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## Implied Patent Licenses

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### ***Introduction***

When a patent holder sells a product covered by a patent, the purchaser typically receives an implied license under the patent. But what if the patent holder sells only a part of the patented combination, and the customer uses other parts from other sources to complete the patented combination?

In *Anton/Bauer, Inc. v. PAG, Ltd.*, the Court of Appeals for the Federal Circuit held that (1) if a part has no non-infringing use and (2) the sale is unrestricted, the sale grants the purchaser an implied license to the patented combination for the life of the part.

In *Anton/Bauer*, the plaintiff/patent holder, Anton/Bauer, owned a patent for a battery connection system having a combination of male and female quick-release plates. Neither plate was separately patented. Anton/Bauer sold female plates to video camera manufacturers, who incorporated those plates into cameras, and also sold female plates to the public as an after-market product. Anton/Bauer also made battery packs incorporating the male plates and sold these packs as separate products.

While camera purchasers could buy a battery pack when purchasing a camera, typically they bought the battery pack separately. The defendant, PAG, sold battery packs with a male plate designed for use in a quick-release battery connection and to be interchangeable with the Anton/Bauer battery packs. PAG did not make, use or sell any female plates in the U.S.

### ***Inducing and Contributory Infringement***

Direct infringement occurs when a party makes, uses, sells, offers to sell or imports a product or method that meets all the limitations of a patent claim.

A party that does not directly infringe can be liable for patent infringement under one of two theories:

1. inducing infringement, which requires proof that the party's actions induced the infringement and that the infringer knew or should have known that such actions would induce actual infringement; or
2. contributory infringement, which arises if that party sells a material component of a

patented combination or for use in a patented process, knowing that component is made or adapted for use in the patented combination or process and that the component has no substantial non-infringing use.

These forms of indirect infringement prevent a party from, for example, selling components of a combination with instructions on how to put it together, or selling a part with several uses and instructing the user on how to use it in an infringing way.

For a party to be found liable for inducing or contributory infringement, there must be a direct infringer. In this case, (absent the implied license) the direct infringers would be customers who combine the camera having Anton/Bauer's female plate with the battery pack having PAG's male plate. However, Anton/Bauer would not want to sue individual camera customers, so it sued the supplier of the male plates.

### ***Exhaustion of Patent Rights and Implied License***

If a patent owner (or another party on its authority) makes an unrestricted sale of a patented product, the patent owner gives up its ability to restrict further sale or use of that product.

In *Anton/Bauer*, the Federal Circuit held that the sale by the patent owner of an unpatented part results in an implied license to the patented combination if (1) the unpatented goods are only useful in creating the claimed combination or practicing the claimed method; and (2) the circumstances of the sale plainly indicate that the grant of a license should be inferred.

Because Anton/Bauer's customers bought the female plate without restriction, they received an implied license to use that plate in the quick-release battery connection for the life of the female plate, which in this case was the life of the video camera. The source of the male plate and the relative timing of the camera and battery pack sales were deemed irrelevant.

As *Anton/Bauer* teaches, the patent owner's actions can determine whether other parties are direct infringers, and therefore whether other parties may be liable for inducing or contributory infringement.

### ***Conclusion***

Anton/Bauer could have avoided this license issue if it had claims to the individual components, particularly a claim directed only to the male plate. In that case, PAG would have been a direct infringer for making and/or selling the male plate. For this reason, patentees often try to get claims directed to the individual components of patented combinations or to intermediates used in producing a chemical compound, in addition to claims to the combinations. With methods that may be performed by two entities (such as a server and a client), it can be useful to have claims with steps performed by only one entity.

In general, patent owners should consider how the products they sell or the method steps they perform compare to the structure of their patent claims. When obtaining patent protection, they

should consider what they sell or perform and what components or steps other parties are likely to sell or perform, and attempt to obtain claims that will directly cover the different ways that their inventions may be offered. If patent protection is limited to the combination, the patent owner should give careful thought as to how it markets its products.

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