

STC.UNM v. INTEL CORP., Appeal No. 2013-1241 (Fed. Cir. June 6, 2014). Before Newman, Rader, and Dyk. Appealed from D. N. Mex. (Judge Brack)

Background:

Three inventors from the University of New Mexico (UNM) and one from Sandia Corp. obtained a patent (the '321 patent) directed to semiconductor technology. Two of the three UNM inventors obtained a subsequent patent (the '998 patent) directed to related technology. The '998 patent was granted subject to a terminal disclaimer relative to the '321 patent, specifying that the '998 patent would only be enforceable if both patents were commonly owned.

UNM's ownership interest in the '998 and '321 patents was later assigned to its licensing arm - STC.UNM (STC). In 2008, STC successfully petitioned the USPTO to correct inventorship of the '998 patent by adding two UNM employees and obtained a certificate of correction indicating that the '998 patent is a continuation-in-part (CIP) of the '321 patent.

In 2010, STC sued Intel for infringement of the '998 patent. Intel believed Sandia had no ownership interest in the '998 patent and thus asserted that the '998 patent was unenforceable under the terms of the terminal disclaimer. STC contended that Sandia obtained co-ownership of the '998 patent via an assignment filed in the '321 patent or, alternatively, when the '998 patent formally became a CIP of the '321 patent. As a precaution, STC assigned an undivided interest in the '998 and '321 patents to Sandia in 2011. However, Sandia refused to join the case.

The parties cross-moved on the issue of standing given Sandia's co-ownership of the '998 patent since at least 2011 and Sandia's refusal to join the case. The District Court refused to join Sandia involuntarily and thus granted Intel's motion to dismiss for lack of standing. The District Court determined that the substantive right of a co-owner to impede another co-owner's infringement action outweighs the procedural rule of involuntary joinder under FRCP 19(a).

Issues/Holdings:

Did the District Court err in refusing to join co-owner Sandia involuntarily to the infringement suit? No, affirmed.

Discussion:

The Federal Circuit applied a well-settled rule that a patent co-owner seeking to maintain an infringement suit must join all other co-owners in the suit. The Court noted that as a matter of substantive patent law, all co-owners must consent to join as plaintiffs in order to maintain an infringement suit. However, the Court recognized that a co-owner has the right to impede another co-owner's ability to sue infringers by refusing to voluntarily join in the suit. The Court held that the right of a patent co-owner to impede an infringement suit brought by another co-owner is a substantive right that trumps the procedural rule for involuntary joinder under FRCP Rule 19(a). The Federal Circuit noted that a co-owner may waive the right to refuse joinder.

Since Sandia did not voluntarily join the suit or waive its right to refuse joinder, the Federal Circuit concluded that STC lacks standing to maintain the suit against Intel. The Court also looked at the equities in play, but determined that the limitation on STC's enforcement does not outweigh Sandia's right to avoid costly litigation and potential invalidation of the patent.

In dissent, Judge Newman argued that Sandia is a necessary party to the suit and, therefore, must be joined as a matter of procedural law under FRCP Rule 19(a). The dissent referenced a number of cases emphasizing the importance of joining necessary parties for judicial expediency.