No. ______

IN THE

# Supreme Court of the United States

ZEBRA TECHNOLOGIES CORP.,
*Petitioner*,

v.

INTELLECTUAL TECH LLC,
*Respondent*.

**Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit**

## PETITION FOR WRIT OF CERTIORARI


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DATE: July 30, 2024

## QUESTION PRESENTED

This petition concerns standing to assert a claim for patent infringement where patent rights have become diffused by contract.

The Federal Circuit holds that Article III standing to sue for patent infringement turns on whether a plaintiff possesses "exclusionary rights," *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1339-40 (CAFed 2007), a term it has never squarely defined. It has held, however, that an exclusive licensee does not hold exclusionary rights with respect to "a party who has the ability to obtain such a license from another party with the right to grant it." *WiAV Sols. LLC v. Motorola, Inc.*, 631 F.3d 1257, 1266 (CAFed 2010).

The decision below holds that "exclusionary rights" carries a different meaning for patent "owners" than for exclusive licensees, further unsettling the law of standing, particularly as it applies to complex contracts.

The question presented is:

Whether a party has Article III standing to assert a claim for patent infringement against an accused infringer who has the ability to obtain a license from a third party.

## PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT

The parties to the proceedings include those listed on the cover. Pursuant to Rule 29.6, The Vanguard Group, Inc. owns 10% or more of the corporation's stock.

## RELATED PROCEEDINGS

United States District Court (W.D. Tex.):

*Intellectual Tech LLC* v. *Zebra Techs. Corp.*, No. 19-cv-628 (Aug. 3, 2022)

United States Court of Appeals (Fed. Cir.):

*Intellectual Tech LLC* v. *Zebra Techs. Corp.*, No. 22-2207 (May 1, 2024)

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## PETITION FOR WRIT OF CERTIORARI

Zebra Technologies respectfully petitions this Court for a writ of certiorari to review the judgment in this case of the United States Court of Appeals for the Federal Circuit.

## OPINIONS AND ORDERS BELOW

The Federal Circuit's opinion is reported at 101 F.4th 807 and reprinted in the Appendix at 1a–18a. The district court's order granting the motion to dismiss is not reported but was published at *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:19-CV-00628-ADA, 2022 WL 1608014 (WD Tex. May 20, 2022) and reprinted at App. 19a–37a. The district court's order denying IT's motion is not reported but was published at *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:19-CV-00628-ADA, 2022 WL 3088572 (WD Tex. Aug. 3, 2022) and reprinted at App. 38a–49a.

## STATEMENT OF JURISDICTION

The court of appeals entered judgment on May 1, 2024. This Court has jurisdiction under 28 U.S.C. § 1254.

## CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Section 2 of Article III of the Constitution of the United States provides, in relevant part:

> The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority[.]

## INTRODUCTION

In some cases, evaluating standing to assert a claim for patent infringement is straightforward. When a patent has a single owner, if a third party makes, uses, or sells the claimed invention without permission, then the patentee suffers an invasion of a legally protected interest under Article III (remediable by monetary damages) and has a statutory cause of action under the Patent and Trademark Act.

But it has become commonplace for parties to divide and share patent rights through contracts, such as where patent litigation is financed by third parties and where, as here, a patent is used as collateral for a loan. When patent rights are divided, identifying which, if any, entity possesses Article III standing to sue for infringement is challenging.

The Federal Circuit's jurisprudence, as exemplified in the decision below, has only exacerbated the uncertainty. Its cases have historically conflated the statutory cause of action under the Patent and Trademark Act with Article III standing.

The Federal Circuit has recently acknowledged that plaintiffs "must meet both constitutional and prudential standing requirements." *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1338 (CAFed 2007). And even more recently, it acknowledged that whether a party "may obtain relief under the patent laws" is not a jurisdictional question. *Lone Star Silicon Innovations LLC v. Nanya Tech. Corp.*, 925 F.3d 1225, 1235–36 (CAFed 2019).

But the Federal Circuit's analysis of Article III standing has created only confusion and uncertainty.

Its decisions hold that the "touchstone" for Article III standing is whether a party possesses "exclusionary right[s]," *Univ. of S. Fla. Rsch. Found., Inc. v. Fujifilm Med. Sys. U.S.A., Inc.*, 19 F.4th 1315, 1323 (CAFed 2021), but it has never defined "exclusionary rights" in this context.

And in the decision below, the panel held that "exclusionary rights"—the crucial requirement for Article III standing—means different things depending on whether the party is characterized as an "owner" or "exclusive licensee" of a patent. These issues have come to the fore and are increasingly important as patent rights are divided up through complex contractual arrangements, including litigation finance.

This Court should grant certiorari to cure this confusion and establish clear rules for Article III standing and the right to sue for patent infringement.

## STATEMENT OF THE CASE

The complicated standing issues in this case result from the use of the relevant patent—U.S. Patent No. 7,233,247 (the '247 Patent)—as collateral in a loan.

1. A patent provides the right to prevent others from "mak[ing], us[ing], offer[ing] to sell, or sell[ing] [the] patented invention." 35 U.S.C. § 271(a). The Federal Circuit has generally described these rights—which allow the patentee to "exclude" others from practicing the claimed invention—as "exclusionary rights."

Section 281 of the Patent Act allows a "patentee" to sue for infringement. 35 U.S.C. § 281 ("A patentee shall have remedy by civil action for infringement of his patent."). The statute defines "patentee" to include "not only the patentee to whom the patent was issued but also the successors in title to the patentee." 35 U.S.C. § 100(d). When a contract transfers "all substantial rights" to a patent, then it constitutes a *de facto* assignment, allowing the assignee to sue in its own name. *Morrow*, 499 F.3d at 1340.

The Federal Circuit has historically referred to the right to sue under the Patent Act as "prudential standing," but it recognized that this Court rejected that understanding in *Lexmark*, which held that "whether [a party] has a cause of action under the statute" does not implicate standing. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 128 & n.4 (2014); *see also Lone Star*, 925 F.3d at 1235 ("*Lexmark* is irreconcilable with our earlier authority treating § 281 as a jurisdictional requirement.").

There are thus two inquiries when a plaintiff seeks to file suit: (1) Does the party have Article III standing? and (2) Is the party the "patentee" entitled to sue in its own name?

When a patent has a single owner and there has been no division of rights, the patent owner suffers the invasion of a legally protected interest (and thus has Article III standing to sue) when anyone "without authority makes, uses, offers to sell, or sells [the] patented invention." 35 U.S.C. § 271(a).

In contrast, a party who merely has the contractual right to practice the patent—a licensee—cannot sue for infringement. Such a party may, practically, be injured by patent infringement. For example, a company that has licensed a patent (in exchange for a royalty) may well be at a disadvantage in the marketplace compared to a competitor that simply infringes (and thus avoids the royalty), but the licensee has not suffered the invasion of a legally protected interest. *See In re Cirba Inc.*, No. 2021-154, 2021 WL 4302979, at *3 (CAFed Sept. 22, 2021) (noting the holding that "Article III requires an injury to the plaintiff's right to exclude").

Where, as in this case, patent rights are shared and divided by contract, the standing inquiry becomes significantly more challenging. This Court has held that the "grant of an exclusive right to make, use, and vend [a patented invention] within a certain district is an assignment, and gives the grantee the right to sue in his own name for an infringement within the district, because the right . . . excludes all other persons, even the patentee, from making, using, or vending like machines within the district." *Waterman v. Mackenzie*, 138 U.S. 252, 256 (1891). But this rule applies only to a specific territory: "[A] monopoly granted by law to the patentee is for one entire thing, and that in order to enable the assignee to sue, the assignment must convey to him the entire and unqualified monopoly which the patentee held, in the territory specified, and that any assignment short of that is a mere license." *Pope Mfg. Co. v. Gormully & Jeffery Mfg. Co.*, 144 U.S. 248, 250 (1892).

In contrast, the Federal Circuit has held that an exclusive license to a field of use is not an assignment: "[A]n exclusive field of use licensee does not have standing to sue in its own name without joining the patent holder." *Int'l Gamco, Inc. v. Multimedia Games, Inc.*, 504 F.3d 1273, 1278 (CAFed 2007).

Nonetheless, an "exclusive licensee" for a field of use (or other area) has Article III standing to sue, although the Patent Act requires the patent owner to be joined:

> [T]he owner of a patent, who grants to another the exclusive right to make, use, or vend the invention, which does not constitute a statutory assignment, holds the title to the patent in trust for such a licensee, to the extent that he must allow the use of his name as plaintiff in any action brought at the instance of the licensee in law or in equity to obtain damages for the injury to his exclusive right by an infringer, or to enjoin infringement of it.

*Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 469 (1926) (involving "an exclusive license to use and sell for 'radio purposes'"); *see also Propat Int'l Corp. v. Rpost, Inc.*, 473 F.3d 1187, 1193 (CAFed 2007) ("A party that is neither the legal owner of the patent nor the transferee of all substantial rights in the patent still has standing to sue for infringement if that party has a legally protected interest in the patent created by the Patent Act, so that it can be said to suffer legal injury from an act of infringement."); *see also Evident Corp. v. Church & Dwight Co.*, 399 F.3d 1310, 1314 (CAFed 2005) ("Evident, as exclusive licensee to the '782 patent, had constitutional standing to sue under the patent.").

The "touchstone" of Article III standing, the Federal Circuit has held, "is whether a party can establish that it has an exclusionary right in a patent that, if violated by another, would cause the party holding the exclusionary right to suffer legal injury." *S. Fla. Rsch. Found.*, 19 F.4th at 1323.

Applying these rules, the Federal Circuit held that "an exclusive licensee lacks standing to sue a party who has the ability to obtain such a license from another party with the right to grant it" because "the exclusive licensee does not have an exclusionary right with respect to the alleged infringer and thus is not injured by that alleged infringer." *WiAV Sols. LLC v. Motorola, Inc.*, 631 F.3d 1257, 1266 (CAFed 2010).

2. This petition concerns the '247 Patent, entitled, "Method and System for Employing RFID Tags in Automated Applications," which issued in 2007 and was assigned to SAVR Communication, Inc. The following year, it was assigned to OnAsset Intelligence, Inc.

OnAsset pledged the '247 Patent as a part of the collateral to secure a loan from Main Street Capital Corporation in 2011. Appx3a, 24a. Main Street issued a notice of default to OnAsset in April 2013. Appx25a. As the district court recognized, "There is no dispute that OnAsset defaulted." Appx25a.

Under the agreements between OnAsset and Main Street, the default caused Main Street to receive significant rights in the collateral, including the '247 Patent. The parties entered into three agreements on the same date: First, under the "Loan Agreement," if a default occurred, Main Street had the right "to take control of, sell, lease, license or otherwise dispose of [OnAsset's collateral]," including the '247 Patent. Appx24a.

Second, under the "Security Agreement," if a default occurred, Main Street had the right "to take control of, sell, lease, license or otherwise dispose of the [the collateral]," including the '247 Patent, "as fully and effectually as if [Main Street] were the absolute owner."

Third, the "Patent and Trademark Security Agreement" governed rights over "Patents," which it defined to include both "licenses" and "the right to sue for past infringement and damages." Appx34a.

OnAsset promised that it would "not assign, transfer, encumber or otherwise dispose of the Patents . . . or any interest therein, without [Main Street's] prior written consent." Otherwise, "so long as no Default exist[ed]," OnAsset could "control and manage the Patents . . . , including the right to exclude others from making, using or selling items covered by the Patents." Appx4a.

While a default existed, Main Street had the right to "sell, assign, transfer, . . . or otherwise dispose of the Patents," including "enforc[ing] the Patents . . . and any licenses thereunder":

> 6. Remedies. While a Default exists, [Main Street] may, at its option, take any or all of the following actions:
>
> > (a) [Main Street] may exercise any or all remedies available under the Loan Agreement.
> >
> > (b) [Main Street] may sell, assign, transfer, pledge, encumber or otherwise dispose of the Patents . . . .
> >
> > (c) [Main Street] may enforce the Patents . . . and any licenses thereunder, and if [Main Street] shall commence any suit for such enforcement, [OnAsset] shall, at the request of [Main Street], do any and all lawful acts and execute any and all proper

> documents required by [Main Street] in aid of such enforcement.

Appx4a. Main Street also received a power of attorney to facilitate Main Street's "exercising its rights under Section 6." Appx5a–6a.

In sum, following the default in 2013, the parties' agreements gave Main Street the unfettered rights to sell, assign, license, and enforce the '247 Patent, including the right to sue for damages for past infringement.[1]

As a result, following the Default, OnAsset and Main Street had essentially coextensive rights in the '247 Patent. Under this interpretation, each has the right independently to assign, license, and enforce the '247 Patent.

3. Respondent Intellectual Tech LLC ("IT") was formed by OnAsset in an attempt to monetize the '247 Patent. In June 2017, OnAsset created IT and assigned its rights in the '247 Patent to it. Appx3a, 25a.

IT sued Zebra for infringement of the '247 Patent in October 2019. Appx20a, 25a. Following discovery into whether OnAsset defaulted on the Loan Agreement and whether any defaults had been waived or

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1 Below, petitioner argued that these rights were exclusive. That is, after default, *only* Main Street had the right to license and enforce the '247 Patent. That understanding would have made standing straightforward.

The Federal Circuit disagreed, holding that although the default conveyed rights in the '247 Patent to Main Street, it did not deprive OnAsset of its rights in the patent. Appx13a–17a.

For purposes of this Petition, Zebra accepts the Federal Circuit's interpretation of the contracts.

cured, Zebra moved for summary judgment for lack of standing. Appx6a.

The district court granted Zebra's motion, which it treated as a renewed motion to dismiss under Rule 12(b)(1), in part and denied it in part as moot. Appx19a–37a.

The district court concluded that IT lacked constitutional standing when it filed this action because it lacked exclusionary rights under the '247 Patent. Any rights transferred from OnAsset to IT in 2017 were "subject to Main Street's rights under Section 6 of the 2011 Patent and Trademark Security Agreement" because of OnAsset's default in 2013. Appx26a.

The district court rejected IT's argument that it must have standing because "title to the '247 patent did not pass automatically" to Main Street on default. Regardless of the title to the patent, "other rights" passed to Main Street. Relying on the Federal Circuit's decision in *WiAV*, the district court held that "the rights Main Street received deprived IT of those exclusionary rights critical to constitutional standing." Appx28a.

IT moved for reconsideration, which the district court denied. The district court explained that IT's briefing erroneously returned, "again and again, to whether Main Street . . . deprived IT of title to the '247 patent." Appx43a. But, the court explained, "[t]hat is not the critical question." *Id.* The relevant question was "whether Main Street received rights upon IT's default that deprived IT—the undisputed title holder—of exclusionary rights." Appx44a. Under the Federal Circuit's precedent, IT lacked standing.

IT appealed to the Federal Circuit.

The panel first rejected the interpretation of the parties' contracts pressed by petitioner, agreeing with respondent that following the default, OnAsset (i.e., respondent) and Main Street shared rights in the patent. *See* Appx12a ("[W]e reject Zebra's argument that the agreement granted Main Street exclusive licensing rights upon default.").

The panel then turned to respondent's Article III standing. It rejected the definition of "exclusionary rights" applied in *WiAV* as inapplicable in these circumstances:

> The licensee-versus-patentee distinction between *WiAV* and this case is critical. A patent owner has exclusionary rights as a baseline matter unless it has transferred all exclusionary rights away. . . . [I]n the licensee context, questions about other entities' ability to license can provide a reasonable proxy for understanding the extent of rights a licensee received as part of the license—i.e., whether the license granted exclusionary rights or mere freedom from suit. Those same questions do not provide a reasonable proxy for understanding whether a patent owner retains at least one exclusionary right or whether it has transferred all exclusionary rights away.

Appx15a. The panel explained that it "need not enumerate the exclusionary rights afforded by a patent or fully define their scope here." *Id.* It was enough that "Main Street and IT's shared ability to license . . . did not divest IT, the patent owner, of *all* exclusionary rights." Appx15a–16a (emphasis in original).

Zebra now petitions this Court for certiorari.

## REASONS FOR GRANTING THE PETITION

### I. Certiorari Is Necessary to Clarify Standing to Sue for Patent Infringement.

The Federal Circuit's decisions have created uncertainty and unpredictability regarding standing to sue for patent infringement.

#### A. The Federal Circuit has adopted inconsistent tests for "exclusionary rights," depending on the plaintiff.

To possess constitutional standing, a plaintiff must "have (1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the defendant, and (3) that is likely to be redressed by a favorable judicial decision." *Spokeo, Inc. v. Robins*, 578 U.S. 330, 338 (2016) (citing *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560–61 (1992)).

According to the Federal Circuit, "the touchstone of constitutional standing in a patent infringement suit is whether a party can establish that it has an exclusionary right in a patent that, if violated by another, would cause the party holding the exclusionary right to suffer legal injury." *S. Fla. Rsch. Found.*, 19 F.4th at 1323 (quoting *WiAV Sols.*, 631 F.3d at 1265).

But as the decision below acknowledges, the Federal Circuit has failed to clarify what it means by "an exclusionary right." Its decisions have "not enumerate[d] the exclusionary rights afforded by a patent or fully define[d] their scope." Appx15a.

This is a recipe for uncertainty. If "exclusionary rights" are truly the "touchstone" for Article III standing, then parties and courts need a clear understanding of them.

What's more, the decision below only adds to the uncertainty. *WiAV* provided an apparently clear rule, consistent with this Court's precedent: A plaintiff "does not have an exclusionary right with respect to" "a party who has the ability to obtain . . . a license from another party." *WiAV*, 631 F.3d at 1266–67.

Such a rule follows from this Court's explanation that an exclusionary right means "the right . . . [to] exclud[e] all other persons . . . from making, using, or vending" a patented device. *Waterman*, 138 U.S. at 256. If a third party can provide a license, then the plaintiff has no legal right to prevent potential licensees from practicing the patent (and suffers no legal injury when they infringe).

But the decision below unsettles this rule, holding that this definition of "exclusive rights" applies only to licensees and not "patent owners." Appx15a–16a.

The holding elevates form over substance. Whether a party possesses standing must depend on the substance of the rights it owns in the patent, not the label placed on the parties' interest. Standing turns on which of "the proprietary sticks from the bundle of patent rights" the plaintiff possesses. *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1031 (CAFed 1995); *see also Sky Techs. LLC v. SAP AG*, 576 F.3d 1374, 1379 (CAFed 2009) ("[I]t is the 'substance of what was granted' that determines the rights in the patent, not the form."); *Waterman*, 138 U.S. at 256 ("Whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions.").

An "exclusive licensee" lacks exclusionary rights against a third party that can obtain a license from another. But according to the Federal Circuit, a "patent owner" in the same circumstances, at least sometimes, still possesses exclusionary rights.

Even if "patent owners" benefit from special rules of standing, the decision below never explains why IT benefits from them. To the contrary, it expressly reserves the question "whether IT's legal interest in the '247 patent was sufficient to meet the 'patentee' requirement of 35 U.S.C. § 281, an issue the district court did not reach." Appx10a.

Following the default, Main Street had greater rights in the '247 Patent than IT. Main Street was free to "sell, lease, license or otherwise dispose of [the '247 Patent]." Appx24a. But IT (like OnAsset) could not "assign, transfer, encumber or otherwise dispose of the Patents . . . or any interest therein, without [Main Street's] prior written consent."

To the extent that any party would seem to benefit from special rules of "patent owner" standing, it would be Main Street and not IT. If courts must apply these new rules adopted by the decision below, then they need a clear understanding of who benefits from them.

What's more, the decision below places particular emphasis on the difference between "*all* exclusionary rights" and "*an* exclusionary right." Appx10a, 11a, 12a, 15a–16a (emphasis in original). But the panel never explains what this distinction might mean or its significance to the facts of the case.

Does "an exclusionary right" refer to the right to exclude a particular party from practicing the patent? The right to use the patent in a particular field? To use the patent in a particular way (such as making, using, or selling)? Under any of these definitions, the distinction seems irrelevant to this case: Main Street possessed all the rights that IT had in the '247 Patent and more. All of IT's rights in the '247 Patent were affected the same way, so on the facts of this case, there should be no difference between "all exclusionary rights" and "any exclusionary right."

The decision below creates more questions than it answers: it destabilizes what certainty the Federal Circuit had already created regarding standing to sue for patent infringement, and it leaves courts and litigants to guess what its new rules might be and to whom they apply.

The Federal Circuit has failed to provide the necessary guidance for courts and litigants. This Court should grant certiorari to provide clear rules on standing to sue for patent infringement.

### B. Intellectual property rights can be rendered unenforceable when they are shared too freely.

Because of the unique nature of intellectual property rights, they can be rendered unenforceable when the owner fails to control their use.

Consider trademarks. "A trademark owner may grant a license and remain protected provided quality control of the goods and services sold under the trademark by the licensee is maintained." *Moore Bus. Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (CA5 1992).

But when a party engages in "naked licensing" of the trademark, without exercising quality control over the licensee, then it abandons and forfeits the mark. *Barcamerica Int'l USA Tr. v. Tyfield Importers, Inc.*, 289 F.3d 589, 596 (CA9 2002) (citing, *inter alia*, McCarthy on Trademarks and Unfair Competition § 18:48, at 18–79 (4th ed. 2001)); *accord, e.g.*, *Lawn Managers, Inc. v. Progressive Lawn Managers, Inc.*, 959 F.3d 903, 908 (CA8 2020).

Similarly, a party, like respondent, that gives a third party the right to license its patent to others, without receiving any compensation from that licensing or exerting any control, has effectively abandoned its interest in the patent.

Or consider trade secrets, which require the owner to "tak[e] reasonable measures to keep . . . secret." 18 U.S.C. § 1839(3)(A). "If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise publicly discloses the secret, his property right is extinguished." *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1002 (1984).

Patent rights cannot be kept secret, of course; nor must a patent owner exercise quality control. But trademarks and trade secrets illustrate that intangible, intellectual property rights are unusual and, unlike other property rights, can be lost by an owner's failure to protect them.

Where, as here, the owner abandons its right to decide who may and may not practice a patent by allowing a third party to license it without restriction, there it naturally follows that the owner might lose the right to enforce the patent.

### C. The decision below fails to grapple with the redressability requirements for standing.

The panel's holding that IT had standing fails to grapple with the redressability implications. The decision below misconstrued redressability as concerning "IT's ability to prove substantive elements of its claims." Appx9a at n.2. As a result, it failed to consider how redressability affected its expansion of standing.

Damages for patent infringement are compensatory, not punitive or statutory. "[T]he court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty[.]" 35 U.S.C. § 284. The reasonable royalty is meant to determine what would have happened if the parties had agreed to a license:

> The hypothetical negotiation tries, as best as possible, to recreate the *ex ante* licensing negotiation scenario and to describe the resulting agreement. In other words, if infringement had not occurred, willing parties would have executed a license agreement specifying a certain royalty payment scheme.

*Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325 (CAFed 2009).

But this remedial scheme collapses when multiple parties have the equal right to license the same patent. Under the Federal Circuit's interpretation of the contracts at issue, Zebra could have obtained a license to practice the '247 Patent either from IT or from Main

Street. Zebra could have engaged in "hypothetical negotiations" with either IT or with Main Street.

The Federal Circuit "has sanctioned the use of the *Georgia–Pacific* factors to frame the reasonable royalty inquiry." *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1317 (CAFed 2011). "These factors properly tie the reasonable royalty calculation to the facts of the hypothetical negotiation at issue." *Id.* Courts must consider party-specific factors, such as "the commercial relationship between the licensor and licensee." *Georgia–Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (SDNY 1970). Without knowing whether Zebra would have negotiated with IT or with Main Street, a factfinder could not determine the reasonable royalty under these factors.

Awarding damages for patent infringement makes sense only if IT had the right to control whether or not Zebra practiced the patent: that is, if Zebra were required to obtain a license from IT before practicing the patent. These redressability concerns further weigh against the Federal Circuit's expansion of patent standing.

* * *

The Federal Circuit has failed to provide clear rules for standing to sue for patent infringement. Despite holding that exclusionary rights are the "touchstone" of standing, it has failed to define the phrase in this context, and the decision below holds that different tests apply to whether they are held by different parties.

## II. This Issue Is Vitally Important.

The issue presented is vitally important. The Federal Circuit's decision creates significant uncertainty for parties and lower courts in patent infringement suits. Given that uncertainty, parties will be unable to anticipate—either before or during a lawsuit—whether a particular plaintiff will be held to possess Article III standing.

And because standing affects subject matter jurisdiction, it cannot be waived or forfeited, and parties can raise it for the first time on appeal. *E.g.*, *Va. House of Delegates v. Bethune-Hill*, 587 U.S. 658, 662–63 (2019). There is a significant risk of a waste of judicial resources (and those of the parties) by trying cases on the merits in which the plaintiff is, ultimately, held to lack standing.

The need for certainty in this case is underscored by the increasingly use of complex contracts that disperse and divide patent rights under various circumstances.

For example, as of June 2023, "the United States Patent & Trademark Office (USPTO) ha[d] recorded more than 62,000 patent assignments where patents were pledged as debt collateral." G. Campanella, *Patents as Debt Collateral: Perfecting Security Interests*, Ocean Tomo (June 16, 2023), https://ocean-tomo.com/insights/patents-as-debt-collateral-perfecting-security-interests/.

As to litigation funding agreements, it has been estimated "that 30% of patent litigation cases are now funded through litigation funding." B. Surrette, *Using litigation funding for patent enforcement*, Crain's

Chicago Business (Oct. 9, 2023), https://www.chicagobusiness.com/crains-content-studio/using-litigation-funding-patent-enforcement. Such litigation funding "typically involves an agreement that contains the funder's identity, investment amount, payment schedule and whether the funder may exercise any strategic control over the litigation." *Id.* More specifically, agreements "are often written, in either letter or spirit, to allow the funders to control the litigation, the choice of counsel, settlement decisions, and more." *At least 25% of the last 3 years NPE litigation caused by Litigation Investment Entities (LIEs)*, Unified Patents (Feb. 21, 2023), https://www.unifiedpatents.com/insights/2023/2/21/litigation-investment-entities-the-investors-behind-the-curtain. This Court has the opportunity to address how the allocation of patent rights—and the right to control patent litigation—in these types of agreements affect Article III standing.

The uncertainty injected by the decision below has the potential to affect a significant number of cases. *See Uniloc USA, Inc. v. Motorola Mobility LLC*, 52 F.4th 1340 (Fed. Cir. 2022) (involving the same issue btu not addressing it based on collateral estoppel). Whether a plaintiff has Article III standing "is the threshold question in every federal case, determining the power of the court to entertain the suit." *Warth v. Seldin*, 422 U.S. 490, 498 (1975). Patent cases are no exception. Without certainty in the law, time and resources are all but guaranteed to be wasted by the judiciary and parties by further litigating the Article III standing issue. Courts and litigants alike need clear and predictable rules, which can come only from this Court.

### III. This Case Is an Ideal Vehicle, Which Squarely Presents the Issue.

This case presents an ideal vehicle to address this recurring issue, which was squarely presented below: "The only question before us is whether IT demonstrated the irreducible constitutional minimum of injury in fact." Appx10a.

To answer that question, the Federal Circuit had a complete record that included undisputed, standing-specific discovery and exhaustive briefing by the parties. It held, squarely and unequivocally, that "IT retained exclusionary rights even though Main Street had the non-exclusive ability to license the '247 patent." Appx13a.

The sole basis for the Federal Circuit's decision was that IT's predecessor-in-interest "retained *an* exclusionary right" in the asserted patent despite its default under the Security Agreement that gave the securing party an ability to sublicense the same patent to anyone, including Zebra.

The issue need not percolate further. The Federal Circuit has created confusion and uncertainty, and the decision below has only added, rather than resolved these questions.

Given the Federal Circuit's exclusive jurisdiction over patent cases, no circuit split can develop. Only this Court can resolve the issue, and unlike the Federal Circuit, it can do without being constrained by the Federal Circuit's precedent. The time for decision is now, before more cases are tried (and contracts written) under incorrect understandings of standing.

## CONCLUSION

Parties and litigants need clear and certain rules for Article III standing. The Federal Circuit has failed to provide them. For these reasons, the petition for writ of certiorari should be granted.

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Respectfully submitted,

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