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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

GoDaddy.com, LLC,

Plaintiff,

v.

RPost Communications Limited, et al.,

Defendants.

No. CV-14-00126-PHX-JAT

ORDER

Pending before the Court is Defendants RPost International Limited’s and RMail Limited’s Motion to Dismiss Counts III–XII of the First Amended Complaint under Fed. R. Civ. P. 12(b)(1). (Doc. 56). The Court now rules on the motion.

I. Background

GoDaddy.com, LLC (“GoDaddy”) has brought this Declaratory Judgment Action against Defendants RPost Holdings, Inc. (“RPost Holdings”), RPost International Limited (“RPI”), RMail Limited (“RMail”), and RPost Communications Limited (“RComm”) (collectively, “RPost”) seeking, among other things, declarations of invalidity and noninfringement of U.S. Patent Nos. 8,209,389 (“the ’389 patent”), 8,224,913 (“the ’913 patent”), 8,161,104 (“the ’104 patent”), 8,468,198 (“the ’198 patent”), and 8,468,199 (“the ’199 patent”) (collectively “the Tomkow Patents”) in Counts III–XII of the First Amended Complaint. (Doc 46 at 18–32). RPI and RMail seek dismissal of Counts III–XII claiming that they have no right, title, or interest in the Tomkow Patents, and therefore, GoDaddy has no standing to seek declaratory relief against them. (Doc. 56 at 1).

1 **A. Ownership History of the Tomkow Patents**

2 Starting in 1999, Dr. Terrance Tomkow applied for the Tomkow Patents, which
3 describe a way of tracking and confirming delivery of email. (Doc. 46 at 6). Kenneth
4 Barton and Zafar Khan joined Tomkow in creating a corporate structure to protect this
5 intellectual property and founded RPI, in which Tomkow, Barton, and Khan were all
6 principal shareholders. (*Id.*) On May 20, 2001, Dr. Tomkow assigned the applications for
7 the Tomkow Patents to RPI. (Doc 35-2 at 2). An assignment agreement dated March 21,
8 2011 shows that RPI then assigned the Tomkow Patents to RComm. (Doc. 46-2 at 1, 9–
9 13; Doc. 59 at 1–2). Barton did not sign the agreement assigning the Tomkow Patents
10 from RPI to RComm. (Doc. 46-2 at 4).

11 **B. Related Prior and Pending Litigation**

12 Barton’s relationship with Tomkow and Khan fell apart over time, and Barton
13 eventually brought two actions against Tomkow and Khan (the “Barton Cases”). (Doc. 46
14 at 6). In the First Barton Case, a California court found that Tomkow, Khan, and RPI had
15 committed fraud and breach of fiduciary duty against Barton, and Tomkow, Khan, and
16 RPI were ordered to pay him general and punitive damages. *RMail Limited v.*
17 *Amazon.com, Inc.*, 2:10-cv-258-JRG, 2014 U.S. Dist. LEXIS 25597, at *15–16 (E.D.
18 Tex. Jan. 30, 2014) (providing an overview of the facts of the Barton Cases). In the
19 Second Barton Case, Barton brought another state action against RPI, RMail, and
20 RComm alleging that RPI, Tomkow, and Khan fraudulently transferred corporate assets,
21 including intellectual property assets, of RPI to RComm and RMail. *Id.* Barton seeks in
22 the Second Barton Case to void the transfer of those assets, *id.* at *16, which included the
23 Tomkow Patents. (Doc. 46-2 at 1, 9–13).

24 Khan and Tomkow have each filed for bankruptcy under Chapter 13 (the
25 “Bankruptcy Cases”). *Amazon*, 2014 U.S. Dist. LEXIS 25597, at *16. Barton has
26 objected to the bankruptcy filings, and the bankruptcy court granted his motions to
27 convert Khan and Tomkow’s Chapter 13 Bankruptcy Cases to Chapter 7. *Id.* at *17.
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There have been various lawsuits in which the Tomkow Patents are at issue. In *Amazon*, RPost Holdings, RMail, and RComm asserted various patents against the defendants. *Id.* at *12. The *Amazon* court learned of the pending Barton Cases and Bankruptcy Cases, *id.* at *15, which RPost had never mentioned, and therefore stayed the *Amazon* case until the Barton Cases and Bankruptcy Cases are resolved. *Id.* at *31. The court said, “If the fraudulent transfer claims are ultimately resolved in Barton’s favor and the March 2011 transaction declared null and void, then that result would have a considerable impact on Plaintiffs’ standing to sue” for patent infringement. *Id.* at *27.

In *Trend Micro Inc. v. RPost Holdings, Inc.*, 13-CV-05227-WHO, 2014 WL 1365491 (N.D. Cal. Apr. 7, 2014), Trend Micro sued defendants, including RPI and RMail, in a declaratory judgment action seeking, among other things, a declaration of patent noninfringement and invalidity of some of the Tomkow Patents. *Id.* at *1. The court granted RPI’s motion to dismiss for lack of subject-matter jurisdiction, finding that RPI had no legal interest in the Tomkow Patents, and therefore, Trend Micro did not have standing to sue RPI. *Id.* at *6–8.

C. RPost’s Assertions of the Tomkow Patents Against GoDaddy

RPost, referring to itself as simply “RPost” in its communications, contacted GoDaddy and advised of its belief that GoDaddy was infringing the Tomkow Patents. (Docs. 46-3, 46-4). In an email on July 17, 2013 (Docs. 46-4) and a letter on October 4, 2013 (Doc. 46-5), RPost represented that it had clear, unclouded rights to license the Tomkow Patents. (*See* Docs. 46-4 at 2–4, 46-5 at 4). GoDaddy seeks in Counts III–XII of its First Amended Complaint a declaration of invalidity and/or noninfringement of the Tomkow Patents. (Doc. 46 at 18–32). RPI and RMail move to dismiss these counts by making a factual subject-matter jurisdiction challenge, pursuant to Federal Rule of Civil Procedure (“Rule”) 12(b)(1), on the basis that they have no legal interest in the Tomkow Patents. (Doc. 56).

1 **B. Standing in Patent Infringement Cases**

2 A plaintiff must have standing to sue in order to satisfy the case-or-controversy
3 requirement of Article III of the Constitution, and it is a requirement to establish subject-
4 matter jurisdiction. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560–61 (1992).
5 Standing must be present at the outset of the suit. *Abraxis Bioscience, Inc. v. Navinta*
6 *LLC*, 625 F.3d 1359, 1364 (Fed. Cir. 2010) (“[I]f the original plaintiff lacked Article III
7 initial standing, the suit must be dismissed, and the jurisdictional defect cannot be cured’
8 after the inception of the lawsuit.” (quoting *Schreiber Foods, Inc. v. Beatrice Cheese,*
9 *Inc.*, 402 F.3d 1198, 1203 (Fed. Cir. 2005))). These requirements also apply to
10 declaratory judgment actions. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118,
11 126–28 (2007).

12 In declaratory judgment actions for patent invalidity and noninfringement, a
13 plaintiff lacks standing when the defendants have insufficient interest in the patents in
14 question such that the defendants would be unable to enforce the patents against
15 infringement. *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1094 (Fed. Cir.
16 1998) (holding that because Geapag did not have standing to enforce the patents-in-suit,
17 “the court lack[ed] jurisdiction over Enzo’s declaratory judgment claims”); *see also*
18 *Abraxis Bioscience*, 625 F.3d at 1364 (“in a patent infringement action, ‘the plaintiff must
19 demonstrate that it held enforceable title to the patent at the inception of the lawsuit to
20 assert standing’” (quoting *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304,
21 1309–310 (Fed. Cir. 2003)). “[W]hen a party holds all rights or all substantial rights [in a
22 patent], it alone has standing to sue for infringement.” *Morrow v. Microsoft Corp.*, 499
23 F.3d 1332, 1340 (Fed. Cir. 2007). Therefore, for a court to have subject-matter
24 jurisdiction in a declaratory action for patent invalidity and noninfringement, the
25 defendant(s) must own all rights or all substantial rights to the patents-in-suit.
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1 **III. Discussion**

2 **A. RPost’s Communications to GoDaddy**

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4 GoDaddy’s position that it has standing to sue RPI and RMail begins with the
5 argument that the demand letters sent by RPost create a justiciable case or controversy
6 regardless of whether the author(s) of the letters are owners of the Tomkow Patents. (*See*
7 Doc. 69 at 9–10). GoDaddy first cites *Sandisk Corp. v. STMicroelectronics, Inc.*, 480
8 F.3d 1372 (Fed. Cir. 2007), stating that “[u]nder the ‘all circumstances test,’ GoDaddy
9 ‘need not risk a suit for infringement by engaging in the identified activity before seeking
10 a declaration of its legal rights.’” (Doc. 69 at 9) (quoting *Sandisk*, 480 F.3d at 1378,
11 1381). However, *Sandisk* provides no guidance for a case, such as this case, in which the
12 party allegedly asserting the patents is not the patent owner. It only applies to cases or
13 controversies arising “when a *patentee* asserts rights under a patent.” *Sandisk*, 480 F.3d at
14 1381 (emphasis added). Therefore, GoDaddy’s reliance on *Sandisk* in this case is
15 misplaced.

16 GoDaddy then cites *Frederick Goldman, Inc. v. West*, No. 06 Civ.
17 3413(LTS)(RLE), 2007 WL 1989291 (S.D.N.Y. July 6, 2007). (Doc. 69 at 9). In
18 *Frederick Goldman*, the plaintiff filed a declaratory judgment action against the
19 defendant seeking a declaration of noninfringement, invalidity, or unenforceability of
20 certain patents. *Frederick Goldman*, 2007 WL 1989291, at *1. Plaintiffs named Trent
21 West, Trent West, Inc. (“TWI”), and Trent West Design as the defendants, but TWI
22 moved to dismiss for lack of subject-matter jurisdiction claiming that it did not own the
23 patents-in-suit. *Id.* Despite this claim, the court in *Frederick Goldman* found that there
24 was a case or controversy between the parties because of the adversarial language in the
25 patent infringement notices signed by TWI. *See Frederick Goldman*, 2007 WL 1989291,
26 at *3. The court acknowledged that “[p]atent ownership is, of course, a key element of a
27 cause of action putting in controversy the validity of a patent,” *id.* at *4, but it failed to
28 acknowledge the essential principle that there can be no case or controversy in a

1 declaratory judgment action for patent noninfringement and invalidity against a defendant
2 who has no legal interest in the patents-in-suit. *Enzo*, 134 F.3d at 1094; *see also Abraxis*
3 *Bioscience*, 625 F.3d at 1364. The court glazed over the issue of TWI's claimed lack of
4 patent ownership by finding that the jurisdictional and substantive issues of the case are
5 so intertwined that the resolution of the jurisdictional issues should await an inquiry into
6 the merits of the case without giving reasons for such a finding. *Id.* at *4.

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8 In the present case, GoDaddy makes the same argument about the intertwining of
9 jurisdictional and substantive issues. (Doc. 69 at 8). However, if there is no case or
10 controversy without patent ownership, the jurisdictional issue of patent ownership can
11 and should be resolved before reaching the substantive issues of patent noninfringement
12 and invalidity. The determination of the jurisdictional issue of patent ownership will not
13 disrupt proper adjudication of the substantive issues of patent noninfringement and
14 invalidity because these jurisdictional and substantive issues are independent of one
15 another.

16 Furthermore, unlike in *Frederick Goldman* in which TWI simply claimed it did
17 not own the patents-in-suit, RPI and RMail have demonstrated their lack of ownership
18 through the submission of the United States Patent and Trademark Office assignment
19 documents. (Doc. 46-2 at 1, 9–13). GoDaddy could have easily reviewed these
20 documents, which would have resolved any confusion regarding which party was able to
21 assert which patent(s). Therefore, it was readily discernable over which parties the Court
22 would have subject-matter jurisdiction in this declaratory judgment action. Furthermore,
23 the Court is able to resolve the jurisdictional issue of patent ownership and still evaluate
24 the substantive issues in the case, uninhibited. For these reasons, along with the fact that
25 *Frederick Goldman* is an unreported case from another court, the Court finds *Frederick*
26 *Goldman* unpersuasive in the determination of whether there is subject-matter jurisdiction
27 over Counts III–XII of the First Amended Complaint against RPI and RMail.
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1 **B. The Transfer of the Tomkow Patents from RPI to RComm**

2 GoDaddy’s argument that it has standing to sue RPI and RMail revolves around
3 the allegation that the assignment of the Tomkow Patents from RPI to RComm was
4 fraudulent, and therefore, RPI is the true owner of the Tomkow Patents. (Doc. 69 at 10).

5 The *Amazon* and *Trend Micro* cases involving RPost entities and very similar
6 factual scenarios provide some guidance in resolving the issues in the present case. In
7 *Amazon*, RPost Holdings and RComm initially asserted some of the Tomkow Patents,
8 among other patents, against the defendants. *Amazon*, 2014 U.S. Dist. LEXIS 25597, at
9 *13–14. RMail did not assert any of the Tomkow Patents, and RPI is not a party in the
10 *Amazon* case. *Id.* The defendants moved to dismiss for lack of standing, arguing that the
11 pending Second Barton Case and Bankruptcy Cases caused the plaintiffs to lack the right
12 to enforce the patents. *See id.* at *14. The *Amazon* court reasoned that if the court in the
13 Second Barton Case finds that the transfer of the Tomkow Patents to RComm was
14 fraudulent, then RPI may be the Tomkow Patents’ owner. *See id.* at *27. Therefore, the
15 court stayed the action pending the resolution of the Barton and Bankruptcy Cases. *Id.* at
16 *28–31.

17 In the present case, RPI and RMail assert that they are not the owners of the
18 Tomkow Patents. (Doc. 56 at 1–2). Various aspects of *Amazon* give evidence to this
19 assertion: (1) RPI is not a plaintiff asserting the Tomkow Patents; (2) RPI was not
20 deemed an owner of any of the patents-in-suit; and (3) RMail is not the plaintiff asserting
21 any of the Tomkow Patents, only RPost Holdings and RComm are asserting them. These
22 facts support the argument that that there is no standing to sue RPI and RMail for claims
23 regarding the Tomkow Patents because they do not own the Tomkow Patents.

24 Even more compelling is the similarity of the *Trend Micro* to the present case.
25 *Trend Micro* filed a declaratory judgment action against RPI and RMail, among other
26 defendants, for patent noninfringement and invalidity. *Trend Micro*, 2014 WL 1365491,
27 at *1. The court granted RPI’s motion to dismiss for a lack of standing because RPI had
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1 established that it did not have any legal interest in the patents-in-suit, *id.* at *8, which
2 included some of the Tomkow Patents. The court recognized that though RPI may be
3 found to be the owner of the Tomkow Patents if the judge in the Second Barton Case
4 deems their transfer from RPI to RComm to be fraudulent, a lack of subject-matter
5 jurisdiction cannot be cured after the initiation of a lawsuit. *Id.* at *7–8. The court did not
6 dismiss RMail from the action, but it acknowledged that “R[Comm] is the current owner
7 of the patents-in-suit, and R[Comm] alone has standing to sue for infringement.” *Id.* at *8
8 (internal quotation marks omitted).

9 Like in *Amazon* and *Trend Micro*, in this case, the legitimacy of the assignment of
10 the Tomkow Patents to RComm is not the present issue before the Court, nor has that
11 assignment been deemed fraudulent by any court to date. Even so, GoDaddy attacks the
12 credibility of Zafar Khan’s Declaration in support of the instant motion (Doc. 59), which
13 states that the RPI sold its “entire right, title, interest, and obligations” in the Tomkow
14 Patents to RComm. (Doc. 69 at 12–14). GoDaddy argues that RPI and RMail rely almost
15 exclusively on Khan’s Declaration (Doc. 59) for the instant motion, and that Khan’s
16 words should be given no legal weight considering the previous and pending legal
17 proceedings in which Khan has been found to have committed fraud or in which his
18 honesty has been called into question. (Doc. 69 at 12–14). However, Khan’s declaration
19 is corroborated by the documents showing the assignment history of the Tomkow
20 Patents. (Doc. 35-2; Doc 46-2). Both Khan’s declaration (Doc. 59) and the Tomkow
21 Patent assignment history documents (Docs. 35-2; 46-2) establish that the Tomkow
22 Patents are now owned by RComm.

23 For these reasons, the Court finds that GoDaddy has failed to show that RPI and
24 RMail have any legal interest in the Tomkow Patents at this time. Therefore, RPI and
25 RMail do not have standing to sue for infringement of the Tomkow Patents nor does a
26 declaratory judgment plaintiff have standing to sue RPI or RMail for patent
27 noninfringement or invalidity. *See Lans v. Digital Equip. Corp.*, 252 F.3d 1320, 1328
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1 (Fed. Cir. 2001) (holding that a plaintiff-inventor, who assigned his patent to a
2 corporation in which he was the sole shareholder and managing director prior to filing the
3 action, lacked standing to sue for infringement).

4 GoDaddy cites the Restatement (Second) of Torts § 433B(3), which discusses the
5 burden of proof regarding apportionment of harm, claiming that because there have been
6 multiple parties under scrutiny for fraud, which may involve the Tomkow Patents, RPI
7 and RMail have the burden to prove facts that would negate jurisdiction. (Doc. 69 at 15).
8 This argument is meritless. It is well-established that the burden to prove that a court has
9 jurisdiction is on the party asserting jurisdiction. *Lujan*, 504 U.S. at 560–61. Moreover,
10 regarding declaratory judgment patent issues, there can only be a case or controversy
11 with defendants who have a legal interest in the patents-in-suit. *Enzo*, 134 F.3d at 1094;
12 *see also Abraxis Bioscience*, 625 F.3d at 1364. In this case, current patent ownership is
13 readily discernable and dictates the appropriate parties for Counts III–XII of the First
14 Amended Complaint (Doc. 46). The concept of apportionment of harm and the
15 Restatement (Second) of Torts § 433B(3) are inapplicable.

16 RPI may regain title in the Tomkow Patents if the court in the Second Barton Case
17 deems the assignment of the Tomkow Patents to RComm to be fraudulent. GoDaddy
18 cites Rule 19(a)(1)(B)(ii) to support its argument that this possibility makes RPI an
19 indispensable party to the litigation. (Doc. 69 at 10). However, only parties that have a
20 stake in the litigation may be joined; there needs to be a case or controversy between the
21 adverse parties. *See Arris Grp., Inc. v. British Telecomms. PLC*, 639 F.3d 1368, 1373
22 (Fed. Cir. 2011) (“A party has standing to bring an action under the Declaratory
23 Judgment Act if an actual controversy exists . . . which is the same as an Article III case
24 or controversy.”) (internal quotation marks omitted) (citing *Teva Pharm. USA, Inc. v.*
25 *Novartis Pharm. Corp.*, 482 F.3d 1330, 1338 (Fed. Cir. 2007)). As discussed above, if
26 RPI and RMail have no ownership in the Tomkow Patents, then GoDaddy has no case or
27 controversy with either of them regarding the Tomkow Patents, and they cannot be joined
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1 as defendants. Therefore, Rule 19(a)(1)(B)(ii), which dictates when a party must be
2 joined, is inapplicable.

3 A party does not have standing to pursue a patent infringement claim when that
4 party's interest in the patent-in-suit is contingent upon the vesting of such interest by
5 pending judicial action. *Nolen v. Lufkin Indus., Inc.*, 469 F. App'x 857, 860 (Fed. Cir.
6 2012) (“a claim for patent infringement does not arise under the patent laws when it
7 requires judicial action to vest title in the party alleging infringement”). Therefore, a
8 plaintiff in a declaratory action has no standing to sue a defendant whose title in the
9 patents-in-suit is contingent on the resolution of pending litigation. *See id.* Moreover,
10 jurisdictional problems cannot be solved after the commencement of an action. *Abraxis*
11 *Bioscience*, 625 F.3d at 1364. Even if the court in the Second Barton Case determines
12 that the assignment of the Tomkow Patents to RComm was fraudulent and RPI regains
13 title, GoDaddy is still unable to cure the lack of subject-matter jurisdiction for Counts
14 III–XII against RPI and RMail because subject-matter jurisdiction was lacking at the
15 outset.

16 **C. RMail's Refusal to Covenant Not to Sue**

17 GoDaddy alleges that RMail has refused to grant a covenant not to sue for
18 infringement of the Tomkow Patents in exchange for RMail's release from the present
19 litigation, and that that refusal gives evidence of a controversy between GoDaddy and
20 RMail. (Doc. 69 at 11). To support this assertion, GoDaddy cites *Arkema Inc. v.*
21 *Honeywell Int'l, Inc.*, 706 F.3d 1351, 1358 (Fed. Cir. 2013) (“[The patentee] has declined
22 to grant [plaintiff] a covenant not to sue on the [asserted] patents, which further suggests
23 that there is an active and substantial controversy between the parties regarding their
24 legal rights with respect to those patents.”). (*Id.*) However, refusal to grant a covenant not
25 to sue can only be evidence of a case or controversy when it is *the patentee* refusing to
26 grant the covenant. *See id.* In the case at hand, RMail has no title or interest in the
27 Tomkow Patents, and therefore, it has no reason to grant such a covenant. Therefore,
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1 RMail's alleged refusal to grant a covenant not to sue has no weight on whether there is a
2 case or controversy between GoDaddy and RMail.

3 **IV. Conclusion**

4 The Court finds that GoDaddy has failed to show that RPI or RMail has any right,
5 title, or interest in the Tomkow Patents. Accordingly, the Court further finds that
6 GoDaddy has failed to establish that it has standing to sue RPI and RMail for declarations
7 of noninfringement and invalidity of the Tomkow Patents, and therefore, the Court lacks
8 subject-matter jurisdiction over Counts III–XII of the First Amended Complaint against
9 RPI and RMail.

10 For the foregoing reasons,

11 **IT IS ORDERED** that Defendants RPost International Limited's and RMail
12 Limited's Motion to Dismiss Counts III–XII of the First Amended Complaint (Doc. 56)
13 is GRANTED.

14 **IT IS FURTHER ORDERED** that GoDaddy's claims in Counts III–XII of the
15 First Amended Complaint against RPost International Limited and RMail Limited are
16 DISMISSED WITHOUT PREJUDICE. GoDaddy's claims in Counts III–XII of the First
17 Amended Complaint against the other Defendants remain.

18 Dated this 9th day of December, 2014.

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23 James A. Teilborg
24 Senior United States District Judge
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