

Federal Circuit Patent Bulletin: *Alps South, LLC v. The Ohio Willow Wood Co.*

June 5, 2015

“[N]unc pro tunc assignments are not sufficient to confer retroactive standing.”

On June 5, 2015, in *Alps South, LLC v. The Ohio Willow Wood Co.*, the U.S. Court of Appeals for the Federal Circuit (Lourie, Moore, Chen*) reversed, vacated, and remanded the district court’s judgment, inter alia, that Alps lacked standing to sue The Ohio Willow Wood Company (OWW) for infringement of U.S. Patent No. 6,552,109, which related to composite articles of a thermoplastic gel and a substrate, such as foam or fabric. The Federal Circuit stated:

Standing is a jurisdictional question, which we review de novo. Neither party disputes that Alps possessed standing under Article III. Before we may exercise jurisdiction over a patent infringement action, however, we must also satisfy ourselves that, in addition to Article III standing, the plaintiff also possessed standing as defined by § 281 of the Patent Act. Under 35 U.S.C. § 281, a “patentee” has standing to pursue a patent infringement action. The word “patentee” is not limited to the person to whom the patent issued, but also includes “successors in title to the patentee.” The parties in this case dispute whether Alps was a “patentee” under § 281.

In addition to the patent owner, our case law provides that “[a]n exclusive licensee has standing to sue in its own name, without joining the patent holder where ‘all substantial rights’ in the patent are transferred.” When a patent owner transfers all substantial rights, “the transferee is treated as the patentee and has standing to sue in its own name.” If, however, the transferee or licensee does not hold all substantial rights, it may “sue third parties only as a coplaintiff with the patentee.”

OWW first argues that Alps’s original license agreement with AEI [or Applied Elastomerics, Inc., a company created by the ‘109 patent inventor] did not convey all substantial rights in the ‘109 patent to Alps. In response, Alps asserts that it did possess all substantial rights in the ‘109 patent because it held the right to exclude and the right to pursue infringement litigation under its own control and at its own cost.

“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.’” Here, the original agreement was an exclusive license covering numerous patents, including the ‘109 patent. The license also

granted Alps the right to enforce the '109 patent and provided that AEI would cooperate "to the extent necessary . . . , including (without assignment of ownership to any Patent Rights) transferring of such rights to [Alps] as are necessary to enable [Alps] to enforce the PATENT RIGHTS in its own name."

At the same time, however, the original agreement restricted Alps's rights in significant ways and provided that AEI would retain certain rights for itself. For example, the original agreement prohibited Alps from settling any infringement actions without AEI's prior written consent. AEI also retained the right to pursue infringement litigation if Alps declined to do so within six months of learning of suspected infringement. Most importantly, the license agreement limited Alps's right to "develop, make, have made, use, sell, offer to sell, distribute, lease, and import" products covered by the '109 patent to a particular "field of use"

Precedent dictates that the original agreement's field of use restriction is fatal to Alps's argument that it had standing to file this action. The Supreme Court has long recognized that an exclusive licensee cannot sue for infringement without joining the patent owner if the license grants merely "an undivided part or share of th[e] exclusive right [granted under the patent]." [A] field of use licensee has standing "to sue in its own name alone poses a substantial risk of multiple suits and multiple liabilities against an alleged infringer for a single act of infringement." Accordingly, we concluded that our standing jurisprudence "compels an exclusive licensee with less than all substantial rights, such as a field of use licensee, to join the patentee before initiating suit." Our case law thus establishes a clear rule for cases involving licenses with field of use restrictions. Because the license restricted Alps's rights in the '109 patent to the field of prosthetic products, Alps lacked standing to pursue this litigation without naming AEI as a co-plaintiff.

Alps next argues that, even if it lacked standing under the original agreement, it cured this defect by executing a nunc pro tunc amended agreement. . . . Neither party seems to dispute that if the amended agreement had been executed prior to Alps filing suit, Alps would have had standing to sue without joining AEI. The parties' dispute focuses on whether a nunc pro tunc agreement may cure a defect in standing that existed when the suit was initiated. Alps urges us to conclude that the nunc pro tunc nature of the agreement cured the jurisdictional defect. OWW, on the other hand, asserts that Alps cannot correct a jurisdictional defect that existed at the time the complaint was filed by post-filing activity. OWW is correct. "[N]unc pro tunc assignments are not sufficient to confer retroactive standing." [A] party may not vindicate rights in court before the party actually possesses the rights. . . .

Alps also relies on its supplemental complaint, which it filed after the reexamination certificate issued on the '109 patent. Alps argues that, because the trial proceeded on the patent claims that emerged from reexamination—the subject matter of the supplemental complaint—the supplemental complaint's reference to the nunc pro tunc agreement also cured any defect in standing. We disagree. The party asserting patent infringement is "required to have legal title to the patents on the day it filed the complaint and that requirement can not be met retroactively." Finally, although the supplemental complaint refers to an August 31, 2008, exclusive license agreement, nothing in the supplemental complaint mentions the amended nunc pro tunc agreement.

Alps's attempt to characterize its supplemental complaint as an amended complaint fares no better. To be sure, 28 U.S.C. § 1653 permits parties to amend their complaints to correct "[d]efective allegations of jurisdiction." But the Supreme Court has explained that this provision is drafted in terms of "allegations of jurisdiction," which means that the ability to amend applies only to "incorrect statements about jurisdiction that actually exists, and not defects in the jurisdictional facts themselves." Here, when Alps filed its complaint, it was merely an exclusive field of use licensee that lacked all substantial rights in the '109 patent. There were no errors in the jurisdictional facts as pleaded in the original complaint. Thus, Alps could not avail itself of § 1653 to amend the jurisdictional allegations that appeared in its original complaint.