

Judge Prost Reverses and Remands Judge Albright Dismissal, Finding Constitutional Standing For Patentee Despite Patent Security Agreement Default

MAY 8, 2024

Judge Prost of the United States Court of Appeals for the Federal Circuit reversed and remanded an order by Judge Albright, finding Intellectual Tech LLC (IT) has constitutional standing in *Intellectual Tech LLC v. Zebra Technologies Corp.*, No. 6:19-cv-628, 2022 WL 1608014. Judge Prost's decision regarded the question of whether IT demonstrated the irreducible constitutional minimum of an injury in fact. *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 22-2207, Dkt. 48 (Fed. Cir. May 1, 2024) at 9. Judge Prost explained all that requires here is that IT retained an exclusionary right in view of the rights IT's parent company granted a lender upon defaulting on a patent and trademark security agreement. *Id.* Judge Prost found that, under the only reasonable reading of the patent and trademark security agreement, IT still retained at least one exclusionary right. *Id.* Judge Prost clarified that whether IT's legal interest in U.S. Patent No. 7,233,247 (the '247 patent) was sufficient to meet the "patentee" requirement of 35 U.S.C. § 281 was not at issue. *Id.* at 9.

In 2011, OnAsset Intelligence, Inc. (OnAsset), of which IT is a wholly owned subsidiary, granted lender Main Street Capital Corporation (Main Street) a security interest in its patents, including the '247 patent. *Id.* at 2–3.

On October 22, 2019, IT asserted the '247 patent against Zebra Technologies Corporation (Zebra). *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:19-cv-628 (the *District Case*), Dkt. 1. On January 19, 2021, Zebra first filed a sealed motion to dismiss the complaint for lack of standing. *District Case*, Dkt. 68. On February 2, 2021, Judge Albright denied this motion. *District Case*, Dkt. 75.

Subsequently, on February 9, 2022, Zebra filed a sealed motion for summary judgment for lack of constitutional and statutory standing. *District Case*, Dkt. 116. Judge Albright considered this a renewed motion to dismiss under Rule 12(b)(1), granting-in-part-as-modified and denying-as-moot-in-part the motion. *District Case*, Dkt. 144 at 14. Judge Albright granted Zebra's motion "to the extent it requests dismissal under Federal Rule of Civil Procedure 12(h)(3) and/or 12(b)(1) of IT's claims for lack of subject matter jurisdiction due to IT's lack of constitutional standing" and denied-as-moot Zebra's challenge to IT's statutory standing. *Id.*

Zebra argued that, under the patent and trademark security agreement, (1) Main Street had the exclusive ability to license upon default, which deprived IT of all exclusionary rights; and (2) even if both Main Street and IT had the

ability to license upon default, Main Street’s non-exclusive ability to do so still divested IT of all exclusionary rights. *Id.* at 11.

Judge Prost rejected Zebra’s argument, finding that “[n]othing in the agreement indicates that, without further action by Main Street, the mere triggering of Main Street’s *options* under section 6 and mechanisms under section 3(j) automatically deprived IT of all its rights under section 4. Because we reject this exclusive-rights argument based on our interpretation of the agreement alone, we need not assess whether IT would have constitutional standing under that reading of the agreement.” *Id.* at 11–12.

Judge Prost found that IT retained exclusionary rights despite Main Street’s non-exclusive ability to license the ’247 patent, explaining, “a patent owner has exclusionary rights sufficient to meet the injury-in-fact requirement even where, without more, it grants another party the ability to license.” *Id.* at 12 (citing *Uniloc USA, Inc. v. Motorola Mobility LLC*, 52 F.4th 1340, 1345 (Fed. Cir. 2022)).

Judge Prost distinguished this case, where IT is a patentee, from *WiAV Solutions LLC v. Motorola, Inc.*, 631 F.3d 1257, 1266 (Fed. Cir. 2010). Judge Prost clarified that in *WiAV*, the court asked whether the plaintiff was an exclusive licensee or bare licensee. *Id.* at 13. Judge Prost explained, “the licensee versus patentee distinction between *WiAV* and this case is critical,” and said that *WiAV* is “not instructive here.” *Id.* Judge Prost explained that “Main Street and IT’s shared ability to license while a default existed did not divest IT, the patent owner, of *all* exclusionary rights.” *Id.* at 14.

Judge Prost concluded, “the district court correctly determined that IT was not automatically divested of title upon default. However, it incorrectly concluded that Main Street’s option to assign presently divested IT of all other legal interests in the ’247 patent. The exclusionary rights that IT would have lost upon Main Street’s foreclosure or assignment to another party must be evaluated in the same way the court evaluated title—based on the actual state of rights instead of their hypothetical redistribution at some unspecified point in the future. Because Main Street did not exercise any options under section 6, IT was not presently divested of all exclusionary rights.”

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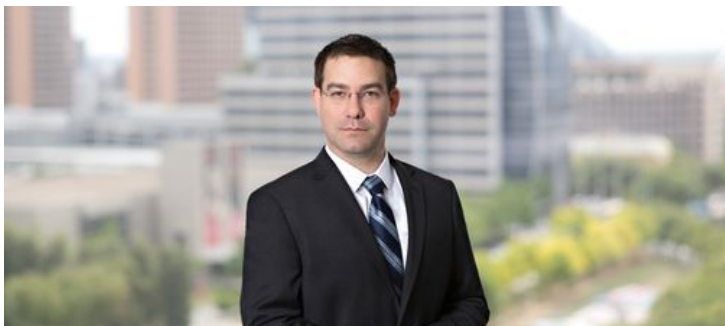
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