

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

APPLE, INC. and NeXT SOFTWARE, INC.,
f/k/a NeXT COMPUTER, INC.,

OPINION and ORDER

Plaintiffs,

10-cv-662-bbc

v.

MOTOROLA, INC. and
MOTOROLA MOBILITY, INC.,

Defendants.

On August 15, 2011, Google, Inc. announced its intention to acquire Motorola Mobility Holdings, Inc. Google and Motorola signed a merger agreement that governs the parties' conduct between the time of their agreement to merge and the consummation of the merger, which must be approved by various government bodies. Plaintiffs Apple Inc. and NeXT Software, Inc. have filed a motion to stay the present patent infringement case under Fed. R. Civ. P. 19, contending that defendant Motorola Mobility, Inc., a wholly owned subsidiary of Motorola Mobility Holdings, Inc., has lost prudential standing to assert its infringement counterclaims as a result of the pending acquisition by Google. (Defendant Motorola, Inc. has not raised any patent infringement counterclaims in this suit. Thus, I use

“defendant” in this order to refer only to Motorola Mobility, Inc.) Additionally, plaintiffs contend that Google cannot be joined as a party because it has no ownership rights in the patents and thus, has no constitutional standing. Plaintiffs request that the entire case be stayed for the next several months until the acquisition is final and it is clear which entity will control the patents defendant is asserting in this case.

Because I conclude that defendant has standing to bring patent infringement claims without joining Google as a party, I will deny the motion. I will grant defendants’ motion for leave to file supplemental authority in opposition to plaintiffs’ motion. (The supplemental authority is an order issued by the United States District Court for the Southern District of Florida on September 28, 2011, denying a similar motion to stay filed by plaintiffs in a related case. Dkt. #166.)

OPINION

Standing to sue is a threshold question. A party’s standing to sue for patent infringement derives from the Patent Act, which provides that “[a] patentee shall have remedy by civil action for infringement of his patent.” 35 U.S.C. § 281; Enovsys LLC v. Nextel Communications, Inc., 614 F.3d 1333, 1341 (Fed. Cir. 2010). “Patentee” includes not only the party to whom the patent was issued, but also the successors in title to that party, 35 U.S.C. § 100, including those who have received ownership of the patent or

assignment to an exclusive license to use the patent. Propat International Corp. v. Rpost, Inc., 473 F.3d 1187, 1193 (Fed. Cir. 2007). Thus, a plaintiff has standing to bring a patent infringement suit so long as it has an ownership interest or an exclusive license in the patents at issue. Sicom Systems, Ltd. v. Agilent Technologies, Inc., 427 F.3d 971, 976 (Fed. Cir. 2005).

In this case, there is no question that defendant is the sole owners of the patents it is asserting in this action and has standing to sue under 35 U.S.C. § 281. Nonetheless, plaintiffs contend that defendant has lost “prudential standing” because it transferred substantial rights in its patents to Google through the merger agreement. In particular, the merger agreement prohibits defendant from taking several actions without Google’s consent (which cannot be reasonably withheld), including: (1) licensing, assigning or granting a covenant not to sue on any of its patents, with certain exceptions, § 5.01(j); (2) commencing any new patent infringement action, § 5.01(j); or (3) settling any pending litigation that would involve licensing any of its patents, § 5.01(v). Agreement and Plan of Merger, dkt. #156-3, at 34. Each of these covenants is effective until the merger is consummated. Id. The merger agreement states that each party will retain the same rights in its intellectual property “immediately following the Merger” as it had before the merger. Id. at § 3.14(c) at 24. (While the merger is pending, defendant can continue to provide patent rights to third parties for the purpose of those parties’ selling, using or manufacturing defendant’s

products.)

The Court of Appeals for the Federal Circuit has explained that if a patent has more than one owner, each co-owner must join in the action unless one of the owners holds all substantial rights in the patent. Israel Bio-Engineering Project v. Amgen, Inc., 475 F.3d 1256, 1264-65 (Fed. Cir. 2007) (“Absent the voluntary joinder of all co-owners of a patent, a co-owner acting alone will lack standing.”); Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456, 1468 (Fed. Cir. 1998) (recognizing that, as result of this rule, “one co-owner has the right to impede the other co-owner's ability to sue infringers by refusing to voluntarily join in such a suit”). Similarly, an exclusive licensee seeking to enforce a patent must join the owner of the patent as a party unless the owner has transferred “all substantial rights” in the patent-in-suit to the licensee. Sicom Systems, Ltd. v. Agilent Technologies, Inc., 427 F.3d 971, 976 (Fed. Cir. 2005).

Plaintiffs rely on these and similar cases to argue that defendant cannot maintain its infringement claims without joining Google as a party to the lawsuit. At the same time, plaintiffs contend that Google cannot be joined as a party because it has no ownership interest in or license to use defendant’s patents, and thus, has no standing under 35 U.S.C. § 281. Sicom, 427 F.3d at 976 (only patent owner, assignee or exclusive license holder with all substantial rights has standing to sue). Thus, plaintiffs contend, there is no party or combination of parties that may enforce defendant’s patent rights at this time.

All of the cases cited by plaintiffs are distinguishable from the present case. In most of the cases cited by plaintiffs, the issue was whether a license agreement had conveyed “all substantial rights” in a patent to an exclusive licensee, so that the exclusive licensee could sue for patent infringement without joining the patent owner. In those cases in which the exclusive licensee had not received all substantial rights, the court concluded that the patent owner had to be joined as a party, either voluntarily or involuntarily. E.g., *Sicom*, 427 F.3d at 980 (licensee lacked sufficient ownership rights to confer standing to sue for infringement in its own name without joining patent owner); *Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc.*, 248 F.3d 1333, 1345-48 (Fed. Cir. 2001) (same); *Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1382 (Fed. Cir. 2000) (same); *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1250-52 (Fed. Cir. 2000) (agreement transferring certain patent rights constituted assignment of all substantial rights in patents at issue, even though assignor retained right to bring infringement suit if assignee chose not to and assignee was required to ask for consent for further assignments); *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 875 (Fed. Cir. 1991) (agreement transferring patent rights constituted assignment of all substantial rights in patent where assignor retained only (1) veto right on sublicensing; (2) right to obtain patents on invention in other countries; (3) reversionary right to patent in event of bankruptcy; and (4) right to receive infringement damages).

The issue in this case is not whether the owner of the patent must be joined as a party. Defendant is the owner and it is seeking to enforce its own patents through its counterclaims. The cases cited by plaintiffs might be useful if the issue were whether one of defendant's licensees could bring a patent infringement suit without joining defendant as a party, but that is not the issue in this case. This case does not involve the sharing of rights between an owner and a licensee, as Google is neither an owner nor a licensee. Google has no right to make, use, sell or license the patented products and has no right to enforce the patents. It has not even attempted to enforce the patents.

The issue in this case is more similar to that in Alfred E. Mann Foundation for Scientific Research v. Cochlear Corp., 604 F.3d 1354, 1359-60 (Fed. Cir. 2010), in which a patent owner sought to bring an infringement suit. The issue before the court was whether the owner had divested itself of any right to sue by transferring substantial rights to an exclusive licensee. Id. The court concluded that the patent owner had retained sufficient rights in the patents to give it standing to enforce them in an infringement suit. Id. at 1362-63. However, the court remanded the case so that the district court could determine whether the patent owner was required to join the exclusive licensee as a party, noting that generally, both the owner and exclusive licensee are necessary parties in a patent infringement action. Id. at 1363. See also Independent Wireless Telegraph Co. v. Radio Corp. of America, 269 U.S. 459, 466 (1926) ("Indeed both the owner and the exclusive

licensee are generally necessary parties in the action in equity.”); Aspex Eyewear, Inc. v. Miracle Optics, Inc., 434 F.3d 1336, 1344 (Fed. Cir. 2006) (exclusive licensee must generally be joined as party in patent infringement suit).

However, neither Mann, Aspex, Independent Wireless nor any other case cited by plaintiffs suggests that a non-exclusive licensee or a *non-licensed* party would be a necessary party in an infringement action. Because such parties lack constitutional standing and cannot be joined as plaintiffs, such a rule would undermine 35 U.S.C. § 281, which states that a patentee “*shall* have remedy by civil action for infringement of his patent.”

In sum, I conclude that Google is not a necessary party to defendant’s patent infringement suit. At this point, it is merely an entity that obtained temporary rights in a merger agreement but has no constitutional standing to bring an infringement suit to enforce defendant’s patents,. There is no evidence that defendant’s exclusionary rights in its patents are materially diminished by the temporary agreement or that the agreement affects defendant’s standing in this action. The agreement merely requires defendant temporarily to obtain Google’s consent, which may not be unreasonably withheld, before initiating new lawsuits, amending or settling claims in existing suits through licensing and granting certain assignments and licenses. The merger agreement does not give Google any right to undertake these activities on its own, to be involved in or control these activities after it gives its consent or even to share in the proceeds from these activities. Defendant retains its

position as an owner with standing to enforce its patent rights. Accordingly, I will deny plaintiffs' motion to stay the case under Rule 19.

ORDER

IT IS ORDERED that

1. The motion for leave to file supplemental authority, dkt. # 166, filed by defendants Motorola Mobility, Inc. and Motorola, Inc. is GRANTED.

2. The motion to stay filed by plaintiffs Apple, Inc. and NeXT Software, Inc., dkt. #154, is DENIED.

Entered this 3d day of October, 2011.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge