

Int'l Gamco, Inc. v. Multimedia Games, Inc.

No. 07-1034, Federal Circuit (Rader,* Friedman, Moore)

[A]n exclusive enterprise licensee, like a field of use licensee, does not hold all substantial rights in the licensed patent within the licensed territory.

On October 15, 2007, the Federal Circuit, on interlocutory review, reversed the district court's denial of Multimedia's motion to dismiss the suit alleging infringement of U.S. Patent No. 5,324,035, which related to a gaming system network configured to allow multiple players to engage in games drawn from a finite and centrally-stored pool of game plays, including predetermined numbers of winning and losing plays. The Federal Circuit stated:

An exclusive licensee has standing to sue in its own name, without joining the patent holder, where "all substantial rights" in the patent are transferred. In such a case, the "exclusive licensee" is effectively an assignee. [E]xclusive territorial licensees need not join the licensor to maintain a suit for patent infringement. In contrast, until now, neither this court nor the Supreme Court has unequivocally determined the rights of an exclusive field of use licensee with respect to standing. Because Gamco's license specifies a field of use (the operations of the NYSL), this court must address the legal implications of those limitations on its exclusive enterprise license.

[A]llowing a licensee, even one with exclusive rights to the patent for a particular field of use, 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. To alleviate this risk, this court's prudential standing requirement compels an exclusive licensee with less than all substantial rights, such as a field of use licensee, to join the patentee before initiating suit. In contrast, an exclusive territorial license does not involve the same multiplicity risks because a single act of infringement is likely to give rise to only one viable suit for infringement by the exclusive territorial licensee in the jurisdiction where the infringement occurred. [A]n assignment that confers standing also excludes "all other persons, even the patentee." . . .

In this case, Gamco's exclusive enterprise license conveys both a territorial license and a field of use license. Because the "Territory" of the license includes both geographic (the NYSL-authorized sites) and field of use ("lottery games") restrictions, Gamco's "exclusive" rights must meet both conditions. The problem of a multiplicity of lawsuits arising from an exclusive field of use license

is not cured by adding a geographic restriction. [A] field of use license . . . apportions the subject matter of a patent. Thus, an exclusive field of use license subjects an infringer to suit by multiple parties because the license has split the patented subject matter amongst various parties.

In this case, Gamco's exclusive enterprise license limits its rights to lottery games, but the '035 patent extends beyond that limitation. For example, a single infringing game system at an NYSL-authorized site could offer blackjack, keno, mahjong, and lottery games. Thus, the single infringing act of offering NYSL games might subject the infringer to suit by Gamco for the lottery games, and separately by IGT or some other game-specific licensee for the other games. This example also shows the potential of suits among licensees or between the licensee and licensor. For example, the hypothetical infringer's keno game could conceivably lead to a squabble over whether keno was a "lottery game" under Gamco's license. Divvying up the rights in the '035 patent along subject matter rather than geographic lines would "permit several monopolies to be made out of one" in a manner not specifically sanctioned by the Patent Act.

These multiplicity problems in the event that an exclusive enterprise licensee could sue without joining its licensor were foreseen by the Supreme Court in *Pope*. In *Pope*, as in this case, the license only conveyed rights to a subset of the patented subject matter. For that reason, as in this case, the conveyance posed a threat of multiple suits based on the same allegations of infringement. This court therefore holds that Gamco lacks standing to sue in its own name without joining IGT. As an exclusive enterprise licensee, Gamco does not hold all substantial rights in the full scope of the '035 patent. Therefore, this court reverses the district court's denial of defendant Multimedia's motion to dismiss Gamco's complaint.

The previous statements are for information purposes only, and do not constitute legal advice. Questions regarding the matters discussed above, and any requests to be subscribed to the free electronic distribution of this publication, may be directed to Lawrence M. Sung, Ph.D., at +1 202.862.1025 or lsung@dl.com, or to any other Dewey & LeBoeuf LLP attorney with whom you regularly consult.

NEW YORK | LONDON MULTINATIONAL PARTNERSHIP | WASHINGTON, DC
ALBANY | ALMATY | AUSTIN | BEIJING | BOSTON | BRUSSELS | CHARLOTTE | CHICAGO | EAST PALO ALTO
FRANKFURT | HARTFORD | HONG KONG | HOUSTON | JACKSONVILLE | JOHANNESBURG (PTY) LTD. | LOS ANGELES
MILAN | MOSCOW | PARIS MULTINATIONAL PARTNERSHIP | RIYADH AFFILIATED OFFICE | ROME | SAN FRANCISCO | WARSAW