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FEDERAL CIRCUIT PATENT LAW CASE UPDATE


The court reversed the district court’s order granting summary judgment of dismissal in Media’s patent infringement suit. The district court held that the suit was barred by res judicata for claim preclusion because it had previously dismissed the suit for lack of standing due to an imperfect assignment of patent rights. The court reversed because “standing is jurisdictional, lack of standing precludes a ruling on the merits.”

Although the case does not proceed to the merits, the relevant patent, U.S. Patent No. 5,803,501, covers memorabilia cards. Specifically, it claims a memorabilia card combined with a physical memento or keepsake.

A memorabilia card is provided comprising a photograph . . . of a sports player such as a baseball player shown in an action image holding or swinging a bat, and wherein the bat of the memorabilia card comprises a miniature bat of an appropriate proportion to the person’s image, and wherein the miniature bat has been formed using some material from the actual bat used by that person during a memorable event.

In the first suit Telepresence sued Upper Deck on the patent. The district court determined that Telepresence did not have standing because its licensor, an entity called LNCJ, Ltd., was not the effective owner. The assignment from the inventor, a Mr. Gluck, to LNCJ was ineffective. When Telepresence brought the suit, its principal was Mr. Gluck. The district court dismissed the action with prejudice and Telepresence did not appeal.

Later, Gluck formed Media Technologies Licensing (“Media”), reworked the corporate arrangements, and assigned the patent to Media, this time in a matter that was effective. Then Media brought the second suit.

The court reserved the district court’s dismissal. Applying Ninth Circuit law, it disagreed as to the proper effect of a standing dismissal in the first action.

To be given preclusive effect, a judgment must be a final adjudication of the rights of the parties and must dispose of the litigation on the merits. . . . The Ninth Circuit, in common with other federal courts, recognizes that standing is a threshold question that must be resolved before proceeding to the merits of a case. . . .

Because standing is jurisdictional, lack of standing precludes a ruling on the merits. Thus, the district court erred in giving preclusive effect to the Telepresence judgment because its dismissal of Telepresence’s complaint for lack of standing was not a final adjudication of the merits.

In addition, the court debunked the district court’s reliance on privity between Telepresence and Media.

The first action was dismissed because of a deficient assignment between the inventor and Telepresence; this action was putatively dismissed because of a virtual representation [privity] relationship between Telepresence and Media in the prior action. But this is not possible because Media did not then exist. So Media is not the equivalent of Telepresence coming back for a second bite of the apple; it is the entity with all the interest in the ’501 patent that was lacking before.