

FILED IN THE
U.S. DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

Jan 13, 2021

SEAN F. McAVOY, CLERK

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

HER MAJESTY THE QUEEN IN RIGHT
OF CANADA AS REPRESENTED BY
THE MINISTER OF AGRICULTURE
AND AGRI-FOOD, a Canadian
governmental authority,
Plaintiff,
v.
VAN WELL NURSERY, INC., a
Washington Corporation; MONSON
FRUIT COMPANY, INC., a Washington
Corporation; GORDON GOODWIN, an
individual; and SALLY GOODWIN, an
individual,
Defendants.

No. 2:20-CV-00181-SAB

**ORDER DENYING
DEFENDANTS' MOTION TO
DISMISS FOR FAILURE TO
JOIN A NECESSARY PARTY**

The Court held a videoconference motion hearing in the above-captioned matter on January 8, 2021. During the hearing, the Court heard oral arguments in support of and against Defendants' Motion to Dismiss for Failure to Join a Necessary Party, ECF No. 40. Plaintiff was represented by Jennifer Bennett, Daniel Short, and Katherine McMorro. Ms. Bennett presented Plaintiff's

**ORDER DENYING DEFENDANTS' MOTION TO DISMISS FOR
FAILURE TO JOIN A NECESSARY PARTY * 1**

1 arguments. Defendants Van Well Nursery, Gordon Goodwin, and Sally Goodwin
2 were represented by Quentin Batjer. Defendant Monson Fruit Company was
3 represented by Kevin Regan and Mark Walters. Mr. Regan presented Defendants'
4 arguments.

5 Defendants argue that Summerland Varieties Corporation, formerly known
6 as PICO (hereinafter "SVC") is absent from this case and must be joined in order
7 to satisfy Federal Rule of Civil Procedure 19 and principles of statutory standing
8 unique to patent cases. They argue that SVC should either be joined as a party
9 plaintiff in this case or, if joinder is impossible, the case should be dismissed.
10 Plaintiff opposes the motion, arguing it has standing to sue on its own behalf
11 without joinder of SVC but, if the Court does find joinder necessary, concedes that
12 SVC will consent to being joined. The Court took the motion under advisement.
13 Having reviewed the briefing and the relevant case law and having heard from the
14 parties, the Court **denies** the motion.

15 **Facts**

16 On a Rule 12(b)(7) motion, the Court accepts as true the allegations in
17 Plaintiff's complaint and draws all reasonable inferences in Plaintiff's favor. *Dine*
18 *Citizens Against Ruining Our Environment v. Bureau of Indian Affairs*, 932 F.3d
19 843, 851 (9th Cir. 2019). Thus, the following facts are drawn from Plaintiff's
20 Complaint, ECF No. 1, and are accepted as true.

21 1. General Factual Background

22 Plaintiff is the owner of United States Patent No. PP 20,551 P3, a distinct
23 variety of cherry tree known commercially as Staccato ("the '551 patent" or
24 "Staccato"). The patent application was filed on March 6, 2003, and was issued on
25 December 15, 2009. Plaintiff is also the owner of the registered trademark
26 Staccato. Staccato was developed by W. David Lane on Plaintiff's behalf.
27 Staccato's most distinguishing characteristic is that the fruit matures significantly
28

1 later than most other commercial cherry varieties. This extends the cherry harvest
2 season and gives growers a distinct financial advantage.

3 In order to receive a royalty stream for its breeding program and to protect
4 the interests of Canadian cherry growers, Plaintiff entered into a commercialization
5 agreement with SVC to control the distribution of, among other plants, Staccato
6 cherry trees. The first agreement was entered into in 1994 and has been renewed
7 and amended since then. The most recent amendment was executed in March
8 2019.

9 Plaintiff alleges that Defendants have infringed its patent on Staccato cherry
10 trees. In July 1998, Defendant Van Well entered into a contract with SVC to
11 propagate, market, and sell a different cherry variety bred by Plaintiff known as
12 Sonata. Van Well planted the Sonata cherry trees and, at some later point,
13 Defendant Goodwin purchased them from Van Well. It is believed that SVC
14 inadvertently gave Van Well—and Van Well then gave Goodwin—Staccato cherry
15 trees in addition to the Sonata cherry trees. Unbeknownst to the Goodwins, they
16 planted all the trees in their orchards. Later, Mr. Goodwin noticed that one of the
17 trees—which he thought was a Sonata cherry tree—was different from the others
18 and assumed that the different tree was a whole tree mutation of the Sonata tree.
19 Mr. Goodwin propagated and planted the different trees in 2005, and the trees
20 fruited in 2008 and 2010. On December 1, 2010, Mr. Goodwin applied for a U.S.
21 patent on the different tree, and commercially named it Glory. Goodwin was
22 granted the patent on May 1, 2012, which he subsequently assigned to Van Well.
23 The first commercial picking of Glory cherries occurred in August 2010.

24 In 2008, Mr. Goodwin provided Glory budwood to Defendant Monson.
25 Defendant Monson grafted the budwood and has since propagated hundreds of
26 acres of Glory cherry trees. Monson continues to sell Glory cherries.

1 In May 2013, Van Well and Goodwin entered into an agreement relating to
2 certain rights in Glory, including commercialization rights. That agreement was
3 terminated in 2015. Van Well reassigned the patent back to Goodwin in 2015.

4 Sometime in 2012, Plaintiff and SVC learned that Mr. Goodwin had an
5 allegedly new cherry variety called Glory, had filed for patent protection, and that
6 Defendant Van Well was, at that point, the owner of the patent. Defendants
7 provided samples of Glory to SVC, and in early 2014 genetic tests revealed the
8 Glory variety was identical to the Staccato variety. Van Well soon thereafter
9 agreed to sell to SVC whatever Glory trees it had in its possession or to destroy
10 them. As far as Plaintiff was aware, by 2015, SVC and Van Well had settled the
11 dispute, and Van Well had agreed not to sell Glory cherries or cherry trees any
12 longer.

13 However, in spring 2018, Plaintiff believes Van Well sold 6,000 Glory trees
14 to Defendant Monson, and sold it an additional 9,000 trees in 2019. Plaintiff
15 believes Defendant Monson planted those trees and plans to sell the fruit once the
16 trees mature.

17 2. Commercialization Agreements Between SVC and Plaintiff

18 Fundamental to the arguments here are commercialization agreements
19 between SVC and Plaintiff, dated from 1994 through 2019, filed at ECF Nos. 42-1,
20 42-2, 42-3, and 42-4. Although neither party has filed a motion for judicial notice
21 or argued that the agreements are incorporated into the Complaint by reference,
22 neither party objected to the Court's consideration of the documents. Furthermore,
23 neither party questions the authenticity of the documents. Accordingly, the Court
24 will consider these documents. *See UNILOC 2017, LLC v. Google, LLC*, --- F.
25 Supp. 3d ---, 2020 WL 7626430, at *5, *12 n.21 (N.D. Cal. Dec. 22, 2020). The
26 parties agree that the 2013 Agreement, as amended by the 2019 Amendment
27 controls here. ECF No. 42-3, 42-4. Relevant portions of the Agreement are
28 discussed at length below.

1 **Procedural History**

2 Plaintiff filed its case in federal court on May 18, 2020. ECF No. 1. It
3 alleges eight causes of action: (1) plant patent infringement in violation of 35
4 U.S.C. § 271; (2) correction of inventorship under 35 U.S.C. § 256 against the
5 Goodwin Defendants; (3) declaratory judgment under 28 U.S.C. § 2201 against the
6 Goodwin Defendants; (4) unfair competition and false designation of origin in
7 violation of the Lanham Act; (6) conversion; (7) tortious interference with
8 economic relations; and (8) unfair competition in violation of Wash. Rev. Code.
9 19.86.020. It also requests injunctive relief enjoining Defendants from growing,
10 using, offering for sale, selling, reproducing, propagating, exchanging, transferring,
11 or possessing the Glory/Staccato trees and its cuttings, budwood and fruit, and
12 requiring Defendants to remove and destroy all Glory and unauthorized Staccato
13 trees. It also seeks an order directing the Goodwin Defendants assign right, title,
14 and ownership of the Glory patent to Plaintiff. Finally, Plaintiff seeks
15 compensatory, consequential, and enhanced damages, as well as attorney’s fees
16 and costs.

17 **Legal Standard**

18 1. Rule 12(b)(7) and Rule 19

19 Rule 12(b)(7) provides that a party may move to dismiss a complaint for
20 failure to join a party under Rule 19. Fed. R. Civ. P. 12(b)(7). Rule 19, in turn,
21 provides that a person must be joined in an action if, in that person’s absence, the
22 court cannot accord complete relief among the existing parties. Fed. R. Civ. P.
23 19(a)(1)(A). Rule 19 also provides that a person must be joined if the person
24 claims an interest in the subject of the action and is so situated that disposing of the
25 action in their absence may impair their ability to protect the interest or would
26 leave an existing party subject to multiple or inconsistent obligations because of
27 the interest. F. R. Civ. P. 19(a)(1)(B).

1 If the court finds that a person should be joined under Rule 19 and has not
2 been joined, the court must order that the person be joined as a party. Fed. R. Civ.
3 P. 19 (a)(2). If joinder is not feasible, the court must determine whether, in equity
4 and good conscience, the action should proceed among the existing parties or
5 should be dismissed. Fed. R. Civ. P. 19(b); *Salt River Project Agr. Imp. & Power*
6 *Dist. v. Lee*, 672 F.3d 1176, 1179 (9th Cir. 2012). The factors a court should
7 consider in determining whether to dismiss where joinder is not possible include:
8 (1) the extent to which a judgment rendered in the person’s absence might
9 prejudice that person or the existing parties; (2) the extent to which any prejudice
10 could be lessened or avoided by protective provisions in a judgment, shaping the
11 relief, or other measures; (3) whether a judgment rendered in the person’s absence
12 would be adequate; and (4) whether the plaintiff would have an adequate remedy if
13 the action were dismissed for nonjoinder. Fed. R. Civ. P. 19(b).

14 2. Statutory Standing in Patent Cases

15 Patent statutes give rise to a right to sue others for patent infringement,
16 defining the nature and source of the infringement claim and determining the party
17 that is entitled to judicial relief. *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1339
18 (Fed. Cir. 2007).¹ A patentee is entitled to bring an infringement action. 35 U.S.C.
19 § 281. This includes the party to whom the patent was originally issued, successors
20 in title to the original patentee, and the person holding legal title to the patent. 35
21 U.S.C. § 100(d); *Morrow*, 499 F.3d at 1339. The patent statutes—taken as a
22 whole—grant the patent holder a “bundle” of rights associated with the patent,
23

24 ¹ Patent infringement cases can be filed in any federal district court having
25 personal jurisdiction over the defendant. However, patent appeals cases are heard
26 by the Court of Appeals for the Federal Circuit regardless of which district court
27 they originated in, and opinions from the Federal Circuit are precedential as to the
28 question of statutory standing in patent infringement actions. 28 U.S.C. §
1295(a)(1); *WiAV Sols. LLC v. Motorola, Inc.*, 631 F.3d 1257, 1265 (Fed. Cir.
2010).

1 primarily the right to exclude others from making, using, selling, or offering to sell
2 the patented invention. *See* 35 U.S.C. §§ 154, 271. This bundle of rights “may be
3 divided and assigned, or retained in whole or part.” *Vapuel Textilmaschinen KG v.*
4 *Meccanica Euro Italia SPA*, 944 F.2d 870, 875 (Fed. Cir. 1991).

5 To retain the ability to bring suit, the rights holder must satisfy two
6 requirements: Article III and statutory standing under § 281. *See UNILOC 2017*,
7 2020 WL 7626430, at *3. Like all other cases in federal court, the plaintiff must
8 show that it suffered an injury in fact that is fairly traceable to the challenged
9 conduct of the defendant, and that its injury is likely to be redressed by a favorable
10 judicial decision. *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1547 (2016). In patent
11 cases, constitutional injury under Article III occurs when a party performs at least
12 one prohibited action with respect to the patented invention that violates the patent
13 holder’s exclusionary rights and infringes on the patent. *Morrow*, 499 F.3d at 1339.
14 Exclusionary rights “involve the ability to exclude others from practicing an
15 invention or ‘to forgive activities that would normally be prohibited under the
16 patent statutes.’” *Lone Star Silicon Innovations LLC v. Nanya Tech. Corp.*, 925
17 F.3d 1225, 1234 (Fed. Cir. 2019) (quoting *Morrow*, 499 F.3d at 1342). A plaintiff
18 in a patent suit must also have statutory or statutory standing under § 281. *Morrow*,
19 499 F.3d at 1344. To have statutory standing, the plaintiff must possess substantial
20 rights to the patent in suit. *Id.*

21 Generally speaking, there are three types of plaintiffs in patent infringement
22 suits. First, there are those who can sue in their own names alone; they hold all
23 rights or all substantial rights to the patent. *Id.* No other parties need be joined in
24 this type of action in order to satisfy Rule 19 and statutory standing. Second, there
25 are those that can sue so long as both the patent owner and a licensee is joined in
26 the suit; this covers persons who hold some rights, but not all substantial rights, to
27 the patent, such as an exclusive licensee. *Id.* In this context, both the patent owner
28 and the licensee must be joined, and the patent rights are enforced through or in the

1 name of the owner. *Id.* at 1340. Third, there are those who cannot participate as a
2 party to an infringement suit at all; these parties hold less than all substantial rights
3 to the patent and lack the exclusionary rights necessary to satisfy the injury in fact
4 requirement for standing, and this deficiency cannot be cured by adding the patent
5 owner to the suit. *Id.* at 1341.

6 To determine which category a particular plaintiff falls into, and whether
7 that party has statutory standing to bring suit on their own or whether another party
8 must be joined in the action, the court must determine whether that plaintiff
9 possesses all, some, or no substantial rights in the patent. *Lone Star*, 925 F.3d at
10 1229. If the party asserting infringement is not the patent’s original patentee, the
11 court must look to whether the agreement transferring patent rights to the party is
12 an assignment of all rights or a mere license. *Id.* at 1229 (citing *AsymmetRX, Inc. v.*
13 *Biocare Med., LLC*, 582 F.3d 1314, 1318-19 (Fed. Cir. 2009)). An agreement that
14 transfers all substantial rights to a patent is tantamount to an assignment of that
15 patent to the exclusive licensee. *Alfred E. Mann Found. for Sci. Research v.*
16 *Cochlear Corp.*, 604 F.3d 1354, 1358-59 (Fed. Cir. 2010).

17 To determine whether an exclusive license is tantamount to an assignment of
18 all rights in a patent, the court must ascertain the intents of the parties to the
19 agreement and examine the substance of what was granted. *Id.* at 1359. This is
20 based on the totality of the agreement, rather than the formalities, labels, or “magic
21 words.” *Lone Star*, 925 F.3d at 1229 (citing *Waterman v. Mackenzie*, 138 U.S. 252,
22 256 (1891)). A licensee has all substantial rights if it becomes an “effective
23 patentee” and has the interests and exclusionary rights of a patentee. *Morrow*, 499
24 F.3d at 1340, n.6. Although there is no exhaustive list of rights that can transform
25 an exclusive licensee into the holder of all substantial rights to a patent, courts have
26 identified two particularly salient rights: (1) enforcement, and (2) alienation.
27 *Immunex Corp. v. Sandoz Inc.*, 964 F.3d 1049, 1059-60 (Fed. Cir. 2020); *Alfred E.*
28 *Mann*, 604 F.3d at 1361 (noting that a licensor’s retained right to sue accused

1 infringers “often precludes a finding that all substantial rights were transferred to
2 the licensee”). Other factors a court can consider include the scope of the
3 licensee’s right to sublicense, the nature of license provisions regarding reversion
4 of rights, the duration of the license grant, and the nature of any limits on the
5 licensee’s right to assign its interest in the patent. *Immunex Corp.*, 964 F.3d at
6 1089-60.

7 **Discussion**

8 Defendants argue that SVC must be joined as a party to this case. They
9 argue that the commercialization agreements entered into by Plaintiff and SVC
10 gave SVC several key “sticks” of Plaintiff’s bundle of rights to the ‘551 Staccato
11 patent. They argue that this shows that Plaintiff lacks all substantial rights to the
12 patent and therefore lacks statutory standing to sue on its own. If joinder is not
13 possible, Defendants request that the Court dismiss the case because non-joinder of
14 SVC would cause prejudice, risk inconsistent liabilities and multiple litigation, and
15 could put their customers at risk of further infringement suits. In response, Plaintiff
16 argues that it has all substantial rights in the ‘551 Staccato plant to give it statutory
17 standing such that SVC is not a necessary party. Plaintiff also argues that, if the
18 Court finds joinder is necessary, SVC has consented to be joined and dismissal is
19 not warranted.

20 There is no dispute that Plaintiff, as the owner of the patent, has
21 constitutional standing. *See Pandrol USA, LP v. Airboss Ry. Prod., Inc.*, 320 F.3d
22 1354, 1368 (Fed. Cir. 2003). Instead, what must be determined is whether Plaintiff
23 has statutory standing. As the parties admit, the case at bar is the “converse”
24 situation of most patent infringement cases—Defendants are seeking joinder of a
25 licensee, not the patent owner.

26 //

27 //

28 //

1 1. Whether Plaintiff Conveyed Substantial Rights in the ‘551 Staccato Patent to
2 SVC

3 In order to determine whether SVC is a necessary party, the Court must first
4 determine whether Plaintiff conveyed substantial rights to it sufficient to destroy its
5 own statutory standing. Defendants argue that the 2013 Agreement, as amended in
6 2019, conveyed enough rights to SVC that Plaintiff now lacks all substantial rights
7 to the ‘551 Staccato patent and therefore lacks statutory standing unless SVC is
8 joined as a party.

9 a. *Enforcement Rights*

10 As discussed above, a party’s right to enforcement is a pivotal right in
11 determining whether substantial rights have been retained by a patent owner or
12 given away to a licensee. Defendants argue that Plaintiff gave SVC “unfettered”
13 and “important” enforcement rights, and therefore no longer has substantial rights
14 itself.

15 The Court considers the terms of the 2013 Agreement, as amended by the
16 2019 Amendment, itself. Section 10.3 of the 2013 Agreement provides that SVC:

17 shall have the right to enforce the [patent rights] against any infringement or
18 alleged infringement thereof, and shall at all times keep AAFC informed as
19 to the status thereof. Subject to AAFC’s prior written approval (which will
20 not be unreasonably withheld), [SVC] may, at its own expense, institute suit
21 against any such infringer or alleged infringer and prosecute such suit in a
22 manner consistent with the terms and provisions hereof. AAFC shall
23 reasonably cooperate in any such litigation and [SVC]’s expense, and [SVC]
24 shall keep AAFC appraised in a timely manner of all litigation activities. In
any litigation under this paragraph 10.3, [SVC] shall not have the right to
settle or otherwise compromise AAFC’s position as a licensor or owner of
the [patent rights] without AAFC’s prior written consent.

25 ECF No. 41 at 112, ¶ 10.3. The 2013 Agreement also covers when Plaintiff may
26 sue for patent infringement:

27 If [SVC] elects not to enforce the [patent] rights, then [SVC] shall so notify
28 AAFC in writing within six (6) months of receiving notice that an

1 infringement exists, and AAFC may, in its sole judgment and at its own
2 expense, take steps to enforce its [patent] and related rights, settle, and
3 defend such suit in a manner as AAFC deems fit, even if such settlement
4 might compromise viability of this License, and recover for its own account
any damages, awards, or settlements resulting therefrom.

5 ECF No. 41 at 113, ¶ 10.5.

6 Defendants argue that, because Plaintiff lacks unconditional and unilateral
7 enforcement rights in the ‘551 Staccato patent, it lacks all substantial rights and
8 that SVC must be joined. The Court is not convinced. By its terms, the Agreement
9 placed strict limitations on SVC’s enforcement rights and retained significant
10 enforcement rights for itself. Despite Defendants’ assertions to the contrary,
11 Plaintiff maintained significant control over the course of patent enforcement
12 litigation and had unfettered rights to bring enforcement actions if SVC declined to
13 bring suit. And unlike SVC, Plaintiff has the right to make any litigation decisions
14 it wanted without first consulting SVC, even if that decision undermined the
15 validity of the Agreement. Although Defendants are correct that there do not
16 appear to be limits on SVC’s right to pursue non-judicial enforcement actions—
17 such as the sending of cease-and-desist letters—those rights do not outweigh the
18 significant rights retained by Plaintiff compared to the limited rights given to SVC.
19 Furthermore, the Agreement here gave less rights to SVC and retained more rights
20 for Plaintiff than cases where the Federal Circuit has previously found a licensee
21 lacked substantial rights to a patent to give it statutory standing to sue for
22 infringement. *See Alfred E. Mann*, 604 F.3d at 1362-63. This suggests Plaintiff
23 maintained substantial rights in the ‘551 Staccato patent and, in turn, that SVC
24 does not have substantial rights.

25 b. *Sub-Licensing Rights*

26 The Court next considers SVC’s sub-licensing rights. Defendants argue that
27 SVC had broad sub-licensing rights to the ‘551 Staccato patent, and this deprives
28

1 Plaintiff of all substantial rights to the patent. The 2013 Agreement provides in
2 relevant part:

3 [SVC] is permitted to sub-license non-affiliated or non-controlled parties on
4 the same terms and conditions of this License. The terms and conditions of
5 any sub-license also apply to sub-sub-licensees granted by [SVC] and shall
include but are not limited to the following:

- 6 • be royalty-bearing and revocable;
- 7 • [SVC] shall negotiate a consideration with the sub-licensee that will
result in Gross Revenues to [SVC];
- 8 • be only within a Territory or any portion thereof;
- 9 • be only within the Field of Use or a subset thereof;
- 10 • be subject to the same obligations and restrictions as those required of
[SVC] under this License;
- 11 • be in a contractual form determined by [SVC] who will inform AAFC
beforehand. AAFC reserves a right of refusal on any sub-licensing or
12 sub-sub-licensing agreement or any other agreement [SVC] could
13 engage involving AAFC's intellectual property. Such refusal from
AAFC would be an exceptional measure based on reasonable ground
14 and proper justification;
- 15 • be copied to AAFC immediately following execution; and
- 16 • not be a *de facto* assignment.

17 Irrespective of the nature of the commercial or corporate devices used by
[SVC] to Commercialize, (whether via sub and sub-sub-licensees or
18 otherwise), all Commercialization by such entities are deemed to be
Commercialization by [SVC]. Furthermore, [SVC] shall ensure that any
19 monies owing to AAFC from the sub-licensee or sub-sub-licensee (or
20 other commercial or corporate devise used by [SVC]) is paid to AAFC
21 when due.

22 ECF No. 42 at 100, ¶¶ 2.9-2.9.8.

23 Whether a licensee has the right to sub-license is a key factor in assessing
24 whether a plaintiff has all substantial rights to a patent in suit. *Alfred E. Mann*, 604
25 F.3d at 1360-61 (citing *Prima Tek II, LLC v. A-Roo Co.*, 222 F.3d 1372, 1378-80
26 (Fed. Cir. 2000)). For example, the Federal Circuit has concluded that a licensee
27 that had a completely unfettered right to grant sub-licenses—and could effectively
28 negate enforcement actions by the patent owner by giving an infringer a

1 retroactive, royalty-free sub-license—had substantial rights in the patent in issue.
2 *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1251 (Fed. Cir. 2000). The Federal
3 Circuit has also recognized the opposite scenario—it held that a licensee lacked all
4 substantial rights because the patent owner could negate enforcement actions
5 brought by a licensee by granting retroactive sub-licenses to an alleged infringer.
6 *Lone Star*, 925 F.3d at 1231-32.

7 The Court concludes that SVC does not have enough sub-licensing rights to
8 find that Plaintiff lacks substantial rights in the ‘551 Staccato patent. As detailed
9 above, the 2013 Agreement imposed detailed limitations on SVC’s right to sub-
10 license and expressly retained for Plaintiff the right to withhold permission for any
11 sub-license. Accordingly, SVC’s sub-licensing rights did not give it all substantial
12 rights in the ‘551 Staccato patent, nor does its rights deprive Plaintiff of all
13 substantial rights.

14 *c. Intellectual Property Maintenance Responsibilities*

15 Defendant also argues that Plaintiff gave SVC broad responsibility to obtain
16 legal protection for its plants, therefore “divest[ing] itself of important rights and
17 responsibilities to obtain and maintain intellectual property.” ECF No. 40 at 18.
18 The 2019 Amendment to the 2013 Agreement provides:

19 SVC, concurrent with exercising their right to Commercialize a Line, must
20 apply for intellectual property rights on behalf of AAFC, such as [plant
21 variety rights], as well as any regulatory registration and legislation,
22 necessary to enable the sale and protection of the Line as a Variety in the
23 chosen country or countries of the Territory. All applications and
24 registrations shall be in the name of Her Majesty the Queen in Right of
25 Canada, as represented by the Minister of Agriculture and Agri-Food, with
26 all costs being the responsibility of SVC. . . . Should it prove impossible to
27 obtain [plant variety rights] for a variety, SVC may decide to obtain a
28 Trademark to be used in association with a Variety. SVC may also choose to
obtain a Trademark in addition to [plant variety rights] to be used in
association with a Line or Variety in the name of Her Majesty the Queen in
Right of Canada, as represented by the Minister of Agriculture and Agri-
Food. The denomination used for a Trademark cannot be the same

1 denomination used for [plant variety rights] within the same Territory. The
2 cost of applying for and maintaining a Trademark is the responsibility of
3 SVC.

4 ECF No. 42 at 141, ¶ 2.5. Defendants argue this provision shows that Plaintiff gave
5 away an essential “stick” of its bundle of patent rights because it limited its
6 ownership rights in the patents.

7 Although Defendant is correct that “[t]he responsibility to maintain a patent
8 is one of the obligations that has been recognized by [the Federal Circuit] as an
9 indication that the party with that obligation has...an ownership in the patent,”
10 *Propat Intern. Corp. v. Rpost, Inc.*, 473 F.3d 1187, 1191 (Fed. Cir. 2007), the
11 Agreement here shows that this is not the case here. Here, SVC was responsible for
12 applying for, paying for, and maintaining intellectual property rights for lines it
13 chose to commercialize. However, SVC was required to make such application in
14 Plaintiff’s name and on Plaintiff’s behalf, not on its own. The Federal Circuit has
15 recognized that the fact that a licensee has paid maintenance fees for patents does
16 not necessarily mean the licensor has lost all substantial ownership rights by virtue
17 of contracting for the licensee to handle the administrative and logistical duties of
18 obtaining intellectual property protection. *See Lone Star*, 925 F.3d at 1232, n.4.
19 Plaintiff retains ownership rights in its intellectual property, and therefore has
20 substantial rights in the ‘551 Staccato patent.

21 d. *Intellectual Property Rights*

22 The Court next considers Plaintiff’s intellectual property rights. Plaintiff
23 argues that it retained significant and substantial rights in its intellectual property
24 and argues that SVC has only limited rights to test and commercialize certain lines
25 and varieties. It also argues it retained the right to review and approve SVC’s
26 testing and commercialization plans “in its sole discretion.” It also argues that
27 SVC’s rights came with territorial and field of use imitations, *see* ECF No. 42 at
28 99, ¶ 2.7.2, and were royalty bearing. Defendants argue that Plaintiff wrongfully

1 focuses on the rights it *retained* in the Agreement rather than those it *gave away* to
2 SVC.

3 Plaintiff has retained substantial rights in its intellectual property. Indeed,
4 the Agreement provides that “each Line or Variety...are the sole property of
5 [Plaintiff],” ECF No. 42 at 107, ¶ 7.1.1, and that Plaintiff may act as it wishes with
6 regards to its property. It would be nonsensical to read this language and conclude
7 that Plaintiff gave away all substantial rights in the ‘551 Staccato patent.

8 e. *Termination Rights*

9 The Court finally considers the termination rights provided in the 2013
10 Agreement. *Propat*, 473 F.3d at 1191-92 (noting that a licensor’s power to
11 terminate an agreement is an indication that the licensor retains a significant
12 ownership interest in the patent).

13 On its face, the 2013 Agreement provides that the license expires after six
14 years, with the option to renew the license at the end of that term. ECF No. 42 at
15 101, ¶ 3.1. However, the license will not be renewed if SVC breaches the
16 agreement, is involved in a dispute with Plaintiff, either party wants to amend the
17 agreement, or either party provides the other with 90-days’ notice of its intent to
18 withdraw from the license. ECF No. 42 at 101, ¶ 3.3.2.

19 The Agreement also provides when Plaintiff can terminate the license with
20 SVC. The 2013 Agreement provides that Plaintiff has the unilateral right to
21 terminate the agreement without compensation to SVC if it: (1) fails to use
22 commercially reasonable efforts to test and sell the plants; (2) fails to make any
23 payment provided for in the agreement and does not make any payment within 90
24 days of the due date; (3) refuses, neglects, or fails to meet quality standards or
25 allow access for audit purposes; (4) ceases to carry on business; (5) breaches three
26 or more provisions of the agreement within any consecutive 12-month period; (6)
27 commits an unresolved breach of a material provision of another agreement with
28 Plaintiff and that breach occurred during the term of the license; (7) is convicted of

1 a criminal or regulatory offense which directly or indirectly affects the ability of
2 SVC to conduct itself under the license or to test or sell lines or varieties; (8)
3 commits or permits a breach and does not remedy within 60 days after being
4 required in writing to do so by Plaintiff; and (9) expressly or implicitly repudiates
5 the agreement by refusing to comply with it. ECF No. 42 at 114, ¶ 11.1. The
6 license automatically terminates and reverts all rights to Plaintiff if (1) SVC
7 assigns the license without prior written consent; or (2) SVC becomes bankrupt,
8 insolvent, or otherwise has its corporate form implicated. ECF No. 42 at 114-15,
9 ¶ 11.2. The Agreement does not give SVC similar rights to unilaterally terminate
10 its agreement with Plaintiff.

11 Thus, because Plaintiff has significant power to terminate its Agreement
12 with SVC, while SVC has no reciprocal power to do so, this weighs in favor of
13 finding that Plaintiff has retained substantial rights to the ‘551 Staccato patent.

14 f. *Conclusion*

15 The Court therefore concludes that, based on the totality of the agreements
16 between SVC and Plaintiff, that Plaintiff has all substantial rights to the ‘551
17 Staccato patent. It did not give away so many rights in the patent to SVC to render
18 SVC a de facto owner of the ‘551 Staccato patent such that Plaintiff lacks statutory
19 standing to enforce its rights on its own behalf.

20 2. Whether SVC is a Necessary Party Who Must be Joined under Rule 19

21 Defendants argue that complete relief cannot be achieved without joinder of
22 SVC. They argue SVC is a necessary party because Defendants will not be able to
23 obtain complete relief and because all of its defenses rely on SVC’s interactions
24 with them and Plaintiff. They argue that they will be materially prejudiced because
25 of the risk of potential actions against them and their customers should SVC decide
26 to bring infringement actions on its own behalf in the future. In response, Plaintiff
27 argues that SVC is not a necessary party and need not be joined. It argues that there
28 is no chance of prejudice because SVC had only a limited contractual right to sue

1 Defendants for infringement, and it relinquished that right when it did not sue upon
2 notice of the alleged infringement. Furthermore, Plaintiff argues SVC is barred by
3 patent law from suing Defendants’ customers for “downstream” infringement.

4 As discussed above, Plaintiff has all substantial rights to the ‘551 Staccato
5 patent such that—as a matter of statutory standing—SVC need not be joined.
6 Furthermore, Defendants have failed to show that they will be prejudiced or at risk
7 of inconsistent obligations if SVC is not joined. SVC has now promised it will not
8 sue—although under the Agreement it had already waived its right to do so by not
9 exercising that right before Plaintiff brought suit—and has agreed to be bound by
10 any judgment in this case. ECF No. 45; *see, e.g., LP Matthews LLC v. Bath &*
11 *Body Works, Inc.*, 458 F. Supp. 2d 211, 215 (D. Del. 2006) (finding that the
12 plaintiff was the only party with the ability to enforce a patent or recover for
13 infringement where the parties with residual enforcement rights renounced their
14 claims and declared themselves bound by the judgment in the litigation).
15 Therefore, SVC is not a necessary party who must be joined under Rule 19.

16 Accordingly, **IT IS HEREBY ORDERED:**

17 1. Defendants’ Motion to Dismiss for Failure to Join a Necessary Party, ECF
18 No. 40, is **DENIED**.

19 **IT IS SO ORDERED.** The District Court Clerk is hereby directed to enter
20 this Order and to provide copies to counsel.

21 **DATED** this 13th day of January 2021.



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26

A handwritten signature in blue ink that reads "Stanley A. Bastian". The signature is written in a cursive style and is positioned above a horizontal line.

27
28

Stanley A. Bastian
Chief United States District Judge