

# Deciphering Implied Patent Licensing: 10 Years of Federal Circuit Decisions

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# Brief Background: Patent Licensing

- Express License vs. Implied License:
  - Express license: Agreement between parties *expressly* states that a particular patent is licensed for a particular product
    - E.g., “Licensee is granted a license under U.S. Patent No. XX,XXX,XXX to make widgets”
  - Implied license:
    - No express license, but license nevertheless may be found if “the circumstances of the [transaction must] ‘plainly indicate that the grant of a license should be inferred.’” LG Electronics v. BizCom Electronics (Fed. Cir. 2006), *citing* Met-Coil Sys. Corp. v. Korner Unlimited, Inc. (Fed. Cir. 1986)

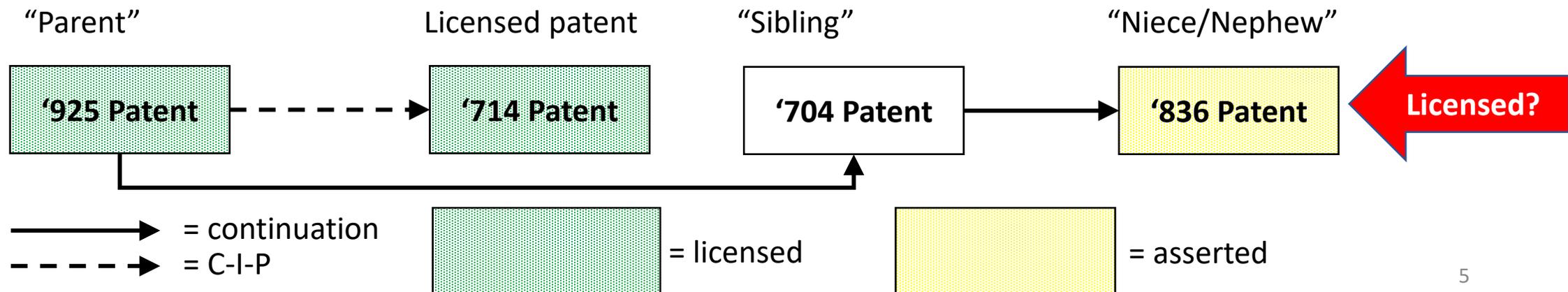
# Brief Background: Patent “Families”

- Patents are often part of a much larger patent “family” which stems from (and which is allowed to take filing date priority from) earlier filed patent applications
  - Continuation: new application filed based on earlier filing and which is designed to “continue” the evaluation of the patentability of the inventions in that earlier filing
  - Continuation-in-part: new application filed based in part on earlier filing, and which is designed to pursue both old and new materials, and get the benefit of the filing date for the older material
  - Divisional: new application which splits off part of the subject matter of an earlier filed application from other parts in that application
  - Reissue: Process to correct problems in an earlier-issued patent

**Latest Case: Cheetah Omni v. AT&T (Fed. Cir. 2020)**

# Cheetah Omni v. AT&T (Fed. Cir. 2020)

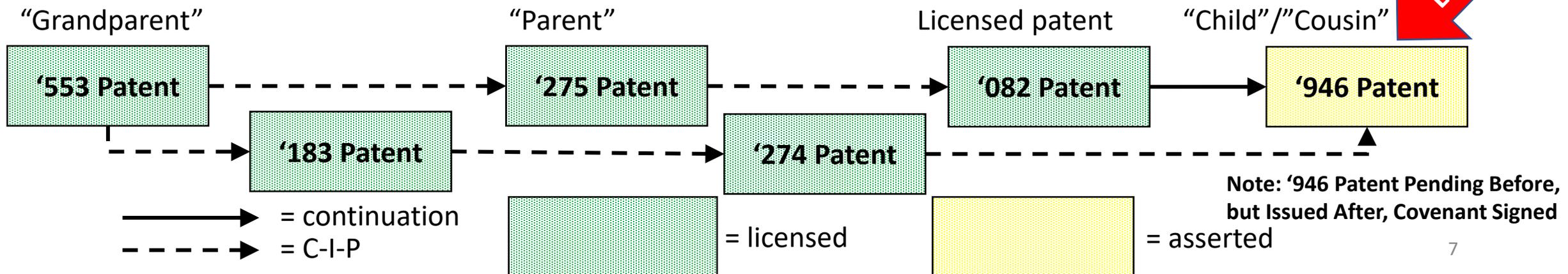
- Plaintiff grants Defendant license to: “(i) the [**’714 patent**], and (ii) ***all parents, provisionals, substitutes, renewals, continuations, continuations-in-part, divisionals, foreign counterparts, reissues, oppositions, continued examinations, reexaminations, and extensions of the Patents-in-Suit*** owned by, filed by, assigned to or otherwise controlled by or enforceable by [Plaintiff] or any of its Affiliates or its or their respective successors in interest ***at any time as of, prior to, on or after the Effective Date, whether filed before, on or after the Effective Date.***”



**Before We Get to The Answer, Some History**

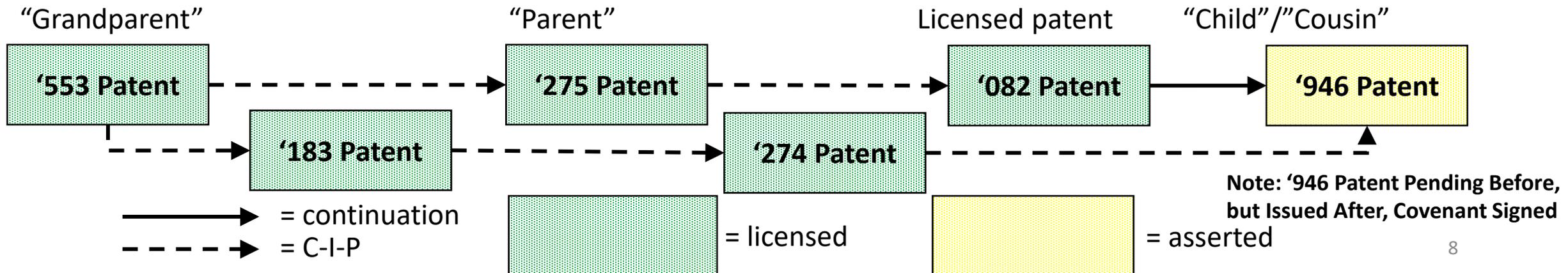
# TransCore v. Electronic Transaction Consultants (Fed. Cir. 2009)

- “[Plaintiff] hereby agrees and covenants not to bring any demand, claim, lawsuit, or action against [Defendant] for future infringement of any of United States Patent Nos. [‘]082; [‘]183; [‘]275; [‘]553; [‘]389; [‘]973; [‘]274; [‘]187; [‘]162; and [‘]904, or any foreign counterparts of the aforesaid United States Patents, for the entire remainder of the terms of the respective United States Patents and their foreign counterparts. *This Covenant Not To Sue shall not apply to any other patents* issued as of the effective date of this Agreement or *to be issued in the future.*”**



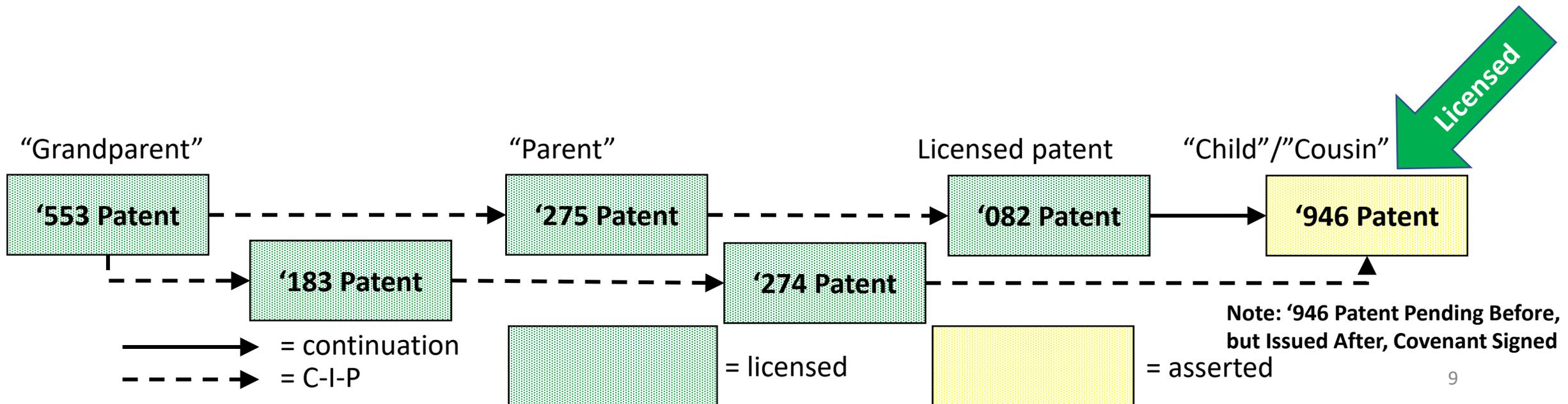
# TransCore v. Electronic Transaction Consultants (Fed. Cir. 2009)

- “[Plaintiff]’s later-issued *’946 patent [is] broader than, and necessary to practice, at least the ’082 patent that was included in the [] settlement agreement.* ... [T]he district court properly concluded that in order for [Defendant] to obtain the benefit of its bargain with [Plaintiff], it must be permitted to practice the ’946 patent to the same extent it may practice the ’183, ’275 and ’082 patents. ***[Plaintiff] is, therefore, legally estopped from asserting the ’946 patent against [Defendant] in derogation of the authorizations granted to [Defendant] under the ’183, ’275 and ’082 patents. And [Defendant] is, in turn, an implied licensee of the ’946 patent.***”



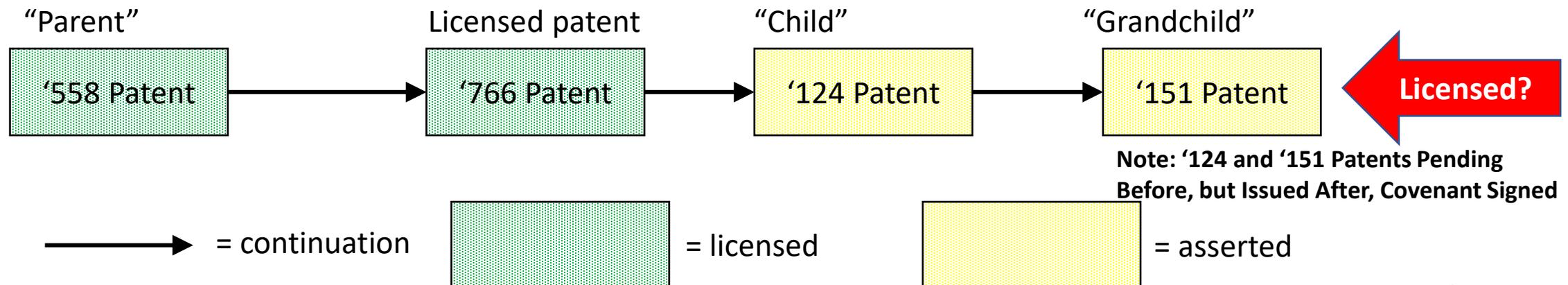
# TransCore v. Electronic Transaction Consultants (Fed. Cir. 2009)

- “The language of the [] settlement agreement, which states that ‘[t]his Covenant Not To Sue shall not apply to any other patents . . . to be issued in the future,’ is not to the contrary. This language may protect [Plaintiff] against broad claims that future patents generally are impliedly licensed, but ***it does not permit [Plaintiff] to derogate from the rights it has expressly granted and thus does not preclude a finding of estoppel.***”



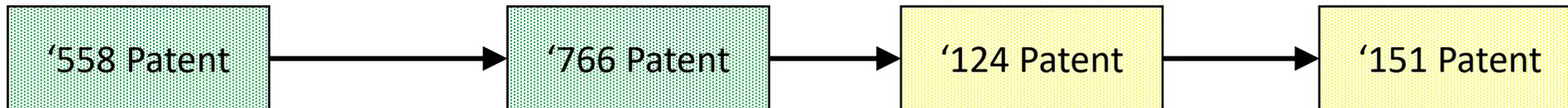
# General Protecht v. Leviton (Fed. Cir. 2011)

- “[*Patent owner*] hereby covenants not to sue ... for alleged infringement of *the ‘558 and/or ‘766 patent* based on the ... products accused of infringement ... and ... with respect to an anticipated future new ... product that Defendant ... has indicated its intent to market in the U.S. in the future, provided however that [the future product conforms to a submitted design].”



# General Protecht v. Leviton (Fed. Cir. 2011)

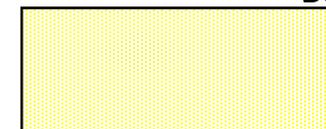
- “Here, [Plaintiff] urges that, *because at least some claims of its continuations are narrower than the previously asserted claims, asserting the newer, narrower claims does not ‘derogate’ from the right to practice the licensed claims.* ... *TransCore* prohibits a patent licensor from derogating from rights granted under the license by ‘taking back in any extent that for which [it] has already received consideration.’ ... *In this case, [Plaintiff]’s actions have unquestionably derogated from [Defendant]’s rights under the [covenant].* The same products were accused. The same inventive subject matter was disclosed in the licensed patents. *If [Plaintiff] did not intend its license of these products to extend to claims presented in continuation patents, it had an obligation to make that clear.*”



Note: '124 and '151 Patents Pending Before, but Issued After, Covenant Signed

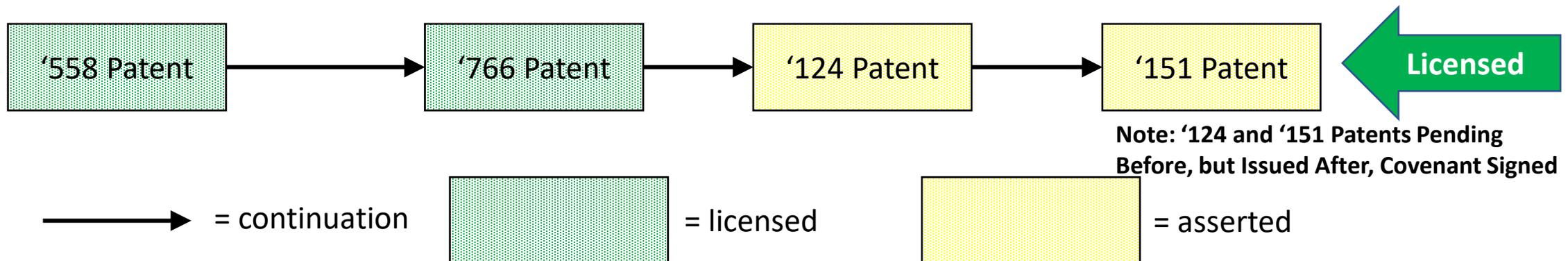
→ = continuation

 = licensed

 = asserted

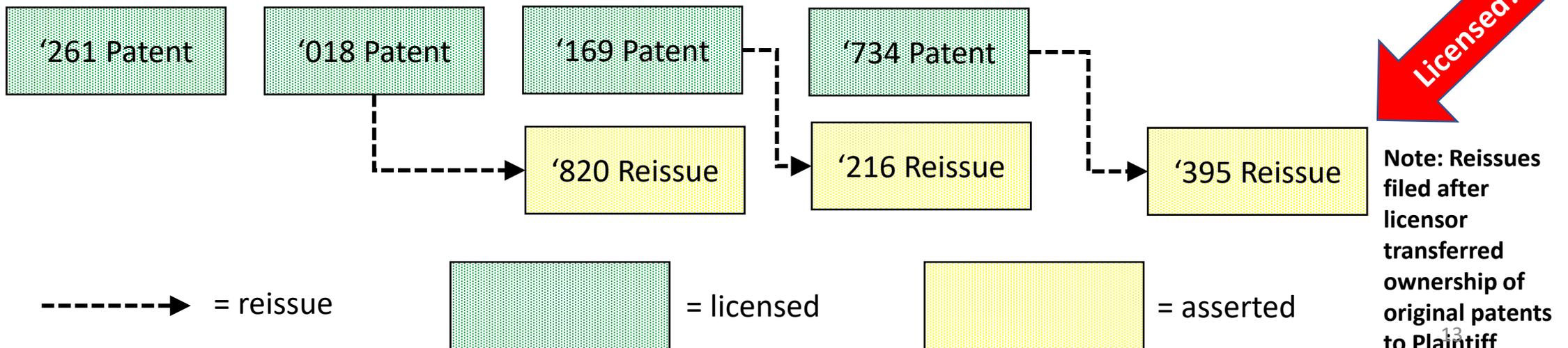
# General Protecht v. Leviton (Fed. Cir. 2011)

- “From our holding in *TransCore* it reasonably follows that where, as here, **continuations issue from parent patents that previously have been licensed as to certain products**, it may be presumed that, absent a clear indication of mutual intent to the contrary, **those products are impliedly licensed under the continuations as well**. If the parties intend otherwise, it is their burden to make such intent clear in the license.”



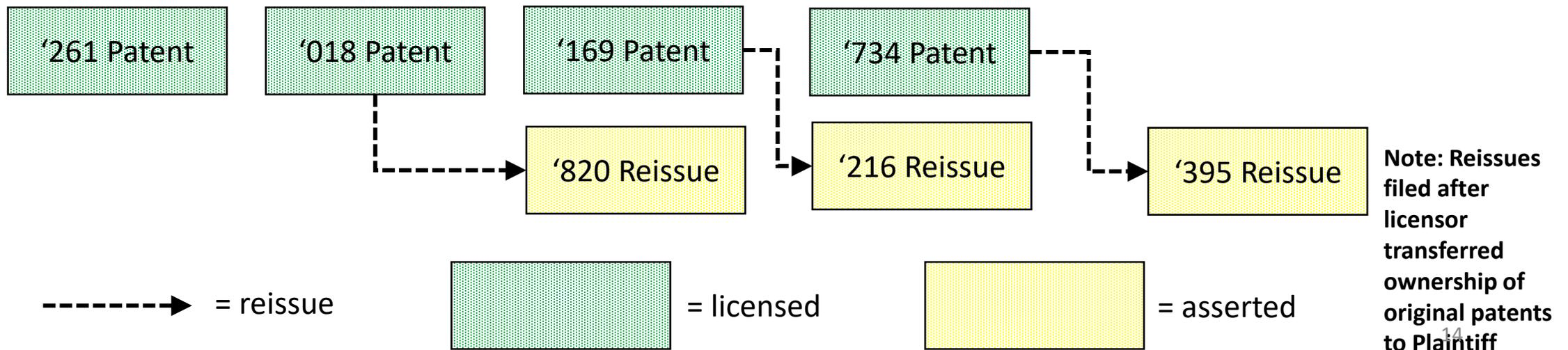
# Intel v. Negotiated Data Solutions (Fed. Cir. 2012)

- Defendant granted a “non-exclusive, non-transferrable, royalty-free, world-wide licenses under [licensed patents] and [licensed patent applications] to make, to have made, to use, to sell (either directly or indirectly), to lease and to other wise dispose of LICENSED PRODUCTS,” ... for the life or lives of the patents... The Agreement defined the licensed patents as “***all classes or types of patents and utility models of all countries of the world, applications for which have a first effective filing date in any country prior to the date of expiration or termination of this Agreement***, in respect of which, as of the EFFECTIVE DATE, or thereafter during the term of this Agreement, [licensor] owns or controls....”
- “***Each one of the [‘261, ‘018, ‘169, and ‘734 patents] was indisputably a [licensed patent] under the Agreement.***”



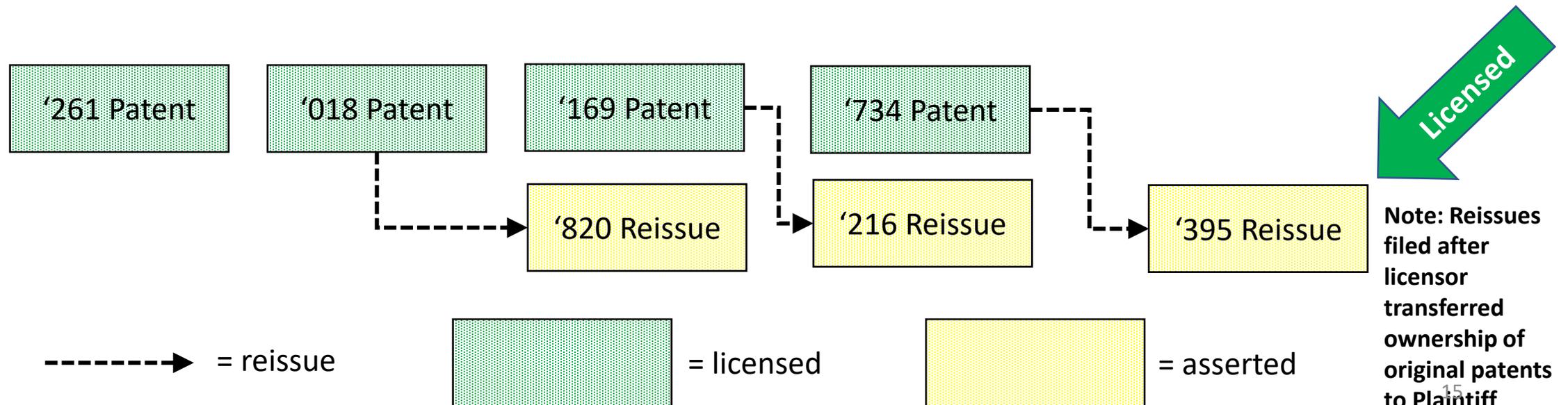
# Intel v. Negotiated Data Solutions (Fed. Cir. 2012)

- “Thus, the text of [35 USC] § 251 [reissue section] suggests to a potential licensee that—in the absence of contrary language in the licensing agreement—***a license under the patent that is not directed to any specific claims, field of use, or other limited right will extend to the full extent of protection provided by law to the invention which is the subject of that patent.*** Because the patent laws provide for the grant of reissue patents under specified circumstances, it is reasonable to conclude that the parties’ mutual intent at the time of contracting was that the broad and unrestricted grant of license under [the licensed patents] extended to any reissues thereof.”



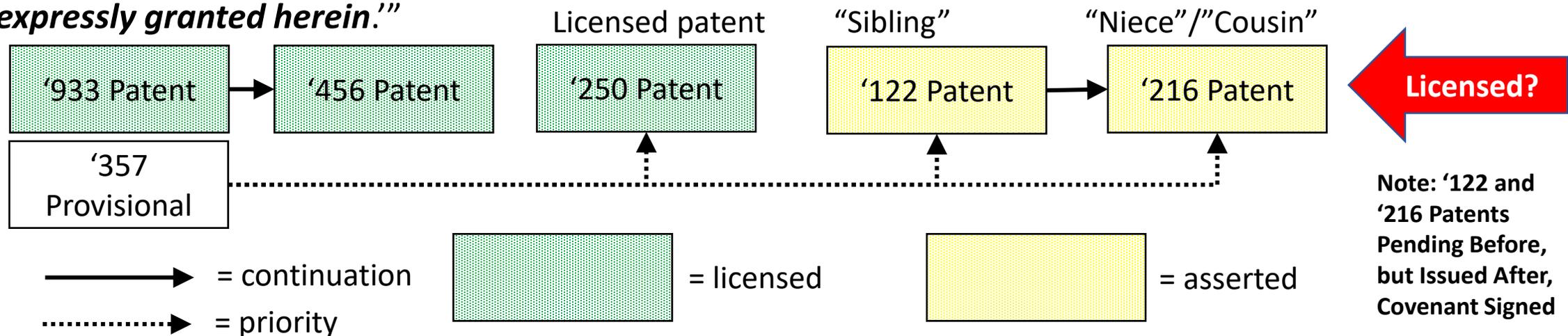
# Intel v. Negotiated Data Solutions (Fed. Cir. 2012)

- *“TransCore and General Protecht recognized that allowing the patent holder to sue on subsequent patents, when those later patents contain the same inventive subject matter that was licensed, risks derogating rights for which the licensee had paid consideration. In situations where the full extent of an invention disclosed in a patent is licensed, the concerns raised in General Protecht and TransCore are equally relevant, regardless of whether the case involves reissue patents or continuation patents.”*



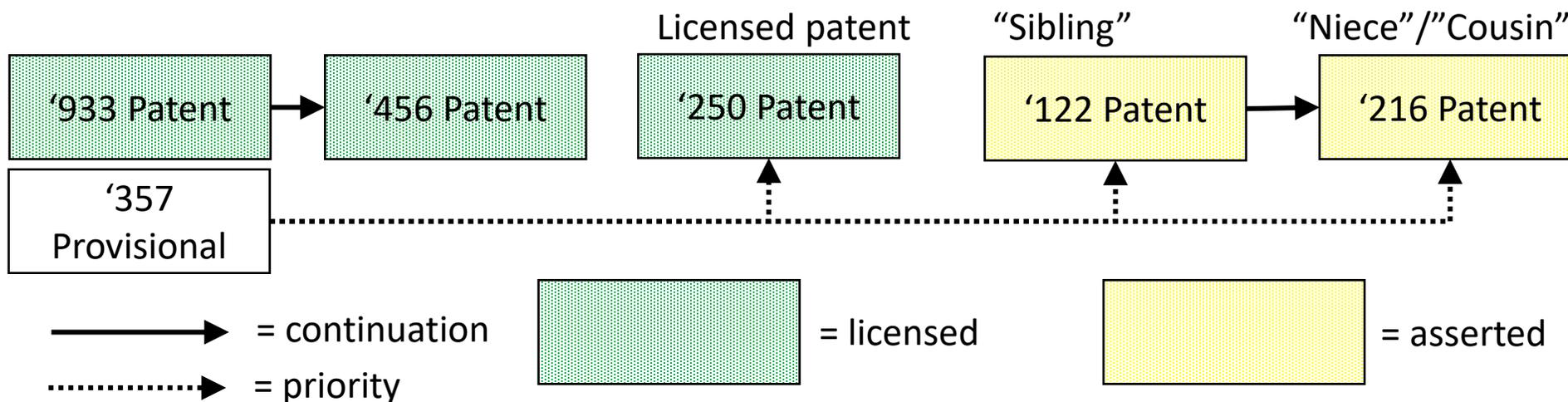
# Endo Pharma v Actavis (Fed. Cir. 2014)

- Defendant licensed to “(a) any [U.S.] patents that are both (i) now owned by [Plaintiff] . . . and (ii) issued as of the Effective Date of this Agreement, including the [‘933, ‘456, and ‘250] Patents, (b) *any [U.S.] patent applications that claim priority to the [‘933, ‘456, and ‘250] Patents, including any continuation, continuation-in-part and divisional patent applications that claim priority to [‘933, ‘456, and ‘250] Patents*, and (c) any patents resulting from the reissue or reexamination of patents or patent application of patents or patent applications comprised within clauses (a) and (b) . . .”
- The agreement “includes a ‘No Implied Rights’ provision stating that *[Plaintiff] does not grant to [Defendant] any license or right ‘whether by implication, estoppel or otherwise, other than as expressly granted herein.’*”



# Endo Pharma v Actavis (Fed. Cir. 2014)

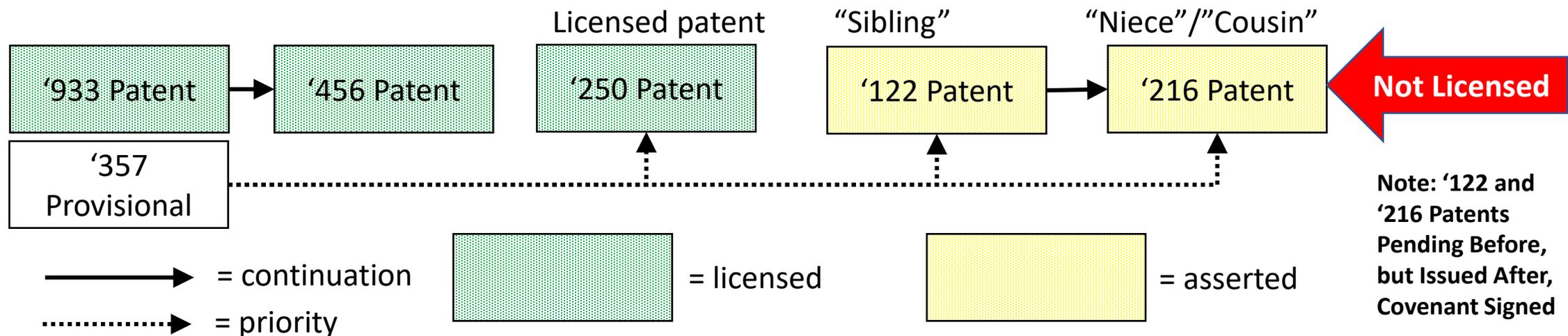
- “[T]he ... Agreement covers U.S. patent applications that “claim priority to the [‘933, ‘456, and ‘250] Patents ..., including any continuation, continuation-in-part and divisional patent applications that claim priority to [‘933, ‘456, and ‘250] Patents.” ... ***There can be no dispute that the ‘122 and ‘216 patents are not continuations of any of the licensed patents.*** ... An application that ***claims priority to another patent must contain an express cross-reference to ‘a prior-filed nonprovisional application*** from which the patent issued.’ 37 C.F.R. § 1.78(d)(2)...;...The ‘216 and ‘122 patents, however, ***do not cross-reference the applications that issued as any of the licensed patents.*** ... Therefore, it is quite clear that the ‘122 and ‘216 patents do not ‘claim priority to’ any of the licensed patents. ”



Note: '122 and '216 Patents Pending Before, but Issued After, Covenant Signed

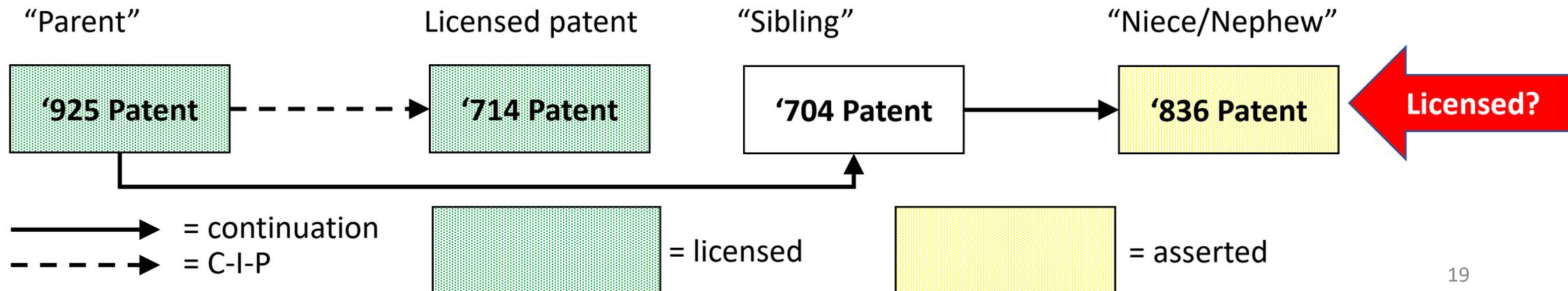
# Endo Pharma v Actavis (Fed. Cir. 2014)

- “*TransCore* and *General Protecht* ‘analyzed a licensee’s rights when the patent holder received a continuation patent’ and ‘recognized that allowing the patent holder to sue on subsequent patents, when those later patents contain the same inventive subject matter that was licensed, risks derogating rights for which the licensee paid consideration.’ ... **Taken together, these cases stand for the rule that a license or a covenant not to sue enumerating specific patents may legally estop the patentee from asserting continuations of the licensed patents in the absence of mutual intent to the contrary. ... We reject [Plaintiff’s] invitation to expand the implied license doctrine.** You get what you bargain for. And **we will not use the implied license doctrine to insert ourselves into that bargain and rewrite the contract.**”



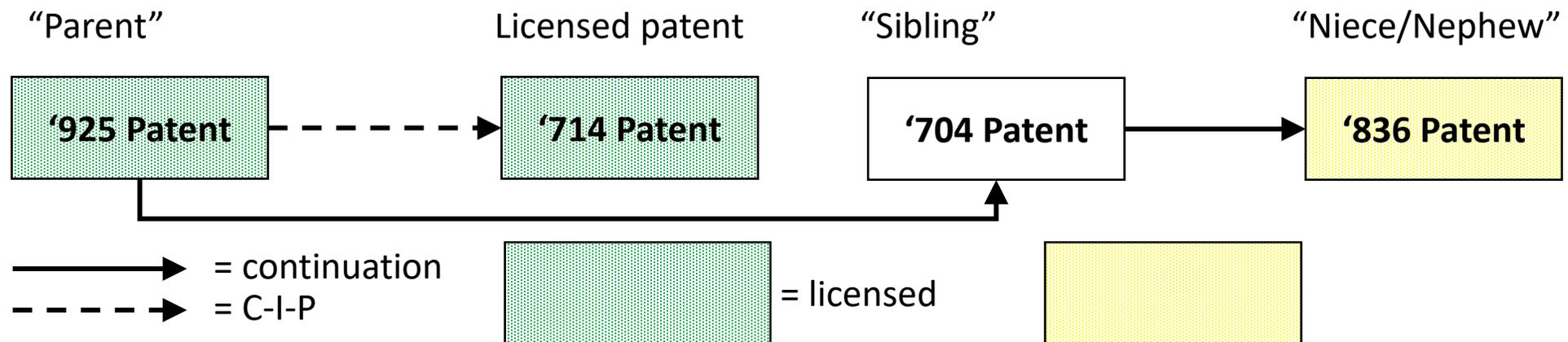
# Cheetah Omni v. AT&T (Fed. Cir. 2020)

- Plaintiff grants Defendant license to: “(i) *the Patents-in-Suit* [**‘714 patent**], and (ii) *all parents, provisionals, substitutes, renewals, continuations, continuations-in-part, divisionals, foreign counterparts, reissues, oppositions, continued examinations, reexaminations, and extensions of the Patents-in-Suit* owned by, filed by, assigned to or otherwise controlled by or enforceable by [Plaintiff] or any of its Affiliates or its or their respective successors in interest at any time as of, prior to, on or after the Effective Date, **whether filed before, on or after the Effective Date.**”



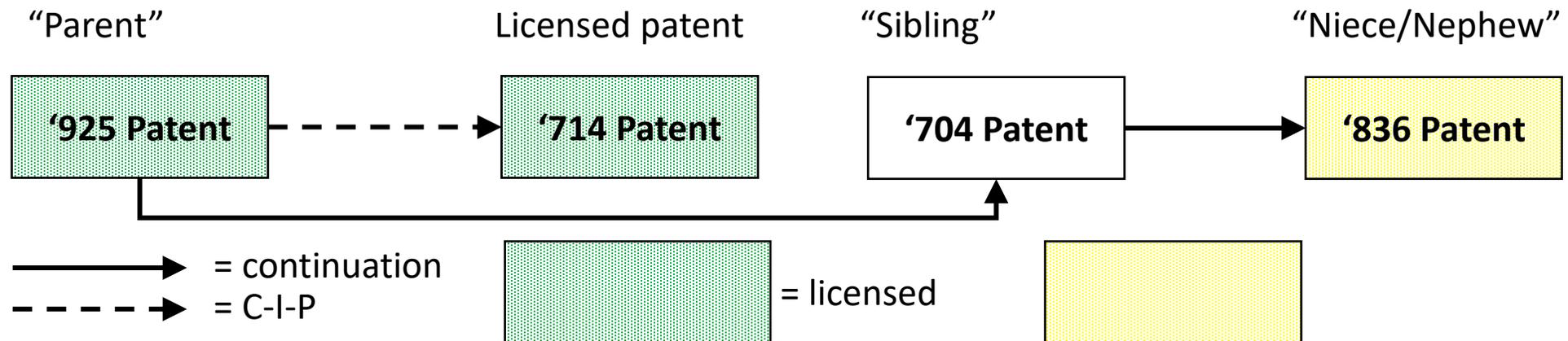
# Cheetah Omni v. AT&T (Fed. Cir. 2020)

- “We agree with the district court, and with [Defendants] that ***the licenses include an implied license to the '836 patent*** .... Legal estoppel prevents licensors from derogating or detracting from definable license rights granted to licensees for valuable consideration. .... In *TransCore*, we interpreted legal estoppel to provide an implied license to a related, later-issued patent that was broader than and necessary to practice an expressly licensed patent.”



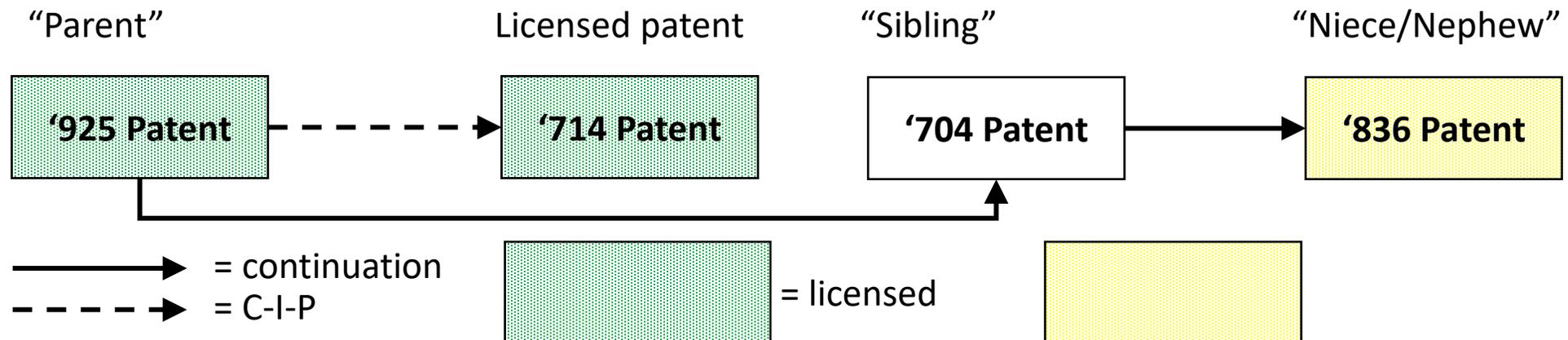
# Cheetah Omni v. AT&T (Fed. Cir. 2020)

- “Two years later, we considered whether an express license to a patent includes an implied license to its continuations, even when the continuation claims are narrower than previously asserted claims. *General Protecht*, 651 F.3d at 1361. Relying on *TransCore*, we answered that question in the affirmative....”



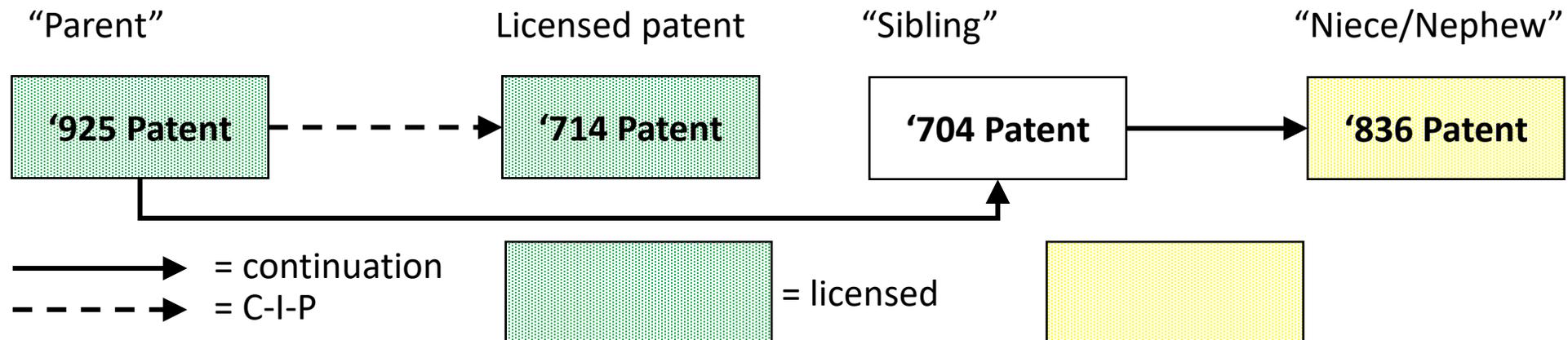
# Cheetah Omni v. AT&T (Fed. Cir. 2020)

- “In *General Protecht*, the continuation patent at issue had not yet issued at the time of the parties’ express license of the parent patent. [Plaintiff] attempts to cabin *General Protecht*’s holding to express licenses executed before the issuance of a continuation patent. We decline to read *General Protecht* so narrowly. ***The timing of patent issuance is not material to the policy rationale underpinning our implied license presumption.*** See *TransCore*, 563 F.3d at 1279. Moreover, if anything, ***it is easier for the parties to clearly identify an already-issued continuation and expressly exclude it from a license agreement.***”



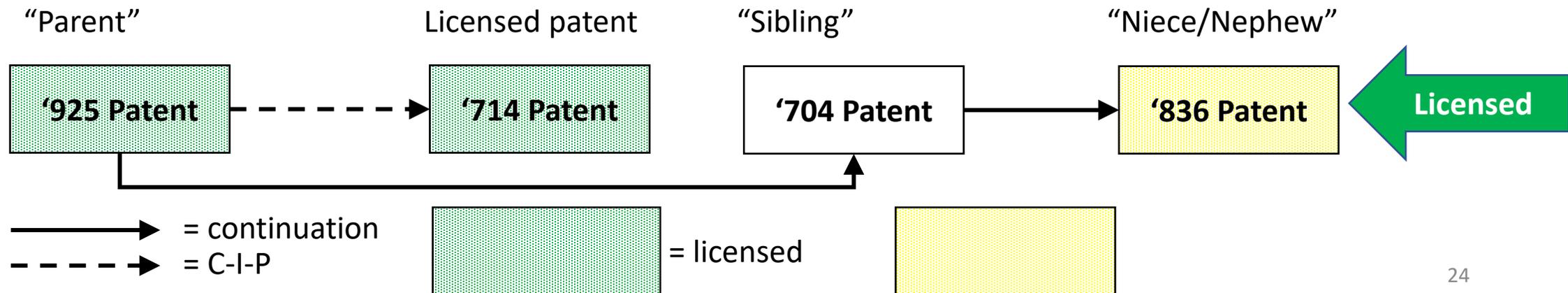
# Cheetah Omni v. AT&T (Fed. Cir. 2020)

- “Applying the presumption established in *General Protecht* provides a simple and clear resolution in this case. ***Because the '925 patent is an expressly licensed patent in the licenses, the licenses also include an implied license to a continuation of its continuation, the '836 patent.*** To the extent [Plaintiff] argues that the '836 patent claims cover a different invention from or are narrower than the '925 patent claims, ***the answer is that the same inventive subject matter was disclosed in the expressly licensed patents.*** If [Plaintiff] ***did not intend its license 'to extend to claims presented in continuation patents, it had an obligation to make that clear.'*** *General Protecht*, 651 F.3d at 1361.”



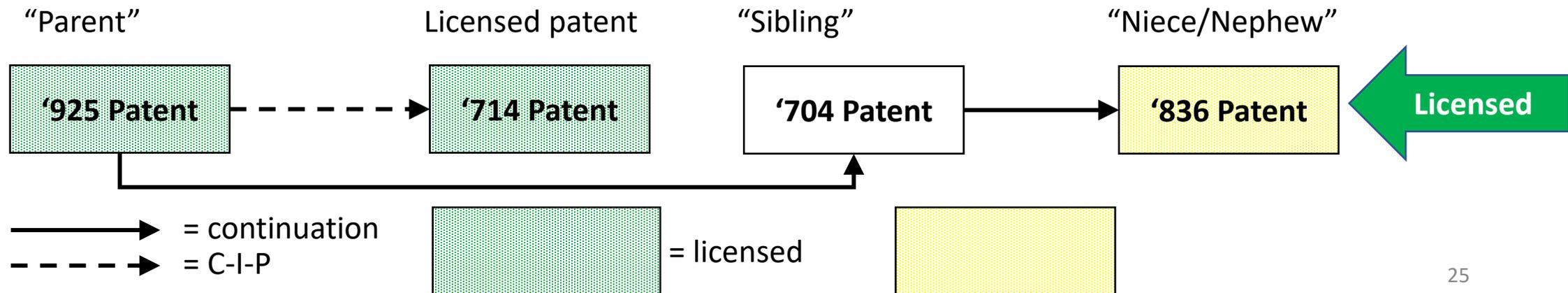
# Cheetah Omni v. AT&T (Fed. Cir. 2020)

- ***“The expectation is properly placed on the patent owner ... to specifically carve out continuation patents that it intended to exclude because [patent owner] has the most information about its total patent portfolio. If [patent owner] had a contrary intent, it could have made its intent clear in the agreement as a matter of contract drafting.”***



# Cheetah Omni v. AT&T (Fed. Cir. 2020)

- “[Plaintiff] attempts to evade the presumption that a license to a patent includes a license to its continuation by arguing that the parties had knowledge of the ’836 patent and would have named it expressly if they mutually intended that it be included. **The naming of certain patents expressly, however, does not evince a clear mutual intent to exclude other patents falling within the general definitions in an agreement. That is especially true here where the licenses list broad categories of patents without reciting their numbers individually.**”



# Lessons From A Decade of Federal Circuit Implied Patent Licensing Decisions

- License grant ambiguities will likely be construed against the patent owner/licensor if they later assert against licensee
  - Even seemingly non-ambiguous license grants
  - Even if there are general exclusions of any other licenses, express or implied
    - Patent holders/licensors may have to end up writing incredibly comprehensive disclaimers of licenses, including language indicating that licensee understands the implications of the disclaimer on the grant they are receiving, not to have implied license arguments kick in

# Lessons From A Decade of Federal Circuit Implied Patent Licensing Decisions

- Licensing an enumerated patent will likely be construed to license all child patents (at least continuations and reissues, and broader C-I-Ps)
  - Unless the grant expressly disclaims, by specific patent or application number, each child intended to be excluded
  - What about narrower C-I-P children?
- Licensing an enumerated patent will likely **not** be construed to license all “cousin” patents
  - Unless the “grandparent” of the “cousins” was also licensed

# Lessons From A Decade of Federal Circuit Implied Patent Licensing Decisions

- How does one craft a sufficiently tightly-defined license grant and exclusion of license grant when:
  - License is not to enumerated patents, but just to particular products under an entire portfolio?
    - Is 10+ years of implied licensing law really only about related patents, not related products?
  - Enumerated patent family is still pending, and future child or grandchild applications may not yet have been filed or created?
    - I.e., do you have exclude out “future patents that may be filed later and may be related to the licensed patents”? Is that specific enough?