

Schrodinger's Case

Parties Lacking Common Ownership at Filing Do and Do Not Have Standing to Sue

By: Ifti Zaim and Lisa Holubar | August 13, 2019

On consecutive days two district courts faced the same question—does a patent infringement plaintiff who sued before establishing common ownership over a terminally disclaimed patent have standing?—but arrived at opposite answers. On July 25, 2019, the Eastern district of Pennsylvania held a case must be dismissed because such a plaintiff lacked enforceable title at the inception of the lawsuit. *Midwest Sports Athletic Alliance, Inc. v. Ricoh USA, Inc.*, Case No. 19-cv-00514, Dkt. 115 (E.D. Penn. Jul. 25, 2019) (“*MASA*”). On July 26, the Eastern District of Texas held that dismissal was not appropriate because, although the patent was not enforceable until common ownership was established, the plaintiff **had** enforceable title to the patent and thus had standing to sue. *Fall Line Patents, Inc. v. Zoe's Kitchen*, Case No. 18-cv-00407, Dkt. 106 (E.D. Tex. Jul. 26, 2019) (“*Fall Line*”).

“Terminal disclaimers” are binding agreements by a patentee or applicant to abandon shorten the statutory life of its patent or impose restrictions upon its scope. 37 C.F.R. § 1.321. The terminal disclaimers at issue in *MASA* and *Fall Line* were submitted to surmount nonstatutory double patenting rejections, a judicial doctrine preventing patent applicants from obtaining multiple patents having non-identical but patentably non-distinct claims, and thereby improperly extending the life of a patent or assigning those patents to multiple entities to harass defendants with multiple lawsuits. MPEP § 804 at ¶ 8.33. Thus, per 37 C.F.R. § 1.321(c), each terminal disclaimer provided that the asserted patents would be enforceable **only while** commonly owned with the disclaimer patent(s). Neither *MASA* nor *Fall Line* established common ownership before filing their lawsuits.

MASA and *Fall Line* agree that a patent plaintiff must have had standing when it filed the lawsuit, and in order to have standing, must have had “enforceable title” to the patent. *MASA*, at 4; *Fall Line* at 4–6. The opinions then diverge. *MASA* and its cited cases, decisions of other district courts and the I.T.C., found their plaintiffs to lack standing because their asserted patents were unenforceable. *MASA*, at 4–6. However, unlike the other cases, *Fall Line* distinguished **enforceability of the patent**, which it characterized as concerning “equitable issues that may preclude or limit recovery”), from **enforceable title** (which, it said, meant “that the owner has title that is superior to all others.”). *Fall Line*, at 6. *Fall Line* further construed the Federal Circuit’s prior cases on standing to address only the latter question, namely, whether the plaintiff possessed superior title. *Id.* at 6–7.

Fall Line’s position seems tenuous. Its construction, without supporting authority, reduces “enforceable title” to merely mean “title,” reading out the portion of the term implicated by the common ownership requirement. “Enforceable title,” by its terms, seems to require both that the plaintiff possess title in the patent, and that the patent be enforceable. Further, by allowing plaintiffs to assert unenforceable patents, and then subsequently cure that defect, *Fall Line*’s holding would defeat the public policy goals sought to be remedied by requiring terminal disclaimer: preventing multiple assignees from threatening or asserting infringement of essentially the same patent. But for now, at least, whether a patent owner who sues before establishing common ownership over a terminally disclaimed patent has standing depends upon the court in which it stands.