

ALERT

Federal Circuit Patent Bulletin: *Azure Networks, LLC v. CSR PLC*

November 6, 2014

“Parties who ‘hold less than all substantial rights to the patent and lack exclusionary rights under the patent statute’ do not have standing. This lack of standing ‘cannot be cured by adding the patent title owner to the suit.’”

On November 6, 2014, in *Azure Networks, LLC v. CSR PLC*, the U.S. Court of Appeals for the Federal Circuit (Reyna, Mayer, Chen*) affirmed-in-part, vacated-in-part, and remanded the district court’s dismissal of plaintiff Tri-County for lack of standing and the stipulated judgment that the defendants did not infringe U.S. Patent No. 7,756,129, which related to a network for wireless communications between a central hub device and a number of surrounding peripheral devices in close proximity with the hub device. The Federal Circuit stated:

The Patent Act governs standing to sue for infringement, and it provides that only the patentee and his successors in title are entitled to bring a civil action for infringement. Even if a patentee does not transfer legal title, it may transfer significant rights to the patent. When the patentee transfers rights, the “party that has been granted all substantial rights under the patent is considered the owner regardless of how the parties characterize the transaction that conveyed those rights.” “In that event, the transferee is treated as the patentee and has standing to sue in its own name.” And whichever party has all, or substantially all, rights in the patent “alone has standing to sue for infringement.” Therefore, when all rights or all substantial rights have been transferred, the transferee—and not the transferor—is the effective owner for purposes of standing.

In patent licensor-licensee standing cases, we are typically confronted with one of two scenarios: (1) cases in which the exclusive licensee brings suit alone, requiring us to decide whether the license agreement conferred sufficient rights on the licensee for standing; or (2) cases in which the licensor brings suit alone, and we decide whether the licensor has transferred away enough rights to divest it of the right to sue. This is not the typical case. Here, both the licensor and the licensee have brought the suit together, and the accused infringer seeks dismissal of the licensor. Therefore, our inquiry in this case is twofold: (1) whether Tri-County transferred all substantial rights under the ‘129 patent to Azure, making Azure the effective owner; and if so,

(2) whether Tri-County may nevertheless join in an infringement suit brought by the licensee, but now effective owner, Azure.

“To determine whether an exclusive license is tantamount to an assignment, we ‘must ascertain the intention of the parties [to the license agreement] and examine the substance of what was granted.’” The parties’ intent alone is not dispositive. We must also consider a non-exhaustive list of rights for determining whether a licensor has transferred “all substantial rights” to the licensee, including: (1) the nature and scope of the right to bring suit; (2) the exclusive right to make, use, and sell products or services under the patent; (3) the scope of the licensee’s right to sublicense; (4) the reversionary rights to the licensor following termination or expiration of the license; (5) the right of the licensor to receive a portion of the proceeds from litigating or licensing the patent; (6) the duration of the license rights; (7) the ability of the licensor to supervise and control the licensee’s activities; (8) the obligation of the licensor to continue paying maintenance fees; and (9) any limits on the licensee’s right to assign its interests in the patent.

The parties do not dispute that the Agreement transferred to Azure an exclusive license to practice the ‘129 patent. “[T]ransfer of the exclusive right to make, use, and sell products or services under the patent is vitally important to an assignment.” Also critical to our inquiry is that the Agreement granted Azure the exclusive right to enforce and defend the ‘129 patent. In determining the nature of a transfer of rights, we have repeatedly recognized that a “key factor has often been where the right to sue for infringement lies.” It is not uncommon for a licensor to transfer to its licensee the exclusive right to enforce the patent. But significant to this case, Tri-County reserved no right to have control over, to veto, or to be notified of any of Azure’s licensing or litigation activities. Retaining control of these activities is also critical to demonstrating that the patent has not been effectively assigned to the licensee. Rather than retaining any control over litigation activities, Tri-County has a strict duty under the Agreement to “join Azure as a party and cooperate with Azure in any patent infringement suit, if, desirable to address a legal issue,” such as standing. Tri-County must join “at Azure’s request,” and after joinder, “Azure would maintain full and absolute control over any such patent infringement suit, including settlement of any related claims or causes of action.” Tri-County’s joinder “would be limited solely to cooperation and that which is necessary to address the legal issue.” . . .

After weighing all the factors, we agree with the district court that Azure acquired significant rights under the ‘129 patent, including the right to enforce, to license, to control the licensing and litigation, to sublicense, to practice exclusively, and to maintain the patent. TriCounty’s economic interests, limited termination rights, and unfixed reversionary interest with only a very limited amount of time remaining on the patent do not demonstrate that it retained ownership. As the district court found, the balance of factors establishes that Tri-County transferred all substantial rights in the ‘129 patent to Azure, making Azure the effective owner for

purposes of standing.

Azure and Tri-County argue that even if the Agreement constitutes an assignment for purposes of standing, Tri-County would still be able to join suit with Azure. They maintain that Tri-County still has interests in the '129 patent that are in jeopardy, including its reversionary interest and its interest in receiving proceeds from enforcing the patent. Having an interest in the litigation, however, does not confer standing. To bring or join suit, Tri-County must have "exclusionary rights and interests created by the patent statutes." Parties who "hold less than all substantial rights to the patent and lack exclusionary rights under the patent statute" do not have standing. This lack of standing "cannot be cured by adding the patent title owner to the suit." . . . Because Tri-County does not have any exclusionary rights under the '129 patent, it lacks standing to join the suit as a plaintiff. Tri-County's standing deficiency cannot be cured by adding Azure to the suit. We therefore affirm the district court's dismissal of Tri-County.