

Federal Circuit Patent Bulletin: *STC.UNM v. Intel Corp.*

June 16, 2014

"[T]he right of a patent co-owner to impede an infringement suit brought by another co-owner is a substantive right that trumps the procedural rule for involuntary joinder under Rule 19(a)."

On June 6, 2014, in *STC.UNM v. Intel Corp.*, the U.S. Court of Appeals for the Federal Circuit (Newman, Rader,* Dyk) affirmed the district court's dismissal of STC's suit alleging infringement of U.S. Patent No. 6,042,998, which related to extending spatial frequencies in photolithography images, for lack of standing because non-party Sandia Corp., the co-owner of the patent, had not voluntarily joined as a co-plaintiff, and could not be involuntarily joined under Federal Rule of Civil Procedure 19. The Federal Circuit stated:

The background of this case begins with U.S. Patent No. 5,705,321 ('321 patent). The invention disclosed in the '321 patent resulted from contributions of four people: Steven Brueck, Saleem Zaidi, An-Shyang Chu, and Bruce Draper. At the time of invention, Brueck, Zaidi, and Chu were employed by the University of New Mexico (UNM). Draper, however, was employed by Sandia. . . . In mid-1996, the four inventors executed a Joint Assignment to UNM of the invention disclosed in the application that issued as the '321 patent ('321 Assignment). The '321 Assignment erroneously defined all assignors as "employees of the University of New Mexico." . . . In October 1996, UNM executed an assignment to Sandia to correct Draper's prior assignment to UNM, which "was made in error" (Draper Assignment). The Draper Assignment referenced the invention that led to the '321 patent and explicitly transferred to Sandia "those rights and interests previously assigned to[UNM] by Bruce Draper . . . and to any and all Patents

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which may be issued thereon . . . and to any and all divisions, reissues, continuations, and extensions." While the application that led to the '321 patent was pending, Brueck and Zaidi (two of the named '321 inventors working for UNM) continued their research. On September 17, 1997, they filed the application that led to the '998 patent The application incorporated the '321 patent by reference, but did not claim priority to any earlier-filed application. The record shows that Sandia's employee, Draper, was not listed as an inventor to the '998 patent and had no inventive contribution to any claim in the patent. UNM obtained assignments from both Brueck and Zaidi for the '998 patent. . . . In July 2002 and August 2007, respectively, UNM assigned its own interest in the '321 and '998 patents to STC – a wholly-owned licensing arm of UNM. . . . Although Sandia has had an ownership interest in the '321 patent since October 1996 through the Draper Assignment, Sandia had never claimed any interest in the '998 patent. . . .

"[A]s a matter of substantive patent law, all co-owners must ordinarily consent to join as plaintiffs in an infringement suit." . . . STC is incorrect in arguing that Rule 19 trumps the holding that substantive patent law ordinarily requires consent to joinder from all coowners. "[A] license to a third party only operates prospectively." "Absent agreement to the contrary, a coowner cannot grant a release of another co-owner's right to accrued damages." [T]he right of a patent co-owner to impede an infringement suit brought by another co-owner is a substantive right that trumps the procedural rule for involuntary joinder under Rule 19(a). There are, of course, scenarios that will overcome this rule against involuntary joinder of a patent owner or coowner in particular instances. . . . "First, when any patent owner has granted an exclusive license, he stands in a relationship of trust to his licensee" and can be involuntarily joined as a plaintiff in the licensee's infringement suit; second, "[i]f, by agreement, a co-owner waives his right to refuse to join suit, his co-owners may subsequently force him to join in a suit against infringers."...

In the present case, neither of the above scenarios applies. And STC has not argued that some third scenario should be recognized that would bring about a different result based on the facts of this case. Moreover, each of the recognized exceptions relies predominantly on an absent co-owner who has in some way affirmatively given up its substantive right to refuse to join the suit. In this case, Sandia has – at the other end of the spectrum – affirmatively retained this right by consistently expressing its desire to not join the case. Accordingly, because Sandia has not voluntarily joined this suit, and because no exception to this general substantive rule applies, STC lacks standing to maintain its suit against Intel.

This court is, of course, conscious of the equities at play in this case. Unless STC can secure Sandia's voluntary joinder, obtain the '998 patent (and '321 patent) outright, or become the exclusive licensee of Sandia's interest, STC cannot enforce the '998 patent in court. STC is certainly still free to enjoy all the rights a co-owner enjoys, such as commercializing or exploiting the '998 patent through licensing without consent of the other

coowners. Admittedly, a license demand may have less bite if STC cannot sue potential licensees if they refuse (and if Sandia would not voluntarily join the suit). However, this limit on a co-owner's right to enforce a patent is one effect of the reality that each coowner is "at the mercy" of its other co-owners. Importantly, this limit protects, *inter alia*, a co-owner's right to not be thrust into costly litigation where its patent is subject to potential invalidation. Furthermore, the rule requiring in general the participation of all coowners safeguards against the possibility that each coowner would subject an accused infringer to a different infringement suit on the same patent. Both concerns underpin this court's joinder requirement for patent owners.