

License Definition Trumps Need for Actual Infringement Finding: Cellport Systems, Inc. v. Peiker Acustic GMBH & Co. KG

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In a case addressing whether royalties are due under a patent licensing agreement even if the products are not covered by the patents, the U.S. Court of Appeals for the Tenth Circuit affirmed in part and reversed in part a lower court's decision to award royalties, finding that royalties may be due so long as the products are covered by text in the agreement acknowledging such products do infringe. *Cellport Systems, Inc. v. Peiker Acustic GMBH & Co. KG*, Case Nos. 13-1029, -1046 (10th Cir., Aug. 5, 2014) (Lucero, J.).

Cellport Systems and Peiker Acustic entered into a licensing agreement involving three Cellport patents and seven Peiker products. The seven Peiker products were expressly identified under the definition of "Licensed Products," which provided that "all of such foregoing products and components are, and any substantially similar products and components would be, Licensed Products . . ."

The agreement stated that the "parties acknowledge" that Peiker's products "utilize technology, designs or architectures covered by one or more of the claims included in the Licensed Patents." The agreement further acknowledged that "the manufacture, sale, distribution or delivery of [the Licensed Products] would infringe one or more claims of the Licensed Patents, and that Royalties are due in respect of any manufacture, sale, distribution or delivery of said Licensed Products by Licensee." The agreement further stated that "Licensed Patents" includes both "patents and other rights," which the 10th Circuit noted could include possible future patent applications.

Peiker argued that Cellport can only claim royalties on products that actually practice Cellport's patents. Cellport responded that it is entitled to royalties on the sale of "Licensed Products" and that infringement analysis is not necessary. In other words, Cellport argues that the parties created what in substance is an irrebuttable presumption that any products fitting the definition is of a Licensed Products, whether or not they use any technology covered by the Licensed Patents.

The district court determined that if any of Peiker's products fall within the meaning of a "Licensed Product," including one that is substantially similar, then by virtue of the acknowledgments, any such products are presumed to use Cellport's patented technology. But the district court concluded that this presumption is a rebuttable one that may be refuted with evidence showing that the product does

not in fact use Cellport's patented technology. Cellport appealed.

The 10th Circuit disagreed and reasoned that the licensing agreement was between two sophisticated companies represented at all times by counsel. If the parties had wished to bargain for certain terms or deem something to be a Licensed Product even without knowing whether it was uses technology covered by the Licensed Patents, they were free to do so. Instead, the parties created a category of products on which royalties are due regardless of whether any of Cellport's patents are infringed. Under the 10th Circuit any evidence that Peiker presented to the district court that the products did not infringe Cellport's patents was irrelevant.

Since Cellport's complaint alleged only claims based on contract law, not patent law, the 10th Circuit determined that relief did not depend on the resolution of a substantial, disputed question of patent law. Accordingly, the 10th Circuit rejected Peiker's jurisdictional challenge that the U.S. Court of Appeals for the Federal Circuit has exclusive jurisdiction over the case.

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