HELFERICH PATENT LICENSING, LLC v. NEW YORK TIMES CO., Appeal Nos. 2014-1196, -1197, -1198, -1199, -1200 (Fed. Cir. February 10, 2015). Before Taranto, Bryson, and Chen. Appealed from N.D. Ill (Judge Darrah).

Background:

Helferich owns a patent portfolio related to wireless communications that includes a subset of claims directed toward mobile handset devices (the "handset claims") and another subset of claims directed toward systems or methods for storing and updating information and sending it to the handset devices (the "content claims"). The patents within Helferich's portfolio include only "handset claims," only "content claims," or a mixture of both. Helferich licensed its portfolio to virtually all manufacturers of mobile handset devices. The licenses disclaim any grant of patent rights to content providers and reserve Helferich's enforcement rights against such content providers.

Helferich then filed complaints against the defendants alleging either direct or indirect infringement of Helferich's "content claims." The defendants included several companies that do not have a license agreement with Helferich and that are content providers that interact with mobile handset devices covered by Helferich's patents (for example, Helferich alleged that defendant CBS Corporation infringed the "content claims" by sending to its Twitter subscribers text messages containing links to CBS's content). Defendants jointly moved for summary judgment of non-infringement and asserted the affirmative defense of patent exhaustion.

Patent exhaustion restricts a patent holder's ability to control the further use and resale of a patented product, and removes legal restrictions on authorized acquirers. Thus, once there has been an authorized sale, the purchaser is free to use or resell that product.

The district court found that because Helferich authorized the handset device manufacturers to sell handsets under the license agreements, Helferich exhausted its ability to assert claims against the defendant content providers. Because every manufactured handset device is encompassed by Helferich's license agreements, the infringement of the "content claims" by the defendants involves the same licensed handset devices and Helferich's "handset claims." Thus, the district court ruled that Helferich's patent rights regarding the "content claims" are exhausted. Helferich appealed.

Issue/Holding:

Did the district court err in finding that Helferich exhausted its ability to assert its claims against the defendant content providers? Yes, reversed.

Discussion:

The Federal Circuit found that patent exhaustion does not apply when the alleged infringement involves distinct -- though related -- inventions that are designed to be used together. Specifically, the court ruled that even if products related to Helferich's "content claims" are designed to be used with and are essential to the use of products related to Helferich's "handset claims," Helferich may still assert its rights with regard to the "content claims." Exhaustion is inapplicable because the "content claims" are distinct inventions from the "handset claims," even though these claims are related. Thus, the Federal Circuit reversed the ruling of the district court.