

Federal Circuit Finds Nunc Pro Tunc Agreement Does Not Confer Standing

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The tenuous nature of an exclusive licensee's standing to enforce a patent was something I learned early in my legal career, when I was a judicial clerk at the Federal Circuit. In *Alps South LLC v. Ohio Willow Wood Co.*, the Federal Circuit issued another painful lesson on this topic, when it reversed, vacated and remanded a jury verdict of willful infringement because the plaintiff-licensee lacked standing to bring suit without joining the patent owner.

The License Agreements

The patent at issue was *U.S. Patent No. 6,552,109*, owned by **Applied Elastomerics, Inc.** and exclusively licensed to Alps South, LLC. According to the Federal Circuit decision, the patent relates to composite articles useful in "'liners' that are used as a cushioning and protective layer between the residuum of an amputated limb and a prosthetic limb."

The original license agreement was an exclusive license covering several patents. The original agreement gave Alps "the right to enforce the '109 patent and provided that AEI would cooperate 'to the extent necessary . . . , including transferring of such rights to [Alps] as are necessary to enable [Alps] to enforce the PATENT RIGHTS in its own name.'" However, the original agreement "prohibited Alps from settling any infringement actions without AEI's prior written consent," and AEI "retained the right to pursue infringement litigation if Alps declined to do so within six months of learning of suspected infringement." Also important to the Federal Circuit's decision was the agreement's restriction of Alps' rights to a certain field of use and certain licensed products.

The amended license agreement eliminated the field of use restriction and "eliminated the provision permitting AEI to pursue litigation against potential infringers if Alps declined to do so." Important to the district court's decision, the amended agreement purported to be effective as of August 31, 2008, the same date as the original license agreement.

Alps brought suit after the original license agreement was executed, but before the amended agreement was executed.

The Federal Circuit Decision

The Federal Circuit decision was authored by Judge Chen and joined by Judges Lourie and Moore.

The opinion frames the question before the court as whether Alps had sufficient rights to have standing as a "patentee" under 35 USC § 281. The court noted precedent to the effect 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." Thus, the court considered whether Alps held "all substantial rights" in the '109 patent.

With regard to the original agreement, the court noted:

Precedent dictates that the original agreement's field of use restriction is fatal to Alps's argument



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that it had standing to file this action.

With regard to the amended agreement, the court cited its 1998 decision in *Enzo APA & Son, Inc. v. Geapag A.G.* for the proposition that

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

The Federal Circuit explained that while its precedent permits joinder of parties to cure a defect in standing, “executing a *nunc pro tunc* license agreement after filing a case” does not have the same effect. The court also noted that while 28 U.S.C. § 1653 permits an amended complaint to be used “to correct ‘[d]efective allegations of jurisdiction,’” the ability to amend applies only to “incorrect statements about jurisdiction that actually exists, and not defects in the jurisdictional facts themselves.”

Having found that “Alps possessed neither legal title nor all substantial rights at the outset of this litigation,” the Federal Circuit reversed the district court’s denial of the motion to dismiss for lack of standing, vacated the judgment below and remanded with instructions for the district court to dismiss Alps’s complaint without prejudice.”

Why Not Join The Patent Owner?

It is not apparent why Alps didn’t join AEI as a party, but a patent owner may resist being joined in an enforcement action if joinder would make the patent owner subject to discovery and/or subject its employees (such as the inventors) to depositions.

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