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A General “Reservation of Rights” Clause Does Not Reserve “Have Made” Rights Under a Patent License*

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The United States Court of Appeals for the Federal Circuit has held that a customary “reservation of rights” clause in a patent license is not sufficient to reserve “have made” rights under a patent license. *CoreBrace LLC v. Star Seismic LLC*, No. 2008-1502 (Fed. Cir. May 22, 2009).

CoreBrace LLC granted Star Seismic a non-exclusive patent license covering a brace used in constructing earthquake-resistant steel-framed buildings. The license authorized Star to “make, use, and sell” the brace but the language of the license did not expressly permit Star to have the brace made for it by third parties. The license reserved to CoreBrace “all rights not expressly granted to [Star].” Star used third-party contractors to manufacture the brace. CoreBrace claimed that Star breached the license because it was not entitled to have the brace made by third parties and infringed its patents based on use of the braces under a terminated license.

The Federal Circuit held that Star did not breach the license and that there was no infringement. It reasoned that the grant of a right to “make, use, and sell” a patented product inherently includes the right to have a third party manufacture the product, unless that right is expressly excluded. In reaching this conclusion, the court followed similar decisions by the U.S. Court of Claims and the California Supreme Court. Since the “have made” right is inherent in the right to “make” the licensed product and therefore granted to

the licensee as part of the right to “make, use and sell” the licensed product, the court concluded that it is unaffected by a general “reservation of rights” provision.

CoreBrace’s holding that “have made” rights are inherent in the right to make a patented product is in line with precedent, but the case is noteworthy for holding that a general reservation of rights clause is insufficient to exclude “have made” rights. Licensors and licensees under existing patent licenses may wish to re-examine those licenses in light of *CoreBrace* to determine if the licenses address “have made” and similar rights as the parties intended. Licensees may find they have more rights than they thought they had, while licensors may find they have reserved fewer rights. When drafting new patent licenses, licensors who wish to preclude “have made” rights should do so expressly. A cautious licensor should also expressly identify any other rights that it wishes to exclude from the license grant instead of relying on a general reservation of rights provision alone.

ENDNOTES

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