Standing and Other Pre-Suit Considerations in Patent, Trademark, and Copyright Cases
Constitutional Standing

Standing poses the question of whether a case or controversy exists. (U.S. Const. Art. III, Section 2, Clause 1).

Lack of standing results in lack of a “case or controversy” and therefore a lack of subject matter jurisdiction.
Prudential Standing

Even when Article III constitutional standing rules have been satisfied, principles of judicial prudence may cause a court to refuse to adjudicate some claims:

- No third-party standing
- No generalized standing
- Zone of interest & injury
Federal Rule of Civil Procedure 17(a) invokes the standing requirement by stating “every action shall be prosecuted in the name of the real party in interest.”
Overview of General Rules for Patent Standing –
Parties Who Can Sue in Their Own Name

Patentee can sue in its own name.

- “A patentee shall have remedy by civil action for infringement of his patent.” 35 U.S.C. § 281.

Assignee can sue in its own name.

- Assignee or party that holds “all rights” or “all substantial rights” to the patent has standing to sue in its name alone.

Exclusive Licensee with “all substantial rights” may be considered “virtual assignee” with standing to sue in its own name.

- Helpful to look at what rights are retained by grantor, paying particular attention to whether the agreement conveys the full right to exclude others from making, using and selling the invention in the exclusive territory.

Source: Morrow v. Microsoft Corp., 499 F.3d 1332 (Fed. Cir. 2007)
Typical Contexts Where Questions Arise

Assignments – Individual or mass assignments because of corporate transactions

Licenses – Extent of exclusivity
Assignments – Right to Sue for Past Infringement

General Rule – Assignment does not convey the right to sue for past infringement without an express provision granting the right.

- See *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 n.7 (Fed. Cir. 1991) (“The authorities are uniform that [an assignment of a right of action for past infringements] must be express, and can not be inferred from an assignment of the patent itself.”)

- An assignee is not considered to have an interest in damages that occurred before the assignment, and only has an interest in those damages that occur during the time of ownership (consistent with the theory that a cause of action is itself a form of property). *Moore v. Marsh*, 74 U.S. (7 Wall.) 515, 522 (1868).
Assignments – Right to Sue for Past Infringement: Chain of Assignments

Example:

- **Assignment 1:**
  - Assigned “all of Assignors’ right, title, and interest” in patent.

- **Assignment 2:**
  - Expressly notes that Assignor 2 received “all right, title, and interest,” including “all rights of action and damages for past infringement”.
  - Confirms that Assignors 1 do “not retain any right to any recoveries for infringement … [or] to sue in their own name with regard to the [Patent].”
  - Expressly grants all patent rights “as fully and entirely as the same would have been held and enjoyed by Assignors … [as if the] agreement had not been made.”

- **Assignment 3:**
  - Incorporated the terms of Assignment 2.

Does the current assignee have the right to sue for past infringement?
Assignee 3 has the right to sue for past infringement.

- The bare reference to “all right, title, and interest” in Assignment 1 does not normally transfer the right to sue for past infringement.
- The language in Assignment 2, however, expanded the scope of the term “right, title, and interest” to encompass the right to sue for prior infringement.
- The entirety of the agreements establishes that Assignment 3 conveyed the right to sue for past infringement.
Assignments – Retroactive Standing

Can Courts Grant Retroactive Standing to Repair Assignment Chain?

Example:
- Inventor assigned patent to employer – 1980
- Employer licensed to funding company – 1983 & 1985
- After learning of employer’s license to funding company, inventor sued employer asserting his assignment to his employer was void due to fraud and failure of consideration.
- Verdict in inventor’s favor 1991 – Rescinded the assignment to employer, and awarded inventor the money employer received from manufacturer.
- Did court’s rescission give inventor right to sue for pre-1991 infringement?
**Heidelberg Harris, Inc. v. Loebach, 145 F.3d 1454 (Fed. Cir. 1998)**

Court cannot retroactively vest legal title in the plaintiff for purposes of standing.

- Inventor lacks standing to sue for pre-1991 infringement.
Example:

- Plaintiff brought action in January 1993 against exclusive Sub-Licensee for declaratory judgment of noninfringement and invalidity.
- Exclusive Sub-Licensee brought separate action of infringement, but did not join patentee.
- Cases consolidated.
- Patent Chain of Title:
  - Inventor gave exclusive license to Italian applications to licensee.
  - Licensee granted exclusive sub-license to Italian applications.
“Virtual” Assignments – Curing Standing with Retroactive Agreement

- October 1993 – Licensee and sub-licensee sought to clear chain of title, canceling previous licenses, and provided that sub-licensee had exclusive license to U.S. application since 1992 (before suit was filed).
- Claimed that new license was simply memorialization of pre-suit oral agreement.

Can an oral exclusive license or a *nunc pro tunc* license executed after suit is brought, or some combination of the two, confer standing?
Enzo APA & Son, Inc. v. Geapag A.G., 134 F.3d 1090 (Fed. Cir. 1998)

If the license is to be considered a virtual assignment to assert standing, it must be in writing and exist at the time of suit. *Nunc pro tunc* assignments are not sufficient to confer retroactive standing.

- Allowing a subsequent assignment to automatically cure a standing defect would unjustifiably expand the number of people who are statutorily authorized to sue.
- Parties could justify the premature initiation of an action by averring to the court that their standing through assignment is imminent.
- Permitting non-owners and licensees the right to sue, so long as they eventually obtain the rights they seek to have redressed, would enmesh the judiciary in abstract disputes, risk multiple litigation, and provide incentives for parties to obtain assignment in order to expand their arsenal and the scope of litigation.
Practical Implications

Clear up standing issues before filing suit.

Accused infringer may wait until conclusion of Plaintiff’s case-in-chief before raising issues of standing, leaving the Plaintiff open to the risk that the accused infringer may move for judgment as a matter of law, which would have res judicata effect.

Run risk of suit being dismissed with prejudice, since such decisions are “committed to the sound discretion of the district court” based on the pertinent regional circuit. *H.R. Techs., Inc. v. Astechnologies, Inc.*, 275 F.3d 1378 (Fed. Cir. 2002).
Parties Who May be Required to Join Patentee for Standing

Exclusive Licensees Without All Substantial Rights

- Usually hold exclusionary rights to the patent, but not all substantial rights.
  - For example, if patent owner retains rights to market the invention or sub-license, licensee likely does not have all substantial rights.
- Generally must join patentee in suit as well.
  - Satisfies prudential (not constitutional) concerns – Patentee joined for the purpose of avoiding the potential for multiple litigations and multiple liabilities and recoveries against the same infringer.

Non-Exclusive Licensees

- Receive only freedom from suit by patent owner; no right to exclude others.
- Standing deficiency cannot be cured by adding the patent title owner to the suit.

Source: Morrow v. Microsoft Corp., 499 F.3d 1332 (Fed. Cir. 2007)
“All Substantial Rights” – Exclusive Right to Sue for Patent Infringement

Example:

- Licensing corporation contracted not for the right to practice the patent claiming a method for document authentication, but for the exclusive right to license and enforce the patent in exchange for a share of royalties and litigation awards.
- Patentee retained legal title to the patent and rights to maintain the patent, to receive proceeds from its commercial exploitation, and to veto any sub-licenses or assignments by the licensee. Licensee could not assign its rights without consent of patentee, which patentee could freely withhold.

What kind of license does licensee hold?
Federal Circuit determined that the licensee’s legal interests in the patent resembled those of a “bare licensee” and were insufficient to confer standing even if the patentee was joined.

- Right to maintain patent recognized as indication of ownership.
- Patentee’s right to veto any transfer of patentee’s rights under agreement “particularly significant”, especially since patentee could withhold consent arbitrarily. Restraint on transferability “fatal” to argument that all substantial rights were transferred.

*Propat Int’l Corp. v. RPost, Inc., 473 F.3d 1187 (Fed. Cir. 2007)*
“All Substantial Rights” – Exclusive Right to Sue for Patent Infringement

Example:

- After bankruptcy, rights to a computer software patent divided:
  - First Trust – Received exclusive rights to sue controlling shareholders.
  - Second Trust – Received exclusive rights to sue for infringement.
  - Third Trust – Retained legal title, licensing rights, and the exclusive rights to produce and sell the intellectual property.

Second trust sues for infringement. What result?
Second trust merely a “bare licensee” unable to achieve standing even through joinder of the second trust.

- Second trust doesn’t suffer any legal injury. For any suit brought by the second trust, its grievance is that the exclusionary interests held by the third trust are violated.

- Only when a party holds the exclusionary rights to the patent but lacks all substantial rights may the party join the legal title holder in a suit to enforce the patent. It cannot cure constitutional standing deficiencies.

- Separating the title to a patent from the right to sue for infringement extinguishes all standing to enforce the patent.
Holders of licenses that divide enforcement from usage rights should consider rejoining rights by mutual agreement, or risk foregoing enforcement altogether.
Other Types of “Exclusive” Licensees

Exclusive territorial licenses
- Licensee can sue without joining patent holder.

Exclusive “field of use” or exclusive “claim by claim” licenses
- Licensee must join patent holder (danger of multiplicity of suits).
Case Example

Patent covers gaming system network, where infringing game systems could include blackjack, keno, mahjong, and lottery games.

Licensee received exclusive right and license, within the Territory, to make, use, sell, and offer to sell, with the right to sublicense others to make, use, sell, and offer to sell game system networks covered by the ... Patent, with the proviso that [the patent owner] shall have the rights to approve any sublicense offered by [licensee], which approval shall not be unreasonably withheld ....
“Territory” defined as “the lawful operation of lottery games authorized by the New York State Lottery in the State of New York.”

What kind of license is this? Territorial or field of use?
District court initially characterized licensee as exclusive territorial licensee, with standing to sue in its own name.

On reconsideration, district court determined that license held a “hybrid” between a territorial license and a field of use license, an “exclusive enterprise license” restricting both the geographic area and the type of conduct permitted.

District court determined that licensee had standing to sue in its own name, and certified question to the Federal Circuit.
Federal Circuit agreed that licensee had “hybrid” license ("exclusive enterprise license"), but determined that licensee did NOT have standing to sue in its own name.

Decision based on the potential for suits among licensees or between the licensee and licensor.

- Licensee could sue alleged infringer for lottery games, and patent owner could sue same alleged infringer or some other game-specific licensee for other games.
- Hypothetical infringer’s keno game could conceivably lead to fight over whether keno was “lottery game” under license.

Cannot cure “field of use” license by adding a geographic restriction.
Think twice before accepting a field-of-use limitation in a patent license.

- Consider seeking to bind patentee with an affirmative joinder obligation.
Another Field-of-Use Exclusive Licensee Example

Patentee owns patent related to a stabilized pharmaceutical formulation. Licensee holds exclusive license with respect to one composition (drug formulation) of the patent.

May licensee bring suit on its own?
- No

What if licensee joins patent owner in suit?
- Standing exists.

Can licensee appeal case without joining patent owner in appeal?
Licensee did not lose standing to appeal due to patentee’s failure to join in appeal.

- Joinder of the patent owner in the initial proceedings was necessary to avoid the possibility that the alleged infringer would be subject to multiple actions and to ensure that the patentee’s rights were protected in a suit brought by its licensee that could expose the patentee to an invalidity challenge.

- Patent owner was already joined in the infringement action, and even if not joined in the appeal would still continue to be bound by the judgment of the trial court and Federal Circuit, so no danger of multiple actions against the defendant.

- Patent owner’s rights protected because it had the opportunity to join in the infringement suit and had the opportunity to protect its interests.
Withdrawing Patent Claims from Action

Case Example:

Patent holder brought action for infringement of patents directed toward technology that dealt with terrain warning system for aircraft pilots.

- Patent holder withdrew some independent claims from the litigation relating to its display technology, but left dependent claims regarding display technology at issue.

Can court retain jurisdiction over withdrawn claims for defendants’ counterclaims of invalidity?
Honeywell Int’l Inc. v. Universal Avionics Sys. Corp., 488 F.3d 982 (Fed. Cir. 2007)

Court properly retained jurisdiction over withdrawn claims, and Federal Circuit affirmed invalidity of the claims.

- When patent owner withdrew some independent claims, it maintained causes of action based on certain dependent claims relating to the display technology, leaving the entire subject matter of the display claims at issue.
  - The Court distinguished this case from Grain Processing Corp. v. Amer. Maize-Prods. Co., where the patentee agreed not to assert an entire group of process claims that had initially formed a basis for the complaint, leaving at issue on the four asserted product claims.

- The Federal Circuit also noted that the patent owner also charged one of the defendants with infringement of the display patents in another lawsuit.
Standing – Effect on Damages Claims

Example:

- Owner of patents for coin authenticators for vending machines sues competitor for infringement.
- U.S. wholly-owned subsidiary of patent owner sells the machines. Subsidiary is non-exclusive licensee, as other wholly owned subsidiary in U.K. also has license.
- Patent owner maintains consolidated financial statements that reflect the profits, losses, assets, and liabilities of all its subsidiaries.
- Patent owner has royalty agreement with U.S. subsidiary where it receives royalty payments based on gross sales. U.S. subsidiary required to make royalty payments even if subsidiary does not make a profit.

After finding of infringement, may parent corporation patent owner receive lost profits damages?
Mars, Inc. v. Coin Acceptors, Inc., 527 F.3d 1359 (Fed. Cir. 2008)

Without showing that parent corporation received any profits, only royalties, parent corporation was not entitled to lost profits.

Wholly-owned subsidiary did not have standing as non-exclusive licensee, even if joined with patent owner.
§ 32(1) of the Lanham Act: an infringer of a federally registered mark “shall be liable in a civil action by the registrant.” (15 U.S.C.A. § 1114(1)).

Standing: Registered Mark

Licensee: General Rule

Only the licensor is the owner of the mark and its registration and the licensee acquires no ownership rights in either one.
Standing: Registered Mark

Question: Does non-exclusive licensee have standing?

Answer: No and no exceptions were found.
Question: Does Exclusive Licensee have standing?

Answer: Depends on the scope of license.

Where plaintiff was the “exclusive licensee” in “all states east of the Mississippi River,” plaintiff lacked standing to sue for infringement of licensor’s registered mark.” (Brooklyn Bottling of Milton, New York, Inc. v. Ecuabeverage Corp., 2008 WL 577288 (S.D.N.Y.2008)).
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Standing: § 43(a)

§ 43(a) of the Lanham Act creates a cause of action for “any person who believes that he or she is likely to be damaged” by a defendant's false designations of origin and misleading representations of fact that are likely to cause confusion as to origin or sponsorship.
Fox brought false designation of origin claim alleging that Marvel was implying that Fox was associated with the TV show.

Fox also brought false advertising claim, alleging that Marvel promoted the TV show as a “spin off” of Marvel’s movie.
As to false designation of origin, court said that claim belongs only to Marvel.

- As to false advertising claim, Fox had standing because Marvel promoted the “Mutant-X” TV show as a spin-off of Fox’s “X-Men” movie.

Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc., 277 F.3d 253 (2d Cir. 2002).
Standing: § 43(a)

Plaintiff bought 5,000 pairs of sneakers that turned out to be counterfeits.

Plaintiff sued seller under § 43(a).

Held: where the § 43(a) claim is based on trademark, the claimant must have some discernable interest in the mark; being a duped buyer does not provide standing.
Sybersound Records, Inc. v. UAV Corp., 517 F.3d 1137 (9th 2008).
Standing: False Advertising Claim

SKB: “the first and only stop smoking lozenge”

Natural Answers, Inc. – sued for trademark infringement, false advertising and false designation of origin.

Court: plaintiff has standing (but suffered no injury).

Natural Answers, Inc. v. SmithKline Beecham Corp., 529 F.3d 1325 (11th Cir. 2008).
Standing in False Advertising Cases

Competitor1 sells a clinically tested vibrational energy therapy machine for pain prevention. Competitor2 claims its machine is also “clinically tested,” but it is in fact not tested.

Does Competitor1 have standing to sue Competitor1 for False Advertising under § 43(a)?
Competitor’s Standing in False Advertising Claim

Competitor2 sells the only clinically tested vibrational energy therapy machine for pain prevention. Competitor2 claims its machine is also “clinically tested,” but it is in fact not tested. Does Competitor2 have standing to sue for false advertising?
Copyright Act

Section 501(b) to (f):

- One **must** be the legal or beneficial owner of a Section 106 exclusive right “under a copyright.”
- By its express terms, Section 501(b) does not permit the copyright owner to retain the copyright, but convey the mere right to sue.
Standing: Copyright

*Silvers v. Sony Pictures Entm’t, Inc.*, 402 F.3d 881, 885 (9th Cir. 2005) exclusive licensee who holds license for any exclusive right may sue for infringement.