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Federal Circuit Patent Bulletin: *Info-Hold, Inc. v. Muzak LLC*

April 27, 2015

"[T]he exclusion of the patentee's damages evidence is not sufficient to justify granting summary judgment."

On April 24, 2015, in *Info-Hold, Inc. v. Muzak LLC*, the U.S. Court of Appeals for the Federal Circuit (Reyna,* Wallach, Taranto) affirmed-in-part, reversed-in-part, vacated-in-part, and remanded the district court's summary judgment that Muzak did not induce infringement of U.S. Patent No. 5,991,374, which related to playing music and advertisements through telephones and public speaker systems, and that Info-Hold was not entitled to reasonable royalty damages. The Federal Circuit stated:

[A]t "summary judgment . . . a judge may only award a zero royalty . . . if there is no genuine issue of material fact that zero is the only reasonable royalty." Therefore, if there exists a factual issue regarding whether the patentee is due any non-zero royalty, the district court must deny summary judgment. Where the patentee's proof is weak, the court may award nominal damages. Moreover, [a] patentee's failure to show that its royalty estimate is correct is insufficient grounds for awarding a royalty of zero. By extension, the exclusion of the patentee's damages evidence is not sufficient to justify granting summary judgment. . . . 35 U.S.C. § 284 requires the district court to award damages "in an amount no less than a reasonable royalty" even if the plaintiff's has no evidence to proffer. [I]n such a case, the district court should consider the Georgia-Pacific factors "in detail, and award such reasonable royalties as the record evidence will support."

[Here,] the issue of infringement has not been decided. The district court granted summary judgment to Muzak on the issue of reasonable royalty damages because, after striking its expert's report and precluding him from testifying, Info-Hold was unable to make a prima facie case as to any reasonable royalty rate. There was other record evidence which the district court could use as a basis for determining a reasonable royalty, even after the exclusion of Mr. White's report and testimony. In his deposition, Mr. Paris affirmed that reasonable royalty rates for Muzak's Encompass LE 2 and Encompass MV systems would be 1 and 2 percent, respectively. He also discussed the Trusonic License, the royalty paid to Mr. Hazenfield under his assignment of the patent to Info-Hold, the profitability of the accused systems, and more.

The Federal Rules of Civil Procedure allow the use of deposition testimony for any purpose allowed by the Federal Rules of Evidence. . . . Here, Muzak has not specifically objected to the admissibility of Mr. Paris' deposition testimony. We leave to the district court to decide whether the deposition may be considered in determining the reasonable royalty rate. In any case, there is other record evidence to demonstrate the existence of a genuine issue of material fact as to whether zero is a reasonable royalty rate. . . .

To prove inducement of infringement, the patentee must "show that the accused inducer took an affirmative act to encourage infringement with the knowledge that the induced acts constitute patent infringement." The inducement knowledge requirement may be satisfied by a showing of actual knowledge or willful blindness. Willful blindness is a high standard, requiring that the alleged inducer (1) subjectively believe that there is a high probability that a fact exists and (2) take deliberate actions to avoid learning of that fact.

Issues of material fact remain as to whether Muzak acted with knowledge that its actions constituted infringement of the '374 patent. The record shows that Info-Hold repeatedly contacted Muzak in an effort to put Muzak on notice of the '374 patent and Muzak's patent infringement. . . . This record raises issues of material fact as to whether Muzak may have subjectively believed there was a high probability it infringed the '374 patent and took deliberate actions to avoid learning whether it actually did. In other words, the record raises the issue of whether Muzak willfully blinded itself to whether it acted to induce infringement after becoming aware of the existence and alleged functionality of the '374 patent. Therefore, we vacate the district court's grant of summary judgment of no induced infringement and remand for further consideration on the issue of Muzak's willful blindness.