INTRODUCTION

Imagine this scenario. You are one of the more fortunate law graduates with a job in this economic environment. You have been working endless hours on a major patent litigation case that yields around $2.5 million in patent litigation fees for the firm. Your client has been happy with the results. After several years of discovery, the case went to trial on invalidity, infringement, enforceability, and a host of other complex issues. The judge entered a verdict in favor of the Client. The parties then spent additional time on post-trial briefings. As predicted, the defendant filed for an appeal on infringement issue. You informed your client that you are confident the Federal Circuit will affirm the district court’s decision on invalidity and infringement. To your surprise, however, the Federal Circuit focuses on whether your client has standing to bring a patent claim in the first place. Neither your client nor the defendant raised any standing issues in the district court or in the Federal Circuit. Nevertheless, the Federal Circuit rules that your client lacks something called patent prudential standing.

You are bewildered; you thought that you knew standing law well based on your excellent grades in constitutional law and federal courts classes, but you have never heard of patent prudential standing. Unfortunately, you are not alone.

Every year and after spending precious resources litigating their cases, patent litigants face this unanticipated result from the Federal Circuit: that the plaintiffs lacked prudential standing to bring their infringement claims in the first place. In some cases where the district court has already

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1 See AsymmetRx, Inc. v. Biocare Medical, LLC, 582 F.3d 1314, 1318 (Fed. Cir. 2009) (ruling that the plaintiff lacked patent prudential standing); Mentor H/S, Inc. v. Med. Device Alliance, Inc., 240 F.3d 1016, 1017 (Fed. Cir. 2001) (holding that the plaintiff did not satisfy the patent prudential standing requirement). See also A123 Sys., Inc. v. Hydro-Quebec, 626 F.3d 1213, 1217 (Fed. Cir. 2010) (discussing patent prudential standing). For a discussion of prudential standing in general see Jeff Kahn, Zoya’s Standing Problem, or When Should the Constitution Follow the Flag? 108 Mich. L. Rev. 673, 688 (2010) (noting that the judicially-created prudential standing’s “zone-of-interests” test began in 1970s “as part of the growth of the administrative state” and the test “denied standing to litigants who otherwise met constitutional standing requirements if their claims fell outside the ‘zone of interests’ that the statute or constitutional provision was intended to protect.”

2 See generally Abraxis Bioscience, Inc. v. Navinta LLC, 625 F.3d 1359, 1368 (Fed. Cir. 2010) (holding that the plaintiff lacked standing to bring the suit after three years of costly litigation on the merits relating to patent and Hatch-Waxman issues); AsymmetRx, 582 F.3d at 1318 (deciding on plaintiff’s
rendered a verdict, or the parties never raised a standing issue on appeal, the Federal Circuit zealously decides sua sponte to address whether the plaintiff has patent prudential standing to litigate. Rather than stabilizing patent litigation, the Federal Circuit’s patent prudential standing rulings have injected uncertainty into patent cases, and add expense to already exorbitant litigation costs.

Many judicial districts have attempted to reduce excessive litigation costs by adopting local patent rules that provide a strict set of procedures and schedules specifically designed to control discovery abuse, shorten the litigation time, and establish certainty. Nevertheless, vast resources spent on years of discovery, Markman hearings, and full trials on invalidity, infringement, enforceability, and damages, can be nullified when the Federal Circuit ultimately decides to rule that a plaintiff lacks standing. Consequently, uncertainty and additional costs are injected into the already high costs of patent litigation.

But what is patent prudential standing? The Federal Circuit has mandated that in order to satisfy prudential standing, a plaintiff must possess all “substantial rights” to the patent in question. If a plaintiff does not have all of the substantial rights, that plaintiff lacks prudential standing and cannot maintain a patent suit. Particularly in the licensing context, the Federal Circuit has ruled that even where a licensee has an exclusive right to make, use and, vend the licensed patent for the duration of the patent term, and has met the constitutional standing requirements, an exclusive licensee may still lack prudential standing. Indeed, regardless of the fact that the plaintiff satisfies constitutional standing on the basis of having sustained an injury in fact and the injury is redressable, the Federal Circuit

standing without the parties having raised the issue on appeal).

3 See Mentor H/S, 240 F.3d at 1017 (ruling on standing even though the parties did not appeal on standing). See also Prima Tek II, L.L.C. v. A-Roo Co., 222 F.3d 1372, 1374 (Fed. Cir. 2000) (focusing on standing after several years of litigation in the district court).


6 See generally Al23 Systems626 F.3d at 1217 (“Under long-standing prudential standing precedent, an exclusive licensee with less than all substantial rights in a patent, such as a field-of-use licensee, lacks standing to sue for infringement without joining the patent owner.”).

7 See Prima Tek II, 222 F.3d at 1377 (Fed. Cir. 2000) (finding that the licensor had retained some rights in the patents, that the exclusive licensee therefore did not receive all substantial rights in the patents, and so lacked prudential standing to bring suit).

8 See Intellectual Prop. Dev., 248 F.3d at 1348 (holding that the exclusive licensee lacked prudential standing despite a grant provision according the licensee an exclusive license to make, use and sell the inventions, to sublicense to third parties, to bring infringement suit against others, and to collect damages and royalties).
propounds that the plaintiff must still meet the patent prudential standing requirement by possessing all substantial rights to the patent. In other words, whether the plaintiff has standing or not is within the Federal Circuit’s discretion.

Unfortunately, the Federal Circuit frequently engages in unpredictable analyses of constitutes the “substantial rights” in a patent, and whether a plaintiff licensee has acquired all the substantial rights to a given patent. What constitutes substantial rights in one case also does not seem to hold true in subsequent cases. Further, while an exclusive licensee can be deemed to be a patent owner in one case and therefore have standing, in other cases exclusive licensees are ruled to lack standing either with or without leave to cure the defect. The Federal Circuit’s confusing test further breeds more uncertainty as the court devises different categories of standing outcome based on whether the exclusive licensee has sufficient substantial rights. As a result, the inquiry into whether patent prudential standing exists is itself confusing, confounding, and costly because neither attorneys nor litigators are clear on how to interpret or predict the court’s seemingly intractable standing rulings. Such an incoherent body of cases begs for a different approach.

To be fair, the Federal Circuit is not alone in creating incoherent and convoluting standing requirements. Outside the patent arena, standing has

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9 See Totes–Isotoner Corp. v. United States, 594 F.3d 1346, 1352 (Fed. Cir. 2010) (“In addition to Article III standing requirements, [the plaintiff] must also meet prudential standing requirements.”). See also Intellectual Prop. Dev., Inc. v. TCI Cablevision of California, Inc., 248 F.3d 1333, 1348 (Fed. Cir. 2001) (“The general principle … in any infringement suit brought by an exclusive licensee having fewer than all substantial rights is prudential rather than constitutional”).

10 See Intellectual Prop. Dev., 248 F.3d at 1348 (“In addition to the three prong Article III standing test concerning doctrine embraces judicially self-imposed limits, known as prudential limits, on the exercise of jurisdiction.”). Judicially-created prudential standing requirements are “founded in concern about the proper—and properly limited—role of the courts in a democratic society.” Warth v. Seldin, 422 U.S. 490, 498 (1975). Outside of patent cases, the prudential standing requirements preclude causes of action where a plaintiff’s grievance is not within the zone of interests under a statute. See, e.g., Allen v. Wright, 468 U.S. 737, 751 (1984).


12 TK. Probably internal Cross-reference

13 “We explained that the requirement that the exclusive licensee must normally join the patent owner in any suit on the patent is a ‘prudential’ requirement, not a constitutional requirement based on Article III limitations, and that an action brought by the exclusive licensee alone may be maintained as long as the licensee joins the patent owner in the course of the litigation.” Propat Intern. Corp., 473 F.3d at 1193.

14 TK.

15 See infra Part II. Standing in non-patent areas suffers harsh criticism. See, e.g., Cass R. Sunstein, What’s Standing After Lujan? Of Citizen Suits, “Injuries,” and Article III, 91 Mich. L. Rev. 163, 168-97 (1992) (applying qualitative methods to demonstrate that judges’ standing decisions are influenced by judges’ views on substantive law); Richard J. Pierce, Jr., Is Standing Law or Politics? 77 N.C. L. Rev. 1741, 1758-63 (1999) (providing quantitative and qualitative studies of how appellate decisions on standing are dependent on whether circuit judges were appointed by Republican or Democratic presidents).

been in crisis mode for the last several decades,\(^{17}\) and standing doctrine and court precedents on standing have been uniformly and harshly criticized.\(^{18}\) Generally speaking, standing is a threshold matter.\(^{19}\) Any standing issue, if one exists, ought to be addressed at the earliest phase of the litigation as a matter of judicial efficiency and economy.\(^{20}\) But scholars have long complained and shown through both qualitative and quantitative means that courts are arbitrary and biased in their standing decisions.\(^{21}\) In response, some scholars have advocated abandonment of the standing doctrine, while others have suggested different approaches to reform the doctrine.\(^{22}\) The nature of patent prudential standing in the Federal Circuit mirrors this broader crisis. Instead of staying clear of the standing doctrine dilemma, the Federal Circuit has forged its own unpredictable path with patent prudential standing decisions. In some cases, and to the surprise and frustration of litigators and dissenting judges in the Federal Circuit, patent prudential standing has seemingly become a new tool for reversing and vacating district court decisions.\(^{23}\) Moreover, the Federal Circuit has

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\(^{17}\) See Erica L. Ross and Daniel E. Ho, Did Liberal Justices Invent the Standing Doctrine? An Empirical Study of the Evolution of Standing, 1921-2006, 62 STAN. L. REV. 591, 594 (2010) (“In theory, the doctrine serves a distinct function, namely ensuring that a litigant is the proper party to bring a claim in court. Yet standing remains one of the most contested areas of federal law, with criticisms of the doctrine nearing the number of commentators.”); Steven L. Winter, The Metaphor of Standing and the Problem of Self-Governance, 40 STAN. L. REV. 1371, 1373 (1988) (observing that despite efforts to address the standing problem, “standing law remains largely intractable”). See also Robert J. Pushaw, Jr., Justiciability and Separation of Powers: A Neo-Federalist Approach, 81 CORNELL L. REV. 393, 480 (1996) (arguing that the root of standing problems is that the standing doctrine “theoretically incoherent”).

\(^{18}\) See Erwin Chemerinsky, CONSTITUTIONAL LAW: PRINCIPLES AND POLICIES 60 (3d ed. 2006) (noting that the incoherent standing doctrine has been frequently attacked in an extensive body of scholarship); 1 Laurence H. Tribe, AMERICAN CONSTITUTIONAL LAW 390 (3d ed. 2000) (“[T]he law of standing has for some time been one of the most criticized aspects of constitutional law.”).

\(^{19}\) See Luke Mier, Using Tort Law to Understand the Causation Prong of Standing, 80 FORDHAM L. REV. 1241, 1266-69 (2011) (discussing the Supreme Court’s cases on creating a “threshold” or gatekeeping function through the standing requirement and explaining how the threshold function is important from both doctrinal and procedural perspectives). The Supreme Court, however, has moved standing inquiry into an inquiry on the merits. See Mark Tushnet, The New Law of Standing: A Plea for Abandonment, 62 CORNELL L. REV. 663, 680-84 (1977). See also Amanda Leiter, Substance or Illusions? The Dangers of Imposing a Standing Threshold, 97 GEO. L.J. 391, 395-400 (2009) (detailing the history of standing law).

\(^{20}\) See Paul C. Curnin and Christine M. Ford, The Critical Issue of Standing under Section 11 of the Securities Act of 1933, 6 Fordham J. Corp. & Fin. L. 155, 158 (2001) (“Although the question of standing may be raised at any time, it is particularly appropriate to raise the issue in the early stages of litigation.”).


\(^{22}\) See infra Part II.

\(^{23}\) See Abraxis Bioscience, Inc. v. Navinta LLC, 625 F.3d 1359, 1368 (Fed. Cir. 2010) (J. Newman,
embarked on another troubling trend by zealously policing patent prudential standing. There is simply no good reason for the Federal Circuit to exacerbate and add to the broader standing maelstrom.

This Article argues that the Federal Circuit’s patent prudential standing doctrine is completely unnecessary. The doctrine should be abandoned, and that the Federal Circuit should instead follow a Supreme Court precedent dating back to 1926. In Independent Wireless v. Radio Corporation of America, the Supreme Court directly addressed patent licensing claims. But the Supreme Court avoided any analysis of whether the exclusive licensee owned all substantial rights to the patent. Instead, the Supreme Court framed the inquiry around whether the patent’s owner is an indispensable party who must be joined as co-plaintiff in order to satisfy statutory requirements of who may bring a patent suit. The Independent Wireless Court unequivocally ruled that a patent licensor in an exclusive licensing arrangement is an indispensable party and therefore, jurisdiction under the patent statute is met when the exclusive licensee includes the patent owner in the litigation. The Court’s Independent Wireless decision was subsequently codified as the rule for joinder, Rule 19, in the Federal Rules of Civil Procedure (“FRCP”). The Federal Circuit therefore should abandon its patent prudential standing requirement, and instead follow the Independent Wireless ruling. In so doing, the court will increase certainty for litigants, eliminate a source of judicial inefficiency, and lower the overall cost of litigation for parties.

Part I of this Article observes the rise in patent litigation costs and how unpredictable patent standing law has only added to the costs. Part II traces and summarizes how the standing doctrine has become a crisis and is subject to almost universal condemnation. Part III examines the genesis of the Federal Circuit’s creation of patent prudential standing, and observes that the Federal Circuit’s justification for the creation of patent prudential standing is highly suspect, particularly given Independent Wireless. Part IV demonstrates the Federal Circuit’s imprudent rulings on prudential standing in some cases, assesses a number of cases where the Federal Circuit has devised an imaginary scale of “prudence,” and discusses cases where the Federal Circuit focuses on patent prudential standing even when neither the district court’s nor the litigants involved have raised the issue. Part V

dissenting) and see infra Part II.
24 TK
25 TK. Harvard Cite
26 See Indep. Wireless Tel. Co. v. Radio Corp. of Am., 269 U.S. 459 (1926) and see infra Parts III(B) and VI(C).
27 See infra Part VI(C).
28 TK. Probably a Cross reference.
29 TK.
30 TK.
31 See infra Part I.
centers on the “substantial rights” component of the Federal Circuit’s patent prudential standing test and the confusion that test has created. Part VI explores the licensing context in which the Independent Wireless Court solved the problem faced by an exclusive licensee in commercial patent transactions, why the Federal Circuit should adopt the Supreme Court’s Independent Wireless decision, and is followed by a brief conclusion.

I. PATENT LITIGATION COSTS AND THE FEDERAL CIRCUIT’S STANDING CRISIS

Patent litigation is costly. The high cost of patent litigation has become an important topic and a major concern. Judge Ellis of the Eastern District of Virginia has linked high litigation costs to a potentially negative impact on competition when companies are discouraged from challenging weak patents.32 Judge Rader has also been vocal about high litigation costs in patent cases and has made several recommendations to curb them.33 Congress has spent years working on patent reform, and has recently included provisions aimed at reducing patent litigation in the new Americans Invent Act.34

A closer look reveals that on average a patent litigation will collectively cost between two to six million dollars, depending on the amount in controversy and whether the case proceeds to trial.35 Before mounting expensive discovery and trial preparation, parties often decide to engage in motion practice during the early stages of the litigation, allowing courts to resolve questions of venue, jurisdiction, and justiciability.16 If not, the

36 See generally Katherine C. Sheehan, Predicting the Future: Personal Jurisdiction for the Twenty-First Century, 66 U. CIV. L. REV. 385, 440 (1998) (noting the expensive cost of motion practice and suggesting ways to reduce the cost by reforming how personal jurisdiction is decided); Michael Anthony Bottar, Civil Practice, 62 SYRACUSE L. REV. 571, 585 (2012) (observing that a frequent motion practice topic is venue); Matthew I. Hall, Standing of Intervenor-Defendants in Public Law
parties in patent cases proceed directly to litigation in accordance with local patent rules that have been adopted by many district courts to streamline the process and install a level of certainty and predictability. Local patent rules typically mandate that the parties, before the initial case management conference, focus on disclosure, which requires the party claiming infringement to submit all infringement claims along with all supporting patent documents. The alleged infringer then typically has only forty-five days to disclose all invalidity claims and supporting documents. The parties will then disclose patent terms for construction and focus on subsequent exchanges prior to claim construction briefings and a Markman hearing to determine the scope of the patent claims. The parties then direct their attention to other discovery and prepare for trial. Simply put, it is prohibitively expensive to engage in all of the procedures and stages required in a patent suit.

After bearing these high costs involving years of commitment, the use of precious financial and non-financial resources, and enormous collective efforts, no parties want to see the Federal Circuit decide that the plaintiff never had standing to bring the patent infringement action in the first place. Nor do parties want to see that their case, after having already been

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See Arthur Gollwitzer III, Local Patent Rules—Certainty and Efficiency or a Crazy Quilt of Substantive Law? 13 ENGAGE: J. FEDERALIST SOC’Y PRAC. GROUPS 94, 95 (2012) (asserting that based on a study of districts adopting local patent rules, the average time patent cases were pending decreased by two and a half months when compared to the average time pending prior to adopting the rules. Moreover, at the time of adoption, local lawyers seemed to agree that the rules would streamline patent cases by increasing the courts’ efficiency and certainty in handling patent cases.

For example, in the East District of Texas, Rule 3.1 of the Local Patent Rules requires that within ten days of the Initial Case Management hearing, the party asserting patent infringement must serve on all parties a “Disclosure of Asserted Claims and Infringement Contentions.”

See id., Rule 3.3 of the East District of Texas Local Patent Rule.

Patent claims construction hearings are referred as Markman hearings after Markman v. Westview Instruments, Inc., where the Supreme Court held that claims construction is a matter of law decided by judges, not jurors. 517 U.S. 370 (1996)

As a threshold issue, standing must be decided at the outset of the litigation, not years after the cases have been decided on the merits. See Luke Meier, Using Tort Law to Understand the Causation Prong of Standing, 80 FORDHAM L. REV. 1241, 1268-69 (2011): It seems relatively clear that, in describing standing as a threshold matter, the Court has intended both the doctrinal and procedural aspects associated with that word. The Steel Co. case directly addressed the doctrinal sequencing point. The procedural points have never been as firmly addressed, but nevertheless a general understanding seems to have emerged. First, on the question of who decides the issue, although never specifically addressed, it seems clear that standing is a legal question that must be determined by a court rather than a fact question to be determined by a jury. Second, on the question of when to decide the issue, the general consensus seems to be that standing decisions are most usefully determined early in a lawsuit. As Professors Wright and Miller have stated, it is desirable “to decide...
litigated on the merits in the district court and now on appeal in the Federal Circuit, become focused on a standing matter which then reverses and vacates the district court’s decision, effectively restarting the entire process.\textsuperscript{43}

Members of the Federal Circuit have noted the severity of the patent prudential standing problem for litigants.\textsuperscript{44} Indeed, Judge Newman of the Federal Circuit captured the exasperation felt by litigants and admonished the Federal Circuit for its convoluted standing jurisprudence in a dissenting opinion:\textsuperscript{45}

The district court, applying the laws of contract and property transfer, held that the three patents in suit were owned by the plaintiff Abraxis when this suit was filed, and that the plaintiff had standing to bring this suit. The defendant did not seek interlocutory review of that ruling; and there have been over three years of litigation, including full trial of infringement of all three patents, and judicial determination of complex questions of law and fact concerning the Hatch-Waxman Act and its application. This court now finds that the plaintiff did not have standing, after all.

The court thus erases the trial, nullifies the judgment, cancels the appeal, and sends the case back so that the parties and the district court and this court can do it all again. However, the court has not shown reversible error in the district court's ruling on the question of standing, a ruling based on state contract and commercial transaction law. Instead, the panel majority creates a new and convoluted law unique to the patent aspect of commercial transactions. No special public policy is served, and no reason exists for creating a new commercial law, divergent from the governing state law, when the subject of the commercial sale is a patent. I must, respectfully, dissent.\textsuperscript{46}

Judge Newman’s criticism highlights the troublesome path that the Federal Circuit has been taking for some time. The decision rendered by the majority in Abraxis is an illustration of how the Federal Circuit has been so willing to seize the standing issue, despite years of litigation and a full trial on infringement.\textsuperscript{47} The court’s unwelcome standing decision obliterates the entire trial fought so hard by the parties, and ignores the judgment rendered by the district court.\textsuperscript{48} The decision also terminates the appeal brought by the parties on the merits.\textsuperscript{49} Worst of all, the Federal Circuit sends the case back to restart the entire litigation, and not for any articulated policy reasons, but “so that the parties and district court and this court can do it all standing at the outset [of litigation], as a means of sorting out those suits that do not deserve to proceed toward trial on the merits.” Sometimes this concept is described as a gatekeeping function. This conception of standing (including the fairly traceable requirement) as a threshold issue to be determined at the outset of litigation seems intuitively correct: if the federal court lacks power over the case, this characteristic should be identified as quickly as possible.

\textsuperscript{43} See infra Part V.

\textsuperscript{44} See generally Abraxis Bioscience, Inc. v. Navinta LLC, 625 F.3d 1359, 1368 (Fed. Cir. 2010)(J. Newman, dissenting); Morrow v. Microsoft Corp., 499 F.3d 1332, 1342 (Fed. Cir. 2007) (J. Prost, dissenting).

\textsuperscript{45} Abraxis Bioscience, 625 F.3d at 1368 (J. Newman, dissenting).

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again.” The Federal Circuit wastefully increases litigation costs with its standing jurisprudence, as seen in the Abraxis decision. In addition to unnecessarily exorbitant litigation costs, parties also face uncertainty and unpredictability under the Federal Circuit’s standing jurisprudence. In the end, parties may doubt the sincerity of the Federal Circuit’s desire to reduce patent litigation costs as espoused by Judge Rader, the current Chief Judge.

II. STANDING DOCTRINE IN CRISIS

Parties simply don’t know what to expect from the Federal Circuit with regards to patent prudential standing doctrine. Ironically, the Federal Circuit’s decisions on standing are in company with judges’ decisions in non-patent courts, decisions that have propelled standing doctrine into a full crisis in the last several decades.

A. Constitutional Standing and Its Crisis

Courts and scholars generally agree that standing is a threshold requirement without which a plaintiff cannot gain access to the court and the merits of the case will never be litigated, heard or decided. No doubt that judges, legal scholars, and lawyers can easily recite the black-letter law and underlying policy reasons for the standing doctrine as propounded by Supreme Court precedents when determining whether a plaintiff satisfies constitutional standing requirement. Perhaps in unison, they will all rapidly fire: (1) the plaintiff must suffer an “injury in fact”; (2) the defendant caused the injury, and (3) the injury is redressable by the requested remedy. They will continue by articulating that the three rules

50 Id.
51 See generally Warth v. Seldin, 422 U.S. 490, 498 (1975) (standing is a “threshold question in every federal case . . . determining the power of the court to entertain the suit”); Nancy C. Staudt, Modeling Standing, 79 N.Y.U. L. Rev. 612 (2004) (“Standing is a threshold requirement. Without standing, plaintiffs are barred from court; with it, they possibly will get a hearing on the merits.”); Wayne Batchis, Suburbanization and Constitutional Interpretation: Exclusionary Zoning and the Supreme Court Legacy of Enabling Sprawl, 8 Stan. J. Civ. Rts. & Civ. Liberties 1, 32 (2012) (noting the Supreme Court’s long history of addressing “the enduring threshold requirement that a plaintiff have standing to sue in order for a court to consider a legal claim.”);
52 William A. Fletcher, The Structure of Standing, 98 YALE L.J. 221, 221 (1988) (asserting that “stated purposes and black-letter doctrine of standing are numbly familiar” to all). See also Evan Tse Lee and Josephine Mason Ellis, The Standing Doctrine’s Dirty Little Secret, 107 NW. U. L. REV. 169, 170-71 (2012)(noting that for the last forty years, courts and litigants all know that the Supreme Court’s standing doctrine requires imminent injury-in-fact, causation, and redressability as mandated by Article III of the Constitution); Christopher Warshaw and Gregory E. Wannier, Business as Usual? Analyzing the Development of Environmental Standing Doctrine Since 1976, 5 HARV. L. & POL’Y REV. 289 (2011) (applying a quantitative method to analyze cases brought in business and environmental law that faced dismissal for lack of standing).
53 See Allen v. Wright, 468 U.S. 737, 751 (1984) (“A plaintiff must allege personal injury fairly traceable to the defendant's allegedly unlawful conduct and likely to be redressed by the requested relief.”). See also Lee and Ellis, supra note 43, at 176-83 (explaining in detail the meaning of injury-in-
reduce inefficiency in litigation. Standing requirements ensure that courts will be more judicious in taking only concrete cases, and prevent the judiciary branch from encroaching on the legislative and policy-making power of the other two branches of government.

The above consensus on standing, however, does not advance any further. The standing doctrine and the judicial decisions on standing have long been a subject of scathing criticism: “lawless, illogical and dishonest.” Scholars disdain standing doctrine as incoherent and standing decisions as a product of judges’ political ideologies. Some scholars have even advocated for abandonment of the standing doctrine. Judge William Fletcher, writing as a law professor, scrutinized standing doctrine and suggested that everyone should “abandon the idea that standing is a preliminary jurisdictional issue, and abandon the idea that Article III requires a showing of ‘injury in fact.’ Instead, standing should

fact, causation, and redressability).

54 Fletcher, supra note 43, at 222 (listing the benefits of standing requirements).
55 See generally Staudt, supra at 624 (discussing how standing promotes judicial efficiency and values);
57 Heather Elliott, The Functions of Standing, 61 Stan. L. Rev. 459, 501 (2008) (discussing the pathologies of standing and noting that “the incoherence of the standing doctrine has led to repeated accusations that the Court is lawless, illogical, and dishonest.”). See also Gene R. Nichol, Rethinking Standing, 72 Cal. L. Rev. 68, 68 (1984) (complaining that standing decisions are inconsistent and noting that “[i]n perhaps no other area of constitutional law has scholarly commentary been so uniformly critical.”). See also Valley Forge Christian Coll. V. Ams. United for Separation of Church & State, 454 U.S. 464, 475-76 (1982) (“We need not mince words when we say that the concept of ‘Art. III standing’ has not been defined with complete consistency in all of the various cases decided by this Court”).
58 Kevin Coyle, Standing of Third Parties To Challenge Administrative Agency Actions, 76 Cal. L. Rev. 1061, 1061 n.2 (1988) (noting that other scholars have characterized both the Warren and Burger Courts decisions on standing as highly erratic); Fletcher, supra note 43, at 221 (stating that “the structure of standing law . . . has long been criticized as incoherent”);
59 See generally Cass R. Sunstein, What’s Standing After Lujan? Of Citizen Suits, “Injuries,” and Article III, 91 Mich. L. Rev. 163, 168-97 (1992) (applying qualitative methods to demonstrate that judges’ standing decisions are influenced by judges’ views on substantive law); Richard J. Pierce, Jr., Is Standing Law or Politics? 77 N.C. L. Rev. 1741, 1758-63 (1999) (providing quantitative and qualitative studies of how appellate decisions on standing are dependent on whether circuit judges were appointed by Republican or Democratic presidents). Recently scholarship on standing reveals standing’s “dirty little secret” or inconsistency. See Lee and Ellis, supra note 43, at 176-83 (identifying the contradiction between standing doctrine’s requirements under Article III of the Construction and the last forty years of federal court decisions on standing).
simply be a question on the merits of plaintiff's claim.\textsuperscript{61} Other scholars have advocated different solutions to reform standing.\textsuperscript{62} Much ink has been spilled in the development of a corpus of scholarship on standing,\textsuperscript{63} yet nothing good has thus far resulted from all that effort.\textsuperscript{64}

B. 

Prudential Standing and Its Crisis

In addition to the incoherence and confusion of constitutional standing, courts have added another layer called prudential standing.\textsuperscript{65} That is standing based on the Supreme Court’s “sense of prudent judicial administration”.\textsuperscript{66} Consequently, injury, causation and redressability are strictly constitutional standing requirements while justiciability relating to third party standing and generalized grievances are within the prudence of courts.\textsuperscript{67}

Prudential standing requires a plaintiff to assert its own legal right, not that of a third party.\textsuperscript{68} Moreover, even if the plaintiff satisfies constitutional

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\textsuperscript{61} Fletcher, supra note 43., at 223. See also Amy J. Wildermuth and Lincoln L. Davies, Standing, On Appeal, 2010 U. Ill. L. Rev. 957, 1011 (2010) (observing that the “inefficiency, uncertainty, and inaccuracy generated by standing doctrine also impose large costs on both parties and courts in cases where standing is ultimately found. This is made most clear by those cases at issue here, appellate petitions for review directly from administrative agency decisions, what we have called standing on appeal cases. Indeed, the lack of procedural justice that standing on appeal cases create is yet another reason to urge abandonment of the current standing inquiry altogether, or in favor of some other more procedurally just mechanism.”).


\textsuperscript{63} Forty years ago standing literature was already “enormous”. Louis L. Jaffe, Standing Again, 84 Harv. L. Rev. 633, 635 (171). The body of critical scholarship continues to grow. See F. Andrew Hessick, Probalistic Standing, 106 Nw. U. L. Rev. 55, 59 (2012)(advocating that given the severe criticism of the current standing doctrine courts should adopt a new approach where courts “should consider multiple factors, such as the need for judicial review, the quality of decisionmaking, separation of powers, and federalism. This prudential test would be superior to current doctrine not only because it does not rely on a flawed Article III doctrine that implicitly obscures so many different theoretical and practical considerations, but also because it would increase the legitimacy of judicial decisions by promoting transparency.”)

\textsuperscript{64} See Steven L. Winter, The Metaphor of Standing and the Problem of Self-Governance, 40 STAN. L. REV. 1371, 1373 (1988) (observing that despite efforts to address the standing problem, “standing law remains largely intractable”).

\textsuperscript{65} Jonathan Remy Nash, Standing and the Precautionary Principle, 108 COLUM. L. REV. 494, 505 (2008) (explaining that the Supreme Court “over the years has also created other limitations on federal courts' ability to hear cases. These limitations are often called ‘prudential’ standing doctrines, since they are said to be based not on any constitutional command, but on courts' conceptions of when they should as a matter of prudence decline to hear a certain type of case. Examples of prudential standing doctrines include the prohibition against raising the claims of third parties and the ‘zone of interest’ test.”).


\textsuperscript{67} See Valley Forge Christian Coll. v. Ams. United for the Separation of Church & State, 454 U.S. 464, 474 (1982)(“Beyond the constitutional requirements, the federal judiciary has also adhered to a set of prudential principles that bear on the question of standing.”).

\textsuperscript{68} Id. at 475 (quoting Warth v. Seldin, 422 U.S. 490, 499 (1975) to state that under prudential standing “this Court has held that ‘the plaintiff generally must assert his own legal rights and interests, and cannot rest his claim to relief on the legal rights or interests of third parties.”).
standing, courts may limit its jurisdiction to hear the case if the matter merely consists of “‘abstract questions of wide public significance’ which amount to ‘generalized grievances,’ pervasively shared and most appropriately addressed in the representative branches.” Congress, not the judiciary has the authority and the capability to address generalized grievances. In summary, under prudential standing, courts exercise their prudence to prohibit plaintiffs from asserting claims of a third party standing or a general grievance.

In reality, prudential standing is indistinguishable from constitutional standing. Indeed, Dean then Professor Erwin Chemerinsky keenly observed that on the surface the distinction between constitutional standing and prudential standing is useful, as it delineates what Congress can or cannot do with respect to each type of standing. For instance, Congress cannot use its power to expand federal judicial review power beyond the boundaries of Article III. Congress, nevertheless, can override prudential limits by passing statutes that disregard prudential requirements and thereby expand federal judicial review. However, a careful review of judicial decisions on standing, according to Professor Chemerinsky, reveals that constitutional and prudential standings are indistinguishable. In fact, courts have engaged in futile attempts to make a distinction between constitutional standing and prudential standing. It has been noted that the “injury in fact” constitutional standing requirement dictates that the plaintiff, not a third party, must suffer the injury, just as the prudential standing prohibition against third-party claims states that the plaintiff cannot maintain an action if the rights asserted belong to others. What makes a requirement constitutional or prudential? Cynically, it is what “the Court says it is.”

69 Warth, 422 U.S. at 499-500.

70 The Supreme Court has also required that a plaintiff’s complaint fall within “the zone of interests to be protected or regulated by the statute or constitutional guarantee in questions.” Ass’n of Data Processing Serv. Orgs., Inc. v. Camp, 397 U.S. 150, 153 (1970). Additionally, in environmental law courts have developed several requirements for prudential standing. Specifically, and while courts evaluate whether the claim is within the “zone of interests,” the test is “relaxed” in environmental law because citizen suits are permitted in environmental statutes which “extend standing to the outer boundaries set by the ‘case or controversy’ requirement of Article II of the Constitution.” Christopher Warshaw and Gregory E. Wannier, Business as Usual? Analyzing the Development of Environmental Standing Doctrine Since 1976, 5 HARV. L. & POL’Y REV. 289, 298 (2011).

71 Chemerinsky, supra note 57, at 691-92.

72 Id.

73 Id.

74 Id.

75 Id.

76 Id. See also Kimberly N. Brown, Justiciable Generalized Grievances, 68 MD. L. REV. 221, 225-26 (2008) (“It is fair to say that, in the view of many, the standard is utterly bankrupt. It has enabled the Supreme Court to produce contradictory rulings on competing constitutional and prudential theories, leaving the standing doctrine hopelessly incoherent and subject to manipulation.”)
The standing crisis is ongoing. Scholars have devoted significant efforts to studying and investigating the crisis, and proposing ways to reform the doctrine. Not surprisingly, no consensus approach has emerged.

III. TRACING THE CREATION OF THE FEDERAL CIRCUIT’S PATENT PRUDENTIAL STANDING

With standing doctrine’s current state of crisis as a backdrop, the Federal Circuit has irrationally injected it into patent law. The Federal Circuit’s standing jurisprudence has moved the doctrine away from its threshold function or gatekeeping role, and forced litigants to expend resources years after they have already engaged in litigation. Worse, the Federal Circuit focuses on standing even in cases where the parties have already litigated on the merits, adding an extra financial burden to the already prohibitively expensive patent litigation process. How and when the Federal Circuit created its patent prudential standing jurisprudence is worth exploring.

A. Move Over Constitutional Standing

Generally, to determine whether a plaintiff satisfies standing requirements, courts often look to the Lujan elements. According to Lujan, the United States Constitution Article III standing doctrine requires the plaintiff to establish that he suffered an “injury in fact,” an invasion of a legally protected interest that must be both “concrete and particularized” and “actual or imminent, not conjectural or hypothetical.” The plaintiff

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77 See generally Michael E. Solimine, Congress, Separation of Powers, and Standing, 59 CASE W. L. REV. 1023, 1059 (2009) (observing that the Roberts Court has failed to take the opportunity to drastically change the law on standing and is therefore continuing the view of standing based on ideological terms that liberal Justices usually would vote to grant standing and conservative Justices usually would vote to deny standing); Lee and Ellis, supra note 43, at 170-71 (discussing standing contradictions in the last forty years of cases).
79 See Staudt, supra note 42, at 614-16 (acknowledging the wide criticism of the standing doctrine, identifying different proposed reforms and attempting to assess proposed reforms through empirical analyses).
82 Id. at 560-61.
must also show that the defendant caused the injury and that the injury is redressable by the requested remedy.\textsuperscript{83}

The Federal Circuit, with the exclusive appellate jurisdiction to hear patent cases, has fashioned a new prudential standing rule for patent infringement actions, and a party who has constitutional standing is not automatically granted standing to bring a patent infringement case. The plaintiff must also have prudential standing. Ultimately, it is up to the Federal Circuit’s prudence to decide whether the plaintiff can have prudential standing or not, even though the plaintiff’s constitutional standing is not in question.

Tracing the origin of the Federal Circuit’s patent prudential standing leads to two early cases. \textit{Intellectual Prop. Dev. v. TCI Cablevision of California} is where the Federal Circuit first discussed patent prudential standing jurisprudence.\textsuperscript{84} That case, however, was not the first time that the Federal Circuit penned the word “prudential” standing in patent cases. The Federal Circuit had begun justifying prudential standing in \textit{Prima Tek II, L.L.C. v. A-Roo Co.},\textsuperscript{85} and cited its own prior cases decided a decade earlier for support.\textsuperscript{86} In other words, the Federal Circuit had prudential standing creation in the making for quite some time.

1. \textit{Intellectual Property Development v. TCI Cablevision of California}

The plaintiff, Intellectual Property Development (“IPD”) brought a patent infringement action against the defendant TCI in the Southern District Court of New York in 1994.\textsuperscript{87} A year before the litigation, IPD obtained its patent rights from CPL, a United Kingdom company that had entered into liquidation. Pursuant to the agreement between CPL and IPD, the grant accorded IPD numerous rights to the patent. Specifically, the grant provision provided IPD with an exclusive license “to make, use, and sell” the inventions, including the right to grant sublicenses to third parties.\textsuperscript{88} IPD had the right to bring legal action for past infringements and collect damages and royalties.\textsuperscript{89} IPD was also required to keep CPL informed about any infringement litigation related to the patent. In the event of a settlement related to patent infringement litigation, IPD had to obtain prior written consent from CPL and CPL could not unreasonably

\textsuperscript{83} Additionally, the other two elements under \textit{Lujan} are causation between the injury and the complaint and that the injury will be “redressed by a favorable decision.” \textit{Id.} at 561.

\textsuperscript{84} \textit{Intellectual Prop. Dev. v. TCI Cablevision of California}, 248 F.3d 1333 (Fed. Cir. 2001).

\textsuperscript{85} \textit{Prima Tek II, L.L.C. v. A-Roo Co.}, 222 F.3d 1372 (Fed. Cir. 2000).

\textsuperscript{86} \textit{Id.} at 1377 (citing Vaupel Textilmaschinen v. Meccanica Euro Italia, 944 F.2d 870, 875 (Fed. Cir. 1991) and Ortho Pharm. Corp. v. Genetics Inst., Inc., 52 F.3d 1026, 1030 (Fed. Cir. 1995)).

\textsuperscript{87} \textit{Intellectual Prop. Dev.}, 248 F.3d at 1336

\textsuperscript{88} \textit{TK.} Citation needed.

\textsuperscript{89} \textit{Id.}
withhold the consent.\textsuperscript{90} IPD agreed to share equally with CPL the net profit realized from any infringement litigation.\textsuperscript{91}

Armed with those rights in hand, IPD later asserted patent infringement against TCI, and the parties battled in court for five years. In the first year of the litigation, TCI filed a motion to dismiss on the grounds that IPD lacked standing. Subsequently, the district court dismissed TCI’s motion. The litigation prolonged into the fifth year, wherein the plaintiff moved to voluntarily dismiss the suit with prejudice. The district court granted the dismissal, but the defendant proceeded to appeal to the Federal Circuit on the district court’s original ruling of refusing to dismiss the initial complaint filed by the plaintiff for lack of standing.\textsuperscript{92}

With this case, the Federal Circuit began its mission of formulating prudential standing requirements for patent cases. Asserting that the Article III standing three-prong test delineated in \textit{Lujan} was insufficient for justiciability in the patent context, the Federal Circuit announced that prudential standing is required as an \textit{addition}.\textsuperscript{93} With that announcement, the Federal Circuit summarily concluded that as “a prudential principle,” an exclusive licensee having less than all the substantial patent rights has no prudential standing to bring an infringement case in its own name.\textsuperscript{94} Even if the exclusive licensee satisfies the three-prong test under \textit{Lujan}, in the absence of possessing all substantial rights to the patent, the licensee simply cannot sue in its own name.\textsuperscript{95} In the case at hand, IPD met the \textit{Lujan} constitutional standing test,\textsuperscript{96} but failed to satisfy the prudential test. The court asserted that in such cases the licensee must reach out to the patent owner and name that owner as co-plaintiff in order to prudentially satisfy the Federal Circuit’s jurisdictional requirement.\textsuperscript{97}

Not surprisingly, none of the Supreme Court’s cases relied on by the Federal Circuit for its prudential standing creation addressed patents. The cases cited also did not involve complainants suffering concrete and particularized injury to their patent rights, although they had obtained those rights through negotiated license agreements.\textsuperscript{98} For example, at one point the Federal Circuit quoted from \textit{Warth v. Seldin}, a zoning case where the

\begin{footnotesize}
  \begin{enumerate}
    \item Id. at 1337.
    \item Id.
    \item Id. at 1338.
    \item Id. at 1348 (“In addition to the three-prong Article III standing test delineated in \textit{Lujan} standing doctrine embraces judicially self-imposed limits, known as prudential limits, on the exercise of jurisdiction.”).
    \item Id. at 1348.
    \item Id.
    \item Id. at 1349 (stating that the plaintiff "met the constitutional requirements for standing from the outset of its suit.").
    \item Id. at 1348.
  \end{enumerate}
\end{footnotesize}
plaintiffs had incurred no injury to themselves, and in which the Supreme Court held that a “plaintiff must assert his own legal rights and interests, and cannot rest his claim to relief on the legal rights or interests of third parties.” The Federal Circuit also quoted from another Supreme Court decision, *Valley Forge Christian Coll. v. Americans United for Separation of Church and State, Inc.*, a case involving taxpayers’ challenges to a donation of federal property to a religious college. The Court did not base its decision on prudential standing, instead citing the *Lujan* Article III standing requirement that judges refrain from “adjudicating abstract questions of wide public significance which amount to generalized grievances most appropriately addressed in the representative branches.” Finally, the Federal Circuit cited *Allen v. Wright*, a class action case involving African-American parents challenging the Internal Revenue Service for allegedly insufficient guidelines and procedures for denying tax-exempt status to private schools which promoted racially discriminatory policies.

Returning to *IPD v. TCI*, IPD was an exclusive licensee with the grant “to make, use and sell” the inventions, “sublicense to third parties,” and bring legal action “for past infringement and collect[ion of] damages and royalties.” These contractual grants were deemed sufficient to establish concrete and particularized injury in fact against defendant TCI, who was found to have been infringing the patented invention. Indeed, infringement of these important patent rights is neither an abstract question of generalized grievances nor asserts the rights of a third party. Nevertheless, the Federal Circuit propounded the rule that an exclusive licensee plaintiff such as IPD cannot maintain patent infringement litigation without satisfying the court’s own prudential standing requirements.


While *IPD v. TCI* explicitly stated the rule, the Federal Circuit’s patent prudential standing jurisprudence originated in *Prima Tek II, L.L.C. v. A-Roo Co.*, the very first case in which the Federal Circuit admittedly used the word “prudential.” In that case, Southpac, a Cook Island corporation, owned six patents and granted an exclusive, worldwide right to make, use,
and sell products and processes covered by the patents to Prima Tek I.\textsuperscript{107} In addition, Southpac provided Prima Tek I the sole and exclusive right to sue third parties for patent infringement and to collect damages for past infringements. Moreover, Southpac was bound by any judgment rendered from litigation that involved the patents at issue. Subsequently, Prima Tek I transferred its rights under the exclusive license agreement Prima Tek II. In 1997, Prima Tek II and its licensees (hereinafter “the plaintiffs”) launched a patent infringement action against A-Roo Co., which in turn challenged the plaintiffs on standing to sue.\textsuperscript{108}

The district court ordered Prima Tek I to join as a necessary party to the suit seeking dismissal of A-Roo’s standing motion.\textsuperscript{109} The parties then litigated the case over the next two years. In 1999, A-Roo conceded to patent infringement, admitted that the patents were not invalid, and agreed to a permanent injunction. The district court entered its final decree in the case. After entry of the final decree, the plaintiffs moved for the court to declare that the case was exceptional, due to A-Roo’s egregious misconduct during the litigation. The district court found that A-Roo had engaged in misrepresentation and “bad faith motion practice” in numerous instances, and held that the plaintiffs had satisfied by “clear and convincing” evidence that the case was exceptional. Accordingly, attorney’s fees and costs were awarded against A-Roo.\textsuperscript{110}

A-Roo appealed to the Federal Circuit regarding the district court’s judgment that the case was exceptional.\textsuperscript{111} In addition, A-Roo argued on appeal that the district court erred in ruling that the plaintiffs had standing to bring the suit. The Federal Circuit focused on the standing issue, not whether the case was exceptional.\textsuperscript{112} The Federal Circuit ruled that, pursuant to the original agreement between Prima Tek I and Southpac, Prima Tek I lacked standing to bring a patent infringement suit in its own name. Consequently, the court held that the plaintiffs failed to sustain the suit, and reversed and vacated the district court’s decision on attorneys’ fees and damages.\textsuperscript{113}

In reaching its decision, the Federal Circuit stated that it was adhering to the “general rule” on standing set forth by the Supreme Court that “a patentee should be joined, either voluntarily or involuntarily, in any infringement suit brought by an exclusive licensee.”\textsuperscript{114} Oddly, despite asserting its adherence to Supreme Court principle, the Federal Circuit dictated its own rule on standing by declaring the “general rule” is

\textsuperscript{107} Id. at 1374.
\textsuperscript{108} Id. at 1375.
\textsuperscript{109} Id.
\textsuperscript{110} Id. at 1376.
\textsuperscript{111} TK.
\textsuperscript{112} Id. at 1376-82.
\textsuperscript{113} Id. at 1382.
\textsuperscript{114} Id. at 1377.
“prudential rather than constitutional in nature.” In establishing the contours if its new rule, the Federal Circuit examined whether the agreement between the patentee Southpac and the licensee Prima Tek I represented a transfer of all the substantial rights to the patent. According to the Federal Circuit, if the transfer included all substantial rights, only then would the licensee have prudential standing to bring a patent infringement suit against others.

Applying its newly minted prudential standing rule, the Federal Circuit found that the exclusive license agreement between Southpac and Prima Tek I failed to transfer all the patent’s substantial rights to Prima Tek I.

Engaging in a lengthy discussion of just what rights had been conveyed to the licensee, what rights were retained by the licensor, and what restrictions were imposed in the exclusive license agreement, the Federal Circuit concluded that Prima Tek I lacked standing to sue in its own name. To support its newly formulated prudential standing requirements for patent law, the Federal Circuit cited two older cases, Vaupel Textilmaschinen v. Meccanica Euro Italia and Ortho Pharm. Corp. v. Genetics Inst., Inc., both of which discussed whether a patent agreement is an assignment or a license. Surprisingly, neither case mentioned or discussed the prudential standing principle. Despite the absence of support, the Federal Circuit nevertheless enunciated the details of its patent prudential standing requirements in reaching its decision in Prima Tek II.

B. Suspect Support for Patent Prudential Standing

In formulating patent prudential standing, the Federal Circuit asserted that it was following principles set forth in Indep. Wireless Tel. Co. v. Radio Corp. of America, decided by the Supreme Court in 1926.

115 Id. at 1377-78 (“The question before us, then, is whether the assignment from Southpac to Prima Tek I conveyed sufficient interest in the patents . . . whether the assignment transferred all substantial rights in the patents to Prima Tek I.”).
116 Id. at 1377 (“this general rule—which we recognize as being prudential rather than constitutional in nature—is subject to an exception. The exception is that, where the patentee makes an assignment of all substantial rights under the patent, the assignee may be deemed the effective “patentee” . . . and thus may have standing to maintain an infringement suit in its own name.”).
117 Id. at 1378-81 (analyzing what rights were conveyed and retained).
118 Id. Although Prima Tek I had the sole and exclusive right to sue third parties for patent infringement and to collect damages for past infringement, the right was limited in scope because it was “extinguished by the sublicense to Prima Tek II”. Id. at 1380. That meant after the sublicense to Prima Tek II, Prima Tek I had “no right to exclude others from making, using and selling the patented inventions.” Id. The Federal Circuit concluded “Prima Tek I’s asserted role as ‘effective patentee’ is doubtful. We are further troubled by the fact that the agreement gives Prima Tek I virtually no control over the ability to sub-license the patents.” Id.
119 Id. at 1377 (citing Vaupel Textilmaschinen v. Meccanica Euro Italia, 944 F.2d 870, 875 (Fed. Cir. 1991); Ortho Pharm. Corp. v. Genetics Inst., Inc., 52 F.3d 1026, 1030 (Fed. Cir. 1995).
120 269 U.S. 459 (1926).
121 See Prima Tek II, 222 F.3d at 1377 (“As a general rule, this court continues to adhere to the principle
However, a careful review of this decision does not support the Federal Circuit’s ongoing patent prudential standing jurisprudence.

In Independent Wireless, Lee De Forest obtained two patents in 1908 and 1909 for devices that would amplify feeble electrical currents and support improvements in space telegraphy. Mr. De Forest assigned the patents to De Forest Radio Telephone & Telegraph Company (“De Forest Company”). De Forest Company granted an exclusive license to make, use, and sell the devices for the life of the De Forest patents to Western Electric Company, reserving to itself the nonexclusive right to make, use and sell the patents for certain defined purposes. Thereafter, Western Electric Company assigned its rights under the patent license agreement to American Telephone and Telegraph Company, which then transferred those same rights to General Electric Company, which ultimately assigned the rights to the plaintiff, Radio Corporation.

Radio Corporation received the “exclusive rights to use and sell in the United States, for radio purposes, apparatus for transmission of messages, and especially for use between ship and shore for pay.” Radio Corporation then brought an infringement action against the defendant, Independent Wireless Company, for infringing the De Forest patents. Radio Corporation had added the original licensor, De Forest Company as co-plaintiff, but the defendant objected to using the name of the owner as plaintiff without its consent.

The Supreme Court accepted the case to consider the question presented as, “Can the Radio Company make the De Forest Company a co-plaintiff against its will under the circumstances of the case?” The Supreme Court held that the patentee, the De Forest Company, was an indispensable party for the patent infringement litigation and therefore must be made a plaintiff in the infringement action against Independent Wireless Company. The Court reasoned that the patentee has an obligation to protect all lawful exclusive licensees and sublicensees against infringers, and therefore was an indispensable party in the infringement suit.

set forth Independent Wireless that a patentee should be joined, either voluntarily or in voluntarily, in any infringement suit brought by an exclusive licensee... However, this general rule—which we recognize as being prudential rather than constitutional in nature.”).

123 TK
124 Id. at 461.
125 Id.
126 Id.
127 Id. at 461.
128 Id. at 472.
129 Id. at 464.
130 Id. at 473-75 (“We hold that the De Forest Company was properly joined as a co-plaintiff by the Radio Corporation.”).
131 Id. at 473-75 (“The objection by the defendant that the name of the owner of the patent is used as a plaintiff in this suit without authority is met by the obligation the owner is under to allow the use of his name and title to protect all lawful exclusive licensees and sublicensees against infringers, and by the application of the maxim that equity regards that as done which ought to be done.”).
Nowhere in the Independent Wireless decision, however, did the Supreme Court advocate its holding as a basis for prudential standing in patent infringement cases. Instead, Independent Wireless ultimately served a pivotal role in the subsequent development of Rule 19 of the Federal Rules of Civil Procedure in 1937 for joining indispensable parties, as recognized by Professors Wright and Miller in their famed treatise, Federal Practice & Procedure.132 Moreover, the Federal Circuit itself noted that the “holding of Independent Wireless was incorporated into the Federal Rules of Civil Procedure in 1937 with the adoption of Rule 19.”133 In short, by the Federal Circuit’s own admission, Independent Wireless does not lend support to the Federal Circuit’s creation of prudential standing.

IV. THE (IM)PRUDENCE OF EXERTING PRUDENCE

The Federal Circuit has unequivocally established that having an exclusive licensee lacking all the substantial rights to a patent join the patent owner in any suit on the patent is a prudential requirement, and that such licensees must do so if they want to assert and maintain any infringement claim.134 However, plaintiffs must also be mindful of the unpredictable ways in which the Federal Circuit finds or denies standing, and the courts growing tendency to zealously raise and resolve prudential standing questions sua sponte.

A. The (Im)prudence of Standing or No Standing

Though constitutional standing may have been met, an exclusive licensee not in possession of all the patent’s substantial rights simply cannot bring patent infringement claims in its own. Making this determination more complicated, however, is the fact that the Federal Circuit has devised an imaginary scale of prudence, one that is confounding and unpredictable. In some cases, even when the patent holder is added as co-plaintiff with the exclusive licensee, the Federal Circuit found that no prudential standing exists!

1. Propat Intern. Corp. v. Rpost, Inc.—No Standing, Dismissal Without Prejudice

134 “We explained that the requirement that the exclusive licensee must normally join the patent owner in any suit on the patent is a ‘prudential’ requirement, not a constitutional requirement based on Article III limitations, and that an action brought by the exclusive licensee alone may be maintained as long as the licensee joins the patent owner in the course of the litigation.” Propat Intern. Corp. v. Rpost, Inc., 473 F.3d 1187, 1193 (Fed. Cir. 2007).
In Propat v. RPost, the plaintiff obtained its patent rights via an agreement entered into between Propat and Authentix in May 2002. According to the terms of the agreement, Propat was the exclusive licensee with the right to sublicense to a third party the patent at issue, and shared a certain royalty percentage with the licensor, Authentix. In addition, Propat had the exclusive right to enforce the sublicensing agreements and to sue infringers, and would provided the licensor with some of the proceeds resulting from enforcement of the patent. Authentix’s approval was to be acquired by Propat prior to selection of sublicensing targets or suits, but Authentix could not unreasonably withhold approval. If Propat committed breach; became insolvent; failed to meet certain licensing activity thresholds; or ceased to engage in licensing efforts or litigation enforcement, Authentix could terminate the agreement. Propat was also required seek Authentix’s consent if it wanted to assign its obligations under the agreement. If Propat brought a patent infringement suit, Authentix would consent to join as a party to the litigation if required by the court, and Propat would pay all litigation costs incurred by Authentix.

Based on those terms, the Federal Circuit held that Propat did not obtain all the substantial rights to the patent and therefore lacked standing to bring the lawsuit in its own name. Specifically, the Federal Circuit ruled that the rights reserved by Authentix, such as its responsibility to maintain the patent; enjoyment of an equity interest in the proceeds of licensing and litigation activities; right to veto potential sublicensing targets or suits; right to veto assignment of the license agreement; and right to terminate the agreement were “significant” and served as “indication” that Authentix retained “ownership interest” in the patent.

On the other hand, according to the Federal Circuit, even with the broad authority to select licensees for licensing activities and the right to sue patent infringers and enforce its rights under the license agreements, Propat had no standing to bring a patent infringement action by itself. In the eyes of the court, the rights received by Propat did not provide Propat all substantial rights to the patent. The Federal Circuit therefore, affirmed the district court’s ruling that Propat lacked standing to bring suit in its own name.

Most troublesome, however, is what the Federal Circuit did next. The Federal Circuit held that Propat also had no standing to be a co-plaintiff in the patent infringement litigation. When Propat requested the district

135 Id.
136 Id. at 1190.
137 TK
138 Id. at 1191.
139 TK
140 TK
141 Id. at 1193.
142 Id.
court permission for Authentix to be joined as a plaintiff in the case to cure the standing problem and permit the action to proceed, the district court dismissed the action.\textsuperscript{141} The district court explained its dismissal solely on its assertion that Propat itself had no standing to bring the action as a co-plaintiff, and consequently did not rule on the request to join Authentix.\textsuperscript{144}

On appeal, the Federal Circuit relied on the prudential standing requirement in ruling that Propat could not maintain the suit as a co-plaintiff with Authentix.\textsuperscript{145} Typically, the Federal Circuit asserted, a party who is not a transferee of all substantial rights to the patent has standing to bring a suit by joining the patent owner if that party has a legally protected interest in the patent.\textsuperscript{146} The Federal Circuit stated that only an exclusive licensee has a legally protected interest, and therefore could join the licensed patent’s owner as co-plaintiff in an infringement suit. The Federal Circuit reasoned that under the May 2002 agreement Propat’s right to license the patents to other third parties and its right to bring a patent infringement litigation against others are similar to “an agent” but not a “co-owner” of the patent.\textsuperscript{147} Therefore, the court determined that Propat could not bring an infringement suit against a third party, “even with Authentix named as a co-plaintiff.”\textsuperscript{148} On that basis, the Federal Circuit affirmed the district court’s dismissal of the case without prejudice.\textsuperscript{149}


Sicom Systems Ltd. brought a patent infringement action against Agilent Technologies, Inc., and Agilent moved to dismiss the action with prejudice for lack of standing. Sicom asserted that it had standing to maintain the action based on an amended agreement entered into in 2003 with the patent holder, the Canadian government.\textsuperscript{150} The inventors of the patent were the founders of Sicom, and had developed the patented technology as part of research they had conducted for the Canadian government.\textsuperscript{151}

Under the amended agreement between Sicom and the Canadian government, Sicom received the “exclusive right to sue for commercial infringement.”\textsuperscript{152} The Federal Circuit recognized such an exclusive right is

\begin{footnotes}
\footnotetext[141]{TK}
\footnotetext[142]{Id.}
\footnotetext[143]{Id.}
\footnotetext[144]{Id.}
\footnotetext[145]{TK}
\footnotetext[146]{TK}
\footnotetext[147]{Id. at 1194.}
\footnotetext[148]{TK}
\footnotetext[149]{Sicom Sys. Ltd. v. Agilent Technologies, Inc., 427 F.3d 971 (Fed. Cir. 2005).}
\footnotetext[150]{Id. at 973.}
\footnotetext[151]{Id.}
\end{footnotes}
generally an important substantial right because “the right to sue” vests the
licensee with the patent holder’s “right to exclude others from making,
using, and selling the claimed invention.”153 However, the scope of Sicom’s
right to sue was limited to “initiating commercial infringement actions,”
and therefore did not “signify that Sicom possesses[d] the right to sue others
for all types of infringement.”154

Bearing that limitation in mind, the Federal Circuit held that the
amended agreement did not provide Sicom with all the substantial rights to
the patent and therefore Sicom lacked prudential standing to bring an
infringement suit without joining the Canadian government as the
patentee.155 The court also recognized that Sicom could have joined the
patent holder and obtained standing as co-plaintiff in order to maintain its
infringement lawsuit.156 Since Sicom had an opportunity to cure its standing
defect by adding the Canadian government as a party to the litigation but
failed to do so, the Federal Circuit affirmed the district court’s dismissal of
the action with prejudice.157

The dismissal with prejudice appears harsh. As the alleged injured
party, the exclusive licensee Sicom is barred forever from bringing a suit on
the patent infringement claim.158 The defendant therefore could continue to
engage in the alleged patent infringement activities without fear of
infringement liability during the life of the patent.

3. Int’l Gamco, Inc. v. Multimedia Games, Inc.—No Standing,
Dismissal Without Prejudice

Adhering to its prudential standing jurisprudence, the Federal Circuit
continues to expound that an exclusive licensee possessing less than all
substantial rights to a patent lacks standing to sue for infringement without
joining the patent’s owner as a co-plaintiff.

In Int’l Gamco, Inc. v. Multimedia Games, Inc., the plaintiff Gamco
brought a patent infringement action against Multimedia Games.159 The
defendant challenged the plaintiff on standing.

In this case, the patent owner IGT granted to Gamco the exclusive right
and license “within the Territory to make, use, sell, and offer to sell, with

153 Id. at 979(quoting Vaupel, 944 F.2d at 875).
154 Id. at 979.
155 TK.
156 Id. at 980.
157 Id. at 980.
158 “A dismissal with prejudice is dismissal of a case on merits after adjudication. The plaintiff is barred
from bringing an action on the same claim. Dismissal with prejudice is a final judgment and the case
becomes res judicata on the claims that were or could have been brought in it.”
http://definitions.uslegal.com/d/dismissed-with-prejudice/
159 Int’l Gamco, Inc. v. Multimedia Games, Inc., 504 F.3d 1273 (Fed. Cir. 2007).
the right to sublicense others to make, use, sell, and offer to sell game
system networks covered” by the patent at issue. The agreement and its
subsequent amendment defined “Territory” as “the lawful operation of
lottery games authorized by the New York State Lottery in the state of New
York.” Further, Gamco had the exclusive rights to sue “for the past,
present, and future infringement” of the licensed patent within the
Territory.” IGT reserved the right to approve any sublicense offered by
Gamco, but IGT would not unreasonably withhold the approval.

The district court found that Gamco held an “exclusive enterprise”
license, because it was not restricted only to a geographic area or a field of
use, as “Gamco's rights are restricted to the operations of the New York
State Lottery, an enterprise of the State of New York.” Therefore, the
district court concluded that as an exclusive enterprise licensee, Gamco had
standing to file suit in its own name. Recognizing the issue was one of first
impression, the district court certified the following question to the Federal
Circuit: “whether an exclusive patent licensee, with exclusive right of
enforcement, restricted to the activities of a specific enterprise within a
specific geographical territory, is sufficient to confer standing on the
exclusive licensee to bring a patent infringement action in its own name
only.”

On appeal, the Federal Circuit completely ignored constitutional
standing and focused solely on whether Gamco, as an exclusive enterprise
licensee, had prudential standing. The Federal Circuit claimed that
Gamco’s exclusive enterprise agreement conveyed both a territorial license
and a field of use license, and therefore posed “a threat of multiple suits
based on the same allegations of infringement.” The Federal Circuit
concluded that as an exclusive enterprise licensee, Gamco did not hold all
substantial rights to the licensed patent, and lacked prudential standing to
 sue in its own name without joining the patent owner IGT. The Federal
Circuit therefore reversed the district court’s denial of the defendant’s
motion to dismiss the complaint.

B. Exerting Prudence Zealously

Another troubling trend in Federal Circuit standing jurisprudence is its
aggressive creation of its own law and zealous enforcement of standing
against the parties. Moreover, even in cases where the parties and the

160 TK.
161 Id. at 1275.
162 Id. at 1276 (quoting the district court’s finding).
163 TK.
164 TK.
165 Id. at 1779-80.
166 TK.
167 Id. at 1780.
district court did not raise the standing issue, the Federal Circuit has raised the issue on its own of whether the plaintiff had prudential standing to bring a patent infringement lawsuit. Adding inefficiency and extra costs to patent litigation, the Federal Circuit has chosen to focus on prudential standing, even years after the parties had engaged in and concluded litigation on the merits. The cases below are illustrative of the Federal Circuit’s disturbing trend in enforcing prudential standing.

1. **Mentor H/S, Inc. v. Medical Device Alliance, Inc.**

   The plaintiff Mentor brought a patent infringement action against the defendant, Medical Device Alliance, Inc.\(^{168}\) Years after the complaint was initially filed, the case proceeded to a jury trial on infringement, validity and enforceability of the patent at issue; continued to post-trial briefings; and then to the Federal Circuit on appeal.\(^{169}\) Neither the plaintiff nor the defendant ever raised a standing issue either before the district court or in the Federal Circuit. Sua sponte, the Federal Circuit raised the standing issue and invited the parties to submit briefings on standing. Subsequently, the Federal Circuit determined that Mentor did not have standing to bring its patent infringement suit.\(^{170}\)

   In reaching its determination, the Federal Circuit noted that Mentor had submitted several documents to support its claims pursuant to agreements between Mentor and Sonique. These documents included an “Exclusive Evaluation and Distribution Agreement,” “Exclusive Distribution Agreement,” “Exclusive International Distribution Agreement,” “Addendum to Exclusive Distribution Agreement (United States),” “Exclusive International Distribution Agreement,” and “Exclusive Evaluation and Distribution Agreement”.\(^{171}\) The Federal Circuit found that, under these documents, Mentor was an exclusive licensee to the patent at issue, but did not have all the substantial rights to the patent.\(^{172}\) Specifically, Sonique had retained the right to initially bring infringement litigation against others, and Mentor could only sue for infringement in the event Sonique failed to bring the action.\(^{173}\)

   The Federal Circuit stated that although Mentor, as an exclusive licensee, satisfied the constitutional requirements for standing, Mentor did not have prudential standing to sue other infringers in its own name.\(^{174}\) Whether Mentor had prudential standing to maintain the suit was within the

\(^{169}\) Id. at 1017.
\(^{170}\) Id.
\(^{171}\) Id. at 1017-18.
\(^{172}\) Id.
\(^{173}\) Id. at 1018.
\(^{174}\) Id.
appellate court’s jurisdiction, even though the defendant had never raised the issue.\textsuperscript{175} The Federal Circuit concluded that Mentor lacked prudential standing to bring the infringement suit in its own name.\textsuperscript{176} Upon additional briefings and months of delay, the Federal Circuit finally allowed Sonique to be added as co-plaintiff and subsequently focused on the merits of the case.\textsuperscript{177}

2. \textit{AsymmetRx, Inc. v. Biocare Medical, LLC}

AsymmetRx, Inc. brought a patent infringement action against Biocare Medical for alleged infringement of several patents related to p63 antibodies, monoclonal antibodies that can be used to detect malignant carcinoma of the cervix, breast and prostate.\textsuperscript{178} AsymmetRx asserted that Biocare’s sale of the p63 antibodies violated AsymmetRx’s exclusive rights in the commercial diagnostic field, which it had obtained from an agreement with Harvard. The parties litigated the case in the district court through the final judgment stage in which the district court ruled in favor of Biocare\textsuperscript{179}, AsymmetRx then appealed the district court decision to the Federal Circuit.\textsuperscript{180} Again, neither the parties nor the district court raised standing as an issue, but the Federal Circuit did and in so doing vacated the district court’s ruling on the merits.\textsuperscript{181}

Biocare had entered an agreement with Harvard in May of 2002 for a license to make, use, and sell the p63 antibodies.\textsuperscript{182} At the time of the Biocare and Harvard agreement, Harvard had two pending patent applications relating to p63 antibodies and the methods for using them to detect malignant carcinoma.\textsuperscript{183} The license agreement specified that the scope of the license did not include “a license under any U.S. or foreign patents.”\textsuperscript{184} Moreover, the agreement defined the field of use as the life science research market, but failed to actually limit the scope of Biocare’s license to that field.\textsuperscript{185}

\textsuperscript{175} Id. ("we are confident that it is within our jurisdiction as an appellate court to consider Mentor’s standing to bring suit, even though the issue was not raised in the district court.").
\textsuperscript{176} The Federal Circuit then ordered Mentor to file a motion adding Sonique as a co-plaintiff and Medical Device to respond to Mentor’s motion. Id. at 1019. In the event Mentor failed to file the motion, the appeal would be dismissed. Id.
\textsuperscript{177} See Id. at 1373 (ruling that the licensor Sonique can be joined as a co-plaintiff to satisfy the Federal Circuit’s own jurisdiction and without prejudicing the defendant because the defendant already had extensive discovery below relating to Sonique).
\textsuperscript{178} AsymmetRx, Inc. v. Biocare Med., LLC, 582 F.3d 1314 (Fed. Cir. 2009).
\textsuperscript{179} TK
\textsuperscript{180} TK
\textsuperscript{181} Id. at 1318 (The issue of AsymmetRx’s standing to bring suit without Harvard joining as a plaintiff was not raised by either party or the district court.").
\textsuperscript{182} TK
\textsuperscript{183} Id.
\textsuperscript{184} Id. at 1316.
\textsuperscript{185} Id.
Two years later in June of 2004, and after receiving the patent grants for the p63 antibodies, Harvard entered into an agreement with AsymmetRx. Under the AsymmetRx agreement, Harvard granted an exclusive “commercial license” allowing AsymmetRx to deploy the p63 antibodies in a field of use defined as the “sale of clinical and diagnostic products and services based on detecting p63 expression or mutation.” The agreement contained provisions relating to best efforts, sublicensing rights, and cooperation on patent maintenance. Harvard, in turn, reserved the right to use the patented antibodies in academic research and grant non-exclusive licenses to other non-profit organizations and the U.S. government for academic research. With respect to patent infringement litigation involving the licensed patents, the agreement granted AsymmetRx the right to bring an action in its own name and at its own expense, although Harvard could elect to join as a party in any action brought by AsymmetRx. Prior to entering into any settlement agreement stemming from an infringement suit, AsymmetRx was required to obtain written consent from Harvard, and Harvard was not to withhold consent unreasonably.

In 2007, AsymmetRx brought an action against Biocare for patent infringement, alleging that Biocare’s sale of the p63 antibodies violated AsymmetRx’s exclusive license under the agreement between AsymmetRx and Harvard. The case proceeded to summary judgment. In September 2008, the district court ruled for Biocare, stating that its agreement with Harvard permitted Biocare to sell p63 antibodies in the diagnostic market. AsymmetRx appealed the district court’s decision to the Federal Circuit.

On appeal, the parties focused on “whether the district court properly interpreted the language of the Biocare License in finding that Biocare did not infringe any patents rights of AsymmetRx.” The Federal Circuit, however, had its own idea. Instead of addressing the question presented, the Federal Circuit focused on whether AsymmetRx had standing to bring the suit against Biocare. The standing issue had not been raised by either of the parties or the district court below. Nevertheless, the Federal Circuit held that under the exclusive license agreement between AsymmetRx and

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186 Id.
187 TK.
188 Id.
189 Id. at 1317.
190 Id.
191 Id.
192 TK.
193 TK.
194 TK.
195 Id. at 1318.
196 TK.
197 Id.
Harvard, AsymmetRx was not an assignee of the licensed patents.\textsuperscript{198} Despite having all the rights listed in the agreement, including the right to bring litigation in its own name without informing Harvard, the court held that AsymmetRx lacked standing to bring the suit without Harvard as co-plaintiff.\textsuperscript{199} Predictably, the Federal Circuit vacated the district court’s summary judgment ruling and remanded the case for further proceedings in accordance with the Federal Circuit’s decision.\textsuperscript{200}

What good does it do to require joining Harvard when the agreement between Harvard and AsymmetRx explicitly granted AsymmetRx the right to bring an infringement action in its own name when paying for its own litigation costs? How would bringing Harvard in change the course of the litigation? Would it prevent piecemeal litigation? Was it realistic to expect that Harvard would bring an action against Biocare after the litigation brought by AsymmetRx against Biocare? The answers for all of these questions will mostly be in the negative, which is why Harvard granted the right to AsymmetRx to exploit the licensed patents and litigate any infringement action as it wishes without consulting or including Harvard. Perhaps before the Federal Circuit unilaterally evokes prudential standing, it should pause to consider the above questions.

VI. PATENT PRUDENTIAL STANDING AND “ALL SUBSTANTIAL RIGHTS”

The Federal Circuit often claims that standing in patent cases is derived from the patent statute.\textsuperscript{201} Indeed, the patent statute provides that a “patentee” is entitled to bring a civil action for infringement of his patent.\textsuperscript{202} The statute also defines the patentee as including the “successors in title to the patentee.”\textsuperscript{203} Accordingly, in interpreting the statute, the Federal Circuit asserts that a plaintiff has prudential standing if it has received “all substantial rights” to the patent from the licensor.\textsuperscript{204}

A. “All Substantial Rights” Confusion

Generally, a nonexclusive licensee will have no standing to bring suit or even to join a suit with the patentee because it does not possess all substantial rights to the licensed patent and as such suffers no legal injury from patent infringement.\textsuperscript{205} Obviously, an exclusive licensee possesses
more rights in the patent than a nonexclusive licensee, but enjoys fewer
rights than an assignee of the patent.206 A typical example of an exclusive
licensee is an entity with the exclusive right to practice the patent in a
particular field of use or territorial region.207 An exclusive licensee becomes
the “effective patentee” only if the transaction between an exclusive
licensor and exclusive licensee grants “all substantial rights” to the
patent.208 That means, in turn, that such an exclusive licensee will have
standing to bring a patent infringement suit without the patentee.209

But what are “all substantial rights”? Which rights will be deemed
“substantial” to the patent, and which rights will not be accorded
“substantial right” status? The Federal Circuit provides a circular definition
stating that “all substantial rights” are “those rights sufficient for the
licensee or assignee to be deemed the effective patentee” under the patent
statute.210 Moreover, the Federal Circuit proclaims that each transaction is
“unique,” and therefore the Federal Circuit “must ascertain the intention of
the parties and examine the substance of what [the licensing agreement]
granted to determine if it conveys all of the substantial rights in the patent
and is sufficient to grant standing to the licensee.”211 In other words, the
Federal Circuit has taken on a new trial court’s role to determine the facts
and intent of the parties.212

As a result, the Federal Circuit decisions determining whether “all
substantial rights” have been conveyed for purposes of standing furnish a
body of law that is both unclear and unpredictable. For example, in Prima
Tek II, the Federal Circuit determined that Prima Tek I was not granted all
substantial rights to the patents from Southpac, even though Prima Tek I
had the sole exclusive right to sue third parties for infringement and to
collect damages for past infringement, and Southpac had agreed to be
bound by judgments on validity, infringement and enforceability rendered
from a suit involving the patents at issue.213 Prima Tek I also received the
exclusive right to make, use and sell products and processes covered by the

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207 See generally Rite-Hite Corp., 56 F.3d at 1552.
208 See Sicom Sys., 427 F.3d at 974 (noting that the district court held “the licensee does not possess the substantial rights necessary to be an effective patentee” for purposes of standing).
210 See Sicom Sys., 427 F.3d at 976 (quoting Prima Tek II, 222 F.3d at 1377).
211 Sicom Sys, 427 F.3d at 976.
212 See also Timothy Denny Greene, “All Substantial Rights” : Toward Sensible Patent Licensee Standing, 22 FED. CIR. B. J. 1, 23 (2012) (critiquing the Federal Circuit’s “all substantial rights” cases “tend[ing] toward semantic mush rather than functional or pragmatic analysis, which tends only to muddy the standard, confusing courts and litigants and injecting uncertainty into the litigation process.”).
213 Prima Tek II, 222 F.3d at 1374.
The Federal Circuit rested its decision on the fact that Prima Tek I had no ability to control sublicensees of the patents. The Federal Circuit’s reasoning on sublicense rights in this case, however, is antithetical to the next case.

In *IPD v. TCI*, IPD purchased the patent at issue from CPL when CPL entered liquidation. IPD received the right to make, use and sell the invention. IPD had the right to grant sublicenses, the right to collect royalties and damages for past infringements, and the right to bring litigation. The agreement also accorded IPD the right to bring legal action under the purchased patent in IPD’s “own name to prevent infringement” or to “collect damages for past infringement” or to “defend proceedings” in which CPL was not a necessary party to the action, provided that IPD sought consent from CPL. Conversely, CPL would not unreasonably withhold consent. In addition, IPD was not allowed to assign benefits under the agreement to a third party without prior consent from CPL. In this case, the Federal Circuit relied on the inform and consent requirement in ruling that the agreement failed to assign all substantial rights to IPD. Though IPD had the right to sublicense, as stated in the grant provision, the Federal Circuit chose to ignore that factor, upon which the court had based its decision in *Prima Tek II*.

In further contrast, in *Vaupel Textilmaschinen v. Meccanca Euro Italia*, the Federal Circuit held that Vaupel received all substantial rights to the patent at issue even though the licensor retained a veto right on sublicensing by Vaupel. The Federal Circuit found that the licensor’s sublicensing veto was “a minor derogation” from the grant of rights, and did not interfere with the licensee’s rights under the licensed patent. The Federal Court also did not assign any importance to other rights retained by the licensor. For example, the licensor retained the right to obtain patents on the invention in other countries, the reversionary right to the patent in the event Vaupel entered bankruptcy or terminated production based on the patents. In addition, the licensor retained the right to receive infringement damages. Peculiarly, the Federal Circuit ignored all of these retained

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214 TK.
215 Id. at 1380.
217 Id. (noting that through a liquidator, CPL and IPD entered into an agreement which accorded IPD “an exclusive license, to make, use, and sell the inventions, the right to grant sublicenses, the right to collect monies, damages and/or royalties for past infringement and the right to bring legal action to collect the same.”).
218 TK.
219 Id. at 1334.
220 TK.
221 Vaupel, 944 F.2d at 870.
222 TK.
223 VAUPEL, 944 F.2d at 870.
224 Id. at 875.
rights and concluded that all substantial rights had been conveyed to the licensee. Further, the Federal Circuit found “particularly dispositive” the agreement provision that transferred the right to sue for infringement of the patent at issue subject only to the obligation to “inform” the Licensor.

Likewise, the Federal Circuit twisted the “all substantial rights” requirement to fit its own decision in Textile Productions v. Mead Corporation. In that case, Textile and Mead concurrently executed a general agreement and a purchase agreement with regard to the patent at issue. Under the general agreement, the parties split the patent prosecution cost of the patent applications, and Textile was to “assign its entire interest in and to any and all patent derived therefrom to [Mead].” The purchase agreement designated Textile as the manufacturer of products covered by the patent at issue, and Mead would “purchase” such products. The purchase agreement also had a contingency provision that if Textile could meet Mead’s delivery requirements, Mead would have the right to grant the necessary licenses to a third party in order to obtain the products and would share any royalties obtained from third parties with Textile. The Federal Circuit decided that Textile did not acquire all substantial rights to the patent due to the contingency provision. The Federal Circuit noted that, because the agreements were silent as to Mead’s ability to grant further licenses, Mead should be presumed to “retain such right.” Accordingly, the Federal Circuit asserted that the retained right was important in supporting its conclusion that Mead did not transfer all substantial rights to the patent. In other words, the Federal Circuit seemed to be making up its own rule as it deemed fit.

Thus, the four cases provide parties to a patent agreement, whether a purchase agreement or a sale and purchase at liquidation involving patents, no certainty or insight as to whether the purchaser will have standing to bring infringement suits against others. There is no clear rule that can be drawn from these cases to determine whether or not the transferee will be deemed to have received all substantial rights to the transferred patents.
B. “All Substantial Right” and Standing Categories

The Federal Circuit has also delineated several categories of standing: (a) where the licensee has standing to bring the action in its own name; (b) where the licensee has standing to bring the action as a co-plaintiff but needs to have the licensor as a co-plaintiff; and (c) where the licensee does not have standing to bring the action as a co-plaintiff, even if the licensor is added as co-plaintiff. These categories are ostensibly based on whether the plaintiff has “all substantial rights.”

For example, as discussed in the preceding section in *Vaupel*, the exclusive licensee was deemed to have all the substantive rights in the patent and so could bring an infringement suit in its own name without the need to include the patent owner/licensor. In *AsymmetRx*, the exclusive licensee had no right to bring a patent infringement suit in its own name; rather it had co-plaintiff right, and needed to join the licensor in the lawsuit to satisfy the court’s prudential standing requirement. In *Sicom*, the exclusive licensee had no standing to assert a patent infringement against others, because it did not have all the substantial rights and adding the patent owner as co-plaintiff could not cure the standing problem. As the analysis of these three cases in Part IV demonstrates, it is impossible to draw a clear, reliable line around what “all substantial rights” really means, and whether a licensee has many or all such rights.

In *Alfred E. Mann Foundation v. Cochlear Corp.* the Federal Circuit attempted to catalog a list of rights designated as “sufficient rights” to render the exclusive licensee the owner of the patent for standing purposes. In *Alfred E. Mann Foundation* the Federal Circuit seems to suggest that the inquiry should focus on whether the patent transaction provided the exclusive licensee with sufficient “substantial rights” to bring

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continue paying patent maintenance fees, and the nature of any limits on the licensee's right to assign its interests in the patent. Frequently, though, the nature and scope of the exclusive licensee's purported right to bring suit, together with the nature and scope of any right to sue purportedly retained by the licensor, is the most important consideration. Where the licensor retains a right to sue accused infringers, that right often precludes a finding that all substantial rights were transferred to the licensee. It does not, however, preclude such a finding if the licensor's right to sue is rendered illusory by the licensor's ability to settle licensor-initiated litigation by granting royalty-free sublicenses to the accused infringers. Under the prior decisions of this court, the nature and scope of the licensor's retained right to sue accused infringers is the most important factor in determining whether an exclusive license transfers sufficient rights to render the licensee the owner of the patent. *Alfred E. Mann Foun. For Scientific Research v. Cochlear Corp.*, 604 F.3d 1354, 1360-61 (Fed. Cir. 2010) (internal citations omitted).

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236 *TK*


238 *AsymmetRx*, Inc. v. Biocare Medical, LLC, 582 F.3d 1314, 1318 (Fed. Cir. 2009).


240 604 F.3d 1354, 1360 (Fed. Cir. 2010) (“the question is whether the license agreement transferred sufficient rights to the exclusive licensee to make the licensee the owner of the patents in question”).
a patent claim. The list of possible “substantial” rights seemed to include: (1) the exclusive right to make, use, and sell products or services under the patent; (2) the licensee’s right to sublicense; (3) the licensee’s right to bring an infringement suit; (4) the licensor’s reversion of rights; (5) the licensor’s right to collect damages in infringement suits brought by the licensee; (6) the licensor’s right to control the licensee’s activities; (7) the licensor’s obligation to pay expenses associated with the patent; (8) the duration of the license; and (9) the licensee’s right to assign its interests in the patent.

This apparently non-exhaustive list of “substantial” rights simply fails to inform parties drafting a patent license agreement or litigants in patent infringement actions how many of these rights will be “sufficient” for the exclusive licensee to fall into category (a), (b) or (c) in terms of standing. Some Federal Circuit panels would rule that rights (3) and (4) deserve the “most important consideration.” Others would assert that the licensor retention of the right to bring suit, a withholding of (3), is paramount, as long as it is not illusory. And still other panels would accord no significance to the licensee’s right to bring an infringement suit without the licensor’s retention of rights.

As a result, it is impossible to ascertain whether or not the exclusive licensee is deemed to have “all substantial rights.” The Federal Circuit mandates that courts examine the language of the patent agreement between the plaintiff and the licensor to determine whether “all substantial rights” have been granted. That seemingly sensible approach, however, has created an incoherent body of law with unpredictable results. The uncertainty begs for a different approach, one that is workable for litigants and the courts.

To that end, the Federal Circuit should reshape its prudential standing jurisprudence. A change in its current standing practice could replace uncertainty with new efficiencies. Litigation costs would be reduced if the Federal Circuit established a clear gatekeeping rule for standing. In fact, there is a solution in plain sight to end the Federal Circuit’s prudential standing fiasco. It is time to look at the Supreme Court’s precedent on

241 Id.
242 Id. (“Our prior decisions have never purported to establish a complete list of the rights whose holders must be examined to determine whether a licensor has transferred away sufficient rights to render an exclusive licensee the owner of a patent. But we have listed at least some of the rights that should be examined.”).
243 Alfred E. Mann, 604 F.3d at 1361 (citing AssymmetRx, Inc. v. Biocare Med., LLC, 582 F.3d 1314, 1320-21 (Fed. Cir. 2009); Sicom Sys. Ltd. v. Agilent Technologies, Inc., 427 F.3d 971, 979-80 (Fed. Cir. 2005); Abbott Labs. V. Diamedix Corp., 47 F.3d 1128, 1132 (Fed. Cir. 1995)).
245 See Prima Tek II, 222 F.3d at 1374; Intellectual Prop. Dev., Inc., 248 F.3d at 1336.
246 Calgon Corp. v. Nalco Chem. Co., 726 F. Supp. 983, 985 (D. Del. 1989) (“[T]he patent holder or assignee is a necessary party to an infringement action in order to achieve consistency of interpretation and to avoid multiplicity of litigation. Under federal law, the patentee is the real party in interest in such litigation.”).
patent litigation and indispensable party rule to rectify the Federal Circuit’s confused standing doctrine. The patent statute clearly states that a patentee can assert patent infringement, so the Federal Circuit can simply follow the statute by setting a bright-line rule that a patentee must be joined as an indispensable party.

C. The Supreme Court’s Independent Wireless Solution

The patent statute dictates that only the patent holder or assignee can bring a patent infringement suit against an alleged infringer. The Supreme Court in Independent Wireless addressed the problems related to exclusive patent licensees seeking to bring infringement suits against third party infringers. Most importantly, the Independent Wireless court provided solutions to the problems. Avoiding the “unnecessary” inquiry of whether the exclusive licensee possesses all the rights of a patent owner in order to bring the patent infringement action, the Independent Wireless court focused instead on whether the patent holder is an indispensable party, and whether the patent holder must be named either voluntarily or involuntarily.

In Independent Wireless, the Supreme Court recognized that, when a patent holder grants another entity an exclusive right to make, use or vend the patent, that grant does not constitute an assignment. Therefore the exclusive licensee cannot bring a patent infringement suit in its own name. The Supreme Court observed that in exclusive license arrangements, the patent holder or licensor “holds the title to the patent in trust for such a licensee.” Consequently, the Supreme Court noted that “on principle and authority,” the patent holder must allow “the use of his name as plaintiff in any action” brought by the licensee, including a patent infringement action.

The Supreme Court recognized that common practice regarding exclusive licenses was to include a provision imposing “the affirmative duty of initiating and bearing the expense” of patent litigation on the patent holder. The facts of this case were summarized in supra Part III.

247 TK
248 TK
249 The facts of this case were summarized in supra Part III.
250 Specifically the Court stated that “[w]e hold that the De Forest Company was properly joined as a coplaintiff by the Radio Corporation upon the twenty-fifth averment of the bill. This makes it unnecessary for us to consider the argument on behalf of the appellee that the American Telephone Company was the owner of the patent, instead of the De Forest Company.”). Indep. Wireless Tel. Co. v. Radio Corp. of Am., 269 U.S. 459, 471 (1926).
251 Id.
252 TK
253 Id. at 469.
254 Id.
255 Id.
owner/licensor. In cases where the license agreement is silent on this matter, “the implied obligation of the licensor to allow the use of his name is indispensable to the enjoyment by the licensee of the monopoly which by personal contract the licensor has given.” Simply put, the Supreme Court understood that the patent holder must join as a co-plaintiff in any patent infringement suit brought by the exclusive licensee, regardless of the patent holder’s excuses. With the patent holder as co-plaintiff, voluntarily or involuntarily, the exclusive licensee would satisfy patent law’s statutory jurisdictional requirement and could bring an infringement action. Accordingly, the Supreme Court ruled that it was “unnecessary” for the Court to consider whether the exclusive licensee American Telephone and Telegraph Company (and its subsequent sublicensees) had all the rights of a patent owner. Because the De Forest Company, the original licensor in that case, was properly joined as a co-plaintiff, the Court had jurisdiction to decide on the patent infringement action.

In addition to the jurisdictional importance of allowing the exclusive licensee to proceed with a patent infringement claim upon inclusion of the patent holder as a co-plaintiff, the Independent Wireless court also observed that there are other reasons to make the patent holder an indispensable party. Res judicata and judicial consistency of interpretation are important “in most cases to enable the alleged infringer to respond in one action to all claims of infringement for his act, and thus either to defeat all claims in the one action, or by satisfying one adverse decree to bar all subsequent actions.” The ruling and rationale articulated in Independent Wireless became the guide for the amendment of Rule 19 of the Federal Rules of Civil Procedure, which joins indispensable parties voluntarily or involuntarily.

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256 Id.
257 Id.
258 The Court observed that “[i]nconvenience and possibly embarrassing adjudication in respect to the validity of the licensor's patent rights, as the result of suits begun in aid of the licensee, are only the equitable and inevitable sequence of the licensor's contract, whether express or implied.” Id.
259 Id. at 472.
260 Id. at 474.
261 Id. Specifically the Court stated that “[w]e hold that the De Forest Company was properly joined as a coplaintiff by the Radio Corporation upon the twenty-fifth avernment of the bill. This makes it unnecessary for us to consider the argument on behalf of the appellee that the American Telephone Company was the owner of the patent, instead of the De Forest Company.” Id.
262 Id. at 468.
263 Professors Alan Wright and Arthur Miller traced the development of joining parties in patent cases and the impact of Independent Wireless: The development of the practice of joining a party as an involuntary plaintiff was a response to a historical anomaly that culminated in the Supreme Court’s decision in Waterman v. Mackenzie, which held that even in equity the exclusive licensee of a patent must bring an infringement action in the name of the patent owner. The involuntary-plaintiff principle, which was first enunciated by the Supreme Court in Independent Wireless Telegraph Company v. Radio Corporation of America, allows plaintiff in a “proper case” to require the joinder of a party who must be added as a coplaintiff if the action is to continue.
In summary, Independent Wireless dictates that courts must recognize the patent holder or assignee as an indispensable party to an infringement action in order to avoid a multiplicity of litigation involving the same patents and parties. Also, the patent holder or assignee is an indispensable party to an infringement action so the courts can provide consistent interpretation. Independent Wireless wisely recognized that holding all the rights of a patent owner is “unnecessary” as a prerequisite to bringing a patent infringement suit. The Federal Circuit should follow the Supreme Court’s teachings and end its confusing inquiry into whether the exclusive licensee has “all substantial rights” to the patent in order to sustain its litigation. Independent Wireless directed the inquiry to whether the patent holder or licensor is an indispensable party in exclusive license arrangements, and mandated the rule that as long as the licensor is included as a co-plaintiff, voluntarily or involuntarily, the exclusive licensee can litigate the patent infringement case. Prudential standing issues should not even enter the analysis. Moreover, Independent Wireless has been incorporated into Rule 19 of the Federal Rule of Civil Procedure regarding

Wright & Miller, 7 FED. PRAC. & PROC. CIV. § 1606 (3d ed.).

If the owner of a patent, being within the jurisdiction, refuses or is unable to join an exclusive licensee as coplaintiff, the licensee may make him a party defendant by process, and he will be lined up by the court in the party character which he should assume.” 269 U.S. at 469. The Court emphasized again that “[t]he owner beyond the reach of process may be made coplaintiff by the licensee, but not until after he has been requested to become such voluntarily. If he declines to take any part in the case, though he knows of its imminent pendency and of his obligation to join, he will be bound by the decree which follows.” Id. at 473.

See Wright and Miller, supra note 211. (“Rule 19(a) limits the use of the involuntary-plaintiff procedure to a “proper case.” Although the rule does not define what this means, the Advisory Committee Note to the original rule identified Independent Wireless Telegraph Company as an example of a “proper case.”). Indeed, Rule 19 was amended on February 28, 1966. Notes of Advisory Committee on Rules-1937 state as follows:

Note to Subdivision (a). The first sentence with verbal differences (e.g., “united” interest for “joint” interest) is to be found in [former] Equity Rule 37 (Parties Generally—Intervention). Such compulsory joinder provisions are common. Compare Alaska Comp. Laws (1933) §3392 (containing in same sentence a “class suit” provision); Wyo.Rev.Stat.Ann. (Courtright, 1931) §§89–515 (immediately followed by “class suit” provisions, §§89–516). See also [former] Equity Rule 42 (Joint and Several Demands). For example of a proper case for involuntary plaintiff, see Independent Wireless Telegraph Co. v. Radio Corp. of America, 269 U.S. 459 (1926).

Id. at 468

Id.

Id. at 474.

The Federal Circuit has claimed that it “adheres” to Independent Wireless’s principle that “a patent owner should be joined, either voluntarily or involuntarily, in any patent infringement suit brought by an exclusive licensee” yet the Circuit continues to focus its inquiry on whether the exclusive licensee has all or fewer “than all substantial patent rights.” Intellectual Prop. Dev., Inc. v. TCI Cablevision of California, Inc., 248 F.3d 1333, 1347 (Fed. Cir. 2001).


The inquiry should be simple. Courts should evaluate patent transactions, “if the patent holder retains any interest’ in the patent, the patent holder should be viewed as a necessary party to the infringement suit.” Erbamont Inc. v. Cetus Corp., 720 F.Supp.387, 393 (D. Del. 1989).
the required joinder of parties.²⁷¹ Courts should adhere to the Independent Wireless principles and apply Rule 19 as a matter of consistency, clarity, certainty, and efficiency.²⁷²

Perhaps an explanation for the Federal Circuit’s creation of its prudential standing rule is that the Federal Circuit merely sought to follow the patentee requirement under the patent statute. The Patent Act provides that a patentee has the right to assert a patent infringement action against others.²⁷³ But the term “patentee” is defined as comprising both the original patentee, to whom the patent was first issued, as well as subsequent successors in title to the patent.²⁷⁴ Accordingly, if the patentee transfers or assigns all substantial rights under the patent to a third party, the assignee becomes the new patentee and can bring a suit in its own name.²⁷⁵ Under that view, the Federal Circuit’s patent prudential standing merely applies

²⁷¹ See also Blair and Cotter, supra note 217, at 1358-59 (discussing standing in patent cases and Rules 19 and 20).
²⁷³ Rule 19. Required Joinder of Parties

a) PERSONS REQUIRED TO BE JOINED IF FEASIBLE.

(1) Required Party. A person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party if:

(A) in that person's absence, the court cannot accord complete relief among existing parties; or

(B) that person claims an interest relating to the subject of the action and is so situated that disposing of the action in the person's absence may:

(i) as a practical matter impair or impede the person's ability to protect the interest; or

(ii) leave an existing party subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations because of the interest.

(2) Joinder by Court Order. If a person has not been joined as required, the court must order that the person be made a party. A person who refuses to join as a plaintiff may be made either a defendant or, in a proper case, an involuntary plaintiff.

(3) Venue. If a joined party objects to venue and the joinder would make venue improper, the court must dismiss that party.

(b) WHEN JOINER IS NOT FEASIBLE. If a person who is required to be joined if feasible cannot be joined, the court must determine whether, in equity and good conscience, the action should proceed among the existing parties or should be dismissed. The factors for the court to consider include:

(1) the extent to which a judgment rendered in the person's absence might prejudice that person or the existing parties;

(2) the extent to which any prejudice could be lessened or avoided by:

(A) protective provisions in the judgment;

(B) shaping the relief; or

(C) other measures;

(3) whether a judgment rendered in the person's absence would be adequate; and

(4) whether the plaintiff would have an adequate remedy if the action were dismissed for nonjoinder.

(c) PLEADING THE REASONS FOR NONJOINER. When asserting a claim for relief, a party must state:

(1) the name, if known, of any person who is required to be joined if feasible but is not joined; and

(2) the reasons for not joining that person.

(d) EXCEPTION FOR CLASS ACTIONS. This rule is subject to Rule 23.

²⁷⁵ 35 U.S.C. § 100(d)(2)(2012)(“The word ‘patentee’ includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.”).
the patent statute by requiring that exclusive licensees must be in substance similar to assignees, having all substantial rights to the patent in order to maintain the litigation.276

But whether an exclusive licensee has all the rights to be treated like the patent owner is the test squarely rejected by the Supreme Court in Independent Wireless.277 The Supreme Court recognized that there is a need to satisfy the patent statute, but found the most logical approach in patent licensing cases was to have a clear rule of joining the patent owner, voluntarily or involuntarily, to the lawsuit.278 This rule meets the patent statute’s requirement, and allows parties to proceed with the litigation without wasting precious resources in determining which rights constitute a substantial right and whether the exclusive licensee possesses all of those “substantial rights.” Further, there is no need to engage in a multipronged inquiry in determining first whether the licensor is a necessary party and then whether the licensor is an indispensable party, as seen in the Federal Circuit’s decisions.279

CONCLUSION

The Federal Circuit has done much to harmonize patent law in the United States since its creation by Congress in 1982. Lately, though, the Federal Circuit has been under blistering criticism, both internally and externally.280 Unfortunately, the Federal Circuit’s patent prudential standing is one example of the Circuit’s incoherent, convoluted rules. It is time for the Circuit to retreat from patent prudential standing and follow the Supreme Court’s precedent articulated in Independent Wireless and Rule 19 of the Federal Rules of Civil Procedure for cases involving exclusive patent licensing transactions. In so doing, the Federal Circuit will wisely continue to serve as a model for courts domestically and for patent tribunals internationally.

276 See, e.g., Abbott Laboratories v. Diamedix Corp., 47 F.3d 1128, 1130 (Fed. Cir. 1995)(citing the patent statutory provision to justify its standing requirement).
277 See 35 U.S.C. § 106(d)(2012) (“The word ‘patentee’ includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.”).
278 See A123 Sys., Inc. v. Hydro–Quebec, 626 F.3d 1213, 1217-18 (Fed. Cir. 2010) (analyzing whether the patent licensee is a necessary party under patent prudential standing analysis and whether the patent licensee is an indispensable party under Rule 19 analysis). See Schwarz Pharma, Inc. v. Paddock Laboratories, Inc. 504 F.3d 1371, 1374 (Fed. Cir. 2007) (“This court has interpreted the Independent Wireless joinder requirement to be one of prudential rather than constitutional standing.”). Federal Circuit can now just follow Rule 19 as the Rule incorporated Independent Wireless.
279 See generally Paul R. Gugliuzza, Rethinking the Federal Circuit Jurisdiction, 100 GEO. L.J. 1437, 1494-95 (2012) (noting some scholars have blamed the Federal Circuit for stifling innovation with its patent decisions and proposing ways to transform the Circuit); Rochelle Cooper Dreyfuss, In Search of Institutional Identity: The Federal Circuit Comes of Age, 23 BERKELEY TECH. L.J. 787, 791 (2008) (observing the Federal Circuit has been criticized for being too formalistic and rigid, for “refusals to consider policy arguments, and reluctance to revise positions once taken”).