

Radio Silence Alone Doesn't Prove Equitable Estoppel Defense

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The US Court of Appeals for the Federal Circuit reversed a district court's summary judgment grant based on an equitable estoppel defense, finding that the accused infringer failed to show that the patent owner's silence or inaction influenced the decision to migrate to the accused system. *Fraunhofer-Gesellschaft v. Sirius XM Radio Inc.*, Case No. 23-2267 (Fed. Cir. June 9, 2025) (**Lourie**, Dyk, Reyna, JJ.)

In 1998, Fraunhofer licensed patents related to satellite radio to WorldSpace International Network. This license was exclusive, with the right to sublicense. However, Fraunhofer also began a collaboration with XM Satellite Radio to develop satellite radio and required that XM obtain a sublicense from WorldSpace. XM ultimately launched a "high-band" satellite radio system. In 2008, XM joined Sirius Satellite Radio, to form Sirius XM (SXM). Sirius Satellite Radio had its own "low-band" system. The low- and high-band systems were incompatible, so SXM investigated which system it would use eventually, and it ultimately decided to shift toward the high-band system.

Meanwhile, WorldSpace filed for bankruptcy in 2008. In 2010, Fraunhofer, in its view, terminated its licensing agreement with WorldSpace. In 2011, XM formally merged with SXM. It is disputed whether SXM was licensed to the asserted patents after these events, but regardless, Fraunhofer remained silent until 2015, when it notified SXM that it believed that because its agreement with WorldSpace was supposedly terminated in 2010, the rights in the asserted patents had reverted to Fraunhofer, and thus SXM was not licensed and was infringing. Fraunhofer filed suit. However, the district court found that because of Fraunhofer's silence, Fraunhofer was equitably estopped from bringing the patent infringement claims against SXM. Fraunhofer appealed.

The Federal Circuit reversed. There are three requirements for a successful equitable estoppel defense:

- The patentee must engage in misleading conduct leading the accused infringer to reasonably infer that the patentee does not intend to assert its patent against the accused infringer.
- The accused infringer must rely on that conduct.
- As a result of that reliance, the accused infringer must be in a position such that it would be materially prejudiced if the patentee was allowed to proceed with its infringement action.

The Federal Circuit agreed with the district court that Fraunhofer's refusal to raise the issue of potential infringement from 2010 until 2015, despite asserting that it reacquired the rights to the asserted patents in 2010, was misleading conduct. Fraunhofer knew that SXM's product may have infringed the asserted patents and had previously required SXM to obtain a license to those patents. Fraunhofer also had built allegedly infringing features. Thus, it was reasonable for SXM to infer that Fraunhofer would not bring a claim against SXM.

However, the Federal Circuit disagreed with the district court on the issue of reliance. To show reliance, the Court explained that SXM must have established "that it at least *considered* Fraunhofer's silence or inaction and that such consideration influenced its decision to migrate to the accused high-band system." The evidence did not indisputably establish influence over SXM's decision making. Instead, the record suggested that the decision to proceed with the migration was made for unrelated reasons, primarily that the high-band system had a higher adoption rate and was therefore easier to migrate toward.

The Federal Circuit agreed with the district court that SXM, were it able to establish that it relied on Fraunhofer's misleading conduct, would be prejudiced by that reliance. Given that SXM had access to a viable non-infringing alternative (the low-band system), the evidence was sufficient to establish prejudicial reliance. However, because the Court disagreed on reliance, it reversed the summary judgment grant.

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National Law Review, Volume XV, Number 169

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