

*JACOBS V. NINTENDO OF AMERICA, INC.*

*370 F.3d 1097 (Fed. Cir. 2004)*

The Federal Circuit held that the language in a settlement agreement between a patentee and a supplier granted an implied license to defendant manufacturer's infringing use of the supplier's product, even absent proof under the non-infringing use doctrine.

Plaintiff Jacobs owned a patent for a video game controller that allows the player to direct on-screen motion of game characters by tilting a hand-held device. Plaintiff previously sued Analog Devices, Inc. ("Analog"), charging inducement and contributory infringement based on Analog's sale of accelerometers (a tilt-sensitive mechanism) to other manufacturers as components in controllers that infringed on plaintiff's patent. The settlement agreement between plaintiff and Analog included a covenant-not-to-sue clause for any infringement of the patent by Analog. The agreement also granted Analog a license "to make, use, sell, import and export components, including micromachined accelerometers, for use in tilt-sensitive control boxes."

After the settlement with Analog, plaintiff filed a separate suit against Nintendo, charging that its "Kirby Tilt 'n Tumble," a game cartridge which operates as a tilt controller, infringed Jacobs' patent. The trial court granted summary judgment for Nintendo, holding that plaintiff's settlement agreement with Analog gave Nintendo an implied license to use Analog accelerometers in a manner that infringed Jacobs' patent.

Plaintiff appealed, arguing application of the non-infringing use doctrine. This doctrine would allow Nintendo an implied license to use Analog's accelerometers only if Nintendo could prove that the accelerometers had no non-infringing uses. Only then, Jacobs argued, could an implied license to practice his patent be found, because the lack of any non-infringing uses would render Analog's right to sell the accelerometer valueless.

The Federal Circuit acknowledged the usual requirement of proof of no non-infringing uses to find an implied license to infringe, but countered that this doctrine does not apply where there is an express agreement between parties. The court pointed to the language in the agreement that allowed Analog to sell accelerometers "for use in tilt-sensitive control boxes." This language gave Analog the express right to make and sell accelerometers for uses that, absent the agreement, would infringe the patent.

The court also analogized to a general principle of contract law which states that a party may not assign a right, receive consideration for it, and then take action that would render the right commercially worthless. This principle negated plaintiff's contention that the settlement agreement allowed Analog to sell accelerometers for a certain purpose, but did not protect Analog's customers from using Analog accelerometers for that same purpose.