

Why Can't You Sue an Infringer of Your Licensed Technology?

If your company licenses technology from others for use in your business, failing to address with the owner of that technology the right to sue third parties for infringement of that technology can prove disastrous.

Your company may license proprietary technology from another with the intent that it will make your company's products and services more desirable in the marketplace than the products and services of your competitors. In order to reap those benefits, your company must not only make sure that it has the right to use the technology, but also that it has the right to stop competitors from using or infringing upon the technology. If your company cannot sue to prevent others from selling products or services that infringe the technology that you are licensing from others, your company's competitive advantage and return on investment from the licensed technology may be completely lost.

Your company may have the right to sue to stop infringement of the licensed technology under certain limited circumstances. However, even if your license agreement explicitly grants you the exclusive right to sue for infringement, your company may not have the legal right to bring suit if the owner of the technology retains substantial rights in the technology, such as the right to sue for infringement in fields outside of your company's sphere of business. That was the holding of a recent decision of the Court of Appeals for the Federal Circuit, the highest court in the United

States for most intellectual property matters, second only to the United States Supreme Court.

It is relatively common in license agreements for the party owning the technology to reserve to itself the right to exploit the technology and enforce legal rights in matters not competitive to your company. In those cases, your company may not have the right to bring suit, even if the license agreement is "exclusive" and explicitly grants you the right to sue for infringement in the licensed field.

Generally, the owner of the technology is the only party who can legally bring suit against an infringer. Therefore, careful consideration must be given as to how your company may prevent a competitor from infringing the licensed technology. If the license agreement is not drafted properly, your company may be left without the right to sue infringers, and the competitive advantage the license agreement was meant to give to you may be lost.

In conclusion, if you are planning on licensing technology from another, be sure that your ability to pursue infringers of your licensed technology is not compromised. Let the experienced attorneys at Jaeckle Fleischmann & Mugel, LLP help you negotiate and obtain a solid license agreement that will protect your investment against potential infringers.

If you have any questions regarding this or other licensing topics, please contact our attorneys below:

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