

FEDERAL CIRCUIT PATENT LAW CASE UPDATE

Sicom Sys. LTD. v. Agilent Techs., Inc., 05-1066 (Fed. Cir. Oct. 18, 2005) (Prost, J.)

The court affirmed that Sicom did not qualify as an “effective patentee” and therefore lacked standing to sue Agilent under a patent for monitoring digital communication channels. Sicom did not license all substantial patent rights from the Canadian government, the owner of the patent who was unwilling to join the suit.

The Canadian government owns U.S. Pat. No. 5,333,147, for monitoring digital communications channels. Sicom is a licensee of the patent.

The inventors of the '147 patent are founding members of Sicom who developed the technology through their own research in connection with a contract with the Canadian government. Under the [January 19, 1998] Agreement, Canada retained legal title to the '147 patent and reserved the rights to: (1) continue operating under the patented technology; (2) veto proposed sublicenses; (3) grant contracts to further develop the '147 patent; (4) sublicense any improvements or corrections developed by Sicom; and (5) sue for infringement of the '147 patent except for “commercial infringement actions.” Additionally, Sicom could not assign its rights without Canada’s approval, nor bring suit without first notifying Canada.

After a first dismissal in Sicom’s suit against Agilent, which Canada declined to join as plaintiff, the parties amended the agreement.

On December 19, 2003, Sicom and the Canadian government executed an amendment to their Agreement (“the Amendment”) granting Sicom the exclusive right to sue for commercial infringement of the '147 patent. Specifically, the Amendment granted to Sicom: (1) the exclusive right to “initiate commercial infringement actions” related to the patent; (2) an extension of the term of the Agreement to coincide with the term of the patent; and (3) an extension of Sicom’s right to initiate commercial infringement actions after expiration of the patent.

The court agreed that this constellation of rights did not provide Sicom standing based on holding “all substantial patent rights.” Sicom was not the “effective patentee.”

This court has addressed the issue of whether an agreement transfers all or fewer than all substantial patent rights in five recent cases. . . . In this case, we must assess the Agreement at issue, weighing the rights in the patent transferred to Sicom against those retained by Canada, to determine whether Canada assigned all substantial rights in the patent, or fewer than all such rights. Canada granted Sicom a license of the '147 patent under the Agreement. Sicom is a “sole” licensee, which the Agreement defines as having “the right to be the only licensee” of the patent. However, Canada has reserved for itself the right to continue operating under the patented technology, as well as a multitude of other rights, including: the right to veto Sicom’s reassignment of its rights or proposed sublicenses; the right to levy additional royalties or other consideration; the right to grant contracts and sub-contracts to further develop the invention claimed in the patent; and the right to offer sublicenses under any improvements or corrections developed by Sicom. . . . Indeed, Canada also retained the right to sue for infringement other than commercial infringement and it retained legal title to the patent.

The court also affirmed the dismissal with prejudice because this was the second failed attempt to establish standing.