

The Federal Circuit Explains: When is a License Exclusive for Standing Purposes?

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The Federal Circuit's recent decision in *WiAV Solutions LLC v. Motorola, Inc.*, __ F.3d __ (Fed. Cir. 2010), settles whether a licensee has constitutional standing to sue on a patent when a third party holds the right to sublicense. The holding broadens the class of licensees with standing to those having at least one exclusive right. So long as an exclusive licensee has the right to exclude others from practicing a patent, and a party accused of infringement does not possess, and is incapable of obtaining, a license of those rights from any other party, the exclusive licensee would have standing to sue.

WiAV holds a license to several patents owned by Mindspeed Technologies, Inc. ("Mindspeed") relating to signal transmission and data encoding and decoding. WiAV's license explicitly grants it the "exclusive right" to make, use, offer to sell, export and import hardware products in the field of wireless handsets. In addition to the rights held by WiAV, various third parties to WiAV have licenses that grant some degree of sublicensing rights to the Mindspeed patents.

In 2009, WiAV filed suit alleging that the defendants, including Motorola, Nokia, Palm and Sony Ericsson, infringed WiAV's exclusive right to practice the Mindspeed patents in the field of wireless handsets. The defendants moved to dismiss the complaint, alleging that WiAV lacked constitutional standing because WiAV was not an exclusive licensee of the Mindspeed patents. The defendants argued that the Federal Circuit's decision in *Textile Productions, Inc. v. Mead Corp.*, 134 F.3d 1481 (Fed. Cir. 1998), held that a party cannot be an exclusive licensee of a patent when a third party has a right to license the patent. According to the defendants, since several third parties held the right to license the patents in the field of wireless handsets, WiAV could not have standing. The district court agreed with the defendants' reading of *Textile Productions* and dismissed WiAV's claims concerning the Mindspeed patents.

On appeal, WiAV argued that a licensee that holds *any* of the exclusionary rights in a patent has constitutional standing to assert the patent. In response, the defendants pointed to a statement in *Textile Productions* that seemingly supported the district court's conclusion: "if a patentee-licensor is free to grant licenses to others, licensees under that patent are not exclusive licensees. . . . To qualify as an exclusive license, an agreement must clearly manifest the patentee's promise to refrain from granting to *anyone else* a license in the area of exclusivity." 134 F.3d at 1484 (emphasis added). The defendants noted that several district courts had relied on this statement and a similar statement in *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359 (Fed. Cir. 2008) as a basis for holding that a license to a patent is not exclusive when others have retained the right to license the patent.

The Federal Circuit sided with WiAV. Citing *Propat Int'l Corp. v. RPost, Inc.*

, 473 F.3d 1187 (Fed. Cir. 2007), the Court explained that a party has the right to sue for infringement of a patent “if that party has a legally protected interest in the patent created by the Patent Act, so that it can be said to suffer legal injury from [the] act of infringement.” *Id.* at 1193. These parties are commonly referred to as “exclusive licensees.” A party holding *one or more of the exclusionary rights* granted by the Act—such as an exclusive licensee—suffers a legally cognizable injury when those rights are encroached by an unauthorized party and therefore has standing to sue.

In reviewing the *Textile Productions* and *Mars* decisions, the Court determined that nothing in those cases freed the constitutional standing inquiry from its legal injury mooring. In *Textile Productions*, the Federal Circuit considered a narrow question: “whether a requirements contract for a patented product automatically converts the exclusive supplier into an exclusive licensee of the patent.” 134 F.3d at 1484. The Court explained that in that case, there was no intent to grant exclusive rights to a supplier that was party to a requirements contract. In *Mars*, the Court addressed whether a party was an implied exclusive licensee in the absence of a written agreement explicitly granting the party exclusive rights. *See Mars*, 527 F.3d at 1362-64, 1367. Because another entity had the right to practice the patents, the *Mars* court concluded that the party was not an implied exclusive licensee.

While siding with WiAV, the Federal Circuit made clear that the right of exclusive licensees such as WiAV to bring suit was not unlimited, and that an exclusive licensee’s standing would ordinarily be coterminous with its exclusive rights to the patent at issue. For example, an exclusive licensee lacks standing to sue a party that holds a preexisting license to engage in the infringing activity, or the ability to obtain such a license. On the other hand, if an exclusive licensee has the right to exclude others from practicing a patent, and a party accused of infringement does not possess, and is incapable of obtaining, a license of those rights from any other party, the exclusive licensee would have standing to sue.

With regard to WiAV, the Court held that the key question in determining whether WiAV had standing to assert the Mindspeed Patents against the defendants was whether WiAV had shown that it has the right to exclude the defendants from engaging in the alleged infringing activity. Because WiAV held such rights, the Court concluded that WiAV had standing to assert the Mindspeed patents against the defendants.