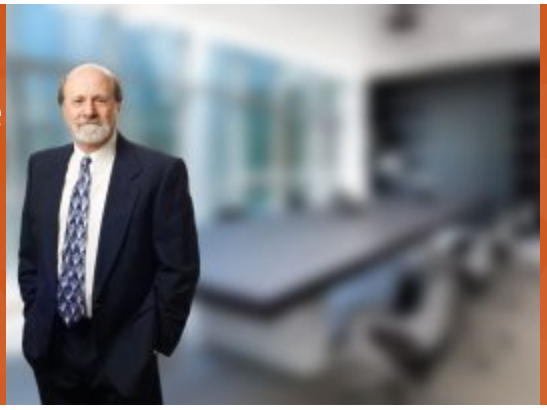
The True Scope of a "Make-Use-Sell" License



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A recent Federal Circuit case, *Corebrace v. Star Seismic*, clarifies the hidden breadth of a license to "make, use or sell" a patented invention.

The plaintiff-appellant Corebrace owned a patent for a brace used to fabricate earthquake-resistant steel-frame buildings. Star Seismic was granted a non-exclusive license to "make, use, and sell" licensed products. The license agreement, which stated that Star could not "assign, sublicense, or otherwise transfer" its rights and reserved all rights not expressly granted, did not expressly provide that Star could have licensed products made by third parties… but Star did so anyway.

> **The Federal Circuit agreed that the right to "make, use and sell" inherently includes the right to have the product made by a third party "absent a clear indication of intent to the contrary."**

Corebrace sent Star a notice of termination, claiming that Star breached the license by having third parties make licensed products for its own use. By doing so Corebrace ignored provisions of the agreement that allowed termination for breach *after* a 30-day notice and failure to cure. On the same day it sent the notice of termination, Corebrace also sued Star for breach, due to Star's use of third party contractors, and for patent infringement, on the grounds that the license had terminated. The district court held that Star did not breach, because a right to "make" includes a right to have others do that work, and that even if it had breached the license was not properly terminated.

The Federal Circuit agreed with the lower court's holding that the right to "make, use and sell" inherently includes the right to have the product made by a third party "absent a clear indication of intent to the contrary." This was so despite the prohibition on assignment and reservation of rights clause: since the right to "make" *inherently* includes the right to "have made," the have-made rights are included in the license and not reserved to the licensor, unless the license expressly says so. Here, nothing indicated an intent to exclude have-made rights.

As a result, Star did not breach the license by having third parties make licensed products for its own use. Since there was no breach, the question of whether Corebrace followed proper termination procedures was moot. And since the license wasn't terminated, Star could not have infringed the patent under which it was licensed. In short, complete vindication for Star.

Although the holding depends largely on state contract law – in particular, the law of Utah—it holds lessons for licensors and licensees everywhere, namely —

- For patent licensors: *If you do not want your licensee to be able to use third parties to make the licensed product, you must say so expressly*.

- For patent licensees: *If you are licensed to make, use and sell a product, absent an express provision to the contrary this generally includes the right to engage third parties to do the making for you.*
- For both licensors and licensees: As with any issue that is subject to agreement, don't leave matters to chance … or expensive litigation. Rather, *be sure the contract or license says what you mean and covers, or reserves, whatever rights you intend to cover or reserve.*

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