Fujitsu Ltd. v. Netgear: A New Standard

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FUJITSU LTD. V. NETGEAR: A NEW STANDARD

I. INTRODUCTION

Traditionally, a plaintiff in a patent suit bears the burden of showing literal infringement by a “comparison of the properly interpreted claim limitations to the elements of the accused device” or, in other words, by “apply[ing] the claims to the accused device.”¹ The Federal Circuit, however, recently held in Fujitsu Ltd. v. Netgear that “if an accused product operates in accordance with a standard, then comparing the claims to that standard is the same as comparing the claims to the accused product.”² The holding in Fujitsu Ltd. appears to represent a clarification of the law, indicating that the traditional approach is not the sole way to prove infringement.

This clarification, although logical, seems to many to represent a new method of proving infringement. In essence, a plaintiff is now explicitly allowed to rely on an alleged infringer’s admission that they practice a standard (after a showing that the claims cover every single implementation of the standard) instead of comparing the claims to the alleged infringing product. This is often, at least initially, an easier task than comparison to each product, as plaintiffs can automatically claim infringement on any product that adheres to the standard. Defendants only recourse is showing that the claims do not cover the standard or that the products do not practice the standard.

Part II of this article briefly describes the history and basics of the Fujitsu Ltd. case. Part III examines the difference between the methods of proving infringement prior to and after Fujitsu Ltd. Part IV deals with the fear of a substantial shift in effort during trial from patent holders to defendants as a result of the holding, positing that the holding really represents a mere subtle shift which is accompanied by judicial efficiency. Lastly, Part VI, suggests

¹. Allen Eng’g Corp. v. Bartell Indus., Inc., 299 F.3d 1336, 1344 (Fed. Cir. 2002).
². Fujitsu Ltd. v. Netgear, Inc., 620 F.3d 1321, 1327 (Fed Cir. 2010).
questions that are left to be answered in future cases.

II. HISTORY AND SUMMARY OF FUSITsu LTD. v. NETGEAR

The case was an appeal by Plaintiffs Fujitsu, Phillips, and LG from the final holding in the U.S. District Court for the Western District of Wisconsin. The district court granted Defendant Netgear's summary judgment motion for non-infringement of the Plaintiffs' patents and denied the Plaintiffs' cross-motion for summary judgment of infringement. The Plaintiffs had argued that because Netgear claimed to practice a technical standard (the IEEE 802.11 wireless standard), and because the patent allegedly covered the standard, Netgear necessarily infringed on their patents. The district court disagreed with the Plaintiffs' inferential approach and held that the Plaintiffs must show evidence of infringement for each accused product.

On appeal, the Federal Circuit stated:

We hold that a district court may rely on an industry standard in analyzing infringement. If a district court construes the claims and finds that the reach of the claims includes any device that practices a standard, then this can be sufficient for a finding of infringement. If an accused product operates in accordance with a standard, then comparing the claims to that standard is the same as comparing the claims to the accused product.

The Federal Circuit, however, listed an exception, stating that "in many instances, an industry standard does not provide the level of specificity required to establish that practicing that standard would always result in infringement. In these cases, the patent owner must compare the claims to the accused products . . . ." As

3. Id. at 1325.
4. Id.
5. Id.
6. Id. at 1327.
an escape route, "[a]n accused infringer is free to either prove that
the claims do not cover all implementations of the standard or to
prove that it does not practice the standard."\textsuperscript{8}

The Federal Circuit relied on \textit{Dynacore Holdings Corp. v. U.S.
Philips Corp.}\textsuperscript{9} and \textit{Broadcom Corp. v. Int'l Trade Comm'n.}\textsuperscript{10} In
those cases, the plaintiffs asserted that alleged infringers' compliance
with a particular standard necessitated infringement of their patents. Although the court found non-infringement in both
cases (because the claims did not cover the standard, or the
product did not adhere to the standard),\textsuperscript{11} the Federal Circuit in
\textit{Fujitsu Ltd.} viewed those cases as having opened the door to the
method of comparing the claims against the standard to find
infringement instead of the traditional comparison against the
accused product.\textsuperscript{12}

The Federal Circuit claimed that public policy favors this
approach because, when a court determines that all
implementations of a standard infringe, judicial resources are
conserved by avoiding a separate analysis of every product that
undisputedly practices that standard.\textsuperscript{13} The Federal Circuit lastly
defended its holding generally, stating that the exceptions to the
rule "should alleviate any concern about the use of standard
compliance in assessing patent infringement."\textsuperscript{14}

\textbf{III. A NEW METHOD OF PROVING INFRINGEMENT}

The general premise of the new method is that when a potential
infringer claims that a product adheres to a standard, the patent
holders are allowed to use that assertion as an admission that the
product does indeed operate within the literal bounds of the
standard. The patent holder then need only show that its claims
read on every implementation of the standard to prove

\\textsuperscript{8} Id. at 1327.
\textsuperscript{9} 363 F.3d 1263 (Fed. Cir. 2004).
\textsuperscript{10} 542 F.3d 894 (Fed. Cir. 2008).
\textsuperscript{11} Broadcom, 542 F.3d at 899; Dynacore, 363 F.3d at 1277.
\textsuperscript{12} Fujitsu Ltd., 620 F.3d at 1327.
\textsuperscript{13} Id.
\textsuperscript{14} Id. at 1328.
infringement. Standards are readily available to nearly anyone, and because of this, plaintiffs are not required to serve vast production requests and spend time sifting through mountains of data to make their case that the product itself infringes the claims. The plaintiff merely compares the claims to the standard and relies on the defendant’s admission do the rest.

At a minimum, the Fujitsu Ltd. decision brought into the light a method of proving infringement that was vastly underused or that practitioners simply thought was unavailable to them. This was the first time the Federal Circuit has explicitly outlined this general method and its exceptions. In fact, most commentary and practitioner blogs discussing the case have implied that this is a new method, which makes it easier for patent holders to prove infringement:

“[T]he decision provides patent owners with a fast and easy way to prove infringement when industry standards are involved.”

“...an admission that an accused infringing device practices an industry standard may, without more, be the basis for a finding of infringement.”

“[T]his groundbreaking decision...makes it easier to prove patent infringement where the operation of a product complies with an industry standard.”

The newly outlined method strays from past holdings that explained the requirements for a plaintiff to prove patent

infringement. In fact, some recent cases have expressly stated that a comparison of the "[p]atent with the Standard Specifications [is] a separate and distinct inquiry from that of comparing the claims of the patent with the structural elements of the alleged infringing [product]." Others have allowed comparison to standards to permit plaintiffs to survive defendants' summary judgment motions (indicating that it establishes at least a question of fact), but state that "comparison to the standard . . . might not be sufficient to prove infringement at trial . . . ." Still others have stated "analysis of standards implemented by a product may be relevant to infringement and provide support for the patentee's position, provided that standards compliance does not replace the ultimate legal standard for infringement." This demonstrates a strong judicial belief that simple comparison to a standard would not be enough to prove infringement.

Even in the cases on which the Fujitsu Ltd. court relied, where the courts analyzed standards compliance in response to the plaintiffs' arguments that standards compliance necessitated infringement, those courts primarily focused on the substantive portions of the plaintiffs' arguments, ultimately finding that the claims did not cover the standards. However, those courts merely glanced over the plaintiffs' initial propositions that

18. See Amgen Inc. v. F. Hoffmann-La Roche Ltd., 580 F.3d 1340, 1374 (Fed. Cir. 2009) ("To prove infringement, the patentee must show that an accused product embodies all limitations of the claim . . . .") (internal cites omitted); see also Amhil Enters. Ltd. v. Wawa, Inc., 81 F.3d 1554, 1562 (Fed. Cir. 1996) ("Literal infringement of a claim exists when every limitation recited in the claim is found in the accused device, i.e., when the properly construed claim reads on the accused device exactly.") (emphasis added).


22. See Broadcom Corp. v. Int'l Trade Comm'n, 542 F.3d 894, 899 (Fed. Cir. 2008); see also Dynacore Holdings Corp. v. U.S. Philips Corp., 363 F.3d 1263, 1277 (Fed. Cir. 2004).
comparison to the standard was a legitimate substitution for the traditional comparison to the product in the first place. Additionally, those courts in no way affirmatively endorsed the proposition that such a substitution would suffice in-and-of-itself to prove infringement. Despite all of this, Fujitsu's new method is likely here to stay.

IV. FEARS AND REALITY OF THE NEW METHOD

In its amicus brief, the Association of Corporate Counsel Intellectual Property Committee outlined many convincing arguments against adopting the new method. These arguments included, among other issues, fears that such a method would be over-inclusive, would shift the burden from the plaintiff to prove infringement to the defendant to disprove infringement, and would harm judicial efficiency. The Fujitsu Ltd. opinion expressly addressed at least two of these concerns, specifically stating that the rule is more judicially efficient than analyzing every individual product and that over-inclusiveness is avoided because "only in the situation where a patent covers every possible implementation of a standard will it be enough to prove infringement by showing standard compliance." The opinion, however, did not address the burden shifting and chilling effects. Instead, the court made a blanket statement that the exceptions to the rule "should alleviate any concern about the use of standard compliance in assessing patent infringement." In terms of the two issues it expressly addressed, the court was correct. First, product-by-product (or limitation-by-limitation) analysis can be a tedious task, and being able to perform this task by comparison to a standard to which the multiple products undisputedly adhere to will absolutely result in efficiencies.

23. See Broadcom, 542 F.3d at 899; see also Dynacore, 363 F.3d at 1277.
24. See Broadcom, 542 F.3d at 899; see also Dynacore, 363 F.3d at 1277.
27. Id.
Second, over-inclusiveness is avoided because, as stated above, the accused infringer has the opportunity to “prove that the claims do not cover all implementations of the standard or to prove that it does not practice the standard.” While it is true that in asserting the second of those two defenses the defendant may evoke a product-by-product comparison against the standard anyhow, potentially undermining the efficiency benefits, it should be noted that every case in which a comparison to a standard was conducted (as cited by the parties and otherwise), defendants have been successful in fending off infringement by utilizing one of these two defenses.

In terms of the issues of burden shifting and judicial efficiency, Fujitsu Ltd.’s new method does result in a subtle shift in the burdens at trial from the plaintiff to the defendant. However, any negative effects of this shift are vastly outweighed by other realized benefits, including an efficiency boost, and are justifiable in view of the quid pro quo involved in implementing a standard.

This is true largely because there are several reasons why an accused device might not practice a standard, some less obvious than others. Many standards, though often articulating the particulars to practice a standard, only require an interoperability or performance test to verify compliance. Other standards allow self-certification. Thus, a manufacturer may implement a standard and claim compliance, but may have implemented only enough compliance with the standard to pass interoperability or performance tests rather than complying with every minute requirement outlined in the standard. Ultimately, there may (and often do) exist multiple methods of achieving testable compliance that do not literally comply with the standard.

The assumption that a product that claims to be compliant with a standard is literally compliant with each and every limitation of

28. Id. at 1327.
30. Brief of Amicus Curiae Association for Appellee, supra note 25, at *8 n.3.
31. Id.
that standard (beyond a compliance test) also runs against basic patent law principles. Innovation is to be rewarded and encouraged, and the assumption of literal compliance fails to take into account the incentive to invent new and useful ways of achieving an end goal. A technology firm may find a different or better way to achieve interoperability that passes compliance tests but performs an untested portion of a standard differently, thus not literally adhering to the standard. Although standard setting organizations may be extremely knowledgeable in their specific areas, they do not have the omnipotent foresight to account for every possible (or the best) application of the standard.32

Take, for example, a hypothetical standard for throwing a fastball that, among its vast number of provisions, specifies that the pitcher’s arm must go over his head. This could be for any number of reasons: maybe this was the only way the standard’s creators thought it was possible, or this point of specificity was carelessly added during over-zealous standard drafting. Continue this hypothetical by assuming the only compliance test is the speed and accuracy of the pitch. Enter Dennis Eckersley,33 a world famous sidearm pitcher, who wants to get his fastball certified. He passes the required compliance test (speed and accuracy) and is certified “fastball compliant.” Many consumers of baseball are very pleased with his sidearm fastball and Dennis becomes very successful. Later he is sued by someone holding the patent for an arm going over the head during a pitch. If a pitcher where to literally adhere to the standard, he would of course be infringing. However, despite the fact that it passed the compliance test, Dennis’s side arm technique does not literally comply with every provision of the standard, nor does it have to in order to maintain certification. He has found a workaround for a relatively unnecessary provision of the standard, yet the patent holder is given the benefit of the doubt and the burden shifts to Dennis to show that he does not literally comply with the standard.

The devil is in the details, and it is the details of the relevant

32. See WiAV Networks, 2010 WL 3895047, at *2 (discussing Fujitsu Ltd., 620 F.3d 1321).
33. Dennis Eckersley played professional baseball from 1975 to 1998 and was elected to the Baseball Hall of Fame in 2004.
standard, be they truly necessary or simply an extraneous provision or relic of past revisions, that could result in a false finding of infringement. The truth is that these provisions are often explicitly outlined in standards, but "[o]nly rarely, if ever, is there a perfect correspondence between the abstract ideal spelled out in the text of a technical standard and the real-world implementations of the technology."34 In such situations, the onus is on the defendant to show that it does not literally comply with the standard, and thus does not infringe. The required effort rightfully shifts as the plaintiff is granted this inference of literal compliance by the prior admission. However, the shift is subtle because the effort to show that an accused device does not literally comply can easily succeed by simply explaining how the accused device does in fact operate and how it is different from the standard.

Even still, the benefits to judicial efficiency outweigh the potential negative effect of the burden shift. In an instance such as the hypothetical above, judicial efficiency may not be achieved if the accused infringer presents evidence of non-compliance on a product-by-product basis. However, this effort is now left to the accused infringer, who has the knowledge of exactly how its products operate and can present the most efficient and persuasive argument for non-compliance. This would be preferred over relying on the plaintiff to engage in costly and clumsy analysis of every single potentially infringing product. All in all, as one observer noted, "[t]he court's holding should help dramatically reduce the time and cost required to litigate cases involving standards-compliant accused products."35

Additionally, although the burden is shifted, the shift is equitable in relation to the accused infringer. Potential defendants who operate in standard-dependant markets benefit in those markets from those standards. Take, for example, a USB flash drive manufacturer. The demand for these devices is high and any late entrant to this market can still quickly make a profit. The

34. Brief of Amicus Curiae Association for Appellee, supra note 25, at *8.
manufacturer is not required to develop a new product and a new market through which to sell that product. Rather, it can simply put out a product complying with the USB standard and enter the market with limited risk. Essentially, the manufacturer has realized instant gains by adherence to the standard. As part of a quid pro quo for the near-instant benefit of claiming conformance or passing an interoperability test, a manufacturer should expect that a court may rely on its admissions of compliance in a patent infringement case.

V. UNANSWERED QUESTIONS

At least two lines of questions exist with respect to the decision. First, the finding of infringement relies on the alleged infringer's admission of practicing the standard, but the infringer is allowed to "prove [inter alia] that it does not practice the standard." Does the alleged infringer bear the burden of persuasion or a lesser burden of production to refute the infringement? Is the court's explicit reliance on the admission of practicing the standard such a strong inference that it requires the alleged infringer to actually prove it does not practice the standard? Or can the alleged infringer simply make an evidentiary offering to refute the admission inference? A lesser burden on the defendant to overcome the inference may help protect the defendant against disclosure of key innovative features if it is their intention to keep those features secret. However, a lesser burden may allow Fujitsu Ltd. 's exceptions to swallow its rule, resulting in defendants easily slipping out from under infringement theories utilizing the new method and thus forcing the more costly traditional method to prove infringement.

In fact, since Fujitsu Ltd. was decided, only one court (in WiAV Networks v. 3COM Corp.) has cited Fujitsu Ltd. on this issue, citing it to show non-infringement. The WiAV Networks court heavily emphasized the exceptions to the general rule, reiterating:

[T]he Federal Circuit [in Fujitsu Ltd.] recognized

36. Fujitsu Ltd., 620 F.3d at 1327.
that mere compliance with an industry protocol does not necessarily establish that all compliant devices implement the protocol in the same way. Different accused devices may achieve compliance with an industry standard or protocol through varying designs, with different tolerances, and with competing features. Even if each of the accused devices is compliant with the IEEE 802.11 wireless protocol, it is far from a foregone conclusion that the asserted claims in WiAV’s patents will cover all implementations of the protocol.38

By this, it seems the WiAV Networks court had less faith in the general rule, and was more confident that the exceptions applied, thus ultimately requiring a product-by-product analysis.39 This may be an indication of how Fujitsu Ltd.’s new method will be analyzed in the future.

The second line of questions is even murkier. What constitutes the admission in the first place? Is it mere advertising that a product is compliant? Is it manuals or packaging? What language is required for it to be an admission (i.e., “compliant,” “adheres to,” “works with,” etc.)? These questions need to be fleshed out before the extent of the decision can be fully understood.

VI. CONCLUSION

At the very least, Fujitsu Ltd. should put companies that produce products adhering to a standard on notice of the potential implications of claiming adherence. Holders of standard-essential patents can now initially bring alleged infringers into court with a little more ease. This power shift may impact whether companies choose to license these patents or not, or how companies choose to advertise their products. It also may impact the value of standard-essential patents, thus impacting future licensing. The overall effect of the holding is yet to be determined, but it will be

38. Id.
39. Id.
undeniably palpable.

In conclusion, *Fujitsu Ltd.* outlined a new method to prove infringement, diverging from the traditional method of product-by-product analysis. Ultimately, the new method represents a slight shift in the effort required by each party, with a corresponding shift in power to standard-essential patent holders, but this shift is justifiable in view of the judicial efficiencies garnered by the holding.

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