

Check Your Clauses, MasterCard Gets Caught by Lack of Continuation After Termination

ALEXSAM, INC., Plaintiff-Appellant v. MASTERCARD INTERNATIONAL INCORPORATED, Defendant-Appellee, No. 2022-2046, 2024 WL 825658 (Fed. Cir. Feb. 28, 2024)

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On February 28, 2024, in *AlexSam, Inc. v. MasterCard International Incorporated*, the Federal Circuit reversed the district court’s summary judgment in favor of MasterCard and remanded. The Federal Circuit found that AlexSam could maintain its suit because the covenant not to sue provision in the License Agreement (“Agreement”), which the lower court relied upon in granting summary judgment, had terminated. Thus, the Federal Circuit held that AlexSam’s claim for breach of the Agreement’s royalties provision was not barred by the covenant not to sue.



The Agreement between the parties, regarding “Multifunction Card System” patents owned by AlexSam, included a covenant not to sue in which AlexSam agreed to “not at any time initiate, assert, or bring any claim against MasterCard...relating to Licensed Transactions arising or occurring before or during the term of this Agreement.” In 2015, AlexSam sued MasterCard for material breach of the Agreement and for failure to pay royalties pursuant to the Agreement. MasterCard filed for summary judgment, arguing the broadly worded covenant not to sue barred AlexSam’s claim for unpaid royalties. The district court agreed and granted summary judgment to MasterCard.

The Federal Circuit reversed the district court’s decision, observing that the broad, plain language of the covenant meant that AlexSam cannot bring suits for patent infringement or breach of contract actions during the time when the Agreement was in force. However, at the time of the suit the Agreement had terminated. Although the Agreement included sections that would survive termination of the Agreement, including the duty to pay royalties, it did not list the covenant not to sue as one. Even though the covenant not to sue had in perpetuity language (“at any time”) and could be interpreted as such between two sophisticated parties, the Federal Circuit found that the language only held weight during the term of the Agreement and not post-termination. Therefore, the covenant not to sue terminated with the Agreement, and AlexSam would be allowed to maintain its suit for nonpayment of royalties against MasterCard.

As Judge Stoll states, this matter “illustrates the importance of carefully reviewing the language in a covenant not to sue.” Drafters of license agreements, if they intend any provision to survive the agreement’s termination or expiration, should be careful to explicitly include the provision in the termination provisions of the agreement.