

the documents and information in Lodsys's possession, custody, and control relevant to this action and the patents-in-suit, including the invention and patent prosecution files. Lodsys Group has assumed all obligations and liabilities concerning the patents-in-suit to the extent Lodsys would have been liable absent the assignment of the patents-in-suit to Lodsys Group, including with respect to the counterclaims and other requests for relief asserted against Lodsys in this action. And Lodsys hereby agrees to make itself available for discovery in this action as if it continued to be a party, so the requested substitution will not prejudice any defendant nor have any effect on discovery or any future deadlines in this action. Accordingly, pursuant to Rules 17(a), 21, and 25(c), Lodsys Group should be substituted for Lodsys for all purposes in this action, including as plaintiff and counterclaim defendant. In the alternative, Lodsys Group should be joined in this action.

II. RELEVANT BACKGROUND

A. Lodsys and Lodsys Group.

Lodsys is a Texas limited liability company with its principal place of business in Marshall, Texas. *See* Complaint for Patent Infringement [dkt no. 1] (the "Complaint") at ¶ 1. Lodsys maintains an office located at 505 East Travis Street, Suite 207, Marshall, Texas. *See* Declaration of Mark Small (the "Small Decl.") at ¶ 2, attached as Exhibit 1.

Lodsys Group is also a Texas limited liability company with its principal place of business in Marshall, Texas. *See id.* at ¶ 3. Lodsys Group maintains an office at its headquarters located at 505 East Travis Street, Suite 207, Marshall, Texas. *See id.*

B. The Patents-in-Suit and This Action.

On May 22, 2007, U.S. Patent No. 7,222,078 (the "078 patent") was duly and legally issued for "Methods and Systems for Gathering Information from Units of a Commodity Across a Network." *See id.* at Ex. B. On November 17, 2009, U.S. Patent No. 7,620,565 (the "565 patent") was duly and legally issued for a "Customer-Based Product Design Module." *See id.* at Ex. A.

Daniel Abelow is the inventor of the ‘078 patent and ‘565 patent. *See id.* at Exs. A-B. And Lodsys is the owner by assignment of all of the patents-in-suit (*i.e.*, the ‘078 patent and ‘565 patent). *See id.* at ¶¶ 14, 25, 37.

On May 31, 2011, Lodsys filed this action against the above-captioned defendants. The Complaint alleges that defendants have infringed the ‘078 patent and/or the ‘565 patent. *See id.* at ¶¶ 14-40.

C. The Sale and Assignment.

On January 31, 2012, Lodsys entered into a patent sale agreement with Lodsys Group, whereby all rights, title, and interest to the patents-in-suit were assigned to Lodsys Group as of February 1, 2012. *See* Small Decl. at ¶ 4 and Ex. A. Prior to the assignment, Lodsys owned all rights, title, and interest to the patents-in-suit. *See* Complaint at ¶¶ 14, 25, 37. Pursuant to the assignment, Lodsys Group obtained the right to enforce the patents-in-suit and to recover damages and any other remedies of any kind for past and future infringement, including all causes of action asserted by Lodsys in this action. *See id.* at Ex. A. Lodsys Group assumed all obligations and liabilities concerning the patents-in-suit to the extent Lodsys would have been liable absent the assignment of the patents-in-suit to Lodsys Group, including with respect to the counterclaims and other requests for relief asserted against Lodsys in this action. *See id.* at ¶ 5. Lodsys Group also acquired possession, custody, and control of Lodsys’s documents and information relevant to this action and the patents-in-suit, including the invention and patent prosecution files. *See id.*

III. ARGUMENT

Rule 17(a) provides that “[a]n action must be prosecuted in the name of the real party in interest.” Fed. R. Civ. P. 17(a)(1). Rule 17(a) also provides, however, that “[t]he court ***may not dismiss*** an action for failure to prosecute in the name of the real party in interest until, after an objection, a reasonable time has been allowed for the real party in interest to ratify, join, or be substituted into the action.” Fed. R. Civ. P. 17(a)(3) (emphasis added). In addition, “[a]fter

ratification, joinder, or *substitution*, the action proceeds as if it had been originally commenced by the real party in interest.” *Id.* (emphasis added).

Similarly, Rule 21 provides that “[o]n motion or on its own, the court may at any time, on just terms, *add or drop* a party.” Fed. R. Civ. P. 21 (emphasis added).

Rule 25(c) also provides that “[i]f an interest is transferred, the action may be continued by or against the original party unless the court, on motion, orders the transferee to be substituted in the action or joined with the original party.” Fed. R. Civ. P. 25(c). “Rule 25(c) permits the court to continue to hear a case where the action survives but the original party has transferred interest in the litigation to another. Rather than require the assignee to initiate a new action, the rule enables the court to continue the action with the assignee joined with or in the place of the original party.” *Gen. Battery Corp. v. Globe-Union, Inc.*, 100 F.R.D. 258, 262-63 (D. Del. 1982). Accordingly, “[i]n patent cases, joinder or substitution of an assignee of all rights, title, and interest in the patents-in-suit is permissible under Federal Rule of Civil Procedure 25(c) to cure a lack of standing.” *Affinion Loyalty Group, Inc. v. Maritz, Inc.*, 2006 WL 1431065, *1 (D. Del. May 22, 2006).

“There is no time limitation on when a party may move for substitution following a transfer of interest.” *Levin v. Raynor*, 2010 WL 2106037, *2 (S.D.N.Y. May 25, 2010); *see also CrossLand Fed. Sav. Bank by F.D.I.C. v. A. Suna & Co., Inc.*, 935 F. Supp. 184, 190 (E.D.N.Y. 1996) (same). “Indeed, the substitution can occur at any time, including years after judgment is entered.” *United States v. NL Indus., Inc.*, 2006 WL 219577, *2 (S.D. Ill. Jan. 27, 2006).

“When a transfer of interest has occurred and a motion for substitution or joinder is made, the district court may in its discretion grant the motion or deny it and allow the action to continue in the names of the original parties.” *Koehler v. Bank of Bermuda Ltd.*, 2002 WL 1766444, *2 (S.D.N.Y. July 31, 2002); *see also Mars, Inc. v. JCM Am. Corp.*, 2007 WL 776786, *1 (D.N.J. Mar. 9, 2007) (“Since joinder or substitution under Rule 25(c) is a procedural device that does not typically alter the substantive rights of a party, a Rule 25(c) decision is generally left to the court’s discretion.”). But although a court may choose to either allow substitution or continue

the action in the name of the original party, Rule 25(c) forbids dismissal for lack of standing if the transfer of interest was permissible under the substantive law. *See ELCA Enterprises, Inc. v. Sisco Equip. Rental & Sales, Inc.*, 53 F.3d 186, 191 (8th Cir. 1995) (trial court abused its discretion by dismissing for lack of standing, rather than granting Rule 25(c) substitution, where as “a matter of substantive law, the right to sue the defendants for remediation costs clearly survived [the] transfer of interest”).

Here, Lodsys Group is now the owner by assignment of the patents-in-suit. *See* Small Decl. at ¶ 4 and Ex. A.¹ The assignment includes the right to enforce all causes of action asserted by Lodsys in this action. *See id.* at ¶ 5. Lodsys Group has also assumed all liabilities for the counterclaims and other requests for relief asserted against Lodsys in this action to the extent Lodsys would have been liable absent the assignment of the patents-in-suit to Lodsys Group. *See id.* at ¶ 5. Accordingly, Lodsys Group is now the proper plaintiff and counterclaim defendant in this action. *See Abraxis BioScience, Inc. v. Navinta LLC*, 2009 WL 904043, *5 (D.N.J. Mar. 30, 2009) (“it is appropriate for the Court to join [assignee] as the real party in interest in this litigation”).

Moreover, Lodsys Group has possession, custody, and control of Lodsys’s documents and information relevant to this action. *See* Small Decl. at ¶ 5. Although no defendant has yet attempted to take any discovery from Lodsys, Lodsys has agreed to make itself available for discovery in this action as if it continued to be a party. *See id.* at ¶ 6. And Lodsys’s attorneys of record will continue as counsel for Lodsys Group in this action. *See id.* The requested substitution or, in the alternative, joinder of Lodsys Group, therefore, will not affect discovery in any way nor have any impact on future deadlines. In short, Lodsys Group’s appearance in this action will not prejudice any defendant. *See Abraxis BioScience*, 2009 WL 904043 at *6 (“the Court finds no basis for [defendant]’s claim of potential delay”).

¹ Prior to the assignment, Lodsys was the owner of all rights, title, and interest to the patents-in-suit and, therefore, was the real party in interest and the proper plaintiff and counterclaim defendant in this action. *See* Complaint at ¶¶ 14, 25, 37.

IV. CONCLUSION

For all of the above reasons, Lodsys Group should be substituted for Lodsys for all purposes in this action, including as plaintiff and counterclaim defendant. In the alternative, Lodsys Group should be joined in this action.

Dated: February 7, 2012.

Respectfully Submitted,

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**Attorneys for Plaintiff Lodsys, LLC and
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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was filed electronically in compliance with Local Rule CV-5(a). As such, this response was served on all counsel who are deemed to have consented to electronic service. Local Rule CV-5(a)(3)(V). Pursuant to Fed. R. Civ. P. 5(d) and Local Rule CV-5(d) and (e), all other counsel of record not deemed to have consented to electronic service were served with a true and correct copy of the foregoing by email, on this the 7th day of February, 2012.

By: /s/ Christopher M. Huck
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