

**Keywords:** implied license defense; preliminary injunction

**General:** Where continuations issue from parent patents that previously have been licensed as to certain products, it may be presumed that, absent a clear indication of mutual intent to the contrary, those products are impliedly licensed under the continuations as well.

*General Protecht Group Inc. v. Leviton Manufacturing Co.*

99 U.S.P.Q.2d 1275 (Fed. Cir. 2011)

Decided July 8, 2011

## I. Facts

In a prior lawsuit Leviton sued GPG in the District of New Mexico for infringement of two of its circuit interrupter patents, U.S. Patents Nos. 6,246,558 and 6,864,766 (the “original patents”). Prior to trial, the parties settled that lawsuit pursuant to the terms of a Settlement Agreement. The Settlement Agreement included a covenant not to sue GPG or its customers on the patents-in-suit, and also a forum selection clause stating “any dispute... relating to or arising out of this [Settlement Agreement] shall be prosecuted exclusively in the United States District Court for the District of New Mexico.”

In September 2010, Leviton filed complaints with both the International Trade Commission (“ITC”) and the Northern District of California alleging infringement of U.S. Patents Nos. 7,463,124 and 7,764,151 (continuations depending from the applications that issued as the original patents) by GPG and its U.S. distributors. The continuation patents had issued after the Settlement Agreement was executed and the prior litigation resolved.

In response, GPG filed a complaint in the District of New Mexico asserting declaratory judgment claims for breach of contract, non-infringement, and invalidity, and also moved for a temporary restraining order and a preliminary injunction against Leviton’s litigation of the dispute outside of New Mexico.

The New Mexico district court granted the preliminary injunction enforcing the forum selection clause of the settlement agreement. The district court found that there was a likelihood of success on the merits, because GPG had asserted a defense of implied license, which likely triggered the forum selection clause, and GPG was likely to succeed on the merits of this defense.

Leviton appealed and sought expedited review, which the Federal Circuit granted, and a stay of the preliminary injunction pending appeal, which the Federal Circuit denied.

## II. Issues

- A. Does the defense of implied license trigger a forum selection clause and create a likelihood of success on the merits needed to grant a preliminary injunction enforcing the forum selection clause?
- B. Does the implied license doctrine apply where the claims of the continuation are narrower than the previously asserted claims?

## III. Discussion

- A. Yes. For a matter to trigger the forum selection clause, it must meet the threshold set by the “relating to or arising out of” provision of the clause. In *Texas Instruments*, the Federal Circuit held that where “the governing law clause of the license agreement is not limited to license related issues such as the amount of royalty due, term of agreement,

and cross licensing[, that clause,] . . . as in any patent license agreement, necessarily covers disputes concerning patent issues.” The Federal Circuit found that because the outcome of the dispute regarding the scope of a patent license would determine whether the patentee could sustain its suit for infringement, the case presented a non-frivolous dispute. Thus, the court found that there was no question in this case that the dispute “relates to or arises out of” the Settlement Agreement. The Federal Circuit found that the forum selection clause therefore applied, and the district court did not abuse its discretion in granting the preliminary injunction on that basis.

The Federal Circuit also considered the remaining three injunction factors: irreparable harm to the moving party, balance of hardships, and public interest. They found that the district court did not err in finding that, in the absence of the preliminary injunction, GPG would likely be irreparably harmed because it would be forced to litigate the same issue on multiple fronts. The multiple litigation fronts also made the balance of hardships element favor GPG. The Federal Circuit also agreed with the district court in finding that public policy favors the enforcement of forum-selection clauses. Leviton’s argument that the enforcement of the forum selection clause would hinder an agency investigation (the ITC complaint) was unpersuasive because, citing *Texas Instruments*, “proceedings in the ITC are recognized as litigation.”

- B. Yes. *TransCore* prohibits a patent licensor from “derogating” from rights granted under the license by “taking back in any extent that for which [it] has already received consideration.” Because Leviton was accusing the same products, based on the same inventive disclosures, despite the addition of claim limitations in the continuations, the Federal Circuit found that Leviton’s actions had unquestionably derogated from GPG’s rights under the Settlement Agreement. If Leviton did not intend its license of these products to extend to claims presented in continuation patents, it had the opportunity as well as the obligation, to make that clear in the license. The Federal Circuit emphasized the well-settled freedom of parties to contract around any interpretive presumptions that do not reflect their intentions. Provisions in the Settlement Agreement preserving Leviton’s right to sue on related patents and GPG’s right to rely on prior claim constructions, were not sufficient evidence of mutual intent not to grant rights that would imply a license. The Federal Circuit again relied on *TransCore*, in which the Settlement Agreement stated “This Covenant Not To Sue shall not apply to any other patents issued as of the effective date of this Agreement or to be issued in the future.” Despite this language, the Federal Circuit found that by filing the subsequent suit, the patentee had derogated from the patent rights it had previously granted, and therefore a continuation patent was impliedly licensed.

#### IV. Conclusion

The Federal Circuit found that where continuations issue from parent patents that previously have been licensed as to certain products, it may be presumed that, absent a clear indication of mutual intent to the contrary, those products are impliedly licensed under the continuations as well. Additionally, a defense of implied license is sufficient to trigger a forum selection clause governing “any dispute . . . relating to or arising out of” a license agreement absent a clear indication of mutual intent to the contrary.