337, 1341 (Fed. Cir. 2004) (rejecting the drawing of an adverse inference in the totality test, where an opinion or counsel is not sought or produced).

31 See *Honeywell International, Inc. et al.*, 166 F. Supp. 2d at 1040 (discussing the treble damages dimension to 35 U.S.C. § 284).