Finnegan's monthly update on developments affecting licensing and other IP transactions

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Patent Licensee Cannot Sue for Infringement When Licensor Retains Right to Substantial Portion of Litigation Recovery and Restricts Licensee Rights to Assign, Enforce, and Abandon

by John C. Paul, D. Brian Kacedon, and Kelly Lu

A Colorado court recently held that a patent licensee did not have standing to bring an infringement lawsuit, finding that the license agreement failed to convey all substantial rights to the licensee because it restricted the licensee's right to assign, enforce, or abandon the patent and also reserved a substantial portion of any litigation recovery for the licensor.

Exclusive Licensee Without All Substantial Rights Can Independently Sue Patent Owner For Infringement

by John C. Paul, D. Brian Kacedon, and R. Benjamin Cassady

The rights of licensees to sue for patent infringement are limited. Even exclusive licensees generally lack standing to sue others for patent infringement unless the license grants all substantial rights in the patent, or they get the cooperation of the patentee. That is not to say that exclusive licensees can never enforce their rights in a licensed patent without the patentee. They can, but only if needed to prevent an absolute failure of justice. Patentees who give away limited licenses don't get a free pass either—if they encroach on an "exclusive" right they granted to a licensee, they may wind up accused of infringing their own patent.

Covenant Not to Sue for Patent Infringement Does Not Necessarily Moot Patent-Invalidity Claims

by John C. Paul, D. Brian Kacedon, and Cara R. Lasswell

Colorado court recently ruled that a patent owner was unable to moot and dismiss a counterclaim of patent invalidity by withdrawing patent-infringement claims and granting a covenant not to sue for patent infringement because the patent owner continued to pursue trade secret and breach of contract claims that could be affected by patent validity.

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However, the court instructed the defendant that before it could present any evidence of patent invalidity at trial, it must show that those claims can be legally asserted in connection with the evidence at trial.

Subsidiary Has Standing to Join Lawsuit as Implied Exclusive Licensee, But Parent Cannot Recover Lost Profits of Subsidiary from Patent Infringer

by John C. Paul, D. Brian Kacedon, and Sonja W. Sahlsten

Even in the absence of a written patent license agreement, a parent company successfully showed that its subsidiary had an implied exclusive license and therefore had standing to join the parent company as a co-plaintiff in a patent infringement case. According to the magistrate judge, if a subsidiary company has the right to practice the invention and an express or implied promise that all others will be excluded from practicing the invention, it has standing as a co-plaintiff. The magistrate judge also held, however, that the parent company could not recover the subsidiary's lost profits from the infringer.

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