

The Sneaky-Powerful Defense That Came Up Short - This Time

A photograph of a modern building's curved glass facade, showing multiple floors and windows reflecting the sky.

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A great thing about patent litigation is the vast array of legal doctrines, arguments, and defenses that can come up in any given case. One example is the sneaky-powerful (precise legal term!) defense that a purported patent owner has transferred such rights in an asserted patent to an exclusive licensee that the licensee is deemed to own the patent and the purported owner lacks standing to sue. A patentee/licensor can never quite be sure if it has granted too many rights to its licensee because the Federal Circuit, by its own admission, has “never purported to establish a complete list of the rights whose holders must be examined.” If successful, the defense can take a sizeable chunk out of a damages claim and, where the exclusive licensee is a non-party, derail the lawsuit.

The court in *CEMCO, LLC v. KPSI Innovations, Inc.*, C23-0918JLR (W.D. Wash. Oct. 31, 2023), faced the latter situation - an outright motion to dismiss. The case's procedural history is worth mentioning because it's a riot. This is the fifth case between CEMCO and its former employee since 2012. Over the course of the lawsuits, the former employee has allegedly breached his employment agreement and two settlement agreements, created three different companies that were found to infringe CEMCO's patents, and been held in contempt. The latest lawsuit is against the employee, yet another of his businesses, and two members of his family.

Turning back to the standing issue, the court found that CEMCO did not transfer its right to sue to the exclusive licensee and in fact had a duty to enforce the patents. Nor did CEMCO grant

the exclusive licensee any express right to grant sublicenses. Accordingly, the court concluded that CEMCO retained sufficient rights in the asserted patents and had standing to sue. It did hold, however, that the exclusive licensee was a necessary party. The court dismissed the complaint and granted CEMCO leave to file an amended complaint adding the exclusive licensee or plead the reasons for nonjoinder under Rule 19(c).

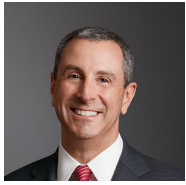
We can look forward to many more complaints involving these parties.

This duty to exclude means CEMCO must have retained the right to sue alleged infringers. Accordingly, CEMCO did not transfer its right to exclude others by filing lawsuits to ClarkDietrich. - CEMCO, LLC v. KPSI Innovations, Inc., C23-0918JLR (W.D. Wash. Oct. 31, 2023)

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