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Microsoft Cannot Compel Joinder of Patent Owner in Infringement Suit

Patent licensee satisfied standing requirement

[E-Commerce Law Weekly](#)

January 21, 2000

Eolas Technologies, the exclusive licensee of a patent owned by the Regents of the University of California, can continue its infringement suit against Microsoft Corp. without the presence of the patent's owner, the U.S. District Court for the Northern District of Illinois held Jan. 6 (*Eolas Technologies v. Microsoft Corp.*, N.D. Ill., No. 99 C 0626, 1/6/00).

Eolas sued Microsoft for infringement of U.S. Patent No. 5,838,906, which is owned by the Regents. Microsoft, arguing that Eolas did not have standing to bring the suit, moved to compel joinder under Fed. R. Civ. P. 19(a). The court, through Judge James B. Zagel, found on the record that the Regents were not an indispensable party and denied the motion.

Generally, the owner of a patent is an indispensable party in an infringement suit; however, an exclusive licensee can sue without the owner present if the licensee has been granted "all substantial rights" under the patent. Therefore, the court wrote, Eolas could maintain the suit on its own if it had: (1) the right to exclude others from making, using, or selling the invention; (2) the right to transfer; and (3) the right to sue infringers.

Under the license agreement, Eolas had the exclusive right to practice the invention, the court found. Neither the Regents' reversionary interest nor its right to use the invention for educational purposes detracted from that right.

Eolas could also transfer its rights to the invention, the court said. Although the Regents retained veto power over any assignment of those rights, the court recognized that the

Regents could not withhold consent to a transfer in bad faith. Moreover, Eolas could, within the license's terms, sub-license the patent without the Regents' consent.

Finally, although the license did not grant Eolas an exclusive right to sue for infringement, the Regents assigned Eolas the right to sue Microsoft in a Feb. 1, 1999 letter. Based on that letter, the court found that "the parties intend Eolas 'to bear responsibility for enforcing and protecting the patent' against Microsoft." Therefore, the possibility of two suits on the same patent against the same infringer was "sufficiently minimized" and did not implicate the policy rationale for joinder.

In sum, the court ruled that Eolas satisfied all three prongs of the standing requirement and that joinder of the Regents was not necessary.

The court also rejected Microsoft's argument that the Regents were an indispensable party for purposes of its counterclaim of inequitable conduct. Microsoft did not move to join the Regents when it filed its counterclaim, the court noted, and, absent an allegation that the Regents committed inequitable conduct, joinder was not necessary.

"Complete relief can be afforded," the court wrote, "since a finding of inequitable conduct renders the entire patent unenforceable."



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