January 2001


Christa P. Worley

Follow this and additional works at: https://scholarship.law.berkeley.edu/btlj

Recommended Citation

Link to publisher version (DOI)
https://doi.org/10.15779/Z38809H

This Article is brought to you for free and open access by the Law Journals and Related Materials at Berkeley Law Scholarship Repository. It has been accepted for inclusion in Berkeley Technology Law Journal by an authorized administrator of Berkeley Law Scholarship Repository. For more information, please contact jcera@law.berkeley.edu.
SPEEDPLAY, INC. v. BEBOP, INC. & PRIMA TEK II, L.L.C. v. A-ROO CO.

By Christa P. Worley

Under the Patent Act, only a patentee or its successor in title has a remedy by civil action for patent infringement. The Court of Appeals for the Federal Circuit has ruled that whether a party is a successor in title depends upon the substantive rights granted in an agreement rather than the name by which the agreement calls itself. This ruling raised the possibility that an exclusive licensee could have sufficient rights to bring suit without joining the licensor. The Federal Circuit finally clarified the law of licensee standing in Speedplay, Inc. v. Bebop, Inc. In its holding, the court affirmed that a licensee with all substantial patent rights had standing to sue without joining the patentee.

Five months after Speedplay, the Federal Circuit again muddled the law of licensee standing. In Prima Tek II v. A-Roo Co., the Federal Circuit held that a sublicensee of a license-to-license agreement lacked standing to sue, even though it had full rights to a patent.

This Note contrasts the two decisions, demonstrating that the Prima Tek decision was inconsistent with the “all substantial rights” rule of Speedplay. It contends that the doctrine of collateral estoppel might have provided a more sensible basis for denying standing to the sublicensee in Prima Tek and that compulsory joinder of the patentee is unjustified.

© 2001 Regents of the University of California.

2. 35 U.S.C. § 281 (1994) (“A patentee shall have remedy by civil action for infringement of his patent.”). The term “patentee” includes “not only the person to whom the patent was issued but also the successors in title to the patentee.” Id. § 100(d).
3. See Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A., 944 F.2d 870, 875 (Fed. Cir. 1991) (holding that although the grant of rights to the plaintiff was not a formal assignment, it was tantamount to an assignment because it granted all substantial rights under the patent).
4. 211 F.3d 1245 (Fed. Cir. 2000).
5. 222 F.3d 1372 (Fed. Cir. 2000).
6. Id. at 1382.
7. See id. at 1380, 1382 (denying Prima Tek II standing to sue despite the fact that Prima Tek I had no right to exclude others from practicing the patents “because that right ... flowed to Prima Tek II”).
I. LICENSEE STANDING: SPEEDPLAY, INC. V. BEBOP, INC.\(^8\)

A. Background

The Patent Act provides that "[a] patentee shall have remedy by civil action for infringement of his patent."\(^9\) The statute defines "patentee" as including "not only the patentee to whom the patent is issued but also the successors in title to the patentee."\(^10\) Licensees who sue for patent infringement, therefore, must show that they are, in effect, successors in title.

The Supreme Court addressed this question in *Waterman v. Mackenzie,\(^11\)* when a licensee brought an infringement suit against a third party.\(^12\) The license granted the plaintiff the right to manufacture and sell the patented invention, but not the right to use it.\(^13\) In determining whether the licensee had standing to sue, the Supreme Court stated that the term "license agreement" was not dispositive as to whether a licensee could bring suit. Instead, the substance of the agreement determined whether a grantee could bring suit.\(^14\) A grant that conveyed all the patent rights would amount to an assignment and confer standing upon the grantee.\(^15\) Because the license at issue did not convey the right to use, it did not amount to assignment.\(^16\) As a result, the Court held that the licensee lacked standing to sue.\(^17\)

Thirty-five years later, in *Independent Wireless Telegraph Co. v. Radio Corp. of America,\(^18\)* the Supreme Court indicated that an exclusive licensee had standing to bring suit if it joined the patentee.\(^19\) In that case, plaintiff Radio Corporation of America ("RCA") had the exclusive right to

---

8. 211 F.3d 1245 (Fed. Cir. 2000).
10. Id. § 100(d).
12. Id. at 257. Mrs. Waterman, the assignee of the patent in suit had licensed the patent to her husband. She subsequently assigned her rights in the patent to a third party, but the assignment was subject to the license to Mr. Waterman. See id.
13. Id.
14. Id. ("Whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions.").
15. Id.
16. Id.
17. Id.
18. 269 U.S. 459 (1926).
19. Id. at 464.
use and sell the patented invention but not the right to make the invention. So, the grant was merely an exclusive license, not an assignment.\textsuperscript{20} Relying on \textit{Waterman}, the Court held that RCA, as an exclusive licensee, could sue for infringement to protect its interests but had to join the patentee.\textsuperscript{21} The Court reasoned that the patentee was an indispensable party to the suit in order to give jurisdiction under the patent statute and to avoid multiple litigation.\textsuperscript{22}

The Federal Circuit has relied on the \textit{Waterman} rule when licensees have attempted to bring patent infringement suits. In one case, \textit{Vauapel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.}, the Federal Circuit held that an exclusive licensee could sue in its own name because it had "all substantial rights" under a patent.\textsuperscript{23} Relying on the \textit{Waterman} rule that the substance of the agreement—rather than the name attached to it—controlled,\textsuperscript{24} the court concluded that when a licensor retained no substantial right in the licensed patent, the licensor was not an indispensable party who must be joined under Rule 19 of the Federal Rules of Civil Procedure.\textsuperscript{25} The decision in \textit{Vauapel} did not state that an exclusive licensee always had standing to sue in its own name; rather, when a license granted all substantial rights, the license was tantamount to an assignment and, therefore, conferred standing upon the licensee.\textsuperscript{26}

Since \textit{Vauapel}, the Federal Circuit consistently reviewed cases in which either the licensees did not assert standing to sue alone or the exclusive licenses at issue were not assignments.\textsuperscript{27} It was not until \textit{Speedplay} that the Federal Circuit again reviewed a case in which an exclusive license

\begin{footnotes}
\item 20. \textit{Id.} at 461.
\item 21. \textit{See id.} at 466. The Court went on to hold that if the patentee refused to join, the licensee "may make the owner . . . a co-plaintiff without his consent in the bill against the infringer." \textit{Id.} at 472.
\item 22. \textit{Id.} at 468.
\item 23. \textit{Vauapel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.}, 944 F.2d 870, 875 (Fed. Cir. 1991); \textit{see also} \textit{Textile Prods., Inc. v. Mead Corp.}, 134 F.3d 1481, 1484 (Fed. Cir. 1998) (acknowledging that an exclusive licensee could have standing to sue alone).
\item 24. \textit{Vauapel}, 944 F.2d at 875.
\item 25. \textit{Id.}
\item 26. \textit{Id.} at 875; \textit{see also} 35 U.S.C. § 281 (1994) (providing that only a patentee has a remedy by civil action for patent infringement); \textit{Id.} § 100(d) (1994) (stating that the term "patentee" in the statute includes "not only the person to whom the patent was issued but also the successors in title to the patentee").
\item 27. 8 DONALD S. CHISUM, PATENTS § 21.03[2][c] (Cumulative Supp. 2000). \textit{See}, e.g., Ortho Pharmaceutical Co. v. Genetics Institute, Inc., 52 F.3d 1026, 1032 (Fed. Cir. 1995) ("[Plaintiff] does not assert it has standing to sue alone."); Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1553 (Fed. Cir. 1995) (holding that contracts to merely sell products in an exclusive sales territory was insufficient to confer standing).
\end{footnotes}
transferred sufficient rights to confer standing to sue without joining the
patent owner as co-defendant.

B. Case Summary: Speedplay, Inc. v. Bebop, Inc.\textsuperscript{28}

Richard Byrne, founder and CEO of Speedplay, owned a number of
patents on his inventions related to bicycle pedals, including U.S. Patent
No. 4,942,778 ("the '778 patent").\textsuperscript{29} Byrne licensed these patents to
Speedplay via a Contribution and License Agreement ("CLA"), which
gave Speedplay the "sole right to enforce ... [the] Licensed Patents," which
included the '778 patent.\textsuperscript{30} Relying on this provision, Speedplay
sued Bebop for infringement of the '778 patent.\textsuperscript{31} Bebop raised the de-
fense that Speedplay lacked standing to sue, arguing that Speedplay did
not have all the substantial rights in the '778 patent because various provi-
sions of the CLA limited the grant of rights to Speedplay.\textsuperscript{32}

The Federal Circuit rejected each of Bebop's arguments, holding that
Speedplay retained all substantial rights in the patent and therefore had
standing to sue.\textsuperscript{33} First, the Federal Circuit ruled that a provision entitling
the inventors to initiate legal action in the event that Speedplay "fail[ed] to
halt infringement" did not interfere with Speedplay's enforcement of the
patent.\textsuperscript{34} The Federal Circuit emphasized that the right of the inventors to
initiate their own action was illusory because Speedplay retained the right
to sublicense to any alleged infringer.\textsuperscript{35} Second, the Federal Circuit ruled
that a clause prohibiting Speedplay from assigning its interest in the li-
cense without the inventors' consent did not deprive Speedplay of subject
right since the inventors could not withhold their consent unreasonably.\textsuperscript{36}
The Federal Circuit stated that \textit{Vaupel} compelled the conclusion that the
provision did not meaningfully restrict Speedplay's patent rights because
the only reasonable basis for Byrne to withhold his consent would be the
impairment of his consideration for entering into the CLA.\textsuperscript{37} Third, the
court ruled that a provision requiring Speedplay to assign to the inventors
all rights to any improvements it made to the invention was not actually

\textsuperscript{28} 211 F.3d 1245 (2000).
\textsuperscript{29} Id. at 1248-49.
\textsuperscript{30} Id.
\textsuperscript{31} See id. at 1250.
\textsuperscript{32} Id. at 1251.
\textsuperscript{33} Id. at 1252.
\textsuperscript{34} Id. at 1251.
\textsuperscript{35} Id.
\textsuperscript{36} Id. at 1251-52.
\textsuperscript{37} Id. (holding that a provision that simply protects a licensor's consideration does
not meaningfully restrict the licensee's rights).
restrictive because the provision further stipulated that the CLA would cover any improvements assigned to the inventors. In effect, the improvements would rebound back to Speedplay, so mandatory assignment of improvements did not really curtail Speedplay’s rights.\textsuperscript{38} The final two limiting provisions restricted Speedplay’s foreign sales and gave the inventors the right to review Speedplay’s financial books. Since a U.S. patent’s reach is limited to the United States, the Federal Circuit held that no restriction on foreign sale could diminish a licensee’s U.S. patent rights.\textsuperscript{39} The court also ruled that inventor’s right to review Speedplay’s books upon insolvency constituted a “policing mechanism” rather than a deprivation of proprietary rights in the licensed patent.\textsuperscript{40}

Since the restrictions in the license to Speedplay did not leave the patent owners with any substantial right in the ’778 patent, the Federal Circuit held that Speedplay could sue for patent infringement without joining the patentee.\textsuperscript{41}

II. SUBLICENSEE STANDING: \textit{PRIMA TEK II, L.L.C. V. A-ROO CO.}\textsuperscript{42}

A. The Question of Sublicensee Standing

Given the lack of case law regarding sublicensee standing, it is difficult to predict whether a sublicensee would be able to bring an infringement suit without joining the patentee. The uncertainty applies as well where the sublicensee obtained rights via a license-to-license agreement.\textsuperscript{43} The \textit{Vaupel} and \textit{Speedplay} holdings suggest that the transfer of all substantial patent rights to a sublicensee should confer upon the sublicensee in a license-to-license agreement standing to sue. While this result makes sense, it was not the result reached by the Federal Circuit when a sublicensee case came before it.

\textsuperscript{38} \textit{Id.} at 1252.
\textsuperscript{39} \textit{Id.} (citing \textit{Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.}, 944 F.2d 870, 875 (Fed. Cir. 1991)).
\textsuperscript{40} \textit{Speedplay}, 211 F.3d at 1252.
\textsuperscript{41} \textit{Id.}
\textsuperscript{42} 222 F.3d 1372 (Fed. Cir. 2000).
\textsuperscript{43} As used in this Note, a license-to-license agreement is a contract wherein a patentee grants a party permission to license the patent to a sublicensee third party. Before the Federal Circuit, A-Roo characterized the transaction between Southpac and Prima Tek I as a “license to license.” \textit{Id.} at 1379.
B. Case Summary: Prima Tek II, L.L.C. v. A-Roo Co. 44

Patent owner Southpac International ("Southpac"), a Cook Islands corporation, entered into a license agreement with Prima Tek I granting to Prima Tek I the "exclusive worldwide right to make, use and sell the products and processes covered by the patents." 45 This grant of rights, however, was merely an instrument for Prima Tek I to grant a license to Prima Tek II, Prima Tek I's subsidiary. The license to Prima Tek I provided that Prima Tek I had rights in the patent "only to the extent necessary to grant a license to Primatek II." 46 Accordingly, Prima Tek I transferred all rights to make, use, and sell the patented product to Prima Tek II via a sublicense agreement. 47 The sublicense agreement contained the same termination and enforcement clauses as the original license to Prima Tek I. Specifically, "the license automatically terminated at the end of the initial two-year term, or at the end of each year thereafter, unless Southpac notified Prima Tek I at least thirty days in advance of its intent to renew the agreement for an additional year." 48 But unlike the license-to-license agreement between Southpac and Prima Tek I, in which Southpac agreed to be bound by any judgment against Prima Tek I, the sublicense agreement did not provide that either Prima Tek I or Southpac would be bound by any judgment against Prima Tek II. 49

Prima Tek II brought an infringement action against A-Roo and was forced by the district court to join Prima Tek I. 50 The district court did not require joinder of Southpac. In its appeal, A-Roo insisted that the trial court erred as a matter of law in failing to join Southpac in the suit and that Prima Tek I and Prima Tek II therefore lacked standing to sue. 51 In support of its position, A-Roo argued, first, that the license was limited in duration and only renewable at Southpac's option, and second, that all rights to Prima Tek I were granted solely to transfer the rights to Prima Tek II, which necessarily restricted Prima Tek I's rights to the patents. 52

The Federal Circuit rejected A-Roo's first contention. As a starting point, the court acknowledged that a termination clause gives the patentee a reversionary interest in the licensed patent that could be a substantial

44. Id.
45. Id. at 1374.
46. Id.
47. Id. at 1375.
48. Id. at 1374.
49. Id. at 1375.
50. Id. at 1375-76.
51. Id.
52. Id. at 1378.
In Vaupel, however, the Federal Circuit held that a termination clause without a “hard” termination date was “entirely consistent with assignment.” Because the license between Southpac and Prima Tek I did not have a “hard” termination date, the court ruled that the termination clause did not deprive Prima Tek I of standing to sue.

On the other hand, the court accepted A-Roo’s contention that Prima Tek I did not receive “all substantial rights” in the patent. The court reasoned that prior to the sublicense to Prima Tek II, Prima Tek I could not exercise the right to exclude because Prima Tek I only had the right to sublicense the patent to Prima Tek II. After the sublicense, only Prima Tek II had the right to exclude.

The court also held that Prima Tek II lacked standing to sue since its rights flowed from Prima Tek I, which did not have standing. In the Federal Circuit’s words, “a licensee . . . cannot convey that which it does not possess.”

Finally, the court held that Southpac’s agreement to be bound by any judgment rendered against Prima Tek I did not confer standing on Prima Tek I. The Federal Circuit had articulated such a rule earlier in Ortho Pharmaceutical Corp. v. Genetics Institute, Inc., holding that a “right to sue” clause was no alternative to owning all substantial rights in a patent.

III. DISCUSSION

The Federal Circuit’s decision to deny Prima Tek I and Prima Tek II standing to sue without joining Southpac conflicted with the “all substantial rights” rule of Speedplay. Collateral estoppel might have provided a more sensible basis for denying Prima Tek I and Prima Tek II standing to sue. As a result of the Prima Tek decision, Prima Tek I and Prima Tek II’s only alternative is to join Southpac.

53. Id.
55. See Prima Tek, 222 F.3d at 1379.
56. Id. at 1380.
57. Id.
58. Id.
59. Id. at 1382.
60. Id. at 1382 (quoting Dunham v. Indianapolis & St. Louis R.R., 8 F. Cas. 44, 45 (N.D. Ill. 1876)).
61. Id. at 1381.
62. 52 F.3d 1026, 1034 (Fed. Cir. 1995) (providing that a licensee’s proprietary interest in a patent confers standing rather than a “right to sue clause”).
A. The "All Substantial Rights" Rule Affirmed in Speedplay Makes Sense

Statutory law, Supreme Court authority, and Federal Circuit precedent support Speedplay's rule that an exclusive licensee with all substantial patent rights has standing to sue for infringement without joining the patentee.

Under the Patent Act, only a patentee or its successor in title has a remedy by civil action for patent infringement.63 Ordinarily, courts have interpreted this as requiring that a patent owner or assignee initiates the suit.64 Exceptions have been made to allow licensees to sue when the infringer is the licensor-patentee.65 In addition, exclusive licensees usually have standing to sue, but not without joining the patentee as co-plaintiff.66 In determining when licensees have standing, it is well settled that "whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions."67 As a result, use of the phrase "exclusive license" in an agreement is not dispositive; if an agreement actually transfers all substantial rights in the patent to the licensee, it is effectively an assignment and confers standing upon the licensee to sue alone.68

In Waterman v. Mackenzie, the Supreme Court enumerated the bundle of rights necessary to confer standing: the exclusive right to make, use, and sell the patented product or process; an undivided share in that exclusive right; and the exclusive right within and throughout a specified region of the United States.69 An instrument that conveys all three rights is tantamount to an assignment, and the party to whom those rights were granted may bring suit for infringement in its own name.70 In Vaupel, the Federal Circuit introduced the "all substantial rights" language, asserting

---

63. See supra note 2 and accompanying text.
65. Indep. Wireless Tel. Co. v. Radio Corp. of Am., 269 U.S. 459, 467-68 (1926) (citing Littlefield v. Perry, 88 U.S. (21 Wall.) 205, 223 (1874)). A licensee may wish to see a patentee if the patentee is the infringer of the patent.
66. Textile Prods., Inc. v. Mead Corp., 134 F.3d 1481, 1484 (Fed. Cir. 1998).
69. Waterman, 138 U.S. at 255.
70. Vaupel, 944 F.2d at 875.
that a conveyance of all substantial rights—i.e., the three rights enumerated in Waterman—is an assignment.\footnote{1}

That a party has standing to bring suit if it possesses all substantial rights is equitable and accords with both Independent Wireless, which held that a patentee is an essential party to an infringement suit\footnote{2} and Rule 19, which requires that all essential parties be joined.\footnote{3} In Independent Wireless, the Supreme Court reasoned that the patentee was an essential party because the patentee’s presence would “enable the alleged infringer to respond in one action to all claims of infringement for his act.”\footnote{4} If, however, the patentee has granted all substantial rights to a licensee, then the patentee has no claim of infringement and is no longer an essential party.

In Speedplay, the agreement that conveyed rights to Speedplay was called an exclusive license, but it transferred to Speedplay “the exclusive rights and license to manufacture, have manufactured, distribute, market, use and sell the Licensed Product” and the right to grant sublicenses until the expiration of the last of the Licensed Patents.\footnote{5} The license terms gave Speedplay all the rights that characterize an assignment.\footnote{6} Since the patentees retained no substantial rights in the patent, multiple litigation against Bebop would not occur even if Speedplay did not join the patentee in the suit. Thus, the Federal Circuit’s ruling that Speedplay could sue alone was logical and fair.

B. The Prima Tek Ruling Is Inconsistent with Speedplay

In Prima Tek, the Federal Circuit ruled that a sublicensee in a license-to-license agreement did not have standing to sue, even though it joined the primary licensee. Unfortunately, instead of establishing a consistent doctrine that addresses issues of standing in the context of license-to-license agreements, the Federal Circuit applied two separate doctrines: first, in order to have standing, a licensee must have an exclusive grant to make, use, and sell products and processes covered by the patents;\footnote{7} and second, that “an owner or licensee of a patent cannot convey that which it

\footnotesize\begin{itemize}
\item \footnote{1}{Id.}
\item \footnote{2}{Indep. Wireless Tel. Co. v. Radio Corp. of Am., 269 U.S. 459, 468 (1926).}
\item \footnote{3}{FED. R. Civ. P. 19(a). Rule 19(a) requires that “persons having a joint interest shall be made parties and be joined. . . . When a person who should join as a plaintiff refuses to do so, he may be made . . . in proper cases, an involuntary plaintiff.” Id.}
\item \footnote{4}{Indep. Wireless, 269 U.S. at 468.}
\item \footnote{5}{Speedplay, Inc. v. Bebop, Inc., 211 F.3d 1245, 1250 (Fed. Cir. 2000).}
\item \footnote{6}{Waterman 138 U.S at 255; see also supra text accompanying note 69.}
\item \footnote{7}{See Prima Tek II v. A-Roo Co., 222 F.3d 1372, 1377 (Fed. Cir. 2000).}
\end{itemize}
does not possess." Inexplicably, the court did not apply either doctrine to all the facts.

1. *The Court's Application of the "All Substantial Rights" Doctrine*

In *Prima Tek*, the court employed the doctrine that a licensee has standing to sue if it has all substantial rights in the patent, the same doctrine articulated in *Speedplay*. But the court applied this doctrine only to *Prima Tek I*. In doing so, the court completely ignored whether *Prima Tek II* had sufficient proprietary rights in the patent to sue without joining the patentee.

The court denied standing to *Prima Tek I* on the grounds that *Prima Tek I* did not have the right to make, use, or sell the patented invention. The license to *Prima Tek I* gave it the right to transfer patent rights to *Prima Tek II* but never gave *Prima Tek I* the right to exercise any such proprietary rights. It seems appropriate, therefore, that *Prima Tek I* did not have standing to sue.

It is rather puzzling that the court neglected to apply the "all substantial rights" doctrine to *Prima Tek II*. Indeed, *Prima Tek II* had the exclusive right to make, use and sell the patented invention and could sublicense the patent. *Prima Tek II* thus should have had standing to bring suit in its own name. But the Federal Circuit held otherwise by applying an entirely different standard to *Prima Tek II*.

2. *The Court's Application of the "Transfer Of Rights" Doctrine*

The court applied to *Prima Tek II* the "transfer of rights" doctrine: "It is clear that [a] patentee[] can not grant what does not belong to him, and if he gives a license or makes a contract for the use of the thing patented, he can only give what he has himself." Since *Prima Tek I* did not have standing to sue, the court reasoned that *Prima Tek II* likewise lacked standing because all of *Prima Tek II*’s rights flowed from *Prima Tek I*. The court is, however, inconsistent in its application of the "transfer of rights" doctrine. The doctrine denies standing to a sublicensee but allows the transfer of substantive and exclusive patent rights to that same subli-
licensee. In other words, it appears that Prima Tek I could transfer the right to make, use, and sell a patented invention, but it could not transfer standing. It is entirely unclear why the court chose this approach.

Moreover, the Federal Circuit may have erred in applying the transfer of rights doctrine to standing. Standing is "the right to take the initial step that frames legal issues for ultimate adjudication," and standing exists if a plaintiff has a legally protected interest at stake in litigation. The Federal Circuit has consistently held that a "right to sue" clause does not transfer standing to bring suit. In so holding, the court has implied that standing is not a right that parties may transfer by contract but rather a right granted by statute to protect proprietary interests through adjudication. When a party transfers legally protected rights, such as all substantial patent rights, standing goes to the party that receives those interests. As a result, when Prima Tek I transferred the exclusive right to make, use, and sell the patented invention to Prima Tek II, standing should have been conferred upon Prima Tek II.

C. Nonmutual Collateral Estoppel: A Better Result for Prima Tek

Although the Federal Circuit employed a confusing rationale for denying Prima Tek I and Prima Tek II standing to sue alone, the court's outcome does not seem entirely unreasonable given the possibility of subsequent litigation involving Southpac.

Under the doctrine of nonmutual collateral estoppel, once an issue has been litigated, the losing party (or parties) cannot relitigate that issue in another action. For example, suppose that Prima Tek I and Prima Tek II had been allowed to sue A-Roo for infringement without joining Southpac and that A-Roo prevailed by establishing that the patent was invalid. Future alleged infringers could rely on nonmutual collateral estoppel to avoid liability in any infringement suit brought by Prima Tek I or Prima

85. The Federal Circuit did not expressly state that the transfer of the right to make, use, and sell the patented invention was valid. See id. Therefore, this argument assumes that the Federal Circuit would not strike down the license agreement to Prima Tek II as unenforceable, for it is unlikely that the Federal Circuit would invalidate all license-to-license agreements.


88. As noted above, courts have well established that a party inherits sufficient interest through assignment to bring suit alone.

89. The doctrine of collateral estoppel is also known as the doctrine of issue preclusion." Jet, Inc. v. Sewage Aeration Sys., 223 F.3d 1360, 1365-66 (Fed. Cir. 2000).

Tek II. But if Southpac sued A-Roo (or any other infringer), A-Roo would have to relitigate the issue of validity because Southpac did not have a "full and fair opportunity to litigate" in the original suit.91 Because this would be unfair to A-Roo, it would be reasonable to require Southpac to be joined as co-plaintiff in the initial litigation as long as Southpac retained sufficient interest in the patent in suit.92

As discussed above, Southpac did not retain a present interest in the patent via the license-to-license agreement.93 Southpac had indirectly transferred to Prima Tek II the exclusive right to make, use, and sell the patented product and to sublicense the patent; hence, Southpac no longer retained those rights for itself.94 But Southpac did have a reversionary interest in the licensed patent because the license-to-license agreement included a termination clause that permitted Southpac to terminate the agreement upon notice.95 Given that Southpac could regain its patent rights by terminating the license agreement, fairness dictates that Southpac be joined so that A-Roo will not be subject to repeat litigation. The Federal Circuit, however, ignored this consideration by dismissing the termination clause as being "entirely consistent with assignment" and therefore insufficient to deprive an exclusive licensee of standing to sue alone.96

D. Joinder as an Undesirable Alternative

The Federal Circuit's Prima Tek decision creates difficulty for sublicensees in a license-to-license agreement who want to bring suit for patent infringement. A "right to sue" clause is insufficient to confer standing upon a sublicensee,97 and as the court concluded in Prima Tek, a sublicensee in a license-to-license agreement ordinarily lacks standing to sue be-

91. JAY DRATLER, JR., LICENSING OF INTELLECTUAL PROPERTY § 8.06[1][c] (1994). Nonmutual collateral estoppel is a variation of the doctrine in which an issue, i.e., a patent's validity, cannot be relitigated once the patent is held invalid. The Supreme Court abandoned the doctrine of mutuality of estoppel in patent cases; however, in order to benefit from collateral estoppel a second defendant must demonstrate that "the party to be estopped had a full and fair opportunity to litigate his claim in the first action." Blonder-Tongue Laboratories Inc. v. University of Illinois Foundation, 402 U.S. 313, 347 (1971).

92. This very concern motivated the Supreme Court holding in Independent Wireless Telegraph Co. v. Radio Corp. of America, 269 U.S. 459 (1926), that the patentee is an essential party.

93. See supra Part III.A.


95. Id. The termination clause provided that the license terminates automatically after two years, renewable by Southpac in one-year increments.

96. Id. at 1380.

97. Id. at 1381.
cause the party from whom it receives its rights does not have standing.\textsuperscript{98} This is true even if the sublicensee is in privity with the licensee and patentee and, via the license-to-license agreement, has a grant of all substantial patent rights that amount to an assignment. Therefore, the sublicensee can only bring an action against an infringer if it joins the patent owner as a co-plaintiff.\textsuperscript{99} This result is unjustified under the "all substantial rights" doctrine, and unfortunately may discourage businesses from entering into otherwise beneficial license-to-license agreements.

Although the Prima Tek decision does not explain Southpac's and Prima Tek I and Prima Tek II's motives for selecting a license-to-license agreement,\textsuperscript{100} it is at least possible that vertical restraints\textsuperscript{101} or cost allocations imposed by the arrangement yielded net gain in production efficiency. If a patentee opts to avoid license-to-license agreements, these benefits would not be realized. While the ultimate effect is unknown, it is possible that some benefit could be lost as a result of the Prima Tek holding.

IV. CONCLUSION

The Federal Circuit holding in Speedplay that a licensee with all substantial rights in a patent had standing to sue reaffirmed a reasonable rule. In Prima Tek, the Federal Circuit should have applied the same rule in deciding whether a licensee and sublicensee in a license-to-license agreement had standing to sue. Instead, the court confused the issue by applying a different and inconsistent doctrine to each party, with the result that li-

\textsuperscript{98} See id. at 1382.

\textsuperscript{99} In Prima Tek, the district court held that Prima Tek I could join Southpac to the suit, so the option of compulsory joinder seemed available even though Southpac is incorporated in the Cook Islands. Id. at 1374. Generally, the technique of compulsory joinder of patentees is available to licensees that bring infringement actions, even if the patentee is not within the personal jurisdiction of the court before which the case is brought. See Indep. Wireless Tel. Co. v. Radio Corp. of Am., 269 U.S. 459, 472 (1926) (holding that "if there is no other way of securing justice to the exclusive licensee, the latter may make the owner without jurisdiction a co-plaintiff without his consent in the bill against the infringer."). Joinder is necessary in order to give the court subject matter jurisdiction under the patent laws. See id. at 468 (holding that "[t]he presence of the owner of the patent as a party is indispensable not only to give jurisdiction under the patent laws but also, in most cases, to enable the alleged infringer to respond in one action to all claims of infringement for his act . . . ").

\textsuperscript{100} See Prima Tek II at 1372.

\textsuperscript{101} See Continental T.V., Inc. v. GTE Sylvania, Inc., 433 U.S. 36 (1977) (recognizing that vertical restraints are often good in that they can result in gains in productive efficiency that outweighs any possible loss of allocative efficiency).
licensees and sublicensees in license-to-license agreements can never sue without joining the patentee. This unfortunate result could discourage parties from entering into beneficial license-to-license agreements.