



TECHNOLOGY LAW UPDATE

Sicom Sys.
v.
Agilent Techs.

No. 05-1066

Federal Circuit
Oct. 18, 2005

Unlike an assignee who may sue in its own name, an exclusive licensee having fewer than all substantial patent rights and seeking to enforce its rights in a patent generally must sue jointly with the patent owner.

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On October 18, 2005, the Federal Circuit affirmed the district court's dismissal of Sicom's complaint for lack of standing to sue for infringement of U.S. Patent No. 5,333,147, which related to a digital signal transmission channel monitor. The Federal Circuit stated:

Under 35 U.S.C. § 100, "[t]he owner of a patent or the owner's assignee can commence an action for patent infringement, but a licensee alone cannot," unless the licensee holds "all substantial rights" in the patent. . . . In this case, we must assess the Agreement at issue, weighing the rights in the patent transferred to Sicom against those retained by Canada, to determine whether Canada assigned all substantial rights in the patent, or fewer than all such rights. Canada granted Sicom a license of the '147 patent under the Agreement. Sicom is a "sole" licensee, which the Agreement defines as having "the right to be the only licensee" of the patent. However, Canada has reserved for itself the right to continue operating under the patented technology, as well as a multitude of other rights, including: the right to veto Sicom's reassignment of its rights or proposed sublicenses; the right to levy additional royalties or other consideration; the right to grant contracts and sub-contracts to further develop the invention claimed in the patent; and the right to offer sublicenses under any improvements or corrections developed by Sicom. Indeed, Canada also retained the right to sue for infringement other than commercial infringement and it retained legal title to the patent. . . .

The scope of Sicom's right to sue is limited to "initiating commercial infringement actions." Therefore, Sicom's exclusive right to sue for "commercial" infringement does not signify that Sicom has the exclusive right to sue for all infringement. Indeed, Canada specifically retains the right to sue for "non-commercial" infringement. Similarly, Sicom does not have the ability to indulge infringement outside of the "commercial" sphere. . . . Sicom does not have the right to settle litigation without the prior written consent from Canada, nor does Sicom have the right to sublicense without Canada's prior approval or to assign its rights. "[T]he restriction on Sicom's right to assign" was a "fatal reservation of rights by Canada."

Canada made further reservations. Under the Agreement, it reserves the rights to: grant contracts and sub-contracts to develop the '147 patent further; offer sublicenses under any improvements or corrections that Sicom develops; veto any sublicense; and levy additional royalties or other consideration. Finally, Canada specifically retained legal title to the '147 patent under the Agreement, which states that "[t]itle to all rights of ownership in the Licensed Intellectual Property are and shall remain with the Licensor."

In light of Canada's right to permit infringement in certain cases, the requirement that Sicom consent to certain actions and be consulted in others, and the limits on Sicom's right to assign its interests in the patent, we hold that the Agreement transfers fewer than all substantial rights in the patent from Canada to Sicom. [W]e affirm the district court's order dismissing Sicom's complaint. [A] patent owner [must] be joined in any infringement suit brought by an exclusive licensee having fewer than all substantial rights. Unlike an assignee who may sue in its own name, an exclusive licensee having fewer than all substantial patent rights and seeking to enforce its rights in a patent generally must sue jointly with the patent owner.