

#### 4-3- تعهد به عدم چالش در قراردادهای واگذاری و لیسانس

یکی دیگر از مسایل چالشی در قراردادهای مالکیت فکری محور مخصوصا دو قرارداد واگذاری و لیسانس اعتبار ادعای ابطال مال فکری مورد معامله از سوی ناقل در قرارداد واگذاری و بهره بردار در قرارداد لیسانس است. همانطوریکه فوقا به تفصیل مورد اشاره قرار گرفت، ادعای ابطال از سوی هر ذینفع به صراحت در قوانین مالکیت فکری عموما پیش بینی گردید (از جمله مواد 18، 29 و 41 قانون سال 1386 در حقوق ایران). به موجب این مقررات، هر ذینفع از جمله ناقل در قرارداد واگذاری و بهره بردار در قرارداد لیسانس مجاز به تقدیم دادخواست ابطال به دادگاه راسا و یا در مقام دفاع در برابر اتهام نقض می باشد. با این وصف، در ادبیات حقوقی و رویه قضایی آمریکایی اعتبار ادعای ابطال از سوی این دو ذینفع مورد تردید جدی قرار گرفته است.

البته نکته عزیمت در حقوق آمریکا با دیگر کشورها ممکن است متفاوت باشد. زیرا، فهم این پرسش و مواضع اتخاذی از سوی رویه قضایی آمریکایی منوط به فهم شان نزول بروز اولیه این چالش در حقوق آمریکاست. در حقوق این کشور اختلافات ناشی از تفسیر و اجرای قوانین ناظر به اختراع، کپی رایت و علایم تجاری در صلاحیت محاکم فدرال می باشد. در حالیکه اختلافات ناشی از تفسیر و اجرای قراردادها از جمله قرارداد واگذاری و لیسانس در صلاحیت محاکم ایالتی است. به همین جهت، پاسخ به این پرسش در حقوق این کشور چالش بر انگیز شده است. زیرا اگر پرسش مزبور یعنی: آیا به اقتضای این دو قرارداد ناقل و یا بهره بردار حق به چالش کشیدن اعتبار اختراع را دارد؟ ماهیتا قراردادی باشد در صلاحیت محاکم ایالتی و اگر از جنس مالکیت فکری باشد در صلاحیت محاکم فدرالی است.

در این در حالیکه در حقوق ایران، این پرسش ناشی از تعارض ظاهری مواد 18 و 29 و 41 با مواد 60 و 61 قانون سال 1386 است. زیرا، به موجب سه ماده اول هر ذینفع از جمله ناقل حق اختراع و طرح صنعتی و علامت حق طرح دعوای ابطال نزد محکمه صالحه می باشد. در حالیکه به موجب مواد 60 و

61 مالک از حق تعقیب ایشان بابت نقض قرارداد برخوردار می باشد. همچنین، هر ذینفع از جمله بهره بردار از اختراع، طرح صنعتی و علامت تجاری موضوع قرارداد لیسانس حق طرح دعوای ابطال موضوع لیسانس را داراردولی اطلاق قرارداد ایشان را متعهد و ملزم به پرداخت به پرداخت حق الامتیاز می نماید. لذا، در این فرض اطلاق مواد 18، 29 و 41 با اصل وفای به عهد متعارض می باشد. برای فهم خواستگاه این چالش در حقوق آمریکا توجه به متن زیر شایسته می باشد:

In a suit brought by the holder of a patent against one allegedly practicing the patented invention, the validity of the patent is normally subject to challenge.' Since a determination of the validity of the patent is of public importance, it is preferred that the court, in such suits, inquire into the validity of the patent even though a finding of non-infringement would be dispositive of the case (It has been stated that the party challenging the validity of a patent does so not only as a matter of private right but also in furtherance of public policy. See *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 401 (1947). This public policy is directed toward freeing the public from worthless patents, *Pope Mvffg. Co. v. Gormully*, 144 U.S. 224, 234 (1892) (dictum), and is so strong that a court may consider the validity of the patent even if neither party brings it into issue. *Colorado Tent & Awning Co. v. Parks*, 195 Fed. 275, 279 (8th Cir. 1912).). However, where the parties to the suit stand in a contractual relationship concerning the patent, a different approach to the validity of the patent obtains. The contractual relationship may arise either from an assignment of the patent' or through a licensing arrangement. Litigation involving the parties to an assignment normally occurs when the assignor is charged by the assignee with infringing the assigned patent,' whereas litigation between a licensor and licensee usually is concerned with the licensee's obligation to pay royalties.' While both the assignor charged

with infringement and the licensee from whom royalties are sought may wish to challenge the validity of the patent in suit, the general rule traditionally has been that both the assignor and the licensee are estopped to challenge the validity of the patent.'

This general rule of estoppel has been considered and applied by state and federal courts at all levels. Over forty years ago the United States Supreme Court described the doctrine as being "well settled by forty-five years of judicial consideration." Yet this "well settled" rule has become so unsettled during the past forty years of judicial consideration that, today, some courts apparently consider the rule to be no longer valid, others find no weakening of the rule, while still other courts apply the rule only after considerable speculation as to its continued validity." (Hal D. Cooper, *Estoppel to Challenge Patent Validity: The Case of Private Good Faith vs. Public Policy*, 18 Cas. W. Res. L. Rev. 1122 (1967), pp. 1122 & seq.)

ذیلا دلایل این تردید در ادبیات حقوقی نویسندگان آمریکایی به اختصار طرح، در ادامه موضع رویه قضایی نیز به اجمال منعکس و سپس جایگاه این پرسش در حقوق مالکیت فکری ایران عموماً و حقوق اختراعات خصوصاً مورد بررسی و ارزیابی قرار میگیرد. ضمناً، به موازات بحث به حقوق دیگر کشورها نیز حسب مورد اشاره میشود ولی مطالعه تفصیلی موضوع در حقوق مالکیت فکری بر عهده شماست!!!!

#### A- US Law

1- Hal D. Cooper, *Estoppel to Challenge Patent Validity: The Case of Private Good Faith vs. Public Policy*, 18 Cas. W. Res. L. Rev. 1122 (1967), pp. 1122 & seq.)

Hal D. Cooper, *describes US law position before the Lear case in 1969 as follows:*

This article will examine the development of the doctrine of estoppel to challenge patent validity and the reasoning and theories advanced both in support of and against the doctrine. In addition, the exceptions to the doctrine, the present status of the doctrine, and the trends in its application will be considered.

## **I. THE DOCTRINE'S DEVELOPMENT AND APPLICATION**

Estoppel to challenge the validity of a patent applies with equal force both to the assignor as against his assignee and to the licensee as against his licensor. In addition, the estoppel is applicable to those in privity with the assignor and licensee." Thus, a corporation formed by an assignor to practice the patented invention is estopped to contest validity of the assigned patent to the same extent that the assignor is estopped. 4 However, if the corporation is formed for a purpose other than to practice the patented invention or if the assignor is merely in a subordinate position in the corporation,' 6 there is no estoppel as to the corporation; nor is a licensee estopped to contest validity of the patent as to activities which are outside the scope of the license agreement." The effect of the estoppel is to preclude any attack on the validity of the patent in suit. Thus, a patentee-assignor will not be heard either to deny that he is the first inventor" or to assert that he was not the inventor of the claims allowed;' "nor will he be permitted to show that the invention was in public use more than one year prior to the filing of the application for patent." Neither the assignor nor the licensee may introduce prior art for the purpose of showing that the patent is lacking in invention, and this is so as to all types of prior art, including foreign patents and printed publications.

**22 The estoppel is also applicable where it is contended** that the patentee perpetrated a fraud on the Patent Office in procuring the patent. In short, it has

been held that the doctrine operates as to "novelty, utility, patentable invention, anticipatory matter, and the state of the art.' The doctrine of estoppel to challenge the validity of a patent was applied at least as early as 1855.

a- In *Kinsman v. Parkhurst* the parties had entered into an agreement whereby the defendant was given permission to manufacture a machine covered by the plaintiff's patent in return for which the defendant was to share with the plaintiff the profits from the sale of the machines. When the plaintiff brought suit to recover his share of the profits, the defendant contended that the patent was invalid and that nothing was owed to the plaintiff. The Supreme Court held, *inter alia*, that the defendant, having manufactured under the plaintiff's title, was now estopped to deny that title by challenging the validity of the patent.'

b- Another early case applying the doctrine of estoppel was *Faulks v. Kamp* wherein an assignor was held estopped to challenge the validity of the assigned patent. The court in *Faulks* applied the doctrine of estoppel, believing that it would be unfair for the assignor "both to sell and keep the same thing." After the *Kinsman* and *Faulks* cases, the estoppel to challenge validity was applied by courts throughout the country."

In 1905 the Supreme Court went so far as to apply the estoppel against the federal government'. By 1924 when the Supreme Court again gave consideration to the doctrine of estoppel, the court found the doctrine to be so universally followed that it would not "lightly disturb a rule well settled by forty-five years of judicial consideration and conclusion."

c- The rule remained relatively firm until 1945. In that year the Supreme Court rendered its decision in *Scott Paper Co. v. Marcalus Mfg. Co.*" There, the defendant was a former employee of the plaintiff and, during the course of his

employment, had assigned the patent in issue to the plaintiff. After leaving the employ of the plaintiff, the defendant formed a competing company which was subsequently charged with infringing the assigned patent. The defendant contended that the machine it was making was precisely shown in a prior patent that had long since expired. The plaintiff contended that, as an assignor, the defendant was estopped to contest the validity of the assigned patent and thus should not be permitted to show that what it was doing was the subject of an expired patent. The Court expressly held that it was unnecessary to examine the doctrine of estoppel or its continuing validity<sup>88</sup> since other considerations were dispositive of the case, namely, the policy of the patent laws that everyone is free to practice an invention shown in an expired patent.<sup>84</sup> However, the Court made it dear that where the public policy expressed in the patent laws conflicts with either a private arrangement or private good faith, it is the policy of the patent laws that must be controlling.<sup>85</sup> Equating an estoppel with a private contract, the Court held that the doctrine of estoppel may not be used to accomplish that which private contract cannot. In concluding its opinion the Court stated: The judgment is affirmed for the reason that we find that the application of the doctrine of estoppel so as to foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, *which anticipates that of the assigned patent*, is inconsistent with the patent laws which dedicate to public use the invention of an expired patent<sup>87</sup>

d- Two years later, in *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*,<sup>88</sup> the Supreme Court again dealt with the question of estoppel as it applied to a licensee. In a five-to-four decision, the Court once again emphasized that the public interest is dominant in the patent system and stated that the right to challenge the validity of a patent is not only a private right but is also founded

on public policy which is promoted by making the defense of invalidity. Both the *Scott and Katzinger* decisions might be considered to have dealt with special factual situations, with neither case enunciating anything more than exceptions to the general rule of estoppel.

e- However, in *Scott, Katzinger*, and its companion case, Mr. Justice Frankfurter vigorously dissented,<sup>41</sup> on the basis that the effect of the Court's decisions was to overturn the doctrine of estoppel without expressly doing so. Pointing out that the doctrine of estoppel had been a part of the patent law for many years and that principles of good faith and fair dealing had been the basis for the estoppel, Mr. Justice Frankfurter was unable to find any inroads upon the public interest through application of the doctrine, and **if** there was a public interest inconsistent with the doctrine, he felt it should be left to Congress to modify or change the rule.

f- Three years later the Supreme Court again was confronted with the doctrine of estoppel as it applied to a licensee. In this case, *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*,<sup>44</sup> the Court applied the estoppel with very little comment. This time it was Mr. Justice Douglas who dissented, contending that the Court should not apply the doctrine of estoppel for the reason that *Scott and Katzinger* had allegedly established that public policy precluded the application of the doctrine.

g- In still another case decided in 1950, the Court characterized as an "unusual provision" an attempt by the government to incorporate in a compulsory licensing decree a provision that the decree did not prevent the licensees from attacking the validity of the licensed patents. Since 1950 the Supreme Court has not considered the question of the continuing validity of the doctrine of estoppel. However, the dissenting opinions in *Scott, Katzinger*, and *Automatic* clearly call into question the continuing validity of the doctrine of estoppel.

## II. THE BASIS FOR THE ESTOPPEL

Some of the -theories advanced for justifying application of the estoppel doctrine have particular relevance to license agreements and licensees, while others apply primarily to assignments and assignors. Although the Supreme Court has commented on some of these theories,<sup>4</sup> there has not been a definitive decision as to the precise basis for the doctrine of estoppel. However, there does seem to be general agreement that the estoppel is not *by* conduct or matters *in pais*."

The four most widely cited justifications for applying the estoppel are:

- (1) to prevent unfairness and injustice;
- (2) to prevent one benefiting from his own wrong;
- (3) *by* analogy to estoppel *by* deed in real estate; and
- (4) by analogy to a landlord-tenant relationship.

### **A. Unfairness and Injustice**

Concepts of fairness and justice underlie virtually all of the various forms of estoppel applied by the courts.<sup>4</sup> These same concepts are the touchstone of the estoppel to challenge patent validity. Thus, the only apparent basis on which the Supreme Court applied an estoppel in *Kinsman v. Parkhurst*" was that it would be unfair for the defendant to make and sell the patented device under the tide of the patent and yet deny that tide when the plaintiff attempts to share in the profits.<sup>5</sup> Similarly, in *Faulks v. Kamp*<sup>52</sup> the court thought it unfair to permit an assignor to sell a patent for a valuable consideration and yet, in effect, retain both the consideration and the thing sold by arguing invalidity of the patent.<sup>53</sup>

Again, it has been held that it would be "grossly unjust and inequitable" to permit an assignor to defeat the full enjoyment of the patent by his assignee



by an attack on the validity of the assigned patent. Although only the early cases relied almost exclusively on the equitable principles of fairness and justice,<sup>55</sup> it is nonetheless obvious that these same principles are the foundation for some of the more specific theories advanced by later courts in justifying application of the doctrine.<sup>56</sup>

(1) *Assignments.* -The courts that have applied the estoppel to assignors primarily on the basis of fairness and justice have found the basic unfairness to be that expressed in *Faalks*, that is, the assignor should not be permitted both to sell and keep the same thing. In other words, it is inequitable for one who has sold a patent to be permitted to later say that what he has sold is worthless. <sup>57</sup> In examining this alleged unfairness, it would seem that perhaps there should be some distinction drawn between legal title to a patent and the validity of that patent. It is generally held that the assignment of a patent carries with it an implied warranty of title. <sup>58</sup> However, it is also generally held that an assignment of a patent does not include an implied warranty as to the validity of that patent.<sup>59</sup> Unless title to a patent is equated to the exclusory value or validity of that patent,<sup>60</sup> it might be questioned whether an assignor is attempting to retain the very thing he sold if, instead of attacking the assignee's title to the patent, he attacks only the validity of the patent. In fact, in view of the relatively high mortality rate of litigated patents, <sup>61</sup> a court might be justified in applying the doctrine of caveat emptor to the sale of a patent. This would seem particularly true if a determination of the validity of a patent is considered to be a question of law.<sup>62</sup> It is the Patent Office that makes the determination that an invention is patentable under the patent laws, and that determination is subject to review by the courts.<sup>63</sup> Moreover, the question of patentability of an invention is one on which reasonable men may widely differ. <sup>64</sup> Accordingly, there does not seem to be any obvious unfairness in

permitting an assignor to challenge what is, in the last analysis, essentially a legal conclusion by the Patent Office.

Moreover, it would seem to be desirable to give some consideration to the basis on which the assignor seeks to challenge the validity of the patent before determining if there is any unfairness or injustice. If the basis for invalidity was plainly apparent at the time of the assignment, the assignee should have had notice of such, and therefore no estoppel should be applied.<sup>65</sup> On the other hand, if the basis for invalidity is due to some activity by the assignor, such as prior public use, of which the assignee has no knowledge, unfairness and injustice in applying the estoppel might be more readily found.<sup>66</sup> Where the assignor seeks to invalidate the patent on the basis of prior art, there seems to be no particular reason to presuppose any superior knowledge either on the part of the assignor or assignee as to the state of the prior art at the time of the assignment.

7 In actuality, it would seem just as reasonable to charge the assignee with constructive knowledge of the prior art at the time the patent was assigned" so that a court might find that there is no unfairness in permitting the assignor to rely on facts "known" to the assignee when purchasing the patent. Another factor that might be considered in judging the fairness of applying the estoppel to an assignor is the relationship between the parties. Many assignments are by an employee to an employer. It would not be unusual for the employee-assignor to have no voice at all either in the decision to file for a patent or in determining the scope of the claims granted. In such circumstances, it is somewhat difficult to pinpoint the precise unfairness or injustice in subsequently permitting the assignor to attack the validity of the patent.<sup>69</sup> However, where the assignor assigns a patent to an existing competitor, it is likely that the assignee assumes the assignor will not thereafter go into

competition on the patented invention. If he does, the concern expressed in *Faulks*<sup>70</sup> about both selling and retaining the same thing may have more urgency. Finally, and perhaps most basically, it is also relevant to inquire into the nature of the agreement between the parties as to what is being transferred. A patent grants the holder a right to exclude others from making, using, or selling the invention throughout the United States.<sup>71</sup> The title to this right to exclude is the subject of the assignment.<sup>72</sup> In the hands of the assignor, the right to exclude anyone at all is expressly conditioned on the validity of the patent.<sup>73</sup> It is debatable whether, by virtue of transferring title to this right, the right may be expanded through operation of the estoppel so as to preclude an attack on the validity of the patent even by the former holder.<sup>74</sup>

(2) *Licenses.* -With respect to a license agreement, the unfairness which concerns the courts is that which results from permitting a licensee to operate under the patent and yet deny any obligation to the patent holder. For example, unfairness results **if** the licensee affirmatively represents to the public that he is operating under the patent of his licensor.<sup>75</sup> However, irrespective of the licensee's representations to the public, the fact that the licensee has obtained permission to practice under the patent and has done so obligates him to pay the royalties specified in the license agreement. As the Supreme Court held in *United States v. Harvey Steel Co.*,<sup>76</sup> it may be presumed that the licensee would not have employed the patented invention but for the granting of the license. Under this view, it readily follows that it would be unfair for the licensee who was given the opportunity to practice the patented invention to deny the obligation to pay royalties.

### ***B. One May Not Benefit from His Own Wrong***

The approach that one may not benefit from his own wrong is ordinarily used where the assignor attempts to show that the patent is invalid for reasons other

than lack of invention. In *Buckingham Prods. Co. v. McAleer Mfg. Co.*,<sup>77</sup> the assignor attempted to show that the patent was invalid because of prior public use; however, the court held that the assignor knew of the prior public use before filing for the patent and therefore participated in what would be tantamount to a fraud on the Patent Office.<sup>78</sup> Having participated in the fraud, the assignor could not be permitted to attack the validity of the patent and thereby benefit from his own wrongdoing. It has been said that the estoppel applies whether the wrong was willful or inadvertent, knowledge of the facts by both parties being immaterial.<sup>79</sup> It has also been said that the statements contained in the patent application are the consideration for the sale of the patent.<sup>80</sup> Accordingly, this theory would dictate that the assignor should not be permitted to show that such statements were incorrect. Since each applicant for a patent is required to submit an oath declaring that he is the first inventor of the subject matter claimed,<sup>81</sup> it might be contended that any attack on the validity of the patent by the assignor would be inconsistent with the representations made to the Patent Office. Thus, to have permitted the assignor to show prior public use in *Buckingham* would have been dearly inconsistent with the representations made by the inventor in filing the application. However, the assignee in *Buckingham* also knew of the public use at the time the application was filed and assigned, so it would seem that the assignee would be perpetuating the fraud by enforcing the patent.<sup>82</sup> In such circumstances it would appear that both parties are attempting to benefit from a wrong. In fact, the desire to prevent one from benefiting from his own wrong might well apply with greater force against the assignee where the assignee is a corporation that prepared and prosecuted the patent application. Several factors seem relevant in determining whether an assignor is benefiting from any wrongdoing in attacking the validity of the assigned patent. If the

application was filed by the assignor in the good faith belief that he was the first inventor,<sup>8</sup> the assignor does not seem to have committed any wrong even though he may later find that the prior art indicates the contrary to be true." In addition, arguments and representations concerning novelty and the prior art will undoubtedly have been made to the Patent Office during the course of prosecution of the application. However, courts have held that such statements and representations are merely matters of opinion concerning questions of law,<sup>5</sup> and thus it may be questionable whether there is any wrongdoing in later taking an inconsistent position on such matters of opinion. Potential wrongdoing becomes more apparent if the assignor attempts to take a position inconsistent with representations on which the Patent Office may have relied. Accordingly, representations made to the Patent Office concerning the scope of the claims on which the Patent Office relies in issuing the patent work an estoppel preventing the patentee from asserting a different scope for the claims in a subsequent infringement suit.<sup>6</sup> In a similar manner, a court in applying an estoppel to contest validity might seemingly find it appropriate to do so when there have been representations and statements made to the Office of such a character that the Patent Office relied on them in finding a patentable invention under the patent laws. Under this approach-, a court might find that there was no wrongdoing from which the assignor was attempting to benefit in merely arguing the lack of patentability of an assigned patent even though he had argued the contrary in gaining allowance of the patent. However, a court might find such wrongdoing if, for example, the assignor attempted to contradict his previous statements to the Patent Office concerning the state of the prior art; or if the assignor attempted to rely on facts such as prior public use which should have been brought to the attention of the Patent Office but were not; or if the assignor attempted to show that it was another who was the

actual inventor of the assigned patent. Thus, consideration is given to the realities of practice before the Patent Office,<sup>87</sup> and only those statements and representations on which the Patent Office might reasonably have relied would be of significance in finding an estoppel was necessary to preclude the assignor from benefiting from his own wrong.

### **C. Estoppel by Deed**

Several courts have applied the estoppel to assignors by drawing an analogy to an estoppel by deed.<sup>88</sup> In *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*,<sup>89</sup> the Supreme Court found that "the analogy between estoppel in conveyances of land and estoppel in assignments of a patent right is dear."<sup>90</sup> According to the Court the analogy is that just as a grantor of a deed to land is estopped from impeaching the effect of his act as against his grantee, so also fair dealing should not allow the grantor of a patent to derogate from the title which he has conveyed. 1 Considering both the conveyance of title to land and the assignment of title to a patent as conferring the right to exclude others, the Court found the only difference between the two to be a practical one, that is, land is more easily defined than is the scope of the right to exclude under a patent.<sup>9</sup> An estoppel by deed generally precludes an attack on any material fact in a sealed contract. 3 Although an assignment of a patent need not be under seal, it was held in *Westinghouse* that this was not a significant reason for refusing to apply the principles of the estoppel to such assignments." However, the Court did not stop to inquire whether an attack on the validity of an assigned patent was an attack on any *fact* appearing in the assignment contract. Under the view that a determination of validity is a question of law, 5 it would not seem that any material fact is being attacked when the validity of a patent is challenged; thus the applicability of the principles of estoppel by deed becomes much less dear.

Other facets of this analogy which might be given consideration include the basic premise that land and patents are essentially the same. It would seem that, in fact, land and patents are different by their very nature." While land has a physical location, the *situs* of patent rights is that of the title-holder. 7 Patent rights are enforceable anywhere in the United States that an infringement occurs." A decision concerning an interest in land is generally considered to be *in rem*, whereas a decision on the validity of a patent is not."<sup>9</sup> Moreover, property rights in land are not solely the creature of statute, for such rights were protected under English common law principles. Patents, however, are an exception to the prohibition against monopolies and exist solely by statute pursuant to the Constitution.' Absent compliance with the patent statute, there are no rights under a patent, whereas mere title to land gives the title-holder certain rights as, for example, protection against trespass. An interest in land may even be acquired by adverse possession, but this is not so with patents, for absent legal title to a patent, irrespective of its validity, the holder has no enforceable rights. There are, however, under the *Westinghouse* analysis, two essentials in a conveyance of land which are present in the transfer of patent rights. These are defining the parcel to be transferred and conveying of title to that parcel.' Thus, as to patents, there must be a transfer of title, and the court must determine the scope of the rights transferred. However, a third essential which would seem to be present in the transfer of patent rights is compliance with the statute which gives rise to the patent itself. In the case of land, a simple survey establishes not only the boundaries of the land but also its existence. This is not true in the case of a patent, and absent a determination that the statutory requirements for a patent have been met, any controversy as to title to and scope of the patent would almost seem to be moot. In holding that the assignor was estopped to challenge

title to the patent but was free to contest the scope of the patent, the *Westinghouse* case seems to equate title to the patent with mere compliance with the patent statute. Perhaps the statutory presumption of validity<sup>2</sup> justifies taking this view. However, the anomalous result has been that courts permit the introduction of prior art to construe the claims and thereby determine the scope of the patent even if the result is to reduce the scope of the patent to zero." It is not at all clear that an estoppel by deed as applied to a conveyance of land operates in any analogous manner.

#### ***D. Landlord and Tenant***

The estoppel applied to a licensee has been analogized to the estoppel which prevents a tenant from challenging the title of his landlord."<sup>4</sup> Just as the lease of premises entitles the tenant to the quiet enjoyment of the premises free from interference by the landlord, so also a license gives permission to the licensee to practice the patented invention without interference from the patent owner.<sup>0</sup>" However, just as a tenant may not challenge the landlord's title to the premises in a suit for rent,<sup>0</sup> so also is a licensee prohibited from challenging the validity of the licensed patent in a suit for royalties. There are some differences between a tenant and a licensee. A tenant ordinarily uses the premises leased, either directly or through a sublease, and has the right to exclude all others including the landlord during the term of the tenancy. A licensee under a patent does not "use" any property in a strict sense since a patent is merely the right to exclude.<sup>0</sup> Nor may a licensee exercise this right to exclude unless the license is exclusive, and even then it is necessary to join the titleholder of the patent in any suit to enforce the right to exclude.<sup>0</sup> 9 Moreover, a landlord of leased premises is incapable of granting a second lease which would in any way affect the rights of the first lessee." However,



a licensor may grant as many licenses to as many licensees as he may desire, absent a promise not to do so in the form of an exclusive license." A non-exclusive licensee has nothing more than immunity from suit by virtue of the license, and he "uses" that immunity when practicing the patented invention. Since a patent is presumed to be valid, it may be fairly assumed that a licensee would not have employed the patented invention but for the existence of the immunity provided under the license." Having eliminated the menace of the patent by taking a license, the validity of the patent has been held to be immaterial to the obligation to pay royalties."

### **III. LIMITATIONS ON THE APPLICATION OF THE DOCTRINE**

#### ***A. The Doctrine Does Not Prevent a Showing of Non-Infringement***

.....

#### ***2- See also Alan D. Miller & Michal S. Gal, Licensee Patent Challenges:***

In the middle of the twentieth century, these questions would not have arisen. In that era, courts employed the principle of contractual estoppel to prohibit the licensee from challenging the validity of the patent even if the contract contained no limitation to that effect. However, the Supreme Court has since abandoned this doctrine, recognizing that invalid patents impose a large social cost. It is now settled that a licensee may challenge a patent when the contract is silent on this matter.

What is not settled, however, is whether a licensee may challenge a patent when the contract explicitly forbids him from doing so. While the Supreme Court has not yet ruled on this issue, lower courts have provided mixed decisions. Some courts have found no-contest and challenge-penalty clauses to be unenforceable based on the public interest in ridding the economy of invalid patents. Others have chosen to enforce them, at least under some

circumstances, favoring contractual certainty and risk sharing between the parties. These clashing decisions make it likely that the Supreme Court will consider the validity and effect of these types of clauses in the future. We provide a framework within which no-contest and challenge-penalty clauses may be analyzed. ....

.....

## I. Current Legal Rules

The legal doctrines governing the right of a licensee to challenge a patent have changed significantly over the past century. This Part analyzes the evolution and the current state of the law, emphasizing the different considerations to which courts have given primacy over time.

### A. *Licensee Estoppel and Actual Controversy Limitations*

The doctrine of licensee estoppel, first established by the Supreme Court in **1855**, held that a licensee is barred from challenging the validity of a patent.<sup>15</sup> This doctrine was predicated on the view that a licensee's acceptance of a licensing agreement constituted implicit recognition of the patent's validity, regardless of whether the patent contained an explicit no-contest clause. Equitable considerations were given decisive weight; public policy goals of invalidating unwarranted patents were largely ignored.

In the 1940s, the Supreme Court narrowed the doctrine of licensee estoppel in a series of decisions ruling that a licensee may challenge a patent when the patent monopoly is used to justify an otherwise impermissible agreement to fix prices." The Court regarded such a challenge as a service in the public interest.<sup>17</sup> The Court, however, was careful not to abandon the entire doctrine, and held in *Automatic Radio Manufacturing Co. v. Hazeltine* that the general rule of licensee estoppel applied outside the specific context of price fixing.<sup>18</sup> Then in **1969**, in *Lear, Inc. v. Adkins*, the Court revisited the question of

licensee estoppel and unanimously chose to repudiate the doctrine.' 9 *Lear* forms the bedrock of contemporary law on licensee estoppel. *Lear*, an aerospace manufacturer, hired Mr. Adkins to develop a more efficient gyroscope. They entered into an agreement under which *Lear* would license and pay royalties for any discovery made **by** Adkins. *Lear* began producing a large number of gyroscopes based on one such discovery, which Adkins later attempted to patent. After several years and many rejected patent applications, *Lear* stopped paying royalties, claiming that the invention was anticipated **by** prior art. As soon as Adkins obtained a patent, he sued *Lear*. Though *Lear* attempted to raise the defense of patent invalidity, the lower courts applied the doctrine of licensee estoppel, barring the defense and directing a verdict for Adkins. The Supreme Court reversed, and in doing so overruled the line of cases, such as *Automatic Radio*, which had held that licensee estoppel was the "general rule." 20 Rather, the Court gave decisive weight to the "important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain." 21 The Court emphasized the importance of enabling licensees in particular to challenge the validity of patents, since "[1]licensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery." 22 Accordingly, the decision was based on an assumption that allowing patent challenges furthers social welfare. In **2007**, the Court further expanded licensees' rights to challenge patent validity in *MedImmune, Inc. v. Genentech, Inc.* 23 Until then, courts had thrown ..... (*Alan D. Miller & Michal S. Gal, Licensee Patent Challenges, 32 Yale J. on Reg. (2015)*)

**3- Mark A. Lemley, relying on judicial precedents, describes US law in more detail as follows:**

As patents have become increasingly important in society, we have focused more attention on the problem of bad patents. The Supreme Court and the Federal Circuit have repeatedly emphasized the public interest in testing the validity of patents, weeding out patents that should not have been issued. And Congress has created a number of new mechanisms to make it quicker and easier to identify and eliminate invalid patents.

But there is one important group of people the law systematically prevents from challenging bad patents. Curiously, it is the very group patent law is supposed to support: inventors themselves. The century-old doctrine of assignor estoppel precludes inventors who file patent applications from later challenging the validity or enforceability of the patents they receive. The stated rationale for assignor estoppel is that it would be unfair to allow the inventor to benefit from obtaining a patent and later change her tune and attack the patent when it benefits her to do so.<sup>3</sup> The Supreme Court has traditionally disfavored the doctrine, reading it narrowly. But the Federal Circuit has expanded the doctrine in a variety of dimensions, and applied it even when the benefit to the inventor is illusory. Further, the doctrine misunderstands the role of inventor-employees in the modern world.

More important, the expansive modern form of assignor estoppel interferes substantially with employee mobility. Inventors as a class are put under burdens that we apply to no other employee. If they start a company, or even go to work for an existing company in the same field, they will not be able to defend a patent suit from their old employer. The result is a sort of partial noncompete clause, one imposed without even the fiction of agreement and one that binds anyone the inventor comes in contact with after leaving the job. Abundant evidence suggests that noncompetes in general retard innovation and economic growth,<sup>4</sup> and several states prohibit them outright, while all

others limit them.<sup>5</sup> But assignor estoppel is a federal law doctrine that overrides those state choices.

It is time to rethink the doctrine of assignor estoppel. In Part I, I describe the doctrine, its rationale, and how it has expanded dramatically in the past 25 years. In Part II, I argue that the doctrine is out of touch with the realities of both modern inventing and modern patent law, and that it interferes with both the invalidation of bad patents and the goal of employee mobility. Should the Supreme Court take up the doctrine, it is unlikely to survive in its current form. Finally, in Part III I explore whether the doctrine can and should be saved in a more limited form.

## **I. The Growth of Assignor Estoppel**

### **A. The Genesis of the Doctrine**

The equitable doctrine of assignor estoppel originated early in the history of patent law. (The first case to apply the doctrine was an English case, *Oldham v. Langmead*, 2 Wils. 374 (1789). *See also* *Hayne v. Maltby*, 3 T.R. 438, 100 Eng. Rptr. 665 (1789) (characterizing *Oldham* as analogous to estoppel by deed in real property)) It was developed to prevent a party who sells a patent to another from later trying to undermine the value of the thing she sold by challenging its validity.<sup>7</sup> As originally applied, the doctrine generally applied between two parties that entered into a patent assignment agreement at arm's length.<sup>8</sup>

The Supreme Court considered the doctrine for the first time in 1924.<sup>9</sup> That case involved what would become a common situation: an employee (O'Connor) who assigned an invention to his employer, Westinghouse, during the course of employment. The invention involved a two-step process for making insulation. When O'Connor left to found a competing company,

Formica that used a somewhat different one-step insulation-making process, Westinghouse sued him and his new company for patent infringement. In response, he challenged the validity of the patent. The Court took the position that a party who sells a patent to a buyer should not be able to thereafter challenge the title to that patent. The Court drew an analogy to real property law, in which the doctrine of “estoppel by deed” precluded those who sold land from thereafter challenging the validity of the deed they had conveyed for value, and to similar estoppel provisions that operate between to prevent landlords from denying the validity of their leases to tenants.<sup>10</sup>

Nonetheless, the Court explained that while the inventor who assigned the patent to his employer could not assert the invalidity of the patent as a whole, he was free to challenge the scope of that patent:

But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable. Such evidence might not be permissible in a case in which the assignor made specific representations as to the scope of the claims and their construction, inconsistent with the state of the art, on the faith of which the assignee purchased; but that would be a special instance of estoppel by conduct. We are dealing only with the estoppel of an assignment based on the specifications and claims without special matter.<sup>11</sup>

The Court reasoned that while the inventor had given the company the right to his invention, he had not agreed to the scope of any particular claim. The Court was careful to permit challenges to the scope of the patent even when the assignor had actually assigned an issued patent. But in *Westinghouse*, as in most employment contexts, O’Conor assigned a new invention that was not yet even the basis of a patent application, much less a patent. In that instance,

the Court suggested that the ability to challenge the patent was correspondingly greater:

We can well be clear, however, that if it is proper to limit the estoppel available for an assignee after patent as against his assignor by reference to the state of the art, a fortiori is such reference relevant where the estoppel is sought by the assignee before patent.<sup>12</sup>

Notably, the Court's discussion of limiting estoppel "by reference to the state of the art" seems to contemplate not just noninfringement arguments, but the invalidation or at least reformation of claims that overreach. While the Court's language sounds to modern ears like claim construction, in 1924 claim construction was bound up with validity, because the Court had and applied a doctrine of "undue breadth" to narrow or invalidate overbroad claims.<sup>13</sup> Indeed, the Court's ultimate holding was that O'Connor could challenge the Westinghouse patent claims that did not require the two-step process O'Connor had actually invented:

We are clear then that the estoppel of the eleventh and twelfth claims against O'Connor does not extend to a single step process such as he has participated in as partner, stockholder or officer; and if it does not affect him, a fortiori does it not affect the respondent company.<sup>14</sup>

O'Connor might not be permitted to challenge patent claims that he himself invented, but he was entitled to challenge the validity of claims that reached beyond what he had actually disclosed or assigned to Westinghouse.

Because the assignor estoppel claim in *Westinghouse* actually failed – Westinghouse couldn't prevent O'Connor from challenging the validity of the only claims that actually read on O'Connor's new business – the Court did not address two important questions:

6 This result makes it unnecessary for us to consider the objections that the Formica Company is not affected by an estoppel which would operate against O'Connor, or that the alleged nominal character of the consideration moving to O'Connor cannot support an estoppel.<sup>15</sup>

In *Scott Paper v. Marcalus Manufacturing*,<sup>16</sup> the Court's most recent foray into the doctrine, it further limited assignor estoppel. That case, unlike *Westinghouse*, involved an employee, Marcalus, who assigned an actual patent rather than an application to his employer. When the new company he started was sued for infringement of that patent, he argued that the new company was practicing a prior art patent that had already expired. Marcalus conceded that it could not challenge the validity of the particular improvement its founder had made, but argued that estoppel did not prevent him from using the new-found prior art to narrow the scope of the patent, in this case into nonexistence. Scott, the plaintiff and original employer, sought to apply the doctrine of assignor estoppel, but the Court refused, holding that the doctrine did not "foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, which anticipates that of the assigned patent."<sup>17</sup> The Court supported its conclusion by reference to public policy, holding that the application of assignor estoppel in this case is incompatible "with the patent laws which dedicate to public use the invention of an expired patent."<sup>18</sup> But it also seems to have been motivated by the fact that Marcalus was unaware of the prior art patent when he assigned his invention, so he was not engaged in deliberate deception.

The result was that by 1945, the doctrine of assignor estoppel was quite limited, and seemed to apply only to actual representations made by inventors, not to validity challenges based on the prior art. Indeed, the Supreme Court in *Lear* held that the general rule of assignor estoppel had been undermined by



*Westinghouse* and *Scott*.<sup>19</sup> In the wake of *Lear*, “assignor estoppel became a significantly limited doctrine that the Supreme Court no longer favored.”<sup>20</sup>

### **B. Assignor Estoppel in the Federal Circuit**

The Federal Circuit has expanded assignor estoppel dramatically from its roots. The expansion takes several forms. Among others, the Federal Circuit has resolved both of the questions the Supreme Court left open.

First, the Federal Circuit has held that not just the patent assignor but anyone in privity with that assignor is subject to the estoppel. The court began by applying assignor estoppel to a company actually formed and run by the inventor.<sup>21</sup> But it quickly expanded the scope of the estoppel beyond assignor-founded companies. In *Shamrock Technologies v. Medical Sterilization*,<sup>22</sup> the court extended estoppel to the inventor’s new employer “when the assignor is so actively involved in the allegedly infringing activity as to be more than a ‘mere employee.’”<sup>23</sup> *Shamrock* contemplated a multi-factor test that evaluated the closeness of the relationship between the inventor and the person asserting the defense, but in practice the court has cast a wide privity net. The list of those barred from challenging a patent includes not only officers and directors of the new company, but even line employees or scientists if they are themselves working on the allegedly infringing products. Indeed, the courts have held that privity extends to circumstances in which “the ultimate infringer availed itself of the inventor’s knowledge and assistance to conduct infringement,” regardless of the employee’s position.

<sup>24</sup> And in 2016, the Federal Circuit applied the privity doctrine to bar a challenge by a company that had already developed its product before hiring the inventor, despite the facts that the inventor had minimal financial interest in the company and had indeed been hired in part to design around the patent and make sure the hiring company was avoiding infringement.<sup>25</sup>

Indeed, the Federal Circuit has extended privity beyond the assignor's new employer. In *Mentor Graphics v. Quickturn Design Systems*,<sup>26</sup> the court extended assignor estoppel from a corporate parent to its subsidiary even though the subsidiary was not even purchased until after the assignment was complete.<sup>27</sup> In dictum, the court suggested that even being a minority shareholder could be sufficient to establish privity.<sup>28</sup> In *Checkpoint Systems v. All-Tag Security*,<sup>29</sup> the court held open the possibility that estoppel could apply to a defendant run by an individual who formerly worked for a company which had hired the inventor as an independent contractor, obtained a patent assignment from that contractor, and later sold the company (with patent) to another company which in turn was bought by plaintiff Checkpoint.

30 And in *Intel Corp. v. International Trade Commission*,<sup>31</sup> the court extended assignor estoppel to the assignor's joint venture partner where the joint venturer, even though an independent company, was intimately involved with the joint development of the technology accused of infringement.<sup>32</sup> In the course of doing so, the court said that assignor estoppel "bars a challenge by any party in privity with the assignor."<sup>33</sup> It has said that whether privity exists depends on the closeness of the relationship to the assignor.<sup>34</sup> Notably, however, the Federal Circuit has *never* found a defendant not to be in privity and therefore bound by estoppel.

Second, the Federal Circuit has flatly rejected the argument that assignor estoppel should be limited to those who actually sell a patent for revenue. While the court has repeatedly articulated the rationale for assignor estoppel as "the unfairness and injustice of permitting a party to sell something and later to assert that what was sold is worthless,"<sup>35</sup> it doesn't actually require a sale. The court has applied the doctrine in a wide array of employee-assignment cases, even when the assignment of an idea is automatic and done

without any compensation to the employee. Indeed, in *Carroll Touch, Inc. v. Electro Mechanical Systems*,

36 the district court had refused to apply assignor estoppel against Lazarevich, an employee co-inventor who had played only a minimal role in the invention, received no compensation for the invention or the assignment, and did not realize when he signed a document entitled “Declaration and Power of Attorney” that he was assigning away his rights in the invention.<sup>37</sup> The Federal Circuit reversed, holding that it was an abuse of discretion to refuse to apply assignor estoppel to Lazarevich. The court held that simply being an employee was compensation sufficient to trigger estoppel, and that he should have read the document carefully before he signed it.<sup>38</sup> Other opinions have gone even further, suggesting that the doctrine applies whether or not the inventor actually received any value in exchange for the assignment<sup>39</sup> and even when the inventor feared losing his job if he didn’t file the patent application.<sup>40</sup>

The Federal Circuit has expanded assignor estoppel in other respects as well. First, it has applied the doctrine even when the patent plaintiff wrote the patent claims in ways that were substantially broader than the inchoate idea the assignor conveyed. In *Diamond Scientific*, for example, the court applied assignor estoppel even though the assignee-plaintiff amended the claims after the assignment. The court reasoned that “the inventor assigned the *rights* to his invention, irrespective of the particular *language* in the claims describing the inventions when the patents were ultimately granted.”

41 The court went even further in *General Foods Corp. v. Studiengesellschaft Kohle mbH*,<sup>42</sup> applying assignor estoppel even though the assignee filed a continuation-in-part application and added a feature not disclosed by the assignor at all.<sup>43</sup> The Federal Circuit has cited *Westinghouse* to permit the

defendant to “introduce evidence of prior art to narrow the scope of the claims of the patents”<sup>44</sup> when the claims have changed since the assignment, which is what the Court actually did in *Westinghouse*. But that promise is likely illusory in modern patent jurisprudence, which has all but eliminated the ability to argue that claims should be narrowed to avoid invalidating prior art.<sup>45</sup> And some commentators read the Federal Circuit cases as limiting noninfringement arguments based on practicing the prior art as well.<sup>46</sup>

Second, the Federal Circuit has expanded assignor estoppel by circumventing attempts by the parties to contract around the doctrine. In theory, an assignment only raises a presumption of assignor estoppel, and that presumption can be rebutted by “an express reservation by the assignor of the right to challenge the validity of the patent or an express waiver by the assignee of the right to assert assignor estoppel.”

<sup>47</sup> But the Federal Circuit requires “extraordinary circumstances” to avoid application of estoppel,<sup>48</sup> and in practice they do not find such a waiver even in circumstances in which it seems pretty clear that the parties did not intend to disadvantage the assignor. In *Acoustical Design, Inc. v. Control Electronics Co.*,<sup>49</sup> for instance, the court applied the doctrine even though the assignor took a license back to the patent, a circumstance that the Supreme Court nearly half a century ago said should permit patent challenges.<sup>50</sup> And in *Q.G. Products v. Shorty, Inc.*,<sup>51</sup> the inventor, Simon, co-founded defendant Shorty and assigned his patent to the company. When Simon had a falling out with the other two co-owners of Shorty, the company assigned the patent back to Simon in exchange for the return of the money he had originally been given. The Federal Circuit nonetheless held that the company that received the initial assignment and then unwound the transaction by giving the patent back to Simon was barred by assignor estoppel from challenging the validity of the

patent, since the unwinding of the transaction technically involved an assignment back to the original inventor!<sup>52</sup>

Finally, the Federal Circuit has, albeit inconsistently, expanded assignor estoppel beyond preventing assignors from defending patent suits based on invalidity. Courts have read it to prevent antitrust challenges based on *Walker Process* claims of fraudulent acquisition of a patent.

<sup>53</sup> The Federal Circuit has forbidden assignors from testifying about the invention in ways that might question its validity.<sup>54</sup> In other words, the doctrine has been applied not only to preclude a legal argument by a party but to prevent the introduction of relevant evidence from inventors by defendants who are not themselves subject to estoppel.<sup>55</sup>

The result of these rulings has been a dramatic expansion of assignor estoppel. The Federal Circuit applies the doctrine liberally and construes exceptions so narrowly that they are worthless in practice, even in factual circumstances far removed from the original basis of the doctrine. The power of assignor estoppel at the Federal Circuit is so great that the court has never once refused to apply the doctrine.<sup>56</sup>

## **II. The Problems with Assignor Estoppel**

### **A. The Dubious Rationales for Assignor Estoppel**

Courts have articulated two related rationales for the doctrine: “(1) to prevent unfairness and injustice, and (2) to prevent one benefiting from his own wrong.”<sup>57</sup> Those two rationales are essentially the same, though. The idea is that it is unfair for me to sell you something, take the money, and then reveal that the thing I sold you was actually worthless. I am depriving you of your expectation, and I am profiting from that deceit.<sup>58</sup>

The premises that implicitly underlie that rationale are, first, that I sold you something for profit; second, that I knew that the thing I was selling you was

worthless; and third, that you relied on my explicit or implicit representation that it was valuable rather than establishing that for yourself. Each of those premises can be questioned in the modern, expansive vision of assignor estoppel.

The first premise is directly belied by the modern cases. The nineteenth-century vision of assignor estoppel was directed at people who themselves sold a patent for profit. But modern assignor estoppel no longer is. Not only does it reach companies that never made such a promise, it extends to patents that did not exist at the time of the deal. More important, assignor estoppel is regularly applied to bind employee-inventors on the basis of their assignment of the patent to their employers. But nothing about the modern employee-inventor suggests that they are selling their inventions to their employers for profit. Employees ..... (Mark A. Lemley, **Rethinking Assignor Estoppel**, 2016, available at Internet)

4- Melvin Jager, Licensing Law Handbook, **Chapter 5**. The U.S. Antitrust Law

#### **§ 5:14. Challenging the validity of the licensed patent,**

Licensing Law Handbook § 5:14 © 2021 Thomson Reuters. September 2020 Update

**§ 5:14.** Challenging the validity of the licensed patent is an established common law equitable principle of Assignor estoppel holds that an assignor of a patent, or someone in privity with an assignor, is estopped from attacking the validity of that patent if he is sued for infringement by the assignee.<sup>1</sup> This Assignor estoppel rule still prevails. Before 1969 the courts accepted a state contract law rule of promissory estoppel that held that a patent license

agreement could include a provision in which the licensee agreed to forego challenging the validity of the licensed patent.

The 1969 Supreme Court decision in *Lear v. Adkins*<sup>2</sup> changed that approach. The court held that the state law concept of promissory estoppel must yield to the overriding federal policy of permitting interested parties such as licensees to challenge the validity of licensed patents. *Lear* prevented the enforcement of such a license provision because it frustrated this important federal patent policy. The *Lear* doctrine has also been applied to **trademark licenses**, in recognition of the public interest in ensuring trademark validity.<sup>3</sup> A direct promise by a licensee to refrain from asserting the invalidity of the licensed patent is therefore of dubious value in view of *Lear*.

However, the Federal Circuit has developed some exceptions to the *Lear* doctrine which have set limits on the right of a licensee to challenge the validity of a licensed patent.

For example, in *Diamond Scientific Co. v. Ambico, Inc.*,<sup>4</sup> the court held that an assignor-inventor of a patent is estopped from challenging the validity of the assigned patent. To allow such a challenge would be unjust to the assignee. In *Mayo Clinic Jacksonville v. Alzheimer's Institute of America, Inc.*,<sup>5</sup> nonchallenge clause in a license was found not to be violated when the licensee challenged the validity of the licensed patent in a counterclaim filed in response to the licensor's patent infringement suit.

In *Foster v. Hallco Mfg. Co.*,<sup>6</sup> *Lear* was found not to bar the enforcement of a settlement agreement and consent decree.

In *Hemstreet v. Spiegel, Inc.*,<sup>7</sup> it was held that *Lear* does not prevent the enforcement of a settlement agreement to pay royalties even if the patent is later held to be invalid. *Lear* was applied properly to allow the cessation of royalty payments from the date that a licensee filed for a reexamination

certificate that resulted in the cancellation of all original claims of the licensed patent.<sup>8</sup>

The Seventh Circuit addressed the applicability of *Lear* to a settlement agreement in *Ransburg Electro-Coating Corp. v. Spiller & Spiller, Inc.*<sup>9</sup> The Seventh Circuit held that the federal patent policy articulated in *Lear* should be subsidiary to the fundamental policy favoring the expedient and orderly settlement of disputes and the fostering of judicial economy. The court held that the federal patent policy underlying *Lear* should not be carried that far. The Federal Circuit has directed that the issue of whether a settlement agreement bars a party from challenging the validity of a patent is intertwined with the substance of enforcement of a patent right and is governed by Federal Circuit precedent.<sup>10</sup> The Federal Circuit addressed the competing public policy considerations supporting the *Lear* doctrine and settlement agreements that agree not to challenge patent validity in *Flex-Foot Inc. v. CRP, Inc.*<sup>11</sup>

In *Flex-Foot*, the defendant CRP had previously entered into a settlement agreement in previous litigation on the same patents that provided unequivocally that: “The CRP Group agrees not to challenge or cause to be challenged, directly or indirectly, the validity or enforceability of the [patent] in any court or other tribunal, including the United States Patent and Trademark Office.”<sup>12</sup> In this suit the defendant CRP asserted patent invalidity in an arbitration proceeding and argued that it should not be bound by this prior agreement under the principles of *Lear*. The Federal Circuit upheld the settlement agreement and distinguished *Lear* in the following terms: In *Lear*, notably, the license did not contain, and was not accompanied by, any promise by the licensee not to challenge the validity of the patent. This distinguishing fact is meaningful because it implicates the important policy of enforcing settlement agreements and *res judicata*. Indeed, the important policy of



enforcing settlement agreements and res judicata must themselves be weighed against the federal patent law's prescription of full and free competition in the use of ideas that are in reality a part of the public domain.<sup>13</sup> The court then set out the rule to be followed in cases challenging settlement agreements under *Lear*: Once an accused infringer has challenged patent validity, has had an opportunity to conduct discovery on validity issues, and has elected to voluntarily dismiss the litigation with prejudice under a settlement agreement containing a clear and unambiguous undertaking not to challenge validity and/or enforceability of the patent in suit, the accused infringer is contractually estopped from raising any such challenge in any subsequent proceeding"<sup>14</sup> (emphasis added).

The application of *Lear* to settlement agreements arose once again before the Federal Circuit in *Baseload Energy, Inc. v. Roberts*.<sup>15</sup> In *Baseload* the court found that a settlement agreement from earlier litigation did not release the defenses of patent invalidity and unenforceability. Initially, the court held that Federal Circuit law governed the issue of whether any settlement agreement barred a party from challenging the validity of the patent in any subsequent action. The court reviewed its prior decision in *Flex-Foot* and the discussion of the conflicts between *Lear* and the policy favoring enforcing settlement agreements. The court concluded that: "The result is that invalidity and unenforceability claims may be released, but only if the language of the agreement or consent decree is clear and unambiguous."<sup>16</sup> (emphasis added). After noting that the exact facts present in *Flex-Foot* were not necessary, it held: "Each case must be examined on its own facts in light of the agreement between the parties. In the context of settlement agreements, as with consent decrees, clear and unambiguous language barring the right to challenge patent validity in future infringement actions is sufficient, even if invalidity claims

had not been previously at issue and had not been actually litigated.”<sup>17</sup> Flex-Foot was followed to enforce a no-challenge clause in a settlement agreement in *SRAM, LLC v. Hayes Bicycle Group, Inc.*<sup>18</sup> The no-challenge clause provided in relevant part that the licensee agrees: “not to take any action whatsoever to attack the validity or enforceability of any of the ‘049 Patent or ‘697 Patent, or cooperate in any such attack by another party other than through compliance with a lawfully issued subpoena.” In interpreting this contract language, the court held: By separating the first half of the sentence—which unambiguously prohibits Answer from challenging the ‘049 Patent—from the second part of the sentence with the alternating coordinating conjunction “or,” the Agreement divides the sentence into independent and separate parts: Answer may not attack the validity of the ‘049 Patent and Answer may not cooperate in an attack by another party against the ‘049 Patent. This language specifically, clearly, and unambiguously prohibits Answer and its assigns from challenging the ‘049 Patent under all circumstances.<sup>19</sup>

The decisions in *Flex-Foot* and *Baseload* emphasize the importance of careful draftsmanship in preparing any settlement agreement or consent decree. *Flex Foot* and *Baseland*, as well as many other cases discussing *Lear*, were reviewed and analyzed by the Second Circuit in *Rates Technology Inc. v. Speakeasy, Inc.* <sup>20</sup> In *Rates* the court considered a clause in a settlement agreement which barred a patent licensee from later challenging the patent's validity. The parties entered into the agreement after an accusation of infringement by the patentee but prior to any litigation. The Second Circuit held that in those circumstances the clause barring a challenge to patent validity was void for public policy reasons under the Supreme Court's decision in *Lear*. The Second Circuit declined to follow the several prior Circuit Court

decisions approving non-challenge clauses in settlement agreements in view of the strong public policy favoring settling ongoing litigation. It found that: “[T]hose decisions do not render the no-challenge clause in this case enforceable, because the ... Agreement was entered into prior to any litigation between the parties.”[Emphasis added]<sup>21</sup> The court in *Rates* continued its analysis by noting that *Lear* established a balancing test for weighing the public interest in contesting invalid patents with other interests such as the federal policies favoring the settlement of disputes.<sup>22</sup> The court found it helpful to analyze the decisions following *Lear* by distinguishing between the various methods by which patent disputes can be resolved. The Ninth Circuit also holds that pre-litigation agreements are unenforceable under *Lear*.<sup>23</sup> The Federal Circuit has not directly addressed the question of whether *Lear* applies to pre-litigation agreements, except in dicta in *Baseload Energy, Inc. v. Roberts*.<sup>24</sup> Other courts have followed the Second Circuit and Ninth Circuit decisions and the extensive analysis of Supreme Court and Federal Circuit case law and found that a no-contest clause contained in a pre-litigation settlement agreement is unenforceable under *Lear*. This ruling applies whether the agreement is styled as a settlement agreement or a license agreement.<sup>25</sup> The rationale underlying the decision that the scope of *Lear* does not extend to pre-litigation agreements was set forth in *Ocean Tomo, LLC v. PatentRatings, LLC*.<sup>26</sup> The court began by stating: “To the Court's knowledge, no court has ever held that a prelitigation settlement qualifies for the *Lear* exception.” It continued: The exception to *Lear*'s prohibition of no-challenge clauses in license agreements was founded upon the public policy favoring settlement agreements (as well as *res judicata* with respect to consent decrees). As the Federal Circuit noted in *Flex-Foot*, public policy favors settlements because they foster judicial economy. Read in light of *Flex-Foot*'s

emphasis on judicial economy as the justification for the settlement exception, Baseload's dicta should not be understood as an endorsement of a pre-litigation settlement exception to Lear. Since pre-litigation settlements are not as certain to have preserved judicial resources as settlements that end pending litigation, they do not trigger the conditions that justify the exception.<sup>27</sup> Ocean Tomo was followed in *Natural Alternatives International, Inc. v. Allmax Nutrition, Inc.*<sup>28</sup> The court held firmly that only a post-litigation settlement can qualify for the Federal Circuit's exception to Lear. A pre-litigation settlement agreement does not qualify. One method to resolve a patent infringement and validity suit is to litigate the suit to a final judgment. The doctrine of res judicata would preclude the later challenge to patent validity under those circumstances.<sup>29</sup>

A second manner for resolving patent disputes is by a consent decree entered after litigation between the parties. The Second Circuit and other courts have decided that such consent decrees prevent future challenges to patent validity.<sup>30</sup>

A third method of resolve patent cases is a settlement after commencing litigation without a consent decree and without a non-challenge clause. In that circumstance, the balance of the competing interests leads to the conclusion that challenges to the validity of the patent is not estopped.<sup>31</sup>

The fourth manner to resolve a dispute is where a settlement that resolves pending patent litigation contains a no-challenge clause. This situation had not been previously directly presented to the Second Circuit. As held in *Flex-Foot*, discussed above, the Federal Circuit has concluded that a no-challenge clause in such a settlement is valid under Lear.

The last method for resolving a patent dispute considered by the court in *Rates* was the entering into an agreement before any litigation between the parties.

The Ninth Circuit, in *Massillon—Cleveland—Akron Sign Co. v. Golden State Adver. Co.*<sup>32</sup> held that such a no-challenge clause in the agreement in those circumstances is void on its face and unenforceable in view of *Lear*. The second Circuit found the reasoning and the balancing of the competing interests in *MCA* persuasive. The parties in such a case have not had the opportunity to conduct discovery and investigate the facts surrounding the validity of a patent. A no-challenge clause was not enforceable because the Agreement was entered into prior to any litigation between the parties, whether the agreement containing such covenants were settlement agreements or simply license agreements. In *Studiengesellschaft Kohle M.B.H v. Shell Oil Co.*,<sup>33</sup> the Federal Circuit established the rule that a licensee cannot invoke the *Lear* doctrine and challenge the validity of the licensed patent until the licensee: (1) actually ceases the payment of royalties; and (2) provides notice to the licensor that the reason for ceasing to pay the royalties is because it believes the relevant claims of the patent are invalid. *Lear* cannot be invoked to relieve a licensee from the payment of royalties after the licensed patent is declared invalid in a suit involving other parties.<sup>34</sup>

The jurisprudence regarding the *Lear* doctrine was further considered by the Federal Circuit in *Gen-Probe Inc v. Vysis, Inc.*,<sup>35</sup> where Gen-Probe had a non-exclusive license on a patent covering blood screening technology. The license followed the usual procedure of defining terms. The “Licensed Method” was defined as any method which infringed a “Valid Claim.” A “Valid Claim” in turn was defined as an issued patent claim “which has not been ruled invalid by a court or an administrative agency of competent jurisdiction from which all appeals have been exhausted.” Five months after signing the license Gen-Probe filed a declaratory judgment suit seeking a judgment that the licensed patent was not infringed and was invalid. It

nevertheless continued to pay the royalties under the license “under protest.” In response to these events, Vysis filed a motion to dismiss the suit on the grounds that as a licensee in good standing Gen-Probe could not have a “reasonable apprehension” of a suit when it filed the declaratory judgment action. The District Court disagreed and a trial proceeded. The Federal Circuit reversed and remanded, and ordered a dismissal of the action. It held that the license promised that the Gen-Probe would not be sued under the patent and was an enforceable covenant not to sue. As stated by the Federal Circuit: “This license, unless materially breached, obliterated any reasonable apprehension of a lawsuit ...”<sup>36</sup> The court in Gen-Probe further held that: “The Lear doctrine however does not grant every licensee in every circumstance the right to challenge the validity of the licensed patent.”<sup>37</sup> The Federal Circuit cited its previous Shell Oil case, discussed above,<sup>38</sup> as requiring that: “a licensee must, at a minimum, stop paying royalties (and therefore breach the agreement) before bringing suit to challenge the validity or scope of the licensed patent.”<sup>39</sup> The court observed that to allow the suit would have the undesirable results of defeating the contractual covenants and discourage patentees from granting licenses, since the licensor would bear all of the risk while the licensee would benefit from an effective cap on damages in the event that the challenge to the scope or validity of the patent fails.<sup>40</sup> The Federal Circuit later relied upon Shell in holding that the invalidation of a licensed patent by the district court in a suit between the licensor and a different licensee did not relieve the other licensee from paying royalties until the invalidity appeal was completed.<sup>41</sup> The Federal Circuit decision in Gen-Probe was repudiated by the U.S. Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*<sup>42</sup> As in Gen-Probe, the license litigated in *MedImmune* defined the “Licensed Products” as products that would infringe the covered

patents “which had neither expired nor been held invalid by a court of competent jurisdiction from which no appeal has been or may be taken.”<sup>43</sup> The licensee paid the fees “under protest” and filed a declaratory judgment suit seeking a judgment that it did not infringe any valid claim of the licensed patent. In reviewing the issue of whether there was a sufficient controversy to justify the filing of the declaratory judgment action, the Supreme Court took note of the fact that the licensee was not repudiating the contract, and was not only challenging the validity of the licensed patent. The licensee also contended that it did not owe royalties because it did not infringe. These facts distinguished this MedImmune case from *Lear*, where it was held that licensee estoppel could not require a repudiating licensee to continue to honor the contract and pay royalties under the license while challenging the validity of the licensed patent. The Supreme Court refrained from extending *Lear* to the MedImmune situation by pointedly noting: “We express no opinion on whether a non-repudiating licensee is similarly relieved of its contract obligation during a successful challenge to a patent's validity—that is, on the applicability of licensee under these circumstances.” (emphasis in original).<sup>44</sup> The Supreme Court continued by repudiating the Federal Circuit *Gen-Probe* case and holding that there was a sufficient controversy in MedImmune to justify the declaratory judgment action, even though the royalties were paid under protest and the license was still in force. It found that the promise to pay royalties on a patent that has not been declared invalid did not amount to a promise not to seek a holding of patent invalidity.<sup>45</sup> The licensee was faced with the possibility of a suit for treble damages and the loss of the right to sell a product that was 80% of its business. Such a threat of injury to the licensee's business by a private party is as coercive as other fact situations that the courts in the past have found to be sufficient to support a justiciable controversy

under Article III of the Constitution. The Court concluded: We hold that the petitioner was not required, insofar as Article III is concerned, to break or terminate its 1997 license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed.<sup>46</sup> On remand, the District Court in *MedImmune*<sup>47</sup> thoroughly discussed the Federal Circuit cases concerning the *Lear* doctrine. The District Court held that the Federal Circuit *Kohle* rule did not apply to the facts of the case, and further held that the distinction that *MedImmune* was a non-repudiating licensee is insufficient to depart from *Lear*. The court reasoned that in *Kohle* the Federal Circuit distinguished *Lear* because the rationale for *Lear* was undermined where a licensee failed to challenge validity until the licensor discovered the breach of the agreement.<sup>48</sup> In this case, where invalidity has been raised affirmatively by the licensee by declaratory judgment, the *Lear* reasoning applied in full force even though *MedImmune* has not repudiated the license. Thus, under *Lear*, *MedImmune* was not barred from asserting patent invalidity. In a later decision in *MedImmune*,<sup>49</sup> the District Court held that the licensor did not have a right to a jury trial with respect to the licensee's patent invalidity claim. In the circumstances of this case, the patentee Genentech can seek no remedy whatsoever. Genentech is precluded by its license agreement with *MedImmune* from suing for legal or equitable relief because *MedImmune* is a licensee in good standing. Genentech the licensor therefore had no right to a jury trial. In *Echostar Satellite LLC v. Finisar Corp.*,<sup>50</sup> the Court followed *MedImmune* to hold that the absence of a licensing agreement did not negate the existence of an actual controversy. Negotiations for a license were sufficient. The parties disagree as to whether licensing negotiations were ongoing or had terminated. However, the court held that the continuation or termination of licensing



negotiations was not dispositive. An actual controversy existed for purposed of a declaratory judgment action regardless of whether the licensing negotiations are ongoing. In *Green Edge Enterprises, L.L.C. v. International Mulch Co., Inc.*,<sup>51</sup> the Missouri Court of Appeals held that a careful reading of *Lear* mandated that a licensee in a patent license was relieved from its obligation to continue paying royalties to the licensor while the validity of the patent was being challenged, regardless of contents of the License Agreement. The court's rationale was that contractual provisions could not override the federal policies favoring the full and free use of ideas in the public domain, as emphasized in *Lear*. The *MedImmune* decision has a major impact on licensing negotiations and drafting. It clearly provides the licensee with the advantage of taking a license and subsequently challenging infringement or validity, while still maintaining the protection of the license. Current licensors have no choice but to accept this consequence, unless the license is renegotiated. If a future licensor finds this situation to be unacceptable, it should take steps in the negotiation and drafting of the agreement to improve its options. One possible option would be to include in the termination clause of the license the right of the licensor to immediately terminate the license upon a challenge to the infringement or validity of the licensed patent. However, some courts have held that such a provision terminating the license is unenforceable as contrary to the principles set forth by the Supreme court in *Lear*, as discussed above.<sup>52</sup> The rationale for banning clauses terminating the license upon a patent challenge is that of this discretionary authority to terminate is no less authority to terminate than an automatic termination provision. The strong public policy followed in *Lear* may not "be evaded through the simple expedient of clever draftsmanship."<sup>53</sup> Other options should occur to creative licensing practitioners.

## Footnotes

1 *MAG Aerospace Industries, Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374, 118 U.S.P.Q.2d 1378 (Fed. Cir. 2016). See also, *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224, 6 U.S.P.Q.2d 2028 (Fed. Cir. 1988); and *Shamrock Technologies, Inc. v. Medical Sterilization, Inc.*, 903 F.2d 789, 793, 14 U.S.P.Q.2d 1728 (Fed. Cir. 1990). 2 *Lear, Inc. v. Adkins*, 395 U.S. 653, 671, 89 S. Ct. 1902, 23 L. Ed. 2d 610, 162 U.S.P.Q. 1 (1969). 3 *Nasalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320, 86 U.S.P.Q.2d 1369, 70 Fed. R. Serv. 3d 354 (Fed. Cir. 2008); citing *Idaho Potato Commission v. M & M Produce Farm & Sales*, 335 F.3d 130, 136, 67 U.S.P.Q.2d 1348 (2d Cir. 2003); *MWS Wire Industries, Inc. v. California Fine Wire Co., Inc.*, 797 F.2d 799, 803, 230 U.S.P.Q. 873 (9th Cir. 1986); *Wells Cargo, Inc. v. Wells Cargo, Inc.*, 606 F.2d 961, 965, 203 U.S.P.Q. 564 (C.C.P.A. 1979); *Beer Nuts, Inc. v. King Nut Co.*, 477 F.2d 326, 329, 177 U.S.P.Q. 609, 17 Fed. R. Serv. 2d 760 (6th Cir. 1973). 4 *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 6 U.S.P.Q.2d 2028 (Fed. Cir. 1988). 5 *Mayo Clinic Jacksonville v. Alzheimer's Institute of America, Inc.*, 683 F. Supp. 2d 1292 (M.D. Fla. 2009). 6 *Foster v. Hallco Mfg. Co., Inc.*, 947 F.2d 469, 476-77, 20 U.S.P.Q.2d 1241 (Fed. Cir. 1991). 7 *Hemstreet v. Spiegel, Inc.*, 851 F.2d 348, 350-51, 7 U.S.P.Q.2d 1502 (Fed. Cir. 1988). See also *Mayo Clinic Jacksonville v. Alzheimer's Institute of America, Inc.*, 683 F. Supp. 2d 1292 (M.D. Fla. 2009) (A no- challenge clause is enforceable in a settlement agreement or consent judgment.). The approval of an amended license by a bankruptcy court is not a settlement agreement that would qualify as an exception to *Lear* under *Hemstreet*. See *DuVal Wiedmann, LLC v. InfoRocket.com, Inc.*, 620 F.3d 496, 96 U.S.P.Q.2d 1824 (5th Cir. 2010). 8 *DuVal Wiedmann, LLC v. InfoRocket.com, Inc.*, 620 F.3d 496, 96 U.S.P.Q.2d 1824 (5th Cir. 2010). 9 *Ransburg Electro-Coating Corp. v. Spiller & Spiller, Inc.*, 489 F.2d 974, 978, 180 U.S.P.Q. 112 (7th Cir. 1973); see also *Rothman v. Target Corp.*, 2014 WL 2436125, \*6 (D.N.J. 2014) (quoting *Ransburg*, 489 F.2d at 978); and *Ocean Tomo, LLC v. Barney*, 133 F. Supp. 3d 1107 (N.D. Ill. 2015). 10 See, *Baseload Energy, Inc. v. Roberts*, 619 F.3d 1357, 1361, 96 U.S.P.Q.2d 1521 (Fed. Cir. 2010); *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1365, 57 U.S.P.Q.2d 1635 (Fed. Cir. 2001); *Foster v. Hallco Mfg. Co., Inc.*, 947 F.2d 469, 475, 20 U.S.P.Q.2d 1241 (Fed. Cir. 1991) (Federal Circuit precedent governs the enforceability of a no-challenge clause in a consent judgment); *Ocean Tomo, LLC v. Barney*, 133 F. Supp. 3d 1107 (N.D. Ill. 2015); and *Natural Alternatives International, Inc. v. Allmax Nutrition, Inc.*, 258 F. Supp.

3d 1170 (S.D. Cal. 2017). 11 *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 57 U.S.P.Q.2d 1635 (Fed. Cir. 2001).

§ 5:14. Challenging the validity of the licensed patent, Licensing Law Handbook § 5:14 © 2021 Thomson Reuters. No claim to original U.S. Government Works. 7 12 *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1363, 57 U.S.P.Q.2d 1635 (Fed. Cir. 2001). 13 *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1368, 57 U.S.P.Q.2d 1635 (Fed. Cir. 2001). 14 *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1370, 57 U.S.P.Q.2d 1635 (Fed. Cir. 2001). 15 *Baseload Energy, Inc. v. Roberts*, 619 F.3d 1357, 96 U.S.P.Q.2d 1521 (Fed. Cir. 2010). 16 *Baseload Energy, Inc. v. Roberts*, 619 F.3d 1357, 1362, 96 U.S.P.Q.2d 1521 (Fed. Cir. 2010). 17 *Baseload Energy, Inc. v. Roberts*, 619 F.3d 1357, 1363, 96 U.S.P.Q.2d 1521 (Fed. Cir. 2010). 18 *SRAM, LLC v. Hayes Bicycle Group, Inc.*, 973 F. Supp. 2d 894 (N.D. Ill. 2013). 19 *SRAM, LLC v. Hayes Bicycle Group, Inc.*, 973 F. Supp. 2d 894 (N.D. Ill. 2013); citing *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1364, 57 U.S.P.Q.2d 1635 (Fed. Cir. 2001); and *Air Safety, Inc. v. Teachers Realty Corp.*, 185 Ill. 2d 457, 236 Ill. Dec. 8, 706 N.E.2d 882 (1999). 20 *Rates Technology Inc. v. Speakeasy, Inc.*, 685 F.3d 163, 103 U.S.P.Q.2d 1462 (2d Cir. 2012). 21 *Rates Technology Inc. v. Speakeasy, Inc.*, 685 F.3d 163, 103 U.S.P.Q.2d 1462 (2d Cir. 2012). 22 *Citing Idaho Potato Commission v. M & M Produce Farm & Sales*, 335 F.3d 130, 135, 67 U.S.P.Q.2d 1348 (2d Cir. 2003). 23 *See, Massillon–Cleveland–Akron Sign Co. v. Golden State Advertising Co.*, 444 F.2d 425, 427, 170 U.S.P.Q. 440 (9th Cir. 1971). 24 *Baseload Energy, Inc. v. Roberts*, 619 F.3d 1357, 1361, 96 U.S.P.Q.2d 1521 (Fed. Cir. 2010). 25 *Natural Alternatives International, Inc. v. Allmax Nutrition, Inc.*, 258 F. Supp. 3d 1170 (S.D. Cal. 2017). *Accord, Ocean Tomo, LLC v. PatentRatings, LLC*, 262 F. Supp. 3d 553 (N.D. Ill. 2017). 26 *Ocean Tomo, LLC v. PatentRatings, LLC*, 262 F. Supp. 3d 553 (N.D. Ill. 2017). 27 *Ocean Tomo, LLC v. PatentRatings, LLC*, 262 F. Supp. 3d 553 (N.D. Ill. 2017). 28 *Natural Alternatives International, Inc. v. Allmax Nutrition, Inc.*, 258 F. Supp. 3d 1170 (S.D. Cal. 2017); distinguishing *Baseload Energy, Inc. v. Roberts*, 619 F.3d 1357, 1361, 96 U.S.P.Q.2d 1521 (Fed. Cir. 2010); and *Ocean Tomo, LLC v. Barney*, 133 F. Supp. 3d 1107, 1119 (N.D. Ill. 2015). 29 *Citing Monahan v. New York City Dept. of Corrections*, 214 F.3d 275, 284, 47 Fed. R. Serv. 3d 683 (2d Cir. 2000); and *Foster v. Hallco Mfg. Co., Inc.*, 947 F.2d 469, 476, 20 U.S.P.Q.2d 1241 (Fed. Cir. 1991) (No court has suggested that *Lear* abrogates the application of *res judicata* principles.). 30 *See, Wallace Clark & Co., Inc. v. Acheson Industries, Inc.*, 532 F.2d 846, 849, 190 U.S.P.Q. 321 (2d Cir. 1976); *American Equipment Corp. v. Wikomi Mfg. Co.*, 630 F.2d 544, 547–48, 208 U.S.P.Q. 465 (7th Cir. 1980); and *Schlegel Mfg. Co. v.*

U.S.M. Corp., 525 F.2d 775, 780–81, 187 U.S.P.Q. 417 (6th Cir. 1975). 31 Rates Technology Inc. v. Speakeasy, Inc., 685 F.3d 163, 103 U.S.P.Q.2d 1462 (2d Cir. 2012); citing WarnerJenkinson Co. v. Allied Chemical Corp., 567 F.2d 184, 193 U.S.P.Q. 753 (2d Cir. 1977). 32 Massillon-Cleveland-Akron Sign Co. v. Golden State Advertising Co., 444 F.2d 425, 170 U.S.P.Q. 440 (9th Cir. 1971) (“MCA”). 33 Studiengesellschaft Kohle, M.B.H. v. Shell Oil Co., 112 F.3d 1561, 42 U.S.P.Q.2d 1674 (Fed. Cir. 1997). See also Advanced Card Technologies, LLC v. Versatile Card Technology, Inc., 410 F. Supp. 2d 158 (S.D. N.Y. 2006). 34 Go Medical Industries Pty., Ltd. v. Inmed Corp., 471 F.3d 1264, 80 U.S.P.Q.2d 1629 (Fed. Cir. 2006). 35 Gen-Probe Inc. v. Vysis, Inc., 359 F.3d 1376, 70 U.S.P.Q.2d 1087 (Fed. Cir. 2004) (abrogated on other grounds by, MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007)), discussed *infra*. 36 Gen-Probe Inc. v. Vysis, Inc., 359 F.3d 1376, 1381, 70 U.S.P.Q.2d 1087 (Fed. Cir. 2004) (abrogated on other grounds by, MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007)). 37 Gen-Probe Inc. v. Vysis, Inc., 359 F.3d 1376, 1381, 70 U.S.P.Q.2d 1087 (Fed. Cir. 2004) (abrogated on other grounds by, MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007)). 38 Gen-Probe Inc. v. Vysis, Inc., 359 F.3d 1376, 1381 n.5, 70 U.S.P.Q.2d 1087 (Fed. Cir. 2004) (abrogated on other grounds by, MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007)). § 5:14. Challenging the validity of the licensed patent, Licensing Law Handbook § 5:14 © 2021 Thomson Reuters. No claim to original U.S. Government Works. 8 39 Gen-Probe Inc. v. Vysis, Inc., 359 F.3d 1376, 1381, 70 U.S.P.Q.2d 1087 (Fed. Cir. 2004) (abrogated by, MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007)). 40 Gen-Probe Inc. v. Vysis, Inc., 359 F.3d 1376, 1382, 70 U.S.P.Q.2d 1087 (Fed. Cir. 2004) (abrogated on other grounds by, MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007)). 41 Go Medical Industries Pty., Ltd. v. Inmed Corp., 471 F.3d 1264, 80 U.S.P.Q.2d 1629 (Fed. Cir. 2006). 42 MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007). 43 MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 768, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007). 44 MedImmune, Inc. v. Genentech, Inc., 549 U.S.

118, 127 S. Ct. 764, 769–770, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007). 45 MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 776, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007). 46 MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 S. Ct. 764, 777, 166 L. Ed. 2d 604, 81 U.S.P.Q.2d 1225, 2007-1 Trade Cas. (CCH) ¶ 75543 (2007). 47 MedImmune, Inc. v. Genentech, Inc., 535 F. Supp. 2d 1000 (C.D. Cal. 2008). 48 See Studiengesellschaft Kohle, M.B.H. v. Shell Oil Co., 112 F.3d 1561, 1568, 42 U.S.P.Q.2d 1674 (Fed. Cir. 1997). 49 MedImmune, Inc. v. Genentech, Inc., 535 F. Supp. 2d 1020 (C.D. Cal. 2008). 50 EchoStar Satellite LLC v. Finisar Corp., 515 F. Supp. 2d 447 (D. Del. 2007). 51 Green Edge Enterprises, L.L.C. v. International Mulch Co., Inc., 347 S.W.3d 564 (Mo. Ct. App. E.D. 2011). 52 Canon Inc. v. Tesseron Ltd., 115 F. Supp. 3d 391 (S.D. N.Y. 2015). 53 Rates Technology Inc. v. Speakeasy, Inc., 685 F.3d 163, 171–172, 103 U.S.P.Q.2d 1462 (2d Cir. 2012).

See also, 2016 edition, pp. 339-362 who reports the US law position in brief up to 2016.

## **B- English Law**

An assignor is estopped from attacking the validity of the property in the hands of his assignee (or a person deriving title through the assignee), since otherwise he could deprive the assignee of the very thing bought or paid for (GONVILLE u. HAY. & WANTOCH AND WRAY'S PATENT). An assignee, on the other hand, may be in a position to challenge validity unless he is restricted from doing so by the terms of his agreement with the assignor.

(Noel Byrne, *ibid.*, p. 17). See also: Noel Byrne, *ibid.*, pp. 313-318.

## **C- Iranian Law:**

Is it logical to state that Art 18 of the 1386 Act has general language upon which any person including the licensee and assignor is authorized to challenge the validity of the patent.

به نظر میرسد ماده مزبور اطلاق داشته و شامل همه ذینفعان مخصوصا ناقلین اختراع و بهره بردان آن بوده و آنان مجاز به طرح دعوای بی اعتباری اختراع موضوع توافق می باشند. ضمنا این حکم آمره و مبتنی بر نظم عمومی بوده و هر نوع توافق برخلاف آن نظیر شرط صریح ممنوع کننده طرح دعوای بی اعتباری و شرط فسخ در صورت طرح دعوای باطل می باشد.

### **Reading Materials**

#### **For more discussion see:**

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