FEDERAL CIRCUIT PATENT LAW CASE UPDATE

Aspex Eyewear, Inc. v. Miracle Optics, Inc, 04-1265 (Fed. Cir. Jan. 10, 2006) (Lourie, J.)

The court vacated the determination that Aspex's co-plaintiff, Contour Optik, Inc., did not have standing to sue for patent infringement, thus returning the case to the district court for further adjudication. A hard expiration date in the agreement from Contour to a third-party licensee meant that Contour retained ownership for purposes of standing to sue.

The case turned on whether Contour transferred all substantial ownership rights to U.S. Patent 6,109,747 to a third party, Chic, or whether it merely licensed the patent.

> The '747 patent claims . . . an auxiliary eyeglass frame that houses specialized lenses (e.g., sunglasses) and attaches onto a traditional eyeglass frame.

Contour licensed certain rights to Chic in a March 20, 2001 Distribution and License Agreement, including the first right to sue for infringement, but if Chic did not, Contour could step in. The agreement would expire on March 6, 2003, or three years later if Chic exercised its one option to extend the agreement.

On April 5, 2001, Chic sublicensed all its rights to Aspex.

> Just prior to the grant of the sublicense, however, on March 28, 2001, Aspex and Contour filed a complaint against appellee Miracle for infringement of the '747 patent. . . .
>
> We agree with appellants that the Contour/Chic agreement did not constitute a transfer from Contour to Chic of all substantial rights to the '747 patent, and hence it was not an assignment. . . . To be sure, Contour has transferred to Chic certain rights that are often associated with ownership of a patent. . . . We also agree with the district court that Contour's right to participate in lawsuits initiated by Chic during the term of the agreement is insignificant since that participation is limited to monetary contributions and receipts; Contour does not have a right to make decisions on litigation strategy. In addition, we agree with the district court that the agreement minimizes the significance of any right to sue that Contour may have had since it retained "no supervisory or veto power over Chic's grant of sublicenses." . . . Furthermore, given its virtually unfettered right to sublicense, Chic's limited ability to assign its rights to unaffiliated third parties is not controlling. . . .
>
> However, the dominant factor in the Contour/Chic agreement on which we differ with the district court's otherwise well-reasoned opinion is the provision limiting the term of the license. Chic's rights, however substantial in other respects, are unquestionably valid for only a limited period of time, ending no later than March 16, 2006. . . . Chic never had effective ownership of the '747 patent. It was not a situation in which Chic had an exclusive license with all substantial rights that was only defeasible in the event of a default or bankruptcy, or some other condition subsequent. By having rights for only a limited portion of the patent term, it simply did not own the patent. It was merely an exclusive licensee without all substantial rights.

With this holding, the court remanded the case for the district court to determine whether Contour, as the owner, properly joined any exclusive licensees as necessary parties.

The University of Houston Law Center's Institute for Intellectual Property and Information Law is pleased to provide this information on patent law decisions.

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