

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

: :
IN RE: ELONEX PHASE II : :
POWER MANAGEMENT LITIGATION : C.A. Nos.: 01-082 GMS; 01-083 GMS
: 01-084 GMS; 01-085 GMS
: 01-086 GMS; 01-087 GMS
: 01-088 GMS; 01-089 GMS
: 01-090 GMS; 01-091 GMS
: 01-092 GMS; 01-093 GMS
: 01-095 GMS; 01-096 GMS
: 01-097 GMS; 01-098 GMS
: 01-099 GMS; 01-100 GMS
: 01-101 GMS; 01-102 GMS
: 01-103 GMS; 01-104 GMS

MEMORANDUM AND ORDER

I. INTRODUCTION

On February 13, 2001, the plaintiffs, Elonex I.P. Holdings, Ltd. and EIP Licensing, B.V. (collectively “Elonex”), filed this action against certain companies that manufacture and sell computer systems or computer monitors.¹ The complaint alleges infringement of U.S. Patent Numbers 5,389,952 (“ the ‘952 patent”), 5,648,799 (“the ‘799 patent”), and 5,649,719 (“the ‘719 patent”). The lawsuit relates to technology that concerns power management in computer monitors.

Presently before the court is the defendants’ consolidated motion for summary judgment.²

¹In December 1998, Elonex I.P. Holdings Ltd. and Elonex PLC filed a related lawsuit against another group of defendants on substantially the same grounds (“Elonex Phase I litigation”).

²The twelve moving defendants are: Acer America Corporation, Acer Communication & Multimedia America Inc., Acer Communication and Multimedia, Inc, Acer Inc. (collectively “Acer”); ADI Corporation, ADI Systems, Inc. (collectively “ADI”); Apple Computer, Inc. (“Apple”); Bizcom Electronics, Inc. (“Bizcom”); Chuntex Electronics Co., Ltd, CTX International, Inc. (collectively “Chuntex”); Daewoo Electronics Co., Ltd., Daewoo Electronics Corporation of America (collectively “Daewoo”); Gateway, Inc. (“Gateway”); LG Electronics, Inc., LG Electronics U.S.A., Inc., LG Electronics Alabama, Inc. (collectively “LGE”); Lite-On

The issues in the consolidated motion concern marking and notice under 35 U.S.C. § 287(a).

II. STANDARD OF REVIEW

The court may grant summary judgment “if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c); *see also Boyle v. County of Allegheny, Pennsylvania*, 139 F.3d 386, 392 (3d Cir. 1998). Thus, the court may grant summary judgment only if the moving party shows that there are no genuine issues of material fact that would permit a reasonable jury to find for the non-moving party. *See Boyle*, 139 F.3d at 392. A fact is material if it might affect the outcome of the suit. *Id.* (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-248 (1986)). An issue is genuine if a reasonable jury could possibly find in favor of the non-moving party with regard to that issue. *Id.* In deciding the motion, the court must construe all facts and inferences in the light most favorable to the non-moving party. *Id.*; *see also Assaf v. Fields*, 178 F.3d 170, 173-174 (3d Cir. 1999).

With these standards in mind, the court will briefly describe the facts and procedural history that led to the motions presently before the court.

III. BACKGROUND

The patents-in-suit are a family of related patents directed to the field of power management in computer monitors and systems. The first of the patents-in-suit, the ‘952 patent, was issued on February 14, 1995. The ‘799 patent was issued on July 15, 1997. Finally, on March 9, 1999, the

Technology Corporation, Lite-On Technology International, Inc. (collectively “Lite-On”); Sceptre Technologies, Inc. (“Sceptre”); Tatung Co., and Tatung Co. of America, Inc. (collectively “Tatung”).

‘719 patent was issued. Elonex I.P. Holdings, Ltd. (“EIPH”) is the assignee of the ‘952, ‘799 and ‘719 patents. Elonex PLC (“PLC”) is an affiliate of EIPH and the parent of EIP Licensing. The holding/parent company, EIPH, contends that its affiliate, PLC, was EIPH’s exclusive licensee with respect to these patents during much of the time period in question.³

By virtue of its license, PLC had the exclusive right to license and sub-license throughout all parts of the world, and to make, sell and have made all goods protected by the patents. PLC also had the right to prosecute and settle any claims on behalf of itself or EIPH. On May 13, 1996, PLC granted the first license under the patents-in-suit to Hewlett-Packard Company (“Hewlett-Packard”). PLC’s exclusive licensee rights terminated on October 15, 1999.

On February 13, 2001, Elonex brought an infringement suit against numerous companies which had not taken part in the Elonex Phase I litigation.⁴

IV. DISCUSSION

A. Marking

Each of the moving defendants asserts that Elonex failed to mark its products and, absent actual notice, is therefore barred from collecting pre-suit damages. Section 287(a) limits a patentee’s ability to recover if the patentee or “persons making, offering for sale, or selling within the United States any patented article for or under [the patentee]” failed to mark the patented article. 35 U.S.C. § 287(a). If a patentee or someone acting “for or under” it does fail to so mark, Section 287(a) allows the patentee to recover “on proof that the infringer was notified of the infringement

³During 1995, however, pursuant to its powers under the license, PLC allegedly sublicensed its rights as the exclusive licensee to Elonex Technologies, Inc. (“Elonex Technologies”).

⁴Elonex joined Bizom and Sceptre as defendants on September 18, 2001.

and continued to infringe thereafter.” *Id.* In that event, damages may be recovered only after such notice. *See id.* The plaintiffs bear the burden of proving their compliance with Section 287(a) before they may collect pre-suit damages. *See Nike, Inc. v. Wal-Mart Stores, Inc. et al.*, 138 F.3d 1437, 1446 (Fed. Cir. 1998).

In support of their argument on this issue, the moving defendants join in Compal Electronics Inc.’s (“Compal”) earlier motion for summary judgment on this issue. The court decided that motion on February 20, 2002. In its decision, the court held that there remains an issue of material fact with regard to whether Elonex had a duty to mark prior to May 13, 1996. The court thus declined to grant summary judgment based on the pre-May 13, 1996 period. The court further found that Elonex’s duty to mark began at least as early as May 13, 1996. It is undisputed that Elonex did not mark after that date. Thus, the court concluded that, absent actual notice, Elonex is not entitled to damages from the period of May 13, 1996 to February 13, 2001, the date on which Elonex filed suit. Under the law of the case, the court will apply the same holding to this motion.

B. *Lans Actual Notice*

With the exception of Bizcom and Sceptre, the moving defendants next assert that notice of infringement, either oral or written, from an entity other than Elonex is ineffective. In support of their argument, the moving defendants join in Compaq Computer Corporation’s (“Compaq”) and Compal’s earlier motion for summary judgment on this issue.

The court also addressed this issue in its February 20, 2002 decision. Specifically, the court found that PLC, as Elonex’s exclusive licensee with substantially all the rights in the patents-in-suit, was competent to give notice. This ruling is now the law of the case and thus applies to this motion as well.

In that decision, the court declined to decide whether Elonex Technologies was also capable of giving actual notice. However, the court did determine that, for Elonex Technologies to be capable of giving actual notice, PLC must have given it a written assignment of substantially all the rights in the patents-in-suit. Given Elonex's continued lack of proof on this essential element, the court now decides that Elonex Technologies was not capable of giving actual notice.

Elonex has failed to adduce any contemporaneous written evidence that PLC, or any other capable entity, assigned substantially all the rights in the patents-in-suit to Elonex Technologies at any time. Instead, Elonex continues to maintain that PLC granted a sublicense to Elonex Technologies, making Elonex Technologies the exclusive licensee. However, as the court noted in its February 20, 2002 decision, Elonex Technologies must not only be the exclusive licensee, it must also hold substantially all the rights in the patents-in-suit. *See Speedplay Inc., v. Bebop, Inc.*, 211 F.3d 1245, 1250 (Fed. Cir. 2000). As Elonex has failed to point to a written assignment to Elonex Technologies, or any document setting forth the extent of a purported assignment, the court concludes that Elonex has failed to meet its burden of establishing a genuine issue of material fact that Elonex Technologies was competent to give actual notice of infringement. The court thus concludes that Elonex Technologies could not have given actual notice of infringement.

With these principles in mind, the court holds that the date of the first communication from PLC itself is the date on which each defendant had actual notice of infringement. Accordingly, the court finds that each defendant had actual notice as follows:⁵ (1) Acer will be charged with actual notice as of June 21, 1996; (2) ADI Corporation will be charged with actual notice as of April 30,

⁵The defendants concede these dates as the first date they received a communication from PLC. The issue of whether this notice was adequate under 35 U.S.C. § 287(a) is not before the court on this motion.

1999⁶; (3) Apple will be charged with actual notice as of April 27, 1999; (4) Chuntex will be charged with actual notice as of April 30, 1999; (5) Daewoo will be charged with actual notice as of January 13, 1999; (6) Gateway will be charged with actual notice as of June 21, 1996; (7) LGE will be charged with actual notice as of January 13, 1999; and (8) Tatung will be charged with actual notice as of June 21, 1996.⁷ As the court will discuss below, a material issue of genuine fact exists with regard to whether Lite-On received an allegedly misaddressed letter from PLC on June 21, 1996. Thus, the court cannot determine Lite-On's earliest date of actual notice on this motion.

C. No Notice

Five defendants move for summary judgment on the grounds that they received no notice. The parties have subdivided this issue into two categories: (1) "imputed notice" and (2) "wrong address."⁸ The court will discuss each category in turn.

1. Imputed Notice

ADI Systems, Lite-On Technology International, Inc., Bizcom and Spectre argue that letters sent to their respective corporate parents should not be imputed to them as subsidiaries. Daewoo argues that a letter sent to an unrelated entity cannot constitute notice. Daewoo's sole argument on this point concerns a letter sent by Elonex Technologies. The court has already determined that Elonex Technologies was not capable of providing actual notice.

⁶As the court will discuss below in Section C, whether this actual notice to ADI Corporation may be imputed to its subsidiary, ADI Systems, remains a question of fact.

⁷The earliest communication from PLC in each case was a written communication. Accordingly, the court expresses no opinion on whether oral notice may suffice under 35 U.S.C. 287(a).

⁸Although Bizcom and Sceptre characterize their argument as "no notice," the issue is whether notice to Compal can be imputed to them. Thus, the court will not treat Bizcom's and Sceptre's arguments as a separate "no notice" category.

Notice to an agent with authority to receive notices of infringement may be sufficient under Section 287(a). *See Maxwell v. J. Baker, Inc.*, 805 F. Supp. 728, 734 (D. Minn. 1992). However, in such a case, the plaintiff bears the burden of proving the agent's authority to accept such notice on behalf of the alleged infringer. *See id*; *see also* 7 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03[7][c][iv] (1978) (explaining that the agent or employee of the accused infringer must have had the appropriate scope of authority to receive notice of infringement.)

a. Lite-On

Elonex offers evidence which it contends raises at least a genuine issue of material fact as to whether Lite-On Technology Corporation is Lite-On Technology International, Inc.'s actual agent. Specifically, Elonex offers Fred Lin's ("Lin") deposition testimony that Lite-On International has no legal department and thus relies on legal advice from its parent, Lite-On Technology Corporation. Additionally, Elonex points to Lin's testimony that Lite-On International has never negotiated a patent license, nor does it have the authority to do so without its parent's knowledge and approval. Finally, Lin testified that Lite-On Technology has entered into at least two patent licenses. One of these licenses related to computer monitors and covered Lite-On Technology's subsidiaries.

In response, Lite-On International argues that Elonex has offered no evidence that Lite-On Technology's in-house counsel had any authority to receive notice on behalf of its subsidiaries before the subsidiary retained them on that matter. Lite-On International further argues that Lite-On Technologies had no duty to report to its subsidiary, even assuming an agency relationship, because the notice did not arise within the scope of the alleged agency relationship. The court concludes, however, that the allegations that this subsidiary had no authority to address licensing issues on its

own, and that its parent was responsible for entering into a license on behalf of its subsidiaries, raise material issues of fact with regard to actual agency.

b. ADI

Elonex next argues that ADI Corporation was also its subsidiary's agent. In support of this allegation, Elonex points to Stephen M. S. Chou's ("Chou") deposition testimony on behalf of ADI that he understood ADI Corporation's licensing negotiations with Elonex to cover all of ADI Corporation's affiliates.⁹ ADI Systems attempts to refute this evidence by arguing that Elonex has offered no evidence that ADI Corporation could have effectively bound ADI Systems by signing a license.

The court concludes that, based on Chou's statements, a reasonable fact-finder could determine that ADI Corporation came to the license negotiation table with authority to bind its affiliates. Following that premise, a reasonable fact-finder could also determine that, if ADI Corporation had authority to license ADI Systems, it may have reasonably had the authority to accept notice of infringement on behalf of ADI Systems.¹⁰

c. Bizcom and Sceptre

Bizcom and Sceptre are Compal's subsidiaries. They argue that, because they were not explicitly mentioned in PLC's communications to Compal, they received no pre-suit notice of

⁹Elonex also offers evidence that ADI Corporation and ADI Systems were closely interrelated. ADI Systems denies that this evidence establishes that ADI Corporation was competent to receive notice of infringement on behalf of ADI Systems.

¹⁰In passing, ADI Corporation notes that the licensing negotiations took place approximately two weeks after PLC had ceased to be an exclusive licensee. This is of no moment for the purpose of establishing notice, however, as PLC had communicated with ADI Corporation as early as April 30, 1999.

infringement. In response, Elonex argues that its notice to Compal must be imputed to Bizcom and Sceptre under an agency theory. In support of its agency theory, Elonex has brought forth several facts. Specifically, Compal general counsel John Chyi (“Chyi”) testified at his deposition that he understood that, assuming Compal needed a license, such a license would cover Bizcom and Sceptre as well. Further, Chyi testified that Compal would be responsible for negotiating with any company that contacted Sceptre or Bizcom about licensing Compal products. Based on this evidence, the court finds that whether Compal was Bizcom and Sceptre’s agent raises a genuine issue of material fact.

In the alternative, Elonex argues that each of the above parent corporations had apparent authority to act on behalf of their subsidiaries. However, apparent agency cannot be established by the representations or conduct of the purported agent. *See e.g., Select Creations, Inc. v. Paliapito America, Inc.*, 830 F. Supp. 1223, 1235 (E.D. Wis. 1993). Rather, it is the statements or acts of the principle, here, each of the subsidiaries, that must cause the third party to believe that agency exists. *See id.* On the present facts, Elonex has offered no evidence with regard to any party that the subsidiaries led Elonex to believe that agency existed between them and their parent corporations. Accordingly, the court concludes that no reasonable fact-finder could conclude that the parent corporations had apparent authority to act on behalf of their subsidiaries.

Finally, Elonex alternatively argues that the court should apply the principles applicable to Federal Rule of Civil Procedure 15(c). Borrowing from Rule 15(c) case law, Elonex argues that it may recover pre-suit damages so long as the moving defendants share an “identity of interest” with their respective corporate parents. The court must decline Elonex’s invitation to apply Rule 15(c) principles to a Section 287(a) analysis.

Rule 15(c) permits notice of any kind, be it actual or constructive, whereas Section 287(a) requires actual notice in the absence of marking. *Compare Singletary v. Pennsylvania Dep't of Corrections*, 266 F.3d 186, 189 (3d Cir. 2001) (listing means of imputing notice for purposes of Rule 15(c)) and *Lans v. Digital Equipment Corp.*, 252 F.3d 1320, 1327 (Fed. Cir. 2001) (discussing the purpose of actual notice under Section 287(a)). Further, the inquiry under Rule 15(c) is merely what the defendant knew, or should have known, regardless of how the defendant knew it. *See Singletary*, 266 F.3d at 195. It is clear that Section 287(a) requires a more stringent standard for imposing notice. Thus, the court concludes that Elonex's "identity of interest" standard under Rule 15(c) is not applicable to the present case.

2. Wrong Address

Lite-On next argues that, even if PLC's notice to Lite-On Technology Corporation was valid and could be imputed to Lite-On Technology International, PLC sent its June 21, 1996 communication to the wrong address. Specifically, they argue that Lite-On Technology Corporation moved in February 1996 and the June 21, 1996 letter which PLC addressed to its former address was never delivered to its new address. In opposition, Elonex argues that they have brought forth sufficient evidence to raise a genuine issue of material fact with regard to whether Lite-On received this letter.

Courts have held that evidence of properly addressed and transmitted mail raises a presumption of delivery and receipt. *See McGrady v. Nissan Motor Accpetance Corp.*, 40 F. Supp. 2d 1323, 1337 (M.D. Ala. 1998); *In re Longardner & Assocs.*, 855 F.2d 455, 460 (7th Cir. 1988). In the present case, Elonex argues that there is evidence in the record that Lite-On Technology itself sent a communication with the allegedly former address on the letterhead after February 1996.

Specifically, on December 16, 1996, a Lite-On Technology Corporation attorney sent PLC a letter asking it to issue a debit note. The letterhead on the sample debit note enclosed for PLC's reference was the same address to which PLC sent the June 21, 1996 letter. Lite-On maintains that the former address appeared in a communication to PLC by mistake. However, on a motion for summary judgment, the court declines to determine what weight, if any, the sample debit note should receive. Accordingly, there remains a genuine issue of material fact with regard to whether Lite-On received PLC's June 21, 1996 letter.¹¹

V. CONCLUSION

The court finds that there is a genuine issue of material fact as to whether Elonex had a duty to mark its products prior to May 13, 1996. However, at the latest, the duty to mark arose on May 13, 1996. It is undisputed that Elonex did not mark its products after that date. Thus, absent actual notice to the defendants, Elonex is not entitled to pre-suit damages from that date until it filed suit on February 13, 2001.

With regard to actual notice, the court concludes that the notice must have come from PLC, as Elonex Technologies was not competent to give notice. The court further concludes that there is a genuine issue of material fact with regard to whether the parent corporations of several of the defendants were their subsidiary's actual agents. Finally, there remains a genuine issue of material fact as to whether Lite-On Technology Corporation received a letter addressed to an allegedly former address.

For the foregoing reasons, IT IS HEREBY ORDERED that:

¹¹Further, the court finds it noteworthy that a large corporation such as Lite-On apparently did not have procedures in place to ensure its continued receipt of mail in the months immediately following a change of address. Lite-On does not address this point in its briefs.

1. The Defendants' consolidated motion for summary judgment (D.I. 396) is GRANTED in part and DENIED in part.
2. The court's February 20, 2002 decision is amended to reflect that Elonex Technologies was not competent to give Compaq Computer Corporation notice of infringement. Accordingly, April 27, 1999 is the first date that Compaq received notice from a competent party.
3. Lite-On's motion to strike (D.I. 464) is declared moot.

Date: March 20, 2002

Gregory M. Sleet
UNITED STATES DISTRICT JUDGE