

LUMINARA WORLDWIDE, LLC v. LIOWN ELECTRONICS CO. LTD., Appeal No. 2015-1671 (Fed. Cir. February 29, 2016). Before Moore, O'Malley, and Taranto. Appealed from D. Minn. (Judge Nelson).

Background:

Disney granted Candella a worldwide license to make, use, sell, and import products practicing artificial flame technology. Candella approached Liown to manufacture its candles. After several unsuccessful negotiations, Liown began selling its own flameless candles to Candella's exclusive customers. Subsequently, Disney and Candella amended their license agreement four times, each time granting Candella more rights, including the right to sublicense, assign its interest, and right to sue without Disney's consent. After the license was amended, Candella sued Liown for patent infringement. After filing suit, Candella merged into Luminara. Liown moved to dismiss for lack of standing. The district court denied Liown's motion and found that Luminara had standing. Liown appealed.

Issue/Holding:

Did the district court err in denying Liown's motion to dismiss for lack of standing? No, affirmed.

Discussion:

Only parties with exclusionary rights to a patent may bring suit for patent infringement. Liown argued that Candella did not have exclusionary rights to the asserted patents because Disney retained the right to freely license the technology to any entity. The agreement stated, "Disney expressly reserves for itself and its Affiliates the right throughout the world to make, have made, use, sell, offer for sale and import the Licensed Products, within and outside the Product Categories." It also stated that an "Affiliate" does not include an entity operated under a license from Disney where "such license is only a license to Artificial Flame Technology." Liown argued that this provision implies that Disney may license any entity to use the artificial flame technology when other technology is included in the license. The Federal Circuit disagreed, pointing out that the agreement repeatedly stated that Candella would have "exclusive" rights to the artificial flame technology. Considering also that the parties amended their agreement four times, each time giving Candella more rights, Federal Circuit found that any interpretation that would permit Disney to license to any entity as an Affiliate to practice the artificial flame technology runs counter to the parties' intent in the agreement.

Liown also argued that Disney retained substantial rights that prevent Luminara from bringing suit in its own name without joining Disney. If an exclusive licensee has "all substantial rights" to a patent, it may maintain suit in its own name without joining the patentee. Under the agreement, Luminara had the "sole and exclusive right" to sue infringers, a worldwide license to make, use, sell and import products that practice the artificial flame technology, the sole right to sublicense the asserted patents, and right to assign its rights. Disney having the right to practice the patents, title to the patents, responsibility to pay maintenance fees, a financial interest in litigation and licensing and a right to notice of litigation and licensing activities are not substantial enough to preclude Luminara from bringing suit in its name alone. Thus, the Federal Circuit held that Luminara has all substantial rights to the patent.