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4 UNITED STATES DISTRICT COURT  
5 NORTHERN DISTRICT OF CALIFORNIA  
6 SAN JOSE DIVISION

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8 UNILOC USA, INC., et al.,  
9 Plaintiffs,  
10 v.  
11 APPLE INC,  
12 Defendant.

Case No. [5:19-cv-01692-EJD](#)

**ORDER GRANTING MOTION TO  
SUBSTITUTE PARTY**

Re: Dkt. No. 98

13 Before the Court is the motion of Plaintiffs Uniloc USA, Inc. (“Uniloc USA”) and Uniloc  
14 Luxembourg S.A. (“Uniloc Luxembourg” and together with Uniloc USA, “Plaintiffs”) to  
15 substitute Uniloc 2017 LLC (“Uniloc 2017”), the new owner of the patent-in-suit, as the plaintiff  
16 pursuant to Rule 25(c) of the Federal Rules of Civil Procedure. Dkt. No. 98 (the “Motion”). The  
17 Court took the matter under submission for decision without oral argument pursuant to Civil Local  
18 Rule 7-1(b). Having considered the arguments of the parties and all papers and evidence  
19 submitted, the Court **GRANTS** Plaintiffs’ Motion.

20 **I. Background**

21 Plaintiffs filed this lawsuit in the Western District of Texas on February 22, 2018, alleging  
22 patent infringement. See Complaint, Dkt. No. 1. When the Complaint was filed, Uniloc  
23 Luxembourg was the owner of the patents-in-suit. Id. at ¶ 7. Plaintiff asserts that in an  
24 assignment that became effective as of May 2018, Uniloc Luxembourg assigned all its rights,  
25 interest, and title in the patent-in-suit, including the right to all causes of action, to Uniloc 2017.  
26 See Declaration of James J. Foster, Dkt. No. 98-1 ¶ 2. On April 2, 2019, the case was transferred  
27 to this Court. Dkt. No. 54.

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1           On January 6, 2020, Plaintiffs informed this Court of their intent to file a motion to add  
2           Uniloc 2017 as a party to this action. Joint Case Management Statement and Discovery Plan, Dkt.  
3           No. 78. Approximately three months later, on April 1, 2020, Plaintiffs filed the present motion to  
4           substitute Uniloc 2017 as plaintiff.

5           Defendant opposes the motion. Dkt. No. 101 (“Opposition”). Before the Motion was  
6           filed, Defendant propounded discovery on Plaintiffs, Plaintiffs responded to those requests, and  
7           Defendant submitted discovery disputes to the Court relating to those responses. *Id.* Defendant  
8           argues that permitting Plaintiffs to substitute Uniloc 2017 at this stage in the proceedings will  
9           cause delay and prejudice to Defendant by forcing it to re-serve discovery on Uniloc 2017. *Id.*

10       **II. Legal Standard**

11           Federal Rule of Civil Procedure 25(c) governs the joinder of a party in an action where  
12           there is a transfer of interest:<sup>1</sup>

13                   (c) Transfer of Interest. If an interest is transferred, the action may be  
14                   continued by or against the original party unless the court, on motion,  
15                   orders the transferee to be substituted in the action or joined with the  
16                   original party.

17           The purpose of the rule is to maintain existing relationships in the litigation after a transfer  
18           of interest. “Rule 25(c) is not designed to create new relationships among parties to a suit but is  
19           designed to allow the action to continue unabated when an interest in the lawsuit changes  
20           hands.” *In re Bernal*, 207 F.3d 595, 598 (9th Cir. 2000) (quoting *In re Covington Grain Co., Inc.*,

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22       <sup>1</sup> Defendant argues that plaintiff must meet the “good cause” standard of Rule 16 of the  
23       Federal Rules of Civil Procedure, as the time to amend the pleadings under the Patent Scheduling  
24       Order has expired. Given the transfer of interest of the patent-in-suit, the Court finds that the  
25       Motion was properly brought under Rule 25(c). The Court further finds that it has discretion to  
26       substitute or join parties under Rule 25(c), regardless of whether a party has met the Rule 15 or  
27       Rule 16 requirements for amendment. *In re Bernal*, 207 F.3d 595, 598 (9th Cir. 2000).

1 638 F.2d 1362, 1364 (5th Cir. 1981)).

2 “When presented with a Rule 25(c) motion, district courts may, in their discretion: (1)  
3 permit the predecessor to continue alone; (2) substitute the successor-in-interest for the  
4 predecessor; or (3) join the successor-in-interest with the predecessor.” *Zest IP Holdings, LLC v.*  
5 *Implant Direct Mfg. LLC*, No. 10-cv-541-GPC(WVG), 2014 WL 11878454, at \*3 (S.D. Cal. July  
6 30, 2014) (citing *Hilbrands v. Far East Trading Co., Inc.*, 509 F.2d 1321, 1323 (9th Cir.  
7 1975)); see also *Sun-Maid Raisin Grow. of Cal. v. California Pack. Corp.*, 273 F.2d 282, 284 (9th  
8 Cir. 1959) (“Substitution or joinder is not mandatory where a transfer of interest has occurred.”).  
9 As the Ninth Circuit has noted:

10 The most significant feature of Rule 25(c) is that it does not require that  
11 anything be done after an interest has been transferred. The action may be  
12 continued by or against the original party, and the judgment will be binding  
13 on his successor in interest even though he is not named. An order of  
14 joinder is merely a discretionary determination by the trial court that the  
15 transferee’s presence would facilitate the conduct of the litigation.

16 In re Bernal, 207 F.3d at 598 (quoting 7C Charles Alan Wright, Arthur R. Miller & Mary Kay  
17 Kane, *Federal Practice and Procedure* § 1958 (2d Ed. 1986)).

18 “Under Rule 25(c), “[t]he transferee is not joined because its substantive rights are in  
19 question; rather, the transferee is brought into court solely because it has come to own the property  
20 in issue.” *Uniloc USA Inc. v. LG Elecs. U.S.A. Inc.*, No. 18-CV-06737-JST, 2019 WL 690290, at  
21 \*1 (N.D. Cal. Feb. 19, 2019) (citing *Minn. Min. & Mfg. Co. v. Eco Chem, Inc.*, 757 F.2d 1256,  
22 1263 (Fed. Cir. 1985)). Accordingly, “[t]he merits of the case, and the disposition of the property,  
23 are still determined vis-a-vis the originally named parties.” *Id.* Thus, Rule 25(c) rule “leaves the  
24 substitution decision to [the trial] court's sound discretion.” In re Bernal, 207 F.3d at 598.

25 **III. Discussion**

26 Plaintiffs argue that substitution pursuant to Rule 25(c) is appropriate here because Uniloc  
27 USA and Uniloc Luxembourg no longer have an interest in the patent-in-suit or in this litigation.

1 See Dkt. No. 102, Reply, p. 1. Defendant points out that Plaintiffs waited nearly two years after  
2 they transferred their interests in the patent to Uniloc 2017 to file the Motion and argues that this  
3 unreasonable delay prejudices Defendant. Opposition, p. 1. Defendant argues that because it has  
4 already served discovery on Plaintiffs, it would face delays and additional fees if it were required  
5 to re-serve the discovery on Uniloc 2017.

6 In support of this argument, Defendant points to multiple other cases in this district  
7 brought by Uniloc entities against Defendant in which the substitution or joinder of Uniloc 2017  
8 has allegedly resulted in prejudice to Defendant. For example, in Uniloc 2017, LLC v. Apple Inc.,  
9 Case No. 3:19-cv-01697-VC, currently pending in this district before Judge Chhabria, after  
10 Defendant stipulated to the joinder of Uniloc 2017, Uniloc 2017 refused to adopt the discovery  
11 objections and responses of Uniloc USA and Uniloc Luxembourg. Defendant was therefore  
12 required to re-serve identical discovery requests on Uniloc 2017 as it had on the other Uniloc  
13 entities, and it received identical objections from Uniloc 2017 thirty days later. See Corbett Decl.  
14 Exs. 6-9, Dkt. Nos. 101-7 to 101-10.

15 In yet another case currently pending before Judge Alsup, the Plaintiffs filed a materially  
16 identical motion for substitution. See Uniloc USA, Inc. v. Apple Inc., Case No. 18-cv-00360-  
17 WHA, Dkt. No. 119. In that case, Judge Alsup exercised his discretion to join Uniloc 2017 but  
18 keep Uniloc Luxembourg and Uniloc USA as part of the litigation, citing concerns about  
19 discovery and Plaintiffs' potential strategic behavior:

20 "The Court suspects that Uniloc's manipulations in allocating rights to the  
21 patents-in-suit to various Uniloc (possibly) shell entities is perhaps designed  
22 to insulate Uniloc Luxembourg from any award of sanctions in the event  
23 Uniloc loses this litigation (or some substantial part thereof). Therefore,  
24 Uniloc Luxembourg shall remain in the above-captioned actions for the  
25 purpose for any sanction award if and when such a sanction award would be  
26 warranted and for purposes of facilitating any reasonable discovery against  
27 Uniloc Luxembourg."

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Id. at 164-2.

Given the delay in filing this motion and Plaintiffs’ discovery-related behavior in other actions in this district, the Court shares Defendant’s concerns about possible delays. However, the Court finds that the possible prejudice to Defendant resulting from any such delays is minimal, and that allowing Uniloc 2017 to participate in the proceedings will ultimately facilitate the litigation. In re Bernal, 207 F.3d at 598.


Consistent with other courts in this district and in order to minimize any prejudice to Defendant, the Court exercises its discretion to join Uniloc 2017, rather than substitute it for the existing Plaintiffs. Uniloc USA Inc. v. LG Elecs. U.S.A. Inc., No. 18-CV-06737-JST, 2019 WL 690290, at \*2 (N.D. Cal. Feb. 19, 2019) (“In similar circumstances, other courts have exercised their discretion to join the transferee, rather than substituting that entity, until the ownership of the patent could be resolved.”); Hilbrands v. Far East Trading Co., Inc., 509 F.2d 1321, 1323 (9th Cir. 1975).

**IV. Conclusion**

The Court **GRANTS** Plaintiffs’ Motion and orders Uniloc 2017 **JOINED** as a plaintiff in this action. Uniloc USA and Uniloc Luxembourg shall remain in the case.

**IT IS SO ORDERED.**

Dated: May 26, 2020



EDWARD J. DAVILA  
United States District Judge