

No. 15-510

IN THE
Supreme Court of the United States

MESO SCALE DIAGNOSTICS, LLC. ET AL.,
Petitioners,

v.

ROCHE DIAGNOSTICS GMBH, ET AL.,
Respondents.

**On Petition for a Writ of Certiorari
to the Supreme Court of Delaware**

**BRIEF OF SPECTRUM FIVE LLC
AS *AMICUS CURIAE*
SUPPORTING PETITIONER**

STEVEN I. WALLACH
Counsel of Record
PETER I. BERNSTEIN
RICHARD L. CATANIA
SCULLY, SCOTT, MURPHY &
PRESSER, P.C.
400 Garden City Plaza
Suite 300
Garden City, NY 11530
(516) 742-4343
(swallach@ssmp.com)

TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
INTEREST OF <i>AMICUS CURIAE</i>	1
INTRODUCTION	1
ARGUMENT.....	2
CERTIORARI IS WARRANTED TO REAFFIRM THAT THIS COURT MEANT WHAT IT SAID IN <i>DE FOREST RADIO</i>	2
A. This Court Has Held that Any Language or Conduct Manifesting Consent to Use a Patent Is a License.....	2
B. The Delaware Courts’ Decisions Contrary to <i>De Forest Radio</i> Add to Confusion Among Intellectual-Property Owners and Those in the Public Who Wish to Use IP Rights	4
CONCLUSION.....	6

TABLE OF AUTHORITIES

	Page
CASES	
<i>3M Innovative Props. Co. v. Barton Nelson, Inc.</i> , 2003 U.S. Dist. LEXIS 22743 (D. Minn. Dec. 12, 2003).....	5
<i>De Forest Radio Tel. & Tel. Co. v. United States</i> , 273 U.S. 236 (1927)	2, 3, 5
<i>Henry v. A.B. Dick Co.</i> , 224 U.S. 1, 24 (1912)	3, 6
 STATUTES AND RULES	
Sup. Ct. R.:	
Rule 37.2(a)	1
Rule 37.6	1
 OTHER MATERIALS	
Marc Malooley, <i>Patent Licenses Versus Covenants Not to Sue: What Are the Consequences?</i> , http://www.brookskushman.com/wp-content/uploads/2015/06/131.pdf	4, 5

INTEREST OF *AMICUS CURIAE*¹

Spectrum Five LLC is a privately held Washington, DC-based satellite broadcasting company. Spectrum Five holds licenses from the FCC to “slots” in the satellite spectrum—the radio frequencies set aside for satellite transmissions—for broadcasting in the U.S. and other licenses (through affiliates) for broadcasting internationally.

To use the spectrum for which it has licenses, Spectrum Five is also in the process of developing and building satellites.

Patented technology, trade secrets, know-how, and other intellectual property are used throughout the satellite broadcasting industry. Spectrum Five therefore considers clarity in the field of intellectual-property licensing generally and patent licensing particularly—including the nature and meaning of covenants not to sue frequently used in IP licenses—to be important to its business.

INTRODUCTION

Nestled in the thicket of facts peculiar to this action between petitioners and respondents is a straightforward issue of fundamental importance to virtually all owners and users of intellectual-property rights: what words or deeds create a license?

It is easy to think that this Court settled that issue almost 90 years ago in *De Forest Radio*, holding that any language or conduct from a patent owner that

¹ Pursuant to Rule 37.6, counsel for *amicus* represent that they authored this brief in its entirety and that no person other than *amicus* or his counsel made a monetary contribution intended to fund its preparation or submission. Pursuant to Rule 37.2(a), all parties have consented to its filing.

manifests consent to use the invention creates a license, which is nothing more than a waiver of the right to sue for infringement.

But since *De Forest Radio*, numerous federal- and state-court decisions that, like the lower-court decisions here, conflict with this Court’s precedent have created confusion for intellectual-property stakeholders and their counsel. Whether the “‘voluminous and convoluted contracts’” here (Pet. App. 8a) or one simple settlement agreement, consents and covenants not to sue are ubiquitous in licensing patent, trademark, copyright, and other intellectual-property rights. This Court’s guidance for IP licensing in this century is therefore urgently needed.

ARGUMENT

CERTIORARI IS WARRANTED TO REAFFIRM THAT THIS COURT MEANT WHAT IT SAID IN *DE FOREST RADIO*

A. This Court Has Held that Any Language or Conduct Manifesting Consent to Use a Patent Is a License

Evidence that no good deed goes unpunished might be found in this Court’s 1927 decision in *De Forest Radio*.² During the Great War, the Government entreated a patent-rights owner, American Telephone & Telegraph, for permission to use patent-protected inventions embodied in vacuum tubes or audions. 273 U.S. at 238–39. AT&T wrote to the Army that it would not interfere with Government procurement of patented audions from another company—General

² *De Forest Radio Tel. & Tel. Co. v. United States*, 273 U.S. 236 (1927).

Electric—and AT&T even furnished information, blueprints, and other assistance to GE to expedite the wartime requisitions; in return AT&T obtained the Government’s agreement that AT&T waived none of its patent rights and that all claims under those rights would be addressed later. 273 U.S. at 239. But this Court held that, by its words and conduct, AT&T “consented to [the audions’] manufacture and use, and a license . . .” *Id.* at 241.

The Court gave effect to a license because “[n]o formal granting of a license is necessary” to do so. *Id.* Indeed, a license arises from “[a]ny language used by the owner of the patent or any conduct on his part exhibited to another” that manifests consent to use the patented invention. *Id.* And a license is “‘a mere waiver of a right to sue by the patentee.’” *Id.* at 242 (quoting *Henry v. A.B. Dick Co.*, 224 U.S. 1, 24 (1912)).

Thus in *De Forest Radio* a potential user of another’s patent rights (the Government) sought consent from the patent-rights owner (AT&T), the owner consented conditionally to certain uses of some patented inventions, but this Court held that the owner granted a license. Here, a user of another’s patent rights (Roche) sought consent from a patent-rights owner (Meso), the owner consented fully to certain uses of some patented inventions, but the Delaware trial court held that the owner granted no license. The trial court failed to cite *De Forest Radio*, much less explain how its conclusion might be consistent with that decision, and indeed that conclusion is directly contrary to this Court’s precedent.

Moreover, the trial court here concluded that “Roche neither sought nor received a grant of rights from Meso, but, rather, called special attention to

and emphasized the fact that Meso agreed to accept Roche's use of the Licensed ECL Technology within the Field." Pet. App. 74a.

But in our experience with intellectual-property licensing in general and patent licenses in particular, we are unaware of any potential user of IP rights undertaking any effort to see that an agreement with a rights-owner "call[s] special attention to" or "emphasize[s]" anything. The main desire of those who use someone else's IP rights is generally securing assurance that they will not get sued for infringement. That assurance comes from a covenant not to sue or a license, which this Court has held are synonymous. The record here demonstrates, in view of *De Forest Radio*, that a grant of license rights is precisely what Roche sought and what Meso gave.

B. The Delaware Courts' Decisions Contrary to *De Forest Radio* Add to Confusion Among Intellectual-Property Owners and Those in the Public Who Wish to Use IP Rights

Although this Court has held that licenses and covenants not to sue are the same, lawyers who draft intellectual-property licenses recognize that lower courts have reached conclusions inconsistent with this Court's. The Delaware courts here have added to those inconsistent conclusions.

For example, after surveying numerous federal- and state-court decisions, one practitioner has discerned a number of "problem[s] to understanding the implications of using a covenant not to sue as opposed to a license." Marc Malooley, *Patent Licenses Versus Covenants Not to Sue: What Are the Consequences?*, at 4, <http://www.brookskushman.com/wp-content/uploads/2015/06/131.pdf>.

But because a license is just a waiver of the right to sue, no such problems should ever arise.

The main problem, of course, is that various courts “tend to treat such covenants differently” than licenses. *Id.* In particular, “[w]hereas one court may find the covenant to be, in fact, a license, another court may not; similarly, on one set of facts, a court may distinguish the covenant from the license and on another set of facts, it may not.” *Id.*; *see also id.* at 1–4 (citing and discussing cases).

Aside from cases cited by Meso (Pet. 23, 25–26), another decision confusingly inconsistent with this Court’s precedent is *3M Innovative Properties Co. v. Barton Nelson, Inc.*, 2003 U.S. Dist. LEXIS 22743 (D. Minn. Dec. 12, 2003). There the district court held that contract language providing that “3M hereby covenants not to sue Barton Nelson” was effectively not a covenant not to sue. *Id.* at *3, *6. The court reasoned that because 3M possessed only a patent application and not an issued patent at the time the contract was made, it had no right of action against another party and thus could make no covenant not to sue. *Id.* at *6–7. But the court went on to hold that the same contract language created a license later, after 3M’s patent application was granted as a patent. *Id.* This anomalous result is incompatible with *De Forest Radio*.

The similarly incompatible trial-court decision here is in the “covenant is not a license” category, holding that the particular contract provision at issue—the “consent to and join in” language—does not constitute a license under the instant facts. Pet. App. 74a. But this Court has explained that a license is “‘a mere waiver of a right to sue by the patentee’”—that is, a covenant not to sue. *De Forest Radio*, 272 U.S.

at 242 (quoting *Henry v. A.B. Dick*, 224 U.S. at 24). There can therefore be virtually no set of facts under which a covenant not to sue fails to constitute a license, at least not without reasoning in accord with *De Forest Radio*.

The decisions of the Delaware courts here thus add to the problems and confusion that intellectual-property owners, IP-rights users among the public, and counsel for both have in trying to understand whether there are any implications of using a covenant not to sue as opposed to a license. There should be no confusion. This Court held in *De Forest Radio* that any language or conduct that manifests an IP owner's consent to use IP rights is a license. The decisions below provide more signs that some courts over the past 88 years have seemingly forgotten that.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

STEVEN I. WALLACH

Counsel of Record

PETER I. BERNSTEIN

RICHARD L. CATANIA

SCULLY, SCOTT, MURPHY &
PRESSER, P.C.

400 Garden City Plaza

Suite 300

Garden City, NY 11530

(516) 742-4343

(swallach@ssmp.com)

November 5, 2015