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Epistar Corp. v. International Trade Commission

Decided May 22, 2009

Terms of Previous Settlement Agreement are Binding after Merger

The patentee (Lumileds) was involved in a settlement agreement with United Epitaxy Company (UEC). In this settlement agreement, UEC agreed not to challenge the validity of Lumileds' patents. In a separate agreement, Lumileds licensed the patent in question to Epistar. However, Epistar reserved the right to challenge the validity of the licensed patent. UEC was acquired by Epistar subsequent to the agreements. The Federal Circuit ruled that Epistar can still challenge the validity of Lumileds' patents, except for those patents involved in the agreement with UEC.

The Federal Circuit reasoned that the assignment of a contract to an assignee (in this case, from UEC to Epistar) only changes the obligated party, and not the scope of the obligation. Thus, Lumileds could not gain rights against Epistar that did not exist prior to the merger.