

No. 24-114

IN THE
Supreme Court of the United States

ZEBRA TECHNOLOGIES CORP.,
Petitioner,

v.

INTELLECTUAL TECH LLC,
Respondent.

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

REPLY BRIEF FOR PETITIONER

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TABLE OF CONTENTS

	Page
Table of Contents	i
Table of Authorities.....	ii
Argument.....	1
I. Respondent’s Analysis of Federal Circuit Decisions Confirms the Confusion and Need for this Court’s Review.....	2
A. Respondent mischaracterizes the Federal Circuit’s precedent.....	3
B. Respondent cannot harmonize the Federal Circuit’s standing precedent.	7
C. Respondent fails to grapple with the redressability problem.	9
II. This Case Plainly Raises the Question Presented and Presents an Ideal Vehicle for its Resolution.	10
Conclusion	13

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>Alfred E. Mann Found. For Sci. Rsch. v. Cochlear Corp.</i> , 604 F.3d 1354 (CAFed 2010)	5, 7
<i>AntennaSys, Inc. v. AQYR Techs., Inc.</i> , 976 F.3d 1374 (CAFed 2020).....	6
<i>Aspex Eyewear, Inc. v. Miracle Optics, Inc.</i> , 434 F.3d 1336 (CAFed 2006)	5
<i>Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.</i> , 583 F.3d 832 (CAFed 2009).....	3
<i>Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.</i> , 248 F.3d 1333 (CAFed 2001)	5-6
<i>Laredo Med. Grp. v. Lightner</i> , 153 S.W.3d 70 (Tex. App.—San Antonio 2004, pet. denied)	11
<i>Lexmark Int'l, Inc. v. Static Control Components, Inc.</i> , 572 U.S. 118 (2014).....	2, 4
<i>Lone Star Silicon Innovations v. Nanya Tech.</i> , 925 F.3d 1225 (CAFed 2019)	2, 4, 6, 8
<i>Prima Tek II, L.L.C. v. A-Roo Co.</i> , 222 F.3d 1372 (CAFed 2000).....	4
<i>Rite-Hite Corp. v. Kelley Co.</i> , 56 F.3d 1538 (CAFed 1995)	4

TABLE OF AUTHORITIES—continued

	Page(s)
<i>Schwendimann v. Arkwright Advanced Coating, Inc.</i> , 959 F.3d 1065 (CAFed 2020)	2, 6
<i>Sealant Sys. Int’l, Inc. v. TEK Glob., S.R.L.</i> , 616 F. App’x 987 (CAFed 2015)	3
<i>Textile Prods., Inc. v. Mead Corp.</i> , 134 F.3d 1481 (CAFed 1998).....	3
<i>WiAV Sols. LLC v. Motorola, Inc.</i> , 631 F.3d 1257 (CAFed 2010).....	4, 7-10
 CONSTITUTIONAL PROVISIONS & STATUTES	
35 U.S.C. § 261	6
35 U.S.C. § 281	2, 5
U.S. Const. Art. III, § 2	3

ARGUMENT

The Brief in Opposition confirms the confusion in the Federal Circuit’s precedent and the need for this Court’s guidance on this important issue.

Respondent characterizes the decision below as “simply reaffirm[ing] . . . long-held precedent on patent owner standing,” Opp. 12, but respondent misreads the cases on which it relies. These decisions are from the era when the Federal Circuit erroneously conflated Article III standing with the right to sue under the statute. Despite referring to “standing” (sometimes “constitutional standing”) respondent’s decisions neither cite Article III nor discuss the requirements for constitutional standing.

What the cases truly confirm is that clarity on this issue can come only from this Court. In addressing Article III standing, the Federal Circuit is constrained by its precedent and its past confusion between Article III standing and the statutory right to sue.

Not only does respondent not deny the importance, but respondent cannot deny that under the decision below, different tests for Article III standing apply depending on whether the plaintiff is a licensee or owner.

As for respondent’s suggestion that this case is a poor vehicle, neither party suggests that respondent’s standing depends on the power of attorney or respondent’s other purported vehicle issues. The Federal Circuit found these arguments irrelevant to its holding, and in the unlikely event that this Court adopted a test that depends on them, the issues could be addressed by the Federal Circuit on remand.

This case squarely presents an important, recurring legal question regarding the meaning of “exclusionary rights” for purposes of Article III standing in patent infringement cases. That question has ramifications far beyond this case and warrants certiorari.

I. Respondent’s Analysis of Federal Circuit Decisions Confirms the Confusion and Need for this Court’s Review.

Respondent portrays the Federal Circuit’s jurisprudence on Article III standings in patent cases as “long-standing” and settled.

But respondent misreads these cases. Many rest on the outdated notion of “statutory standing,” rejected by this Court in *Lexmark*. And others rest on the equally erroneous proposition that constitutional standing is identical to the statutory inquiry.

None of these decisions actually involve the Federal Circuit’s post-*Lone Star* attempts to apply Article III to claims of patent infringement. *Lone Star*, in 2019, was the first decision to recognize that the statutory right to sue presents a different inquiry than constitutional standing. Whether a plaintiff “possesses all substantial rights in a patent **does not implicate** standing or subject-matter jurisdiction.” *Lone Star Silicon Innovations v. Nanya Tech.*, 925 F.3d 1225, 1235-36 (CAFed 2019) (emphasis added). The Federal Circuit later reiterated that *Lone Star* “made clear that whether one qualifies as a patentee under 35 U.S.C. § 281 is a statutory prerequisite to the right to relief in a patent infringement action, but does not implicate the district court’s subject matter jurisdiction.” *Schwendimann v. Arkwright Advanced Coating, Inc.*, 959 F.3d 1065, 1071 (CAFed 2020).

Respondent’s arguments confirm that the Federal Circuit cannot cure this confusion on its own. Any analysis of the issue by the Federal Circuit is constrained by its precedent (and the imprecise language of those decisions). Only this Court can write on a blank slate and address the issue from first principles.

A. Respondent mischaracterizes the Federal Circuit’s precedent.

As detailed in the Petition (at 3–7), the Federal Circuit’s approach to standing has evolved over time. For decades, the Federal Circuit did not distinguish between the requirements for Article III standing and the statutory right to file suit, which it erroneously described as “statutory standing.”

At times, the Federal Circuit has referred to “standing” generally. *See, e.g., Sealant Sys. Int’l, Inc. v. TEK Glob., S.R.L.*, 616 F. App’x 987, 990 (CAFed 2015); *Bd. of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832, 848 (CAFed 2009); *Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481, 1484 (CAFed 1998).

In other instances, the Federal Circuit erroneously described the statutory test as controlling constitutional standing, without analysis or explanation:

[W]e must determine whether any of the Appellees in this suit had standing . . . If no party had standing in the district court, then jurisdiction is not proper on appeal. *See* U.S. Const. Art. III, § 2. . . .

Standing to sue for patent infringement derives from the Patent Act[.]

Prima Tek II, L.L.C. v. A-Roo Co., 222 F.3d 1372, 1376–77 (CAFed 2000) (case citations omitted); see *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1552-54 (CAFed 1995) (en banc) (treating the statutory requirements for a cause of action as “jurisdictional”).

WiAV—which cannot be harmonized with the decision below—is one of the few decisions in which the Federal Circuit acknowledged Article III standing as a separate inquiry:

[T]he 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.

WiAV Sols. LLC v. Motorola, Inc., 631 F.3d 1257, 1265 (CAFed 2010).

It was not until *Lone Star* in 2019 that the Federal Circuit acknowledged that its earlier holdings about “statutory standing” were “irreconcilable” with this Court’s decision in *Lexmark International, Inc. v. Static Control Components, Inc.*, 572 U.S. 118 (2014): “We . . . bring ourselves into accord with *Lexmark* and our sister circuits by concluding that whether a party possesses all substantial rights in a patent does not implicate standing or subject-matter jurisdiction.” 925 F.3d at 1235–36.

The cases respondent cites as “long-held precedents” either concern “statutory standing” or erroneously conflate the statutory right to file suit with constitutional standing.

Respondent relies heavily on *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336 (CAFed 2006), which it describes as holding that “[p]atent owners have Article III standing even when a third party has a ‘virtually unfettered right to sublicense’ the patent in suit.” Opp. 1, 11. But *Aspex* says nothing of the sort—it addresses “statutory standing” (i.e., the right to file suit) under Section 281, not Article III standing. 434 F.3d at 1339-40. Neither “injury” nor “Article III” appear in the opinion.

Respondent describes *Alfred E. Mann Foundation For Scientific Research v. Cochlear Corp.*, 604 F.3d 1354 (CAFed 2010), as a case in which a “[p]atent owner had not transferred away all rights, even under an exclusive license with rights to sublicense, when the patent owner retained the right to sue.” Opp. 11. But the “right to sue” at issue was the statutory right to sue (which the Federal Circuit erroneously described as “standing”), not Article III standing. *Alfred E. Mann*, 604 F.3d at 1360 (“[T]he question is whether the license agreement transferred sufficient rights to the exclusive licensee to make the licensee the owner of the patents in question.”). Like *Aspex*, the decision in *Alfred E. Mann* neither cites Article III nor discusses the requirements for standing under Article III.

Respondent’s reliance on *Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc.*, 248 F.3d 1333 (CAFed 2001), illustrates the confusion in the precedent. Respondent describes the case as holding that “title in the patent” “confers constitutional standing on the [patent owner] to sue another for patent infringement.” Opp. 1. But the decision

erroneously uses the phrase “constitutional standing” to refer to the statutory right to file suit. *See* 248 F.3d at 1345 (citing 35 U.S.C. § 261 for the proposition that “[a] grant of all substantial rights in a patent amounts to an assignment—that is, a transfer of title in the patent—which confers constitutional standing on the assignee”).

Respondent cites *Schwendimann v. Arkwright Advanced Coating, Inc.*, 959 F.3d 1065 (CAFed 2020), for the proposition that a “court has both the statutory and constitutional authority to adjudicate the matter” as long as the “plaintiff alleges” it owns the asserted patent and the defendant infringed that patent. *Opp.* 1.

But *Schwendimann* merely reaffirmed *Lone Star* and did not address constitutional standing. The defendant there sought dismissal for lack of standing because the assignment agreement for one of the patents was incorrectly filed, so the plaintiff was not a “patentee” under the Patent Statute. 959 F.3d at 1072. The Federal Circuit merely reaffirmed that whether the plaintiff was a “patentee” by virtue of the incorrect assignment did not implicate subject-matter jurisdiction, as stated in *Lone Star*. *Id.* at 1071. There was “no ‘standing’ issue to be decided in th[e] appeal.” *Id.*

AntennaSys, Inc. v. AQYR Technologies, Inc., 976 F.3d 1374 (CAFed 2020), involved co-owners of a patent that derived their rights from separate inventors. *See id.* at 1376 (“[T]he ’868 patent . . . has two named inventors. The inventors each assigned their interest in the patent to their respective employers[.]”). Respondent wrongly relies on the case as holding that an “[i]ndividual co-owner has Article [III] standing even

though other co-owners also have exclusionary rights.” Opp. 11. The Federal Circuit has already held the “co-ownership” of joint inventors represents a special case under the statute: rather than multiple owners, the patent is owned by a group:

[T]he patent may be owned by a group, as when a patent with multiple named inventors first issues. But, at least for purposes of determining standing to sue for infringement, there may not be multiple groups or unaffiliated individuals who claim ownership of the patent; one of these groups or individuals must be determined to be the owner, and that owner is the only party with standing to sue on its own.

Alfred E. Mann, 604 F.3d at 1359 n.2.

None of these decisions show any “long standing status quo for patent owner standing” under Article III that the decision below “merely reaffirmed.” Opp. 22.

The decisions cited by respondent only underscore the challenges faced by the Federal Circuit analyzing Article III standing. Its ability to address the issue is hindered by precedent that used imprecise language and that erroneously treated the statutory right to file suit as a standing issue (and sometimes the only standing issue).

B. Respondent cannot harmonize the Federal Circuit’s standing precedent.

The decision below cannot be harmonized with *WiAV*, which holds that when an alleged infringer “has the ability to obtain . . . a license [to the asserted patent] from another party with the right to grant it,”

“the exclusive licensee does not have an exclusionary right with respect to the alleged infringer.” 631 F.3d at 1266. In that scenario, the exclusive licensee is “not injured by that alleged infringer” and lacks standing to sue that alleged infringer. *Id.*

The decision below conflicts with *WiAV*, holding that its rule applies only to licensees and not patent owners. Appx15a–16a. Respondent neither justifies these different tests for standing nor explains why it (and not Main Street) would be the beneficiary of special rules of standing. Pet. 14.

Despite treating exclusionary rights as the “touchstone” of Article III standing, Pet. 6, the decision below expressly declines to “enumerate the exclusionary rights afforded by a patent or fully define their scope,” Appx15a.

Respondent attempts to defend the decision by arguing that there is, in fact, a well-established definition of “exclusionary rights” for standing purposes. According to respondent, exclusionary rights “involve the ability . . . to forgive activities that would normally be prohibited under the patent statutes.” Opp. 12 (quoting *Lone Star*, 925 F.3d at 1235–36). Thus, respondent reasons, it possessed an exclusionary right because it could license the patent. *Id.*

Not only is this definition not found in the decision below, but it cannot be correct (or at least cannot be harmonized with the Federal Circuit’s precedent).

As an initial matter, the phrase “exclusionary right” suggests the right to prevent, not the right to permit. Respondent’s argument is the equivalent of interpreting “veto rights” to mean the right to

legislate. Respondent's argument would, at the very least, make "exclusionary rights" a misnomer.

Moreover, respondent's definition would make Article III standing turn on the right to sub-license (and thus "forgive" infringement). Under respondent's view, a non-exclusive licensee with the right to sublicense would possess Article III standing to sue for patent infringement because it could "forgive" infringement by granting a license. No case suggests that standing extends so far.

Similarly, if all that matters is the right to "forgive" (i.e., license), then an exclusive licensee without the right to sublicense would lack Article III standing to sue. Under respondent's test, it appears that no one would have Article III standing in these circumstances because the *exclusive* license would prevent the patent owner from licensing to a third party.

Nor does respondent make any attempt to harmonize its "right to forgive" test for Article III standing with *WiAV*, which rests Article III standing on whether the defendant could obtain a license from a third party.

C. Respondent fails to grapple with the redressability problem.

Respondent does not dispute that damages for patent infringement are compensatory, not punitive or statutory. Pet. 17. Because they are compensatory, the purpose is to put the plaintiff in the position that the plaintiff would have been had the infringement not occurred.

A reasonable royalty, for example, compensates the plaintiff with the royalty that would have been

paid if the defendant had licensed the use of the patent. *Id.*

In response, respondent discusses different way of calculating the royalty, contending that a hypothetical negotiation approach “is not the only way to determine a reasonable royalty” and pointing to the “analytical method.” Opp. 16.

But respondent fails to grapple with the compensatory purpose of patent damages, including the royalty. No matter how it is calculated, the royalty is meant to put the plaintiff in the position it would have been in absent the infringement.

And if the defendant could (or would) have received a license from a third party, then one cannot say that the plaintiff would have been in any different position absent the infringement. *See WiAV*, 631 F.3d at 1266 (“[A]n 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 licensee “does not have an exclusionary right with respect to the alleged infringer and thus is not injured by that alleged infringer.”).

This redressability issue confirms the impropriety of the Federal Circuit’s expansion of constitutional standing in the decision below.

II. This Case Plainly Raises the Question Presented and Presents an Ideal Vehicle for its Resolution.

There are no vehicle issues that would interfere with this Court’s review. Respondent is incorrect to contend (at 18-22) that there are “antecedent

questions” that must be answered. This Court need not address any—much less every—legal issue underlying the question presented.

Petitioner accepts the Federal Circuit’s interpretation of the relevant contracts. Pet. 9 n.1. The question presented is premised on the Federal Circuit’s interpretation.

And there is no question that Main Street had the right to license the ’247 Patent following the default. *See* Pet. 8–9 (quoting the unambiguous contract language). Respondent does not actually deny that Main Street had the power to grant a license to the ’247 Patent: it notes only that Main Street’s power of attorney empowered Main Street to act in IT’s name. Opp. 19. But nothing required Main Street to exercise the power of attorney in “tak[ing] control of, sell[ing], leas[ing], licens[ing] or otherwise dispos[ing] of the [the collateral],” including the ’247 Patent, “as fully and effectually as if [Main Street] were the absolute owner.” Pet. 7.

And in exercising this power of attorney, Main Street would not be acting as an agent of IT (as respondent wrongly suggest at 19–20): the power of attorney permitted Main Street to enforce its own rights, *i.e.*, to facilitate Main Street’s “exercising its rights under Section 6.” Appx5a–6a.

Under Texas law, a power of attorney creates an agency relationship only when the recipient is under the principal’s control. *See, e.g., Laredo Med. Grp. v. Lightner*, 153 S.W.3d 70, 72 (Tex. App.—San Antonio 2004, pet. denied) (en banc) (“Although the appointment of an attorney-in-fact ordinarily creates an agency relationship, there is no agency relationship

here because there is no evidence LMG was under Lightner’s control.”). Main Street was permitted to act to protect its own interests and was not under IT’s control.

In any event, the Federal Circuit held that under the legal test it adopted for Article III standing, IT’s quibbling about the power of attorney was irrelevant. *Compare* Opp. 21 (reiterating same power of attorney arguments as below), *with* Appx13a n.4 (“We need not address the parties’ dispute about the agency-based implications of the attorney-in-fact provision in section 3(j)[.]”). This question presented challenges the legal test adopted below, and to the extent that this Court adopts a test in which Article III standing somehow depends on the nuances of the power of attorney—a test for which neither petitioner nor respondent advocates—this Court could remand to the Federal Circuit for any necessary analysis of the issue.

Neither party contends that standing depends on the issues regarding the contracts and the power of attorney raised by respondent. The purported vehicle issues are simply a distraction to avoid certiorari.

To the contrary, this case squarely presents the question presented. Following the default, there is no doubt that Main Street had the right to license the patent. Pet. 7–9. The decision below acknowledges “the rights Main Street gained upon default,” Appx10a, including the right to license, but nonetheless holds that IT possessed Article III standing

That holding has important implications for every patent case in the country that involves divisions of patent rights among multiple parties—an increasingly common state of affairs. Pet. 19–20.

The Federal Circuit's precedent has created confusion regarding standing to sue patent infringement, and clarity can come only from this Court. Certiorari is warranted.

CONCLUSION

For these reasons, the petition for a writ of certiorari should be granted.

October 30, 2024 Respectfully submitted,

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