

No. 18-

IN THE
Supreme Court of the United States

ADVANCED VIDEO TECHNOLOGIES LLC,

Petitioner,

v.

HTC CORPORATION, HTC AMERICA, INC.,
BLACKBERRY, LTD, BLACKBERRY CORPORATION
and MOTOROLA MOBILITY LLC,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Rule 19 of the Federal Rules of Civil Procedure provides that where a necessary party to a lawsuit has not been joined, “the court must order that the person be made a party.” The Court of Appeals for the Federal Circuit ruled below that involuntary joinder under Rule 19 simply does not apply to patent cases due to a “substantive right” that a co-owner of a patent can impede the right of another co-owner from suing infringers in a patent infringement lawsuit. The majority opinion continues a long trend in which the Federal Circuit ignores Supreme Court precedent, as well as the Federal Rules of Civil Procedure on the basis that these laws and precedents somehow do not apply to patent law.

The question presented is:

Did the Federal Circuit properly create an exception to Rule 19 of the Federal Rules of Civil Procedure in patent law, requiring a dismissal of a case in which Rule 19 would otherwise mandate joinder of an absent patent owner as an involuntary plaintiff?

PARTIES TO PROCEEDING

Advanced Video Technologies LLC, the petitioner on review, was the plaintiff-appellant below.

HTC Corporation, HTC America, Inc., Blackberry, LTD, Blackberry Corporation, and Motorola Mobility LLC, the respondents, were the defendants-appellees below.

RULE 29.6 DISCLOSURE STATEMENT

Advanced Video Technologies LLC is a privately owned company. No publicly held corporation owns 10% or more of stock in Advanced Video Technologies, LLC.

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PETITION FOR WRIT OF CERTIORARI

Petitioner Advanced Video Technologies LLC respectfully petitions for a writ of certiorari to review the Judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The decision of the court of appeals is reported at 879 F.3d 1314 and is reproduced in the appendix to this petition (“Pet. App.”) at 3a-44a. The order of the court of appeals denying rehearing *en banc* is reproduced at Pet. App. 1a-2a. The decision of the district court is reported at 2016 WL 3434819 and is reproduced at Pet. App. 45a-84a.

JURISDICTION

The Federal Circuit entered judgment on January 11, 2018 and denied rehearing on April 13, 2018. Pet. App. 1a, 3a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Federal Rule of Civil Procedure 19 provides, in pertinent part:

(a) Persons Required to Be Joined if Feasible.

(1) ***Required Party.*** A person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party if:

(A) in that person's absence, the court cannot accord complete relief among existing parties; or

(B) that person claims an interest relating to the subject of the action and is so situated that disposing of the action in the person's absence may:

(i) as a practical matter impair or impede the person's ability to protect the interest; or

(ii) leave an existing party subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations because of the interest.

(2) ***Joinder by Court Order.*** If a person has not been joined as required, the court must order that the person be made a party. A person who refuses to

join as a plaintiff may be made either a defendant or, in a proper case, an involuntary plaintiff.

...

28 U.S.C. § 2072 provides, in pertinent part:

(a) The Supreme Court shall have the power to prescribe general rules of practice and procedure and rules of evidence for cases in the United States district courts (including proceedings before magistrate judges thereof) and courts of appeals.

(b) Such rules shall not abridge, enlarge or modify any substantive right. All laws in conflict with such rules shall be of no further force or effect after such rules have taken effect.

(c) Such rules may define when a ruling of a district court is final for the purposes of appeal under section 1291 of this title.

STATEMENT OF THE CASE

This is an appeal by Petitioner Advanced Video Technologies LLC (“AVT”) of an Order and Judgment (“Order”) by the United States Court of Appeals for the Federal Circuit (“Federal Circuit”), affirming a decision of the United States District Court for the Southern District of New York dismissing this case with prejudice for lack of prudential standing.

In a split decision, a panel of the Federal Circuit affirmed the Order. Pet. App. 3a. A petition for a panel rehearing or rehearing *en banc* was denied. Pet. App. 1a-2a.

STATEMENT OF RELEVANT FACTS

The pertinent facts are simply stated. U.S. Patent 5,781,788 (the ‘788 Patent’) issued July 14, 1998, with three named co-inventors: Beng-Yu Woo, Xiaoming Li, and Vivian Hsiun. The ‘788 Patent listed AVC Technology, Inc. (“AVC”) as the assignee on the face of the patent. Woo and Li executed assignments to AVC, Hsiun did not. Hsiun never executed an assignment of patent rights to AVC or anyone else.

AVT, through a series of transactions, acquired the rights assigned by Woo and Li. AVT then filed a patent infringement suit against Respondents on June 15, 2015 in the U.S. District Court, Southern District of New York, asserting infringement of the

'788 Patent. Hsiun did not voluntarily join in the filing of the suit. On September 10, 2015, Respondents moved to dismiss for lack of prudential standing. AVT could not involuntarily join Hsiun due to the Federal Circuit's precedent in *STC.UNM v. Intel Corp., infra*, that prevents the application of Rule 19 of the Federal Rules of Civil Procedure to involuntarily join patent co-owners as necessary parties. Instead, AVT relied on trust and quitclaim provisions of an Employment Agreement (the "Agreement") Hsiun had previously entered into.

On June 14, 2016, the District Court ruled that the Agreement was not a present assignment, and therefore dismissed the case "because one of the co-owners of the patent is not a party to it." Pet. App 40a.

An appeal followed. On January 10, 2018, the Majority ruled 2-1 in favor of Respondents. Pet. App. 3a. The Majority followed the same path as the District Court, holding that Hsiun was a necessary party and that her lack of joinder deprived AVT of prudential standing. Pet. App. 3a-13a.

AVT requested that, among other things, the Federal Circuit rehear the case *en banc* to reconsider its precedent that prohibits Hsiun from being involuntarily joined under Rule 19. On April 13, 2018, the Federal Circuit denied rehearing. Pet. App. 2a. AVT now petitions this Court for a writ of certiorari to overturn the Federal Circuit's precedent,

which effectively overrules Rule 19 as applied to patent cases.

I. THE FEDERAL CIRCUIT CREATED ITS OWN LAW AS A BASIS TO HOLD THAT INVOLUNTARY JOINDER UNDER RULE 19 NO LONGER APPLIES TO PATENT CASES

Federal Rule of Civil Procedure 19 dictates that “[a] person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction **must** be joined as a party if . . . in that person’s absence, the court cannot accord complete relief among existing parties.” FED. R. CIV. P. 19 (emphasis added). The Federal Circuit has acknowledged that this rule is as binding as any federal statute, such that Rule 19 should apply to patent cases, and no Supreme Court authority suggests otherwise. *See Stone Container Corp. v. United States*, 229 F.3d 1345, 1354 (Fed. Cir. 2000) (“[T]he Federal Rules of Civil Procedure, like the Federal Rules of Criminal Procedure, are as binding as any federal statute.”) (quotations omitted).

This Court has made clear that a co-owner of a patent that has an *independent right to sue* for infringement of that patent is a “necessary party” in any lawsuit for infringement of that patent. *See, e.g., Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 468 (1926) (“The presence of the owner of the patent as a party is indispensable, not only to give

jurisdiction under the patent laws, but also in most cases to enable the alleged infringer to respond in one action to all claims of infringement for his act.”). Accordingly, if a co-owner is a nonparty to a patent infringement suit, that co-owner must be joined under Rule 19. *See* FED. R. CIV. P. 19(a)(2).

Despite the plain language of Rule 19 and the guidance of the Supreme Court, the Federal Circuit continues to enforce its self-created precedent, which holds that Rule 19 does not always apply to patent cases, and specifically, the prohibition that patent co-owners cannot be involuntarily joined. *STC.UNM v. Intel Corp.*, 754 F.3d 940, 946 (Fed. Cir. 2014). The purported basis for this refusal to apply Rule 19 consistent with federal law is that a patent owner allegedly has a “substantive right” to impede a patent infringement lawsuit by another co-owner. *Id.* (citing *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1468 (Fed. Cir. 1998)).

Considering this “substantive right,” the Federal Circuit points to 28 U.S.C. § 2072, which states that the Federal Rules of Civil Procedure “shall not abridge, enlarge or modify any substantive right.” *See STC.UNM*, 754 F.3d at 946 (quoting 28 U.S.C. § 2072). There is, however, **no basis for finding that a patent owner has a substantive right to impede another co-owner’s lawsuit for infringement.** This “right” did not exist before the Federal Circuit created it. *See, e.g., Ethicon*, 135 F.3d at 1468; *see also, e.g., Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341,

345 (Fed. Cir. 1997). Although the Federal Circuit is correct that “[p]rocedural rules cannot be used to abridge, enlarge, or modify any substantive right,” Federal Circuit precedent cites to no authority (except itself) from which this so-called “substantive right” arises. *See STC.UNM v. Intel Corp.*, 767 F.3d 1351, 1353 (Fed. Cir. 2014). The Federal Circuit simply created this “substantive right” out of thin air. Accordingly, the Federal Circuit has incorrectly decided that involuntary joinder under Rule 19 does not apply to patent cases as a result of § 2072.

The origins of this “substantive right” only exist in Federal Circuit case law, which in turn lacks support from any Supreme Court, common law, or legislative authority. *See, e.g., id.; see also, e.g., Ethicon*, 135 F.3d at 1468. While the Federal Circuit cites *Willingham v. Star Cutter Co.* as a source of this substantive right, noting that a patent’s co-owners are at the mercy of one another, in reality, *Willingham* sets forth the exact opposite proposition from that which the Federal Circuit misconstrued *Willingham* to support. *See Willingham v. Star Cutter Co.*, 555 F.2d 1340, 1346 (6th Cir. 1977).

A brief history of how the Federal Circuit created this “substantive right” out of thin air follows. In 1977, the Court of Appeals for the Sixth Circuit required a co-owner of a patent to be involuntarily joined in a patent infringement suit. *Id.* at 1342. In *Willingham*, the Sixth Circuit specifically discussed the application of Rule 19, and although the

resolution of this issue was not necessary for the disposition of the case, *see id.* at 1343 n.5, the Sixth Circuit went out of its way in dicta to heavily favor involuntarily joining co-owners in patent infringement lawsuits under Rule 19. *Id.* at 1346 (“If a person as described in subdivision (a)(1)(2) is amenable to service of process and his joinder would not deprive the court of jurisdiction in the sense of competence over the action, he should be joined as a party; and if he has not been joined, the court should order him to be brought into the action. . . . **Rule 19(a) requires the continued joinder of [co-owner] as an involuntary plaintiff in the infringement suit.**”) (emphasis added).

Twenty years later, the Federal Circuit misinterpreted *Willingham* in order to circumvent Rule 19. First, the Federal Circuit twisted the language of *Willingham* in order to claim that “[o]rdinarily, 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.” *Schering*, 104 F.3d at 345 (citing *Willingham*, 555 F.2d at 1344). However, the Sixth Circuit, in *Willingham*, never said any such a thing, or even suggested anything of the kind. In fact, the Sixth Circuit explicitly stated that “Rule 19(a) **requires** the continued joinder of [co-owner] as an involuntary plaintiff in the infringement suit.” *Willingham*, 555 F.2d at 1346 (emphasis added).

The Federal Circuit then bolstered its reasoning by taking the Sixth Circuit's language out of context, stating: "patent co-owners are 'at the mercy of each other.'" *Ethicon*, 135 F.3d 1456, 1468 (Fed. Cir. 1998) (quoting *Willingham*, 555 F.2d at 1344). The quote from *Willingham*, however, was set forth with almost the exact opposite meaning than the Federal Circuit's proposition. In particular, that quote was intended in *Willingham* to discuss **the importance of Rule 19**, namely, that patent owners are at the mercy of each other due to their independent ability to license a patent. *Willingham*, 555 F.2d. at 1344. The Sixth Circuit further elaborated that, through the independent right to license a patent to third parties, "[t]he unlimited use of a patent by one co-owner could effectively destroy the value of a patent to the other co-owner." *Id.* at 1346. Thus, the Sixth Circuit concluded that involuntary joinder under Rule 19 should, in fact, apply in patent cases. *Id.*

The Federal Circuit completely turned *Willingham* on its head, misinterpreting it to stand for the directly opposite proposition than it actually sets forth and then used it as the basis for overriding the involuntary joinder application of Rule 19 in patent cases. Thus, an entire body of case law was created to address the "substantive right" that the Federal Circuit created out of thin air, having no basis in any statute, procedural rule, common law, or precedent from any court. *See, e.g., Shering*, 104 F.3d 341; *see*

also, e.g., Ethicon, 135 F.3d 1456; *see also, e.g., STC.UNM*, 754 F.3d 940. This substantive right was completely made up by the Federal Circuit, and goes against any precedent that existed prior to 1997 when the Federal Circuit made it up. This body of law now requires district courts and panels of the Federal Circuit to waste resources determining issues that are not related to substantive patent law, which would not come into play but for the Federal Circuit's selective application of Rule 19 in patent law.

Not all of the judges on the Federal Circuit support this errant approach. For example, Judge Newman has aptly noted that Rule 19 is not permissive despite the Federal Circuit's insistence that Rule 19 uniquely doesn't apply to patent cases. *STC.UNM*, 767 F.3d at 1355 (Newman, J., dissenting). Similarly, Judge O'Malley stated that the Federal Circuit's "conclusion that a non-consenting co-owner or co-inventor can never be involuntarily joined in an infringement action pursuant to Rule 19 of the Federal Rules of Civil Procedure is incorrect." Pet. App. 14a. In particular, Judge O'Malley noted that: "it is Rule 19 – not substantive judge-made laws governing joinder – that establishes the criteria for assessing joinder." Pet. App. 15a (citing *Provident Tradesmens Bank & Tr. Co. v. Patterson*, 390 U.S. 102, 118 n.13 (1968)). In fact, at least four of the current Circuit Judges on the Federal Circuit have joined in dissent against the circumvention of Rule 19 (Newman, Lourie, O'Malley, and Wallach all

dissented from the court's *STC.UNM* order denying panel rehearing). *See generally, STC.UNM v. Intel Corp.*, 754 F.3d. 940.

As will be discussed in further detail below, this Court previously found that it was improper for the Federal Circuit to create its own body of law to obviate the Federal Rules of Civil Procedure, such that they do not apply to patent cases to the same extent that they apply to all other non-patent cases. *See, e.g., eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (rejecting the Federal Circuit's attempt to differentiate patent cases from the rest of federal law, finding that the law of injunctions applied "in patent disputes no less than in other cases governed by such standards").

There are several problems associated with current Federal Circuit law as it relates to Rule 19. There is no authority from which the Federal Circuit can draw the alleged substantive patent right for a co-owner to impede another co-owner's ability to sue for infringement (e.g., substantive right cannot be based on the U.S. Constitution, the U.S. Legislature, the U.S. Supreme Court, the common law, or any combination thereof). There also does not appear to be any authority that granted the Federal Circuit the power to create such substantive patent rights on its own. Further, as explained in detail below, this supposed substantive right of a co-owner of a patent to impede an infringement suit brought by another co-owner should not outweigh that co-owner's

independent right to exercise and enforce its own substantive patent rights (e.g., the right to enforce its exclusionary right by suing infringers for past infringement).

The need for this Court to review the Federal Circuit's rule was highlighted by Judge O'Malley who noted in a reluctant concurrence that "[t]his precedent represents a 'further removal' of patent cases from 'the mainstream of the law.'" Pet. App. 15a.

II. THE FEDERAL CIRCUIT'S PRECEDENT CREATES A CONFLICT OF RIGHTS BETWEEN PATENT OWNERS

Current Federal Circuit law presents a clear internal conflict. While Federal Circuit precedent states that a patent owner ostensibly cannot deprive a co-owner of its unilateral right to recover damages for infringement, Federal Circuit precedent implicitly allows a patent owner to do so merely by refusing to join or otherwise consent to the co-owner's attempt to enforce its right to damages in a lawsuit. Thus, the Federal Circuit allows via the back door of passive noncooperation that which the Federal Circuit bars them from doing via the front door: impeding their co-owner's rights to recover damages for past infringement. This cannot stand.

In *STC.UNM*, the Federal Circuit affirmatively decided that "the right of a patent co-owner to impede

an infringement suit brought by another co-owner is a substantive right that trumps the procedural rule for involuntary joinder under Rule 19(a).” *STC.UNM*, 754 F.3d at 946. As noted above, a major problem with that decision is that it lacks support in any constitutional, legislative, or higher judicial authority as a basis for the “substantive right.”

Another problem, however, is that the Federal Circuit’s “substantive right” law creates a conflict between the patent rights of multiple co-owners. Federal Circuit law makes it clear that one patent owner can prevent a co-owner of that patent from receiving *prospective* damages for future infringement of the patent by unilaterally granting non-exclusive licenses to third parties. *See, e.g., Schering*, 104 F.3d at 345 (“Because a license granted by one co-owner cannot discharge an infringer’s liability to the other co-owner for past infringement, the power to grant a license does not render the unilateral right to sue valueless. The grant of a license simply limits the relief that other co-owners can obtain by exercising their unilateral right to sue.”). However, Federal Circuit law supposedly limits this power by *preventing* a patent owner from depriving a co-owner of the patent of the right to receive *retrospective* damages for past infringement of that patent. *Ethicon*, 135 F.3d at 1467 (“The grant of a license by one co-owner cannot deprive the other co-owner of the right to sue for accrued damages for past infringement.”) (quotation omitted).

The Federal Circuit's selective prohibition of the application of Rule 19 to patent cases, however, effectively does exactly what *Ethicon* allegedly limits, in that the prohibition of Rule 19 allows a patent owner to limit the patent rights of co-owners retrospectively. Thus, despite the Federal Circuit's assertion that a patent owner cannot prevent co-owners of that patent from recovering retrospective damages, the Federal Circuit currently allows exactly that by preventing one owner from enforcing its rights in a lawsuit without the consent of any and all co-owners. *STC.UNM*, 767 F.3d at 1367 (O'Malley, J., dissenting) (“[T]he panel majority here holds that one co-owner can prevent another co-owner’s claim for accrued damages for past infringement simply by refusing to join as a plaintiff in the infringement suit.”).

This clear conflict in Federal Circuit reasoning and law simply should not exist, and would not exist if the Federal Circuit precedent was consistent with all of the Federal Rules of Civil Procedure, including Rule 19, such that the mandated requirement to involuntarily join all necessary parties is enforced.

III. THE FEDERAL CIRCUIT'S FAILURE TO APPLY RULE 19 CONTINUES A PATTERN OF IGNORING STATUTORY OR SUPREME COURT AUTHORITY

The Federal Circuit's line of cases with respect to Rule 19 are, unfortunately, another example of the Federal Circuit creating a divergence between patent law and other areas of the law that is neither necessary nor helpful. This Court has consistently held, on review of multiple Federal Circuit decisions, that in areas of general application, patent law is no different from any other specialized branch of the law, and must follow the same rules of statutory and judicial analysis.

For instance, just recently this Court overturned the Federal Circuit's attempt to create its own law with regard to venue, thereby exempting itself from a mandate from Congress to apply venue in a particular manner. The Federal Circuit, through a series of logical fallacies, determined that the patent venue statute did not apply to patent cases, and this Court had to get the Federal Circuit back on track regarding venue. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1517, 197 L. Ed. 2d 816 (2017).

In *TC Heartland LLC*, this Court overturned Federal Circuit precedent that stated that because Congress only amended the general venue statute, that Congress's decision NOT to amend the patent venue statute was irrelevant, and that changes to the general

venue statute meant that the Federal Circuit could read the patent venue statute as though it were the general venue statute instead. *TC Heartland*, 137 S. Ct. 1514, 1517, 197 L. Ed. 2d 816 (2017). As a result, the Federal Circuit incorrectly decided that 28 U.S.C. § 1400, which applies to patent cases on its face, does not apply to patent cases as a result of the amendments to the general venue statute, 28 U.S.C. § 1391. *Id.*

Similarly, in *SCA Hygiene*, this Court had to redirect the Federal Circuit with regard to laches. *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC*, 137 S. Ct. 954, 959 (2017). An *en banc* review by the Federal Circuit found that despite this Court's broad holding that "[i]n the face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief," laches could be used to bar a patent infringement suit in the face of the 6-year statute of limitations set forth in the Patent Act. *See SCA Hygiene Prod.*, 137 S. Ct. at 960 (citing *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1974 (2014)). A strong dissent by Judge Hughes was prescient, noting that "[t]he Supreme Court has repeatedly cautioned [the Federal Circuit] court not to create special rules for patent cases." *SCA Hygiene Prod.*, 807 F.3d 1311, 1333 (Fed. Cir. 2015).

Other examples of this Court's intervention to harmonize patent law with the general rules of litigation abound. *See, e.g., eBay*, 547 U.S. 388 (rejecting a special rule for permanent injunctions in patent cases); *see also, e.g., Octane Fitness, LLC v.*

ICON Health & Fitness, Inc., 134 S.Ct. 1749 (2014) (rejecting a special rule cabining judicial discretion in determination of exceptional cases); *see also, e.g., Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S.Ct. 1923 (2016) (rejecting a special rule cabining judicial discretion in awarding enhanced damages); *see also, e.g., Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012) (rejecting the Federal Circuit’s overemphasis of the machine-or-transformation test in the face of this Court’s decision in *Bilski v. Kappos*, 561 U.S. 593 (2010)). This case presents yet another instance in which the Federal Circuit has created a special rule, involuntary joinder, which this Court should reject.

In sum, this is yet another instance in which the Federal Circuit has come up with its own reasons for disregarding Congressional and/or Supreme Court authority. Each time the Federal Circuit has gone off and legislated on its own, it has created new, often unforeseen, problems. In this case, one of the new problems is that AVT’s entire right to sue potential infringers has been taken away by the lack of involvement of co-inventor Hsiun – thereby rendering the patent all but worthless and unjustly awarding its infringers. Accordingly, Petitioner respectfully requests that this Court review the Federal Circuit’s decision to ignore the requirements of involuntary joinder under Rule 19 of the Federal Rules of Civil Procedure, and ultimately, vacate the decisions of the Federal Circuit and District Court below.

CONCLUSION

For these reasons, this Petition should be granted.

Dated: July 12, 2018

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APPENDIX

1a

**APPENDIX A — ORDER OF THE UNITED
STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT, FILED APRIL 13, 2018**

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2016-2309, 2016-2310, 2016-2311

ADVANCED VIDEO TECHNOLOGIES LLC,

Plaintiff-Appellant,

v.

HTC CORPORATION, HTC AMERICA,
INC., BLACKBERRY LTD, BLACKBERRY
CORPORATION, MOTOROLA MOBILITY LLC,

Defendants-Appellees.

Appeals from the United States District Court
for the Southern District of New York in Nos.
1:15-cv-04626-CM, 1:15-cv-04631-CM, 1:15-cv-04632-CM,
Judge Colleen McMahon.

ON MOTION

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK,
MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN,
HUGHES, and STOLL, *Circuit Judges*.

PER CURIAM.

Appendix A

ORDER

Appellant Advanced Video Technologies LLC filed a combined petition for panel rehearing and rehearing *en banc*. A response to the petition was invited by the court and filed by appellees HTC Corporation, HTC America, Inc., Blackberry LTD, BlackBerry Corporation and Motorola Mobility LLC. The petition was referred to the panel that heard the appeals, and thereafter the petition for rehearing *en banc* was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing *en banc* is denied.

The mandate of the court will issue on April 20, 2018.

FOR THE COURT

April 13, 2018
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

**APPENDIX B — OPINION OF THE UNITED
STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT, DATED JANUARY 11, 2018**

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2016-2309, 2016-2310, 2016-2311

ADVANCED VIDEO TECHNOLOGIES LLC,

Plaintiff-Appellant

v.

HTC CORPORATION, HTC AMERICA,
INC., BLACKBERRY LTD, BLACKBERRY
CORPORATION, MOTOROLA MOBILITY LLC,

Defendants-Appellees

Appeals from the United States District Court for
the Southern District of New York in Nos. 1:15-cv-04626-
CM, 1:15-cv-04631-CM, 1:15-cv-04632-CM, Judge Colleen
McMahon.

January 11, 2018, Decided

Before NEWMAN, O'MALLEY, and REYNA, *Circuit Judges*.

Opinion of the court filed by *Circuit Judge* REYNA.

Concurring opinion filed by *Circuit Judge* O'MALLEY.

Dissenting opinion filed by *Circuit Judge* NEWMAN.

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REYNA, *Circuit Judge*.

Advanced Video Technologies LLC appeals an order from the United States District Court for the Southern District of New York that dismissed its complaints for lack of standing. The district court based its decision on the ground that a co-owner of the patent was not a party to the actions, and the co-owner's ownership interests in the patent were not transferred to Advanced Video. We *affirm*.

BACKGROUND

This appeal involves U.S. Patent No. 5,781,788 ("788 patent"), entitled "Full Duplex Single Clip Video Codec." The technology of the patent is not at issue. The single issue involved in this appeal is whether a co-inventor of the patent transferred her co-ownership interests in the patent under the terms of an employment agreement.

The '788 patent lists three co-inventors: BengYu "Benny" Woo, Xiaoming Li, and Vivian Hsiun. The invention was created while the co-inventors were employed with Infochips Systems Inc. ("Infochips"). Two of the inventors, Mr. Woo and Ms. Li assigned their co-ownership interests in the patent to Advanced Video. The only co-ownership interests involved in this appeal are those of Ms. Hsiun.

Advanced Video maintains that it obtained Ms. Hsiun's co-ownership interests in the invention through a series of transfers. According to Advanced Video, the first transfer was made before the '788 patent application was

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filed, pursuant to a January 1992 Employment Agreement (“Employment Agreement”) between Ms. Hsiun and Infochips. The second transfer occurred when Infochips’ “receivables,” which had been pledged as security in a financing agreement between Infochips and an entity called Lease Management Services, were seized by Lease Management when Infochips went out of business in 1993. The third transfer occurred in 1995 when Lease Management sold the Infochips assets to Mr. Woo, one of the three co-inventors. A fourth transfer occurred when Mr. Woo assigned his ownership interest in the ’788 patent to an entity called AVC Technology Inc. (“AVC”).¹

In 1995, AVC filed the parent application of the ’788 patent.² Two of the three inventors, Mr. Woo and Ms. Li, executed assignments of their ownership interest in the invention to AVC at that time. Ms. Hsiun, however, refused to assign her interests. AVC filed a petition before the U.S. Patent and Trademark Office (“PTO”) requesting that it be permitted to prosecute the application without an assignment from Ms. Hsiun. In support, AVC filed a declaration attaching the Infochips Employment Agreement and financial documents between Info-chips and Lease Management purporting to show that Mr. Woo and AVC had acquired Ms. Hsiun’s ownership rights. The PTO granted AVC’s petition and the ’788 patent was issued to AVC. AVC was later dissolved, but not before

1. We only address the validity of the purported transfer under the Employment Agreement.

2. A continuation of that patent application, filed in 1997, ultimately issued as the ’788 patent in 1998.

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purporting to transfer its assets to its successors, and ultimately, Advanced Video.

In 2011, Advanced Video filed three patent infringement lawsuits against Appellees in the United States District Court for the Southern District of New York. The district court found, however, that AVC had failed to comply with Delaware statutory law governing the distribution of assets for dissolved corporations, and that no patent rights had transferred from AVC to Advanced Video. Because Advanced Video had no ownership interest in the patent, the cases were dismissed for lack of standing. *Advanced Video Techs., LLC v. HTC Corp.*, 103 F. Supp. 3d 409 (S.D.N.Y. 2015).³

In 2015, the Delaware Court of Chancery appointed a Receiver to transfer to Advanced Video any patent rights held by AVC. *Advanced Video Techs. LLC v. HTC Corp.*, No. 15 Civ. 4626 (CM), 2016 U.S. Dist. LEXIS 79406, 2016 WL 3434819, at *5-6 (S.D.N.Y. June 14, 2016). After the transfer was achieved, Advanced Video filed three new patent infringement lawsuits against Appellees. In response to a motion to dismiss, Advanced Video argued before the district court that it had acquired Ms. Hsiun's ownership rights via the aforementioned series of transfers beginning with a transfer from Ms. Hsiun to Infochips under the terms of the Employment Agreement. According to Advanced Video, the transfer was effected

3. The district court also awarded attorneys' fees, finding the case "exceptional" under 35 U.S.C. § 285. The fee award was affirmed by this court. *Advanced Video Techs., LLC v. HTC Corp.*, 677 F. App'x 684 (Fed. Cir. 2017).

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pursuant to three provisions of the Employment Agreement: a “will assign” provision, a trust provision, and a quitclaim provision. The “will assign” and trust provisions provide as follows:

I agree that I will promptly make full written disclosure to the Company, **will hold in trust** for the sole right and benefit of the Company, and **will assign** to the Company all my right, title, and interest in and to any and all inventions, original works of authorship, developments, improvements or trade secrets which I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am in the employ of the Company.

J.A. 258 (emphasis added).

The quitclaim provision provides as follows:

I hereby waive and **quitclaim** to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have infringement [sic] of any patents, copyrights, or mask work rights resulting from any such application assigned hereunder to the Company.

J.A. 260. (emphasis added).

The district court concluded that these provisions did not effect a transfer of Ms. Hsiun’s ownership rights to

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Advanced Video. As such, because Ms. Hsiun was not a party to the suit, the district court dismissed the case for lack of standing. Advanced Video appeals.

DISCUSSION

1. Standard of Review

This court reviews de novo a district court's dismissal for lack of standing. *Isr. BioEng'g Project v. Amgen Inc.*, 475 F.3d 1256, 1262-63 (Fed. Cir. 2007); *Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1376 (Fed. Cir. 2000). Factual findings relevant to a lack of standing determination are reviewed for clear error. *Enovsys LLC v. Nextel Commc'ns, Inc.*, 614 F.3d 1333, 1340-41 (Fed. Cir. 2010).

2. "Will Assign"

Advanced Video argues that Ms. Hsiun's ownership rights transferred immediately upon execution of the Employment Agreement. In support, Advanced Video points to "will assign" language contained in the agreement.

Section 2.b of the Infochips Employment Agreement provides that Ms. Hsiun "will assign to the Company" all her right, title, and interest in any inventions. The district court found that "will" invoked a promise to do something in the future and did not effect a present assignment. *Advanced Video Techs.*, 2016 U.S. Dist. LEXIS 79406, 2016 WL 3434819, at *8-9. The court relied on *Arachnid*,

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Inc. v. Merit Industries, Inc., 939 F.2d 1574, 1576 (Fed. Cir. 1991), which held that “will be assigned” language in a consulting agreement did not itself effect an assignment but was merely a promise to assign. *Id.* at 1576, 1580-81. The district court also reasoned that the trust provision of the Employee Agreement undermined an immediate assignment because Ms. Hsiun could not immediately assign the rights and at the same time hold them in trust. *Advanced Video Techs.*, 2016 U.S. Dist. LEXIS 79406, 2016 WL 3434819 at *9. We agree with the district court that no present assignment exists in the Employment Agreement. The “will assign” language alone does not create an immediate assignment of Ms. Hsiun’s rights in the invention to Infochips.

3. Trust Assignment

Advanced Video argues that “will hold in trust” created an immediate trust under California law in favor of Infochips. Even were we to determine that Ms. Hsiun’s interests in the invention were immediately placed in trust, it does not follow that those interests were automatically, or ever, actually transferred out of trust in favor of Infochips. Absent a transfer, Ms. Hsiun would continue to hold the invention rights as a trustee. While Advanced Video could potentially seek to enforce its alleged ownership rights, or allege a breach of Ms. Hsiun’s duties as a trustee by her failure to transfer those rights, by bringing an action against Ms. Hsiun, no party brought such an action. *See, e.g., Jim Arnold Corp. v. Hydrotech Sys.*, 109 F.3d 1567, 1578 (Fed. Cir. 1997) (stating that a party needs to file a state-law based claim to obtain title to the

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patent before bringing a patent infringement claim). Since Advanced Video has not sought to enforce any obligation Ms. Hsiun might have under the trust, it ultimately has no standing to bring a patent infringement action. *See Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1366 (Fed. Cir. 2010).

Under California trust law a trust beneficiary “generally is not the real party in interest,” “may not sue in the name of the trust,” and “has no legal title or ownership interest in the trust assets.” *Saks v. Damon Raiké & Co.*, 7 Cal. App. 4th 419, 8 Cal. Rptr. 2d 869, 874-75 (Cal. Ct. App. 1992) (citing *Botsford v. Haskins & Sells*, 81 Cal. App. 3d 780, 146 Cal. Rptr. 752, 754 (Cal. App. 1978)). The dissent cites *Kadota Fig Asso. of Producers v. Case-Swayne Co.*, 73 Cal. App. 2d 796, 167 P.2d 518 (1946), for the proposition that the real party in interest in California trust disputes is actually the beneficiary, not the trustee. Dissent at 6. *Kadota* does not apply, however, because it involves a “business trust,” which, under California law, is considered “a type of business organization” and not the type of trust in this case. *Goldwater v. Oltman*, 210 Cal. 408, 292 P. 624, 627 (Cal. 1930). Even if Advanced Video is correct that Ms. Hsiun’s rights are held in trust, Advanced Video, as a trust beneficiary, cannot maintain a patent infringement suit where Ms. Hsiun is not a party, nor can she as a co-owner of the patent be involuntarily joined as a plaintiff, except under limited circumstances which do not apply here.⁴

4. *See* Fed. R. Civ. P. 19; *STC.UNM v. Intel Corp.*, 754 F.3d 940, 945-46 (Fed. Cir. 2014) (explaining that the right of a co-owner “to impede an infringement suit brought by another co-owner is a

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4. Quitclaim Assignment

Advanced Video maintains that it has standing because it eventually acquired Ms. Hsiun's ownership interest in the invention when she quitclaimed her interest to Infochips under the terms of the Employment Agreement.

Section 2.e of the Employment Agreement provides:

I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have infringement [sic] of any patents, copyrights, or mask work rights resulting from any such application assigned hereunder to the Company.

J.A. 260.

Advanced Video argues that "assigned hereunder" should essentially be read to mean all claims "assignable

substantive right that trumps the procedural rule for involuntary joinder"). Under California trust law, a trust beneficiary may seek judicial compulsion against a trustee who refuses to enforce a valid cause of action, and "[i]n order to prevent loss of or prejudice to a claim, the beneficiary may bring an action in equity joining the third person and the trustee." *Saks*, 8 Cal. Rptr. 2d at 875 (citing *Triplet v. Williams*, 269 Cal. App. 2d 135, 74 Cal. Rptr. 594, 596 (Cal. Ct. App. 1969)). Here, Advanced Video has not attempted to join Ms. Hsiun as a trustee or otherwise bring an action against Ms. Hsiun. Accordingly, we do not address the question of whether Ms. Hsiun could be involuntarily joined as trustee under California trust law and Fed. R. Civ. P. 19(a)(1)(B)(i).

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hereunder,” and that rights that Ms. Hsiun promised she “will assign” were immediately quitclaimed under the Employment Agreement. The Employment Agreement, however, does not provide “assignable hereunder” language. Advanced Video cites no authority showing that “assigned hereunder” covers patent rights that could have been assigned under a contract, but were never actually assigned.

The quitclaim provision waives Ms. Hsiun’s rights to interests in any patent rights that she assigned under the agreement. But, as no patent rights were ever assigned to Infochips, the quitclaim provision has no application. Accordingly, we find that the quitclaim provision in the Employment Agreement did not effect an assignment of the ’788 patent from Ms. Hsiun to Infochips, AVC, or Advanced Video.

The dissent argues that it may be discerned from the Employment Agreement that the parties intended any ownership interest in inventions developed during Ms. Hsiun’s employment with Infochips were the property of Infochips. Dissent at 7-10. But, the terms of the Employment Agreement provide otherwise. Generally, courts should not deviate from unambiguous provisions unless they lead to “absurd results.” *Shaw v. Regents of Univ. of Cal.*, 58 Cal. App. 4th 44, 67 Cal. Rptr. 2d 850, 855 (Cal. Ct. App. 1997); *see also Coast Plaza Doctors Hospital v. Blue Cross of California*, 83 Cal. App. 4th 677, 99 Cal. Rptr. 2d 809, 815 (Cal. Ct. App. 2000). In this instance, the Employment Agreement is unambiguous and, as stated, there is no reason to believe that the parties intended a

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present assignment. This court has previously found such agreements to assign insufficient to confer standing. *See IpVenture, Inc. v. Prostar Comput., Inc.*, 503 F.3d 1324, 1327 (Fed. Cir. 2007).

CONCLUSION

Advanced Video does not have full ownership of the '788 patent. Ms. Hsiun is neither a party to the suits, nor has she consented to these suits. Advanced Video, therefore, has no standing to maintain its suit. Accordingly, we affirm the district court's dismissal of the cases.

AFFIRMED

Costs

No costs.

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O'MALLEY, *Circuit Judge*, concurring.

I agree that we are bound to apply the law of this Circuit that compels the result we reach today. I, thus, must concur in that result. I write separately, however, to explain why I continue to believe that the binding precedent which serves as the predicate for today's majority opinion is wrong. In particular, I address why the conclusion that a non-consenting co-owner or co-inventor can never be involuntarily joined in an infringement action pursuant to Rule 19 of the Federal Rules of Civil Procedure is incorrect. In the absence of that errant conclusion, the various questions we address in this case would be irrelevant.

As I explained in my opinion dissenting from the denial of the petition for rehearing en banc in *STC.UNM v. Intel Corp.*, 767 F.3d 1351 (Fed. Cir. 2014), several things are clear about Rule 19. First, Rule 19(a)(1)(A) provides that “[a] person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction *must* be joined as a party if[] in that person's absence, the court cannot accord complete relief among existing parties.” Fed. R. Civ. P. 19(a)(1)(A) (emphasis added). Second, Rule 19, like all other Federal Rules of Civil Procedure, is “as binding as any federal statute.” *Stone Container Corp. v. United States*, 229 F.3d 1345, 1354 (Fed. Cir. 2000) (“[T]he Federal Rules of Civil Procedure, like the Federal Rules of Criminal procedure, are ‘as binding as any federal statute.’” (quoting *Bank of Nova Scotia v. United States*, 487 U.S. 250, 255, 108 S. Ct. 2369, 101 L. Ed. 2d 228 (1988))). Third, again, like all other

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Rules of Civil Procedure, Rule 19 applies in patent cases just as fully as it applies in all other federal civil actions. *See, e.g., eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393-94, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006) (rejecting this court’s attempt to develop a rule regarding the right to injunctive relief “unique to patent disputes,” holding that “the traditional four-factor framework . . . governs the award of injunctive relief”). And, finally, it is Rule 19—not substantive judge-made laws governing joinder—that establishes the criteria for assessing joinder. *See Provident Tradesmens Bank & Tr. Co. v. Patterson*, 390 U.S. 102, 118 n.13, 88 S. Ct. 733, 19 L. Ed. 2d 936 (1968) (citing with approval to a commentator who noted that “there is no case support for the proposition that the judge-made doctrines of compulsory joinder have created substantive rights beyond the reach of the rulemaking power” (quoting 2 Barron & Holtzoff, *Federal Practice & Procedure* § 512, n.21.14 (1967 Supp.) (Wright ed.))).

And, as Judge Newman wrote in her opinion dissenting from the denial of rehearing en banc in *STC.UNM*, “Rule 19 is not permissive” despite this court’s precedent that “Rule 19 uniquely does not apply in patent cases.” 767 F.3d at 1355 (Newman, J., dissenting). This precedent represents a “further removal” of patent cases from “the mainstream of the law.” *Id.* Indeed, the “unique exclusion of patent cases from Federal Rule 19 is as peculiar as it is unjustified,” for “[n]o justification can be found for withdrawing or excluding the co-owner of a patent from access to legal process.” *Id.* at 1356-57.

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Despite our precedent, Rule 19(a) provides for the involuntary joinder of a necessary party. The rule states, in relevant part, that:

(a) Persons Required to be Joined if Feasible.

(1) *Required Party*. A person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party if:

(A) in that person's absence, the court cannot accord complete relief among existing parties; or

(B) that person claims an interest relating to the subject of the action and is so situated that disposing of the action in the person's absence may:

(i) as a practical matter impair or impede the person's ability to protect the interest; or

(ii) leave an existing party subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations because of the interest.

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(2) *Joinder by Court Order.* If a person has not been joined as required, the court must order that the person be made a party. A person who refuses to join as a plaintiff may be made either a defendant or, in a proper case, an involuntary plaintiff.

Fed. R. Civ. P. 19(a)(1)-(2). By its terms, therefore, when a person satisfies the requirements of Rule 19(a), joinder of that person is required.

If joinder of a required party is not feasible, Rule 19(b) provides that “the court must determine whether, in equity and good conscience, the action should proceed among the existing parties or should be dismissed.” Fed. R. Civ. P. 19(b). That analysis involves consideration of several factors specified in Rule 19(b), including: (1) “the extent to which a judgment rendered in the person’s absence might prejudice that person or the existing parties”; (2) “the extent to which any prejudice could be lessened or avoided”; (3) “whether a judgment rendered in the person’s absence would be adequate”; and (4) “whether the plaintiff would have an adequate remedy if the action were dismissed for nonjoinder.” Fed. R. Civ. P. 19(b)(1)-(4).

Recognizing the mandatory nature of Rule 19, one panel of this court has noted, albeit in dictum, that “all entities with an independent right to enforce the patent are indispensable or necessary parties to an infringement suit. When such an entity declines to join in the suit it may be joined involuntarily, either as a party plaintiff or party defendant[]” *IpVenture, Inc. v. ProStar Comput., Inc.*, 503 F.3d 1324, 1325-26 (Fed. Cir. 2007) (“[W]e need

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not reach the question of whether the district court had discretion, in applying Fed. R. Civ. P. 19(a), to permit the addition of parties in this case without requiring dismissal and refiling by the plaintiff.”).

For its part, the Supreme Court has indicated in a non-patent case that Rule 19—not substantive law—applies when determining who must participate in a lawsuit. *See Provident Tradesmens*, 390 U.S. 102, 88 S. Ct. 733, 19 L. Ed. 2d 936. There, the Third Circuit declined to follow Rule 19, and, instead, held that

the right of a person who ‘may be affected’ by the judgment to be joined is a ‘substantive’ right, unaffected by the federal rules; that a trial court ‘may not proceed’ in the absence of such a person; and that since [one party] could not be joined as a defendant without destroying diversity jurisdiction the action had to be dismissed.

Id. at 107.¹ The Supreme Court reversed, holding that “Rule 19(b), which the Court of Appeals dismissed as

1. At the outset, the Court noted that the absent party fell within the category of persons who should be “joined if feasible” under Rule 19(a), but “could not be made a defendant without destroying diversity.” *Provident Tradesmens*, 390 U.S. at 108. Because Rule 19(a) provides that joinder cannot deprive the court of subject-matter jurisdiction, the Court focused its analysis on Rule 19(b), which asks whether the court should dismiss the action or proceed without the absent party. *Id.* at 108-09. The Court’s discussion of the interplay between alleged substantive rights and Rule 19 remains relevant to consideration of this issue, even though it occurred when discussing Rule 19(b) rather than Rule 19(a).

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an ineffective attempt to change the substantive rights . . . is, on the contrary, a valid statement of the criteria for determining whether to proceed or dismiss in the forced absence of an interested person.” *Id.* at 125.

There is no dispute over whether co-owners are necessary parties to infringement actions; the question we must address is whether a co-owner’s mere recalcitrance can prevent enforcement of another co-owner’s rights. Rule 19(a) is designed to address circumstances just like those at issue here. *See* 7 Charles Alan Wright et al., *Federal Practice and Procedure* § 1606 (3d ed. 2013) (“The joinder of an absent person who should be a plaintiff as an involuntary plaintiff is authorized by the second half of the third sentence of Rule 19(a). . . . The purpose of this procedure is to mitigate some of the harshness that occasionally results when the joinder of a nonparty is found to be desirable but the nonparty refuses to join in the action.”). Involuntary joinder assumes recalcitrance by the joined party (or, as here, a preference not to participate), but authorizes joinder nonetheless. Rule 19(a) makes no exception for recalcitrant patent owners and we, to date, have not explained from where such an exception derives. *See id.* (noting that the “most typical application” of Rule 19(a) “has been to allow exclusive licensees of patents and copyrights to make the owner of the monopoly an involuntary plaintiff in infringement suits”).

The original cases on which our Rule 19 joinder precedent relies do not proscribe the use of involuntary joinder of co-owners or co-inventors in patent cases, as our precedent does. Neither *Ethicon, Inc. v. U.S. Surgical*

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Corp., 135 F.3d 1456 (Fed. Cir. 1998), nor any other case on which it relies specifically holds that a patent co-owner or co-inventor cannot be involuntarily joined under Rule 19(a). Examination of the pertinent case law reveals that repeated references to unsupported dicta have morphed into a hard-and-fast rule from which this court refuses to deviate.

In *Ethicon*, we quoted an earlier Federal Circuit decision for the proposition that “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.” 135 F.3d at 1468 (quoting *Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341, 345 (Fed. Cir. 1997)). *Schering*, in turn, relied solely on a Sixth Circuit decision—*Willingham v. Lawton*, 555 F.2d 1340 (6th Cir. 1977)—not on the Patent Act or even preexisting federal common law. But *Willingham* did not purport to create any substantive patent rights. In fact, the *Willingham* court expressly declined to address the patent co-owner’s argument that it had a substantive right not to be forced to join the action under Rule 19(a). As explained below, Rule 19 was not at issue in either *Schering* or *Ethicon*, and the court in *Willingham* actually endorsed the application of Rule 19(a) on the facts before it. Accordingly, none of these cases supports our current rule that displaces application of Rule 19.

First, the “crux of the problem” in *Willingham* was “whether a co-owner could authorize by contract another co-owner to file suit for patent infringement without the permission of the first co-owner, in an action in which the unwilling co-owner is joined as an involuntary plaintiff

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under Rule 19.” 555 F.2d at 1343-44. Although the patent co-owner, Star, argued that “Rule 19(a) is procedural and does not alter the substantive law requiring voluntary joinder of all co-owners of a patent in a suit for its infringement,” the court found that it “need not reach this issue,” because Star waived any objection by signing a contract that gave either co-owner the right to initiate an infringement action in its sole discretion. *Id.* at 1343 & n.5. The court further explained that: (1) “[m]aking a patent owner an involuntary plaintiff is not new”; (2) “[j]oining Star as an involuntary plaintiff protects the interests of both the defendants”; and (3) “Rule 19(a) requires the continued joinder of Star as an involuntary plaintiff in the infringement suit.” *Id.* at 1346.

The Sixth Circuit in *Willingham* recognized the “general rule that all co-owners of a patent must be joined as plaintiffs before an infringement suit can be initiated.” *Id.* at 1343 (citing *Waterman v. Mackenzie*, 138 U.S. 252, 255, 11 S. Ct. 334, 34 L. Ed. 923, 1891 Dec. Comm’r Pat. 320 (1891)).² It did not create or purport to create any new

2. In *Waterman*, the Supreme Court explained that a patentee or his assignee may grant and convey to another: (1) the whole patent; (2) an undivided part or share of that exclusive right; or (3) “the exclusive right under the patent within and throughout a specified part of the United States.” 138 U.S. at 255. “A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers; in the second case, jointly with the assignor; in the first and third cases, in the name of the assignee alone.” *Id.* Importantly, the “development of the practice of joining a party as an involuntary plaintiff was a response” to *Waterman*. 7 Charles Alan Wright et al., *Federal Practice and Procedure* § 1606 (3d ed. 2013).

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substantive patent law right that would trump application of Rule 19, however. Indeed, it expressly stated it was not addressing that question because it found any rights Star *might have had* on that score to have been waived. *Id.* at 1343 n.5 (comparing *Provident Tradesmens*, 390 U.S. at 118 n.13, 125 (recognizing that Rule 19(b) is “a valid statement of the criteria for determining whether to proceed or dismiss in the forced absence of an interested person” and that “judge made doctrines of compulsory joinder” do not create substantive rights falling outside the reach of the rule), with *Gibbs v. Emerson Elec. Mfg. Co.*, 29 F. Supp. 810, 812 (W.D. Mo. 1939) (concluding that “it appears that one joint owner or coowner or tenant in common of a patent right cannot compel the other coowner to join in a suit for an infringement”)).

Schering involved a dispute between two co-owners of a pharmaceutical patent: Schering and Roussel. Schering sued Zeneca for infringement, and two weeks later, Roussel granted a license to Zeneca. Schering argued that the terms of its co-ownership agreement with Roussel—which provided that, “if one of the co-owners files an infringement suit, it can call on the non-suing co-owner to provide ‘reasonable assistance’ in connection with the litigation”—meant that the non-suing party could not grant a license to a defendant or prospective defendant. *Schering*, 104 F.3d at 345-46. Undertaking a contract analysis, we held that nothing in the agreement limited the right to grant licenses under the patent, but that “the grant of a license by one co-owner cannot deprive the other co-owner of the right to sue for accrued damages for past infringement.” *Id.* at 345.

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Involuntary joinder was not at issue on appeal in *Schering* because, at the district court level, “Schering joined Roussel as an involuntary plaintiff pursuant to Rule 19(a).” *Schering Corp. v. Zeneca Inc.*, 958 F. Supp. 196, 197 (D. Del. 1996); *see Schering*, 104 F.3d at 346 (noting that the “co-ownership agreement made Roussel subject to being named as an involuntary plaintiff in an infringement action brought by Schering”). Accordingly, this court in *Schering* did not address or analyze Rule 19; it proceeded on the assumption that joinder under Rule 19(a) had occurred and that no objection to it had been raised on appeal. While we did cite the Sixth Circuit’s *Willingham* decision for the proposition that, “[o]rdinarily, one co-owner has the right to impede the other co-owner’s ability to sue infringers by refusing to voluntarily join,” the “impediment” to which we referred was not due to non-joinder or a “refus[al] to voluntarily join”—it was due to the co-owner’s decision to license the patent to the accused infringer prospectively. *Schering*, 104 F.3d at 345 (citing *Willingham*, 555 F.2d at 1344). We explained that, “by granting a license to a prospective infringement defendant, or to a defendant that has already been sued for infringement, a patent co-owner can effectively deprive its fellow co-owner of the right to sue for and collect any infringement damages that accrue *after* the date of the license.” *Id.* (emphasis added). Again, we never said a co-owner could deprive a fellow co-owner of his or her rights merely by not joining in an infringement action.

In *Ethicon*, the co-owner of the patent—Dr. Choi—granted a “retroactive license” to the accused infringer—U.S. Surgical—and thus could not consent to an

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infringement suit against it. *Ethicon*, 135 F.3d at 1458-59. Because the parties stipulated to Choi's intervention as defendant-intervenor in the case, the majority neither cited nor discussed Rule 19. *Id.* at 1458. Instead, the court focused on the scope of the "retroactive license." Specifically, the court found that: (1) "a license to a third party only operates prospectively;" and (2) absent agreement otherwise, "a co-owner cannot grant a release of another co-owner's right to accrued damages." *Id.* at 1467 (concluding that "Choi cannot release U.S. Surgical from its liability for past accrued damages to Ethicon, only from liability to himself").

In the context of its retroactive licensure discussion, the court explained that, "as a matter of substantive patent law, all co-owners must ordinarily consent to join as plaintiffs in an infringement suit." *Id.* at 1468.³ The court did not cite any authority for this so-called "substantive patent law," but subsequently cited *Schering*

3. The court recognized two exceptions: (1) "when any patent owner has granted an exclusive license, he stands in a relationship of trust to his licensee and must permit the licensee to sue in his name"; and (2) "[i]f, by agreement, a co-owner waives his right to refuse to join suit, his co-owners may subsequently force him to join in a suit against infringers." *Ethicon*, 135 F.3d at 1468 n.9 (citing *Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 469, 46 S. Ct. 166, 70 L. Ed. 357, 1926 Dec. Comm'r Pat. 294 (1926); *Willingham*, 555 F.2d at 1344-45). As the dissent in *STC.UNM* points out, it makes little sense to say "that when an infringement suit is brought by an exclusive licensee, the patent owner can be joined; but when an infringement suit is brought by a co-owner, the other co-owner cannot be involuntarily joined." *STC.UNM*, 754 F.3d at 951 (Newman, J., dissenting).

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for the proposition that one co-owner can “impede” the other co-owner’s ability to pursue an infringement action. *Id.* (quoting *Schering*, 104 F.3d at 345). As in *Schering*, however, Choi’s ability to “impede” Ethicon’s infringement action was not due to non-joinder, particularly since Choi was already a voluntary party to the case. Instead, it was because Choi had granted a license to U.S. Surgical. The court concluded that dismissal was warranted because “Choi did not consent to an infringement suit against U.S. Surgical and indeed can no longer consent due to his grant of an exclusive license,” and thus “Ethicon’s complaint lacks the participation of a co-owner of the patent.” *Id.* Because the court’s decision in *Ethicon* did not involve joinder or Rule 19, it cannot stand for the proposition that Rule 19 cannot be invoked to force joinder when no license impedes doing so.

The majority in *Ethicon* did not discuss joinder under Rule 19, did not purport to harmonize the requirements of Rule 19 with preexisting substantive patent law, and—because the decision was focused on licensing issues—did not create any new principles of law applicable to future cases involving the involuntary joinder of patent co-owners. Importantly, the *Ethicon* majority’s silence cannot be evidence of its position with respect to Rule 19, even though the dissenting opinion discussed the rule. *Id.* at 1472 (Newman, J., dissenting) (“There is no barrier to the involuntary joinder of a joint inventor and/or co-owner under Rule 19, if such is needed to bring before the court all persons deemed necessary to the suit.”); see *United Haulers Ass’n v. Oneida-Herkimer Solid Waste Mgmt. Auth.*, 261 F.3d 245, 260 (2d Cir. 2001) (“[W]e require more

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than the Court’s silence on this point before concluding that it either rejected or accepted the public/private distinction advocated by the concurring and dissenting opinions.”).

Although our *Ethicon* decision was not based on Rule 19, we subsequently stated that it “explicitly held that Rule 19 does not permit the involuntary joinder of a patent co-owner in an infringement suit brought by another co-owner.” *DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1289 n.2 (Fed. Cir. 2008) (citing *Ethicon*, 135 F.3d at 1468). It is unclear, however, why the court in *DDB Technologies* would say that *Ethicon* made an *explicit* holding with respect to Rule 19 when it was not even mentioned in the majority opinion. In any event, the reference to *Ethicon* in *DDB Technologies* was dictum because the sole issue before the court in that case dealt with entitlement to jurisdictional discovery. *Id.* at 1286 (“[W]e hold that the district court erred in denying DDB’s request for jurisdictional discovery.”).⁴

4. Other decisions from this court have perpetuated the idea that all co-owners must ordinarily join as plaintiffs in an infringement suit, but, again, Rule 19(a) was neither raised nor addressed in those cases. See *Isr. Bio-Engineering Project v. Amgen Inc.*, 475 F.3d 1256, 1264 (Fed. Cir. 2007) (citing *Ethicon* and *Schering* to find that “one co-owner has the right to limit the other co-owner’s ability to sue infringers by refusing to join voluntarily in the patent infringement suit”); *Int’l Nutrition Co. v. Horphag Research Ltd.*, 257 F.3d 1324, 1331 (Fed. Cir. 2001) (citing *Ethicon* for the proposition that United States patent law “requires that all co-owners normally must join as plaintiffs in an infringement suit”). Mere repetition of dicta—without any accompanying analysis and without consideration of Rule 19—cannot give rise to a substantive patent right sufficient to overcome application of that rule.

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Tracing the origin of our so-called rule of substantive patent law makes clear that, prior to our decision in *STC.UNM v. Intel Corp.*, 754 F.3d 940 (Fed. Cir. 2014), we had never explicitly held that one patent co-owner cannot involuntarily join the other. Neither *Schering* nor *Ethicon* made any pronouncements on involuntary joinder that were necessary to the resolution of those cases. There is no preexisting federal common law supporting the court's declaration in *STC.UNM* of a substantive patent right that wholly trumps application of Rule 19.

Moreover, it is well established that, absent any agreement to the contrary, "each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners." 35 U.S.C. § 262. Given these rights, the *Ethicon* court declared that "the congressional policy expressed by section 262 is that patent co-owners are 'at the mercy of each other.'" *Ethicon*, 135 F.3d at 1468 (quoting *Willingham*, 555 F.2d at 1344). Nothing in § 262 suggests that one co-owner can deprive the others of their rights to enforce the patent. Indeed, we have recognized that "[a] patentee's right to exclude is a fundamental tenet of patent law." *Edwards Lifescis. AG v. CoreValve, Inc.*, 699 F.3d 1305, 1314 (Fed. Cir. 2012) (citations omitted). And § 262 specifically provides that each co-owner has an independent right to practice the patent. It therefore seems inconsistent to say that each co-owner has an independent right to practice the patent, but that they may prevent one another from enforcing the fundamental right of exclusion solely

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because they “prefer[] to take a neutral position.” *See STC. UNM*, 754 F.3d at 943.

Finally, the Patent Act provides that “[a] patentee *shall* have remedy by civil action for infringement of his patent.” 35 U.S.C. § 281 (emphasis added). In other words, each co-owner has a right to file a civil action to enforce the patent. But the effect of our current precedent is that, if a patent co-owner refuses to join the infringement suit voluntarily as a plaintiff, it can prevent the other owner from obtaining judicial relief for accrued damages. If that were the case, then § 281’s statutorily-mandated right to a civil action would have little meaning. Accordingly, while there may be some other support for our precedent’s so-called overriding “substantive right” against involuntary joinder in patent infringement cases, our decisions have provided no statutory basis for this rule, which actually appears inconsistent with several provisions of the Patent Act.

Rather than once again exempting patent law from the rules that govern all federal litigation, we should either: (1) clarify the basis for our so-called substantive right against involuntary joinder in patent infringement cases and explain why it can overcome the dictates of Rule 19; or (2) hold that Rule 19, including the provisions for involuntary joinder set forth therein, applies to cases such as this one. For these reasons, I respectfully suggest that our Rule 19 precedent should be reconsidered en banc by this court. Because I must abide by that precedent in deciding this case, however, I concur in the judgment.

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NEWMAN, *Circuit Judge*, dissenting.

I respectfully dissent. Joint inventor Vivian Hsiun never had co-ownership of the '788 Patent, contrary to the majority opinion. By her Employment Agreement, her invention was the property of her employer; she was not the owner, and she could not acquire ownership simply by refusing to sign a separate "assignment" document.

Vivian Hsiun was employed on the basis of a detailed and thorough Employment Agreement, whereby all of her inventions and other product of her employment are owned by the employer. After the '788 Patent application was filed, of which she is listed as one of three joint inventors, Ms. Hsiun declined to sign the PTO's form of assignment document. This lapse was discovered by the defendants during this litigation, and the defendants moved to dismiss for lack of standing to enforce the patent. The district court granted the motion and the panel majority agrees, finding *sua sponte* that Ms. Hsiun owns one-third of the '788 Patent.

However, the Employment Agreement placed ownership of the employee's inventions with the employer. In view of the Employment Agreement, a separate assignment document is not necessary to confirm that the employee has no ownership of the '788 Patent. Nor has the employee asserted any such ownership.

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DISCUSSION

The Employment Agreement contains several provisions concerning ownership of inventions made by Ms. Hsiun during her employment, as follows:

1.

Section 2.b provides that all inventions made during employment will be disclosed and held in trust and assigned to the Company

Agreement Section 2.b obligates Ms. Hsiun to disclose and to assign all her right, title, and interest in all inventions that she makes while employed by the Company:

2.b. Inventions and Original Works Assigned to the Company. I agree that I will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and will assign to the Company all my right, title, and interest in and to any and all inventions, original works of authorship, developments, improvements or trade secrets which I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am in the employ of the Company. . . .

Empl. Agmt., J.A. 258. On Ms. Hsiun's refusal to sign the PTO's standard assignment form, the PTO accepted the

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Employment Agreement as showing ownership by the employer. Ms. Hsiun did not object to the procedures in the PTO, and the face of the patent lists AVC Technology, Inc. as “Assignee.” Ms. Hsiun did not object, and has never asserted any ownership interest in the ’788 Patent.

2.

Section 2.c states that invention records are the property of the Company

In conformity with the other provisions on ownership of inventions made by Ms. Hsiun during her employment, the Employment Agreement provides that all invention records are the property of the employer:

2.c. Maintenance of Records. I agree to keep and maintain adequate and current written records of all inventions and original works of authorship made by me (solely or jointly with others) during the term of my employment with the Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

Empl. Agmt., J.A. 259. It is not disputed that the ’788 invention was made during Ms. Hsiun’s employment. She has asserted no ownership or any other rights to her invention records.

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3.

Section 2.e states the employee's obligation to assist in obtaining patents

This clause of the Employment Agreement refers to patents on inventions “assigned hereunder” to the employer:

2.e. Obtaining Letters Patent, Copyrights, and Mask Work Rights. I agree that my obligation to assist the Company to obtain United States or foreign letters patent, copyrights, or mask work rights covering inventions, works of authorship, and mask works, respectively, assigned hereunder to the Company shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate for time actually spent by me at the Company's request on such assistance. . . .

Empl. Agmt., J.A. 259. The words “assigned hereunder” and the continuing obligations after termination of employment conform to the mutual intent and understanding, of employer and employee, with respect to the Company's ownership of inventions made during her employment.

Ms. Hsiun did not object to the Company's filing of this patent applications naming her as a joint inventor; such filing was authorized by the agreed right of ownership of her inventions.

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4.

***Section 2.e provides for action by the employer
in absence of the employee's signature on
patent documents***

Ms. Hsiun agreed that if her signature is unobtainable for “inventions or other rights assigned to the Company,” the Company may act in her stead:

2.e. [continued]. . . . If the Company is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign letters patent, copyrights, or mask work rights covering inventions or other rights assigned to the Company as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, copyrights, and mask work rights with the same legal force and effect as if executed by me. . . .

Empl. Agmt., J.A. 259-60. This provision was a basis of the Company's prosecution of the '788 application, and issuance of the '788 Patent naming Ms. Hsiun as a joint inventor and AVC Technology as assignee.

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5.

Section 2.b requires the employee to hold all inventions in trust for the Company

2.b. I agree that I . . . will hold in trust for the sole right and benefit of the Company, and will assign to the Company all my right, title, and interest in and to any and all inventions, . . . during the period of time I am in the employ of the Company.

Empl. Agmt., J.A. 258. My colleagues on this panel concede that the trust provision of the Employment Agreement may apply, Maj. Op. at 7, but nonetheless hold that the trust provision is ineffective to establish that Ms. Hsiun held her inventions in trust “for the sole right and benefit of the Company.” My colleagues state that it is necessary for the beneficiary to sue the trustee in order to obtain the benefit of the trust. No supporting authority is cited, or relates to these facts.

The parties’ briefs discuss a California case in which the court held that a trust was not created on a dying man’s oral instruction to pay his hospital bill and dispose of his funds, the court stating in *Monell v. College of Physicians & Surgeons of San Francisco*, 198 Cal. App. 2d 38, 48-49, 17 Cal. Rptr. 744 (1961), that “it is essential to the creation of a valid express trust that some estate or interest should be conveyed to the trustee and, when the instrument creating the trust is other than a will, that such estate or interest must pass immediately, although the enjoyment of

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the *cestui* may commence in the future.” The *Monell* court held that the oral instruction did not create a trust when the attempted disposition was testamentary in nature, *id.* at 51, and that the disposition had to comply with the formalities of wills. *Id.* To the extent that the *Monell* case is relevant to the trust provision of the Employment Agreement, it supports the immediate conveyance of inventions to the trust, for the benefit of the Company, in accordance with the signed Employment Agreement.

The panel majority also states that under California law the beneficiary of the trust is not the real party in interest. However, California law accords with the general law of trusts, as represented by *Kadota Fig Ass’n of Producers v. Case-Swayne Co.*, 73 Cal. App. 2d 796, 801, 167 P.2d 518 (1946) (“The real parties in interest are the beneficiaries under the business agreement, and not the trustees or directors.”). Ms. Hsiun is the trustee of her inventions, which vest in trust immediately on creation of the invention. The employer is the beneficiary of her inventions as established by the Employment Agreement. The beneficiary is not denied its beneficial rights if the trustee is absent or inactive. *See id.* (“The reason for requiring an action to be prosecuted in the name of the real parties in interest (Code Civ. Proc., § 367) is to save the defendants from a multiplicity of suits . . .”).

At a minimum, the trust provision further demonstrates the mutual intent and understanding that Ms. Hsiun’s inventions made during her employment are for the sole benefit of the employer.

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6.

***Section 2.e provides a “waiver and quit-claim”
of infringement claims of patents “assigned
hereunder”***

The Employment Agreement contains the following waiver and quitclaim provision:

2.e. [continued] . . . I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have infringement of any patents, copyrights, or mask work rights resulting from any such application assigned hereunder to the Company.

Empl. Agmt., J.A. 260.

The waiver and quitclaim provisions comport with the mutual intent and understanding that Ms. Hsiun retained no ownership of patents on her inventions “assigned hereunder to the Company.” The quitclaim assures that any rights the grantor had, are transferred to the grantee of the property. California precedent is clear. *E.g., City of Manhattan Beach v. Superior Court*, 13 Cal. 4th 232, 52 Cal. Rptr. 2d 82, 914 P.2d 160, 164 (1996) (“A quitclaim deed transfers whatever present right or interest the grantor has in the property.”); *see generally*, “Quitclaim,” Black’s Law Dictionary (4th ed. 1968) (a quitclaim is “intended to pass any title, interest, or claim which the grantor may have in the premises”).

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The panel majority states that since the '788 Patent was not assigned to the Company, "the quitclaim provision has no application." Maj. Op. at 9. To the contrary: if indeed the patent was not individually assigned in a special document, the "quitclaim to the Company" assures transfer of the property to the Company.

A quitclaim does not require that the property was already assigned, for in such case no quitclaim would be needed. However, the quitclaim does require that "any and all claims" that may "now or hereafter" exist, are "assigned hereunder to the Company."

This provision further renders impossible that Ms. Hsiun now owns one-third of the '788 Patent, for any such ownership was quitclaimed to the employer.

7.

Section 5 requires the employee to execute all documents needed to carry out the Agreement

The record before us does not explain why Ms. Hsiun refused to sign the provided PTO assignment form, for the Employment Agreement is explicit as to the employee's obligations to execute any required documents:

5. Representations. I agree to execute any proper oath or verify any proper document required to carry out the terms of this Agreement. I represent that my performance of all the terms of this Agreement will not

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breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company. I have not entered into, and I agree I will not enter into, any oral or written agreement in conflict herewith.

Empl. Agmt., J.A. 260-61.

Throughout this litigation, there is no assertion by Ms. Hsiun of any ownership interest in the '788 Patent, or any negation of her obligations set forth in the Employment Agreement.¹

8.

Other provisions of the Employment Agreement comport with the mutual understanding of employer ownership of employee inventions

Several other provisions of the Employment Agreement relate to inventions, and further implement the understanding of employer ownership of the employee's work product:

Section 3 prohibits conflicting future employment.

1. The panel majority states that "the terms of the Employment Agreement provide otherwise," the "otherwise" being "unambiguous provisions" in the Employment Agreement purportedly negating assignment to the employer. Maj. Op. at 9. No citation is offered, and I have searched in vain for any such unambiguous provision.

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Section 4 provides for ownership by the Company of all documents and property created by the employee.

Section 6.b states that this is the entire agreement and cannot be changed except “in writing signed by the party to be charged.”

Section 6.c provides for severability.

Section 6.d binds the employee’s heirs and executors for the benefit of the Company, its successors, and its assigns.

Section 6.e provides that the Agreement survives the termination of employment, and benefits the Company’s successors and assigns.

Section 7 requires the employee to identify all pre-employment inventions—there were none.

It is inconceivable that the parties intended that unless a separate assignment document was signed as to each and every aspect of the employee’s work product, the provisions of the Employment Agreement would not apply.

9.

Section 6.a of the Agreement states that California law applies

California contract law provides:

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Cal. Civ. Code § 1643: A contract must receive such an interpretation as will make it lawful, operative, definite, reasonable, and capable of being carried into effect, if it can be done without violating the intention of the parties. and enjoyed by Assignor had this assignment not been made.

The record contains no challenge to the mutual intent and understanding of the parties to the Employment Agreement. The provisions of the Employment Agreement demonstrate, over and over, the intent and understanding that Ms. Hsiun's inventions made as an employee are the property of the employer. There are no contrary provisions, and no contrary evidence was presented in this action.

Every contract provision, and the entirety of the Employment contract, show this mutuality of intent. The intention of the parties must be respected and "intent is to be inferred, if possible, solely from the written provisions of the contract." *People ex. rel. Lockyer v. R.J. Reynolds Tobacco Co.*, 107 Cal. App. 4th 516, 525, 132 Cal. Rptr. 2d 151 (2003). California law provides no contrary authority, and none was asserted in this case.

It is not reasonable now to hold that the Employment Agreement fails in its intended purpose, for every provision of the Agreement accords with and implements the intent that the employee's inventions are the property of the employer.

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10.

***The Delaware Chancery Court quitclaimed
and assigned the '788 Patent to the plaintiff***

The record further demonstrates that ownership of the '788 Patent, by Ms. Hsiun's employer and its successors, was recognized in corporate proceedings in Delaware.

After a challenge to the transfer of the '788 Patent, a Receiver was appointed by the Chancery Court, who held as follows:

I, Joseph Cicero, . . . have quitclaimed, assigned, transferred, set over and conveyed and do hereby quitclaim, assign, transfer, set over and convey unto Advanced Video Technologies LLC, a New York limited liability company ("Assignee"), its successors, and assigns, any and all right, title, and interest to United States Patent No. 5,781,788 (the "Patent") held and enjoyed by Assignor, for the entire term of the Patent, including any reissues, reexaminations, and extensions thereof, including the right to sue for and recover damages in respect of past acts of infringement. This assignment includes, but is not limited to, all Assignor's right to all income, royalties, damages and payments now or hereafter due and payable, and in and to all causes of action, either in law or in equity, and the right to sue and counterclaim

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for and collect past and continuing damages for infringement. The right, title and interest conveyed in this Assignment is to be held and enjoyed by Assignee and Assignee's successors and assigns as fully and exclusively as it would have been held

[signed] Joseph B. Cicero, Esq., Date: 6/5/15
Receiver for AVC Technology, Inc.

J.A. 130. The record does not show any appeal by any person or other entity from the Delaware Court's determination, or any challenge to or dispute with this establishment of ownership of the '788 Patent by Advanced Video Technologies.

11.

***Federal Circuit precedent does not contravene
the Employment Agreement***

Ethicon Inc. v. U.S. Surgical Corp., 135 F.3d 1456 (Fed. Cir. 1998) does not support the position that Ms. Hsiun owns one-third of the '788 Patent. The situations and rulings are widely different. In *Ethicon*, a consultant who had not agreed to assign his inventions made a contribution to a claim, and the court held that the consultant owned an undivided interest in the patent. *Id.* at 1464. Here, in contrast, ownership of Ms. Hsiun's inventions is established by the Employment Agreement. Unlike Ms. Hsiun's contractual agreement, in *Ethicon* there was no employment agreement, no agreement as

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to ownership of inventions, no holding in trust for the employer, no waiver and quitclaim to the employer. The ruling in *Ethicon* does not govern ownership of Ms. Hsiun's inventions.

Nor does the ruling in *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574 (Fed. Cir. 1991) apply to this case. In *Arachnid* a consultant had agreed by contract that his inventions “will be assigned” to the company, but he did not execute an assignment. The court held that although equitable title may have been acquired by the company, legal title was needed before damages could be obtained. *Id.* at 1579. The gaps that the court perceived in the consulting agreement in *Arachnid* are filled in the Employment Agreement signed by Ms. Hsiun. Her Agreement not only provides for ownership by the employer of all inventions made by the employee, but imposes a trust and implements a quitclaim in favor of the employer. See *Akazawa v. Link New Tech. Int'l, Inc.*, 520 F.3d 1354, 1356 (Fed. Cir. 2008) (“[T]here is nothing that limits assignment as the only means for transferring patent ownership. . . . [O]wnership of a patent can be changed by operation of law.”).

Ms. Hsiun's Employment Agreement is directly controlled by contract law. The Employment Agreement that she signed established ownership by the employer of the '788 Patent by way of clear contract provisions implementing the intent and understanding and agreement of employer and employee, as a condition of the employment. There is no ambiguity, and Ms. Hsiun asserts no ownership in the '788 Patent.

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CONCLUSION

The Employment Agreement established the terms and conditions of Ms. Hsiun's employment. These terms and conditions include ownership by the employer of all inventions made by the employee during her employment. My colleagues' award to Ms. Hsiun of one-third of the '788 Patent cannot be supported, under any view of any law. I respectfully dissent.

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**APPENDIX C — MEMORANDUM DECISION OF
THE UNITED STATES DISTRICT COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK,
FILED JUNE 14, 2016**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

No. 15 Civ. 4626 (CM)

ADVANCED VIDEO TECHNOLOGIES LLC,

Plaintiff,

-against-

HTC CORPORATION AND HTC AMERICA, INC.,

Defendants.

No. 15 Civ. 4631 (CM)

ADVANCED VIDEO TECHNOLOGIES LLC,

Plaintiff,

-against-

BLACKBERRY, LTD. AND
BLACKBERRY CORPORATION,

Defendants.

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No. 15 Civ. 4632 (CM)

ADVANCED VIDEO TECHNOLOGIES LLC,

Plaintiff,

-against-

MOTOROLA MOBILITY LLC,

Defendant.

June 14, 2016, Decided;

June 14, 2016, Filed

**MEMORANDUM DECISION AND ORDER
GRANTING DEFENDANTS' MOTION TO DISMISS
THE COMPLAINT WITH PREJUDICE**

McMahon, J.:

This is the second trio of patent infringement actions that Plaintiff Advanced Video Technologies (“AVT”) has filed against Defendants HTC Corporation and HTC America, Inc. (“HTC”), Blackberry Limited and Blackberry Corporation (“Blackberry”), and Motorola Mobility LLC (“Motorola”) (collectively, “Defendants”).

In the first three cases, filed in 2011, AVT sued the Defendants for infringement of United States Patent

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No. 5,781,788 (“the ’788 Patent”), entitled “Full Duplex Single Chip Video Codec.” (*See* 11 Civ. 6604, Docket #1.)¹ In December 2014, Defendants moved to dismiss AVT’s complaints for lack of standing. They made three arguments about why the court should dismiss the complaint, but the court needed to address only one, since it turned out that AVT did not actually own the ’788 patent, and so lacked standing to sue for the patent’s infringement. The original cases were dismissed in April 2015. *See Advanced Video Techs., LLC v. HTC Corp.*, 103 F. Supp. 3d 409, 418 (S.D.N.Y. 2015) (the “2015 Decision”).

Following that dismissal, AVT took various steps to acquire good title to the patent and to obtain an assignment of claims from the entity that it believed to be the actual owner of the patent. Once that process was complete, AVT filed these new lawsuits for infringement of the ’788 patent. (*See* 15 Civ. 4626 Docket #1.) And this motion to dismiss followed as the night the day - raising anew the arguments that were not reached the first time around.²

1. Case numbers for Plaintiff’s prior actions are 11 Civ. 6604, 11 Civ. 8908, and 12 Civ. 0918. Case numbers for the actions currently before the court are 15 Civ. 4626, 15 Civ. 4631, and 15 Civ. 4632. For simplicity’s sake, I will use 11 Civ. 6604 and 15 Civ. 4626 to identify filings in the first and second sets of actions, respectively.

2. Defendants do not challenge AVT’s constitutional standing on this motion (although they reserve the right to do so at a later date), so for purposes of this opinion I will assume that AVT has in fact obtained anything and everything relating to title to the patent that it could acquire from AVC Technology Inc. (“AVC”), one of AVT’s predecessors in interest. (*See* Defendants’ Memorandum

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Defendants' principal argument is that AVT owns at most a two-thirds undivided interest in the '788 patent, while a woman named Vivian Hsiun has a one-third ownership interest in the patent. Hsiun is not a party to this action, so Defendants ask the court to dismiss for failure to join a co-owner of the patent (which the parties, and the Federal Circuit, frame as an issue of standing) — it being well settled that a patent infringement action cannot be maintained unless every owner of the patent is a plaintiff.

Defendants are again correct. For the reasons discussed below, Defendants' motion to dismiss the Complaint under Rules 12(b)(6) and 12(b)(7) of the Federal Rules of Civil Procedure is granted, with prejudice.

BACKGROUND

The opinion and order dismissing the prior actions set forth in excruciating detail the background to this motion. I assume the parties' familiarity with those facts and will summarize them only as necessary, adding a few new facts that relate to things that occurred after this court issued its opinion.

The Patent In Suit

The '788 Patent is entitled "Full Duplex Single Chip Video Codec." The invention aids the compression and

of Law in Support of Their Motion to Dismiss Under Federal Rules of Civil Procedure 12(b)(6) and 12(b)(7) ("Def Br."), Docket No. 19 at 5 n.1.)

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transmission of video information. (See Compl. Ex. A at 2.) It was created by three co-inventors: Beng-Yu “Benny” Woo, Xiaoming Li, and Vivian Hsiun. (See Compl. ¶ 8.) The invention appears to have been invented sometime after January 1992 (see *infra* at 5), but all parties agree that it was created while at least one of the inventors — Hsiun — was affiliated with a company called Infochips Systems Inc. (“Infochips”). It is undisputed that neither the three inventors nor Infochips ever filed an application for a patent on the invention.

Hsiun’s Employment Agreement

In January 1992, Hsiun signed an employment contract with Infochips (the “Employment Agreement”). Section 2 of the Employment Agreement is entitled “Retaining and Assigning Inventions and Original Works.” Section 2.b, under the subheading “Inventions and Original Works Assigned to the Company,” provides as follows:

I agree that I will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and will assign to the Company all my right, title, and interest in and to any and all inventions, original works of authorship, developments, improvements or trade secrets which I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am in the employ of the Company

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(Chen Decl., Ex. 3 at AVT0000120 (emphasis added).) In section 2.e, the Agreement further states:

I agree that my obligation to assist the Company to obtain United States or foreign letters patent, copyrights, or mask work rights covering inventions, works of authorship, and mask works, respectively, assigned hereunder to the Company shall continue beyond the termination of my employment, but the Company shall compensate me at a reasonable rate for time actually spent by me at the Company's request on such assistance. If the Company is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign letters patent, copyrights, or mask work rights covering inventions or other rights assigned to the Company as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, copyrights, and mask work rights with the same legal force and effect as if executed by me. I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have

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infringement [sic] of any patents, copyrights, or mask work rights resulting from any such application assigned hereunder to the Company.

(*Id.* at AVT0000121 (emphasis added).)

Section 6.d of the Employment Agreement, entitled “Successors and Assigns” further provides that the agreement will be for the benefit of the Company, its successors, and its assigns. (*Id.* at AVT0000123.)

Section 7 of the Employment Agreement is entitled “List of Inventions” and states that “Pursuant to Section 2(a) of this Agreement below is a list of my prior inventions and original works of authorship.” The Employment Agreement goes on to say “IF NO PRIOR INVENTIONS OR ORIGINAL WORKS OF AUTHORSHIP ARE LISTED IN THIS SECTION 7, I HEREBY AFFIRM THAT THERE ARE NO SUCH INVENTIONS OR ORIGINAL WORKS OF AUTHORSHIP.” (*Id.* at AVT0000124.) No such prior inventions or works of authorship are listed. It would thus appear that as of January 1992, Hsiun and her co-inventors had yet to create the invention that forms the basis for the ’788 patent.

**The Assignment of the Employment Agreement
to LMS**

Over a year before Hsiun signed the Employment Agreement, Infochips had entered into a financing agreement (the “Security Agreement”) with Lease

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Management Services (“LMS”). The Security Agreement granted LMS a secured interest in Infochips’ “Receivables,” defined in the agreement as:

Accounts, Instruments, Documents, Chattel Paper and General Intangibles (as defined in the Uniform Commercial Code) and all other rights arising from the sale of Debtor’s Inventory; all of Debtor’s rights and remedies relating to the foregoing, including guaranties or other contract rights; all books and records; including ledger cards, relating to the foregoing and all proceeds of the foregoing.

(*Id.* at AVT0000115.)

The Security Agreement was expressly governed by California law, so California’s Uniform Commercial Code (“UCC”), as incorporated into the California Commercial Code, defines the term “General Intangibles.” (*See id.* at AVT0000118.) “General intangibles’ means any personal property (including things in action) other than goods, accounts, chattel paper, documents, instruments, and money.” Cal. Comm. Code § 9106 (version in effect in 1990).

Defendants argue that the assets pledged to LMS do not include Hsiun’s Employment Agreement because the Employment Agreement, while falling within the definition of “General Intangibles,” was executed after LMS and Infochips signed the Security Agreement. (*See* Def Br. at 17.) But as discussed briefly in the 2015 Decision, a secured interest in inventory or receivables typically

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reaches after-acquired property — otherwise the flow of inventory out would quickly turn a secured interest into an unsecured interest. *See Advanced Video Techs.*, 103 F. Supp. 3d at 413. That is the case under California law.

Under § 9204 of the California Commercial Code as it stood in 1990 — the year the Security Agreement was executed — security agreements could provide that “any or all obligations covered by the ... agreement are to be secured by after-acquired collateral.” Cal. Comm. Code § 9204 (in effect in 1990). The commentary to § 9204 clarified that, “An after-acquired property clause in an inventory lien agreement is valid in California, provided that the merchandise is from time to time ... designated in one or more separate written statements dated and signed by the borrower and delivered to the lender.” *Id.* (internal citation omitted). Thus, California has expressly sanctioned “the concept of the floating lien as it may be applied as a security device with respect to a debtor’s present and future assets.” *Biggins v. Sw. Bank*, 490 F.2d 1304, 1309 (9th Cir. 1973).

To determine whether the parties intended for their security agreement to apply to after-acquired collateral, courts parse the language of the agreement. *Id.* The Security Agreement plainly provided that it reached after-acquired “Receivables.” Section b of the Security Agreement stated that “Debtor shall submit to Secured Party current monthly “aging” reports of its Receivables containing the following information and such other information as Secured Party shall require to evaluate the status of the Receivables individually and in

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the aggregate.” (Chen Decl., Ex. 3 at AVT000016). The required information included:

- (i) The name and address of the Customer with respect to each Receivable,
- (ii) The invoice number or other identification of each outstanding Receivable,
- (iii) The outstanding amount of each Receivable and the aggregate of the Receivables as at the end of the month; and
- (iv) The “age” of each Receivable (i.e., the time which has transpired since the invoice was issued) ...

(*Id.*) Section b. also required that the “monthly aging report ... be submitted to Secured Party no later than the tenth day after the end of such month covered by the aging report.” (*Id.*)

The Security Agreement clearly contemplated the inflow and outflow of Receivables. Indeed, it expressly required the type of report envisioned in the commentary to § 9204 — a report that would only make sense if the Security Agreement reached after-acquired property.

It is true that one does not ordinarily think of an Employment Agreement as a “receivable;” in the ordinary course, that term applies to things like accounts payable. But the contract most certainly is a “General Intangible,” and per the terms of the Security Agreement “General

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Intangibles” are “Receivables.” Ergo, Hsiun’s Employment Agreement is a Receivable for purposes of the Security Agreement. And since the Security Agreement extends to after-acquired Receivables, it does not matter that the Employment Agreement was signed after Infochips pledged its assets to LMS.

AVC Applies for a Patent and Acquires Whatever It Acquires

In 1993, Infochips went out of business. LMS seized the pledged assets under the Security Agreement — including, Plaintiff argues, whatever rights to the invention Hsiun’s Employment Agreement conferred. (*See id.* at AVT0000126-27.)

In 1995, LMS sold the pledged assets of Infochips to one of the three co-inventors — Benny Woo. Woo in turn transferred his interest in the property to the entity known as AVC. *Advanced Video Techs.*, 103 F. Supp. 3d at 413-14.

On May 8, 1995, AVC filed the parent application for what ultimately became the ’788 patent.

In connection with its application, AVC had to prove that it owned the invention. Two of the three inventors, Woo and Li, made that easy — they executed assignments of their interest in the invention to AVC. The third inventor, Hsiun, refused, despite repeated efforts to obtain her signature on an assignment. *Advanced Video Techs.*, 103 F. Supp. 3d at 414.

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Rather than sue Hsiun for specific performance of her contractual obligation to assist in the obtaining of the patent — an obligation that expressly extended beyond the term of her employment with Infochips — AVC chose to pursue the patent application without her. But AVC also did not execute a document assigning Hsiun’s interest to itself—even though the Employment Agreement contained a provision giving Infochips an irrevocable power of attorney-agency to execute documents needed to prosecute a patent application on her inventions (a power AVT contends gave Infochips’ successors the right to effect such an assignment). Instead, AVC took the position that Hsiun had assigned her interest in the invention over to Infochips back in 1992, when she signed the Employment Agreement containing the words, “I agree that I ... will assign to the Company all my right, title, and interest in and to any and all inventions.” (Chen Decl., Ex. 3 at AVT0000120.)

To make that assertion, Woo filed a declaration with the patent office, attaching “a copy of the agreement whereby the omitted inventor agreed to assign this invention and the documentation wherein the rights in said agreement were purchased by me.” (Chen Decl., Ex. 3 at AVT0000107.) The agreement he attached was Hsiun’s Employment Agreement. AVC filed this same declaration in 1997, when the original application was abandoned in favor of a daughter application. The application filed became the ’788 patent.

Notably, the declaration does not say, “... attaching a copy of the assignment of this invention by the omitted

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inventor,” but rather “... attaching a copy of the agreement whereby the omitted inventor *agreed to assign* this invention.” (*Id.* (emphasis added).) That is consistent with the phrasing of the agreement itself, which says “I agree that I ... will assign,” not “I hereby assign....” The import of these different phrases is discussed below.

The patent issued in 1998. It listed Woo, Li and Hsiun as the inventors and AVC as the owner by assignment.

The convoluted history of what occurred over the next 15 years is the story of the earlier cases, the decision in which can be found at *Advanced Video Techs., LLC v. HTC Corp.*, 103 F. Supp. 3d 409 (S.D.N.Y. 2015). It is not necessary to address any of those facts in order to decide this motion, so I will not bother to recite them. The curious reader is urged to read the prior opinion.

The 2015 Decision and Subsequent Events

On April 28, 2015, this court issued its decision holding that AVT did not own the '788 patent. AVT did not take an appeal from that decision. It is, therefore, final and binding on the parties and preclusive as to all facts found by the court.

Instead, on May 1, 2015, AVT applied to the Court of Chancery of the State of Delaware for appointment of a Receiver for AVC. (Compl. ¶ 13; Ex. D.)

On May 13, 2015, the Court of Chancery granted AVT's petition and appointed a Receiver for the now-

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dissolved AVC. The Receiver was appointed “for the sole purpose of transferring any ownership interest that AVC may have in [the ’788 patent].” (*Id.* ¶ 14; Ex. E.)

On June 5, 2015, the Receiver executed an Assignment that transferred all rights, title and interests in the ’788 patent from AVC to AVT. (*Id.* ¶ 15; Ex. F.) The Receiver made no effort to figure out what rights, title or interests AVC might have owned; he simply transferred whatever AVC did own to AVT.

The Assignment states, in its entirety:

I, Joseph Cicero, appointed by the May 13, 2015 Order of Chancellor Andre Bouchard of the Delaware Court of Chancery in the matter styled In Re A VC Technology, Inc., Civil Action No. 10981-CB, as the Receiver for AVC Technology, Inc., a dissolved Delaware Corporation (“Assignor”), have quitclaimed, assigned, transferred, set over and conveyed and do hereby quitclaim, assign, transfer, set over and convey unto Advanced Video Technologies LLC, a New York limited liability company (“Assignee”), its successors, and assigns, any and all right, title, and interest to United States Patent No. 5,781,788 (the “Patent”) held and enjoyed by Assignor, for the entire term of the Patent, including any reissues, reexaminations, and extensions thereof, including the right to sue for and recover damages in respect of past acts of infringement. This assignment includes, but is not limited to, all Assignor’s right to

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all income, royalties, damages and payments now or hereafter due and payable, and in and to all causes of action, either in law or in equity, and the right to sue and counterclaim for and collect past and continuing damages for infringement. The right, title and interest conveyed in this Assignment is to be held and enjoyed by Assignee and Assignee's successors and assigns as fully and exclusively as it would have been held and enjoyed by Assignor had this assignment not been made.

(*Id.*, Ex. F).

Questions Presented by the Motion

1. Did Hsiun, a co-inventor, assign to Infochips her interest in the '788 patent when she signed her employment agreement, as AVC asserted to the Patent Office?

2. If the answer to the first question is no, did AVT acquire Hsiun's interest in the '788 patent in some other way, such that her participation in this lawsuit is not required?

DISCUSSION**I. Standard****A. Rule 12(b)(6)**

To survive a motion to dismiss under Rule 12(b)(6), a complaint must include "sufficient factual matter, accepted

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as true, to ‘state a claim to relief that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007)). The court in *Iqbal* suggested a “two-pronged approach” for evaluating the sufficiency of a complaint. Under the first prong, a court should “choose to begin by identifying pleadings that, because they are no more than conclusions, are not entitled to the assumption of truth.” *Id.* at 679. Under the second prong, “When there are well-pleaded factual allegations, a court should assume their veracity and then determine whether they plausibly give rise to an entitlement for relief” *Id.* A claim is plausible “when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.* at 678 (citing *Twombly*, 550 U.S. at 556). “The plausibility standard is not akin to a ‘probability requirement,’ but it asks for more than a sheer possibility that a defendant has acted unlawfully.” *Id.*

In considering a motion to dismiss pursuant to Rule 12(b)(6), a district court may consider the facts alleged in the complaint, documents attached to the complaint as exhibits, and documents incorporated by reference in the complaint. *Rogers v. Blacksmith Brands, Inc.*, 2011 U.S. Dist. LEXIS 148297, 2011 WL 6293764, at *4 (S.D.N.Y. Dec. 13, 2011) (citing *DiFolco v. MSNBC Cable L.L.C.*, 622 F.3d 104, 111 (2d Cir. 2010)). A district court may also consider a document that is not incorporated by reference, where the complaint “‘relies heavily upon its terms and effect,’ thereby rendering the document ‘integral’ to the

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complaint.” *Rogers*, 2011 U.S. Dist. LEXIS 148297, 2011 WL 6293764 at *4 (quoting *Mangiafico v. Blumenthal*, 471 F.3d 391, 398 (2d Cir. 2006)).

B. Rule 12(b)(7)

A motion to dismiss pursuant to Rule 12(b)(7) is subject to a two-prong analysis. *Viacom Int’l, Inc. v. Kearney*, 212 F.3d 721, 724 (2d Cir. 2000), *abrogated on other grounds as stated in Merrill Lynch & Co. v. Allegheny Energy, Inc.*, 500 F.3d 171, 179 (2d Cir. 2007). First, the court must determine whether the party qualifies as a “necessary” party under Rule 19(a). *Id.* Where a party is necessary to the cause of action, the court must then determine “whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable,” pursuant to a consideration of factors listed in in Rule 19(b)(1)-(4). *Id.* at 725 (quoting rule 19(b)).

It is a “generally accepted principle that the court is not limited to the pleadings on a Rule 12(6)(7) motion.” *Fagioli S.p.A. v. GE*, No. 14-CV-7055 AJN, 2015 U.S. Dist. LEXIS 73219, 2015 WL 3540848, at *4 (S.D.N.Y. June 5, 2015).

II. Prudential Standing

As discussed in the 2015 Decision, prudential standing is a question of statutory interpretation concerning who has a cause of action under the statute and under what circumstances. *See Advanced Video Techs.*, 103 F. Supp.

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3d at 417-18. “Prudential concerns sometimes require the dismissal of infringement suits in the absence of patent co-owners, because a defendant should not be sued repeatedly for the same acts of infringement and on the same patent.” *Id.* (citing *Aspex Eyewear, Inc. v. Altair Eyewear, Inc.*, 288 F. App’x 697, 704-05 (Fed. Cir. 2008)). “So too, a co-owner’s patent rights can be said to include the right to impede another co-owner’s pursuit of infringement actions.” *Id.* (citing *STC. UNM v. Intel Corp.*, 767 F.3d 1351, 1353 (Fed. Cir.2014) (quoting *Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341, 345 (Fed.Cir.1997) (“Ordinarily, 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.”) (internal citation omitted))).

For this reason, it is imperative to decide whether Hsiun retains any interest in the ’788 patent. If she does not, then this action may proceed; if she does, it must be dismissed.

III. Hsiun Owns a One Third Interest in the ’788 Patent

A. Hsiun Did Not Assign Her Interest in the Invention/Patent When She Signed the Employment Agreement

Ownership of an invention vests initially with the inventor. See, e.g., *Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 563 U.S. 776, 785, 131 S. Ct. 2188, 180 L. Ed. 2d 1 (2011). Unless assigned pursuant to 35 U.S.C. § 261, the “initial ownership of a patent vests in the inventor by operation of law.” *Regents*

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of Univ. of N.M. v. Knight, 321 F.3d 1111, 1119 (Fed. Cir. 2003).

Two thirds of the title to the invention that underlies '788 patent — and hence, a two-thirds interest in the patent itself — was plainly assigned to AVC by inventors Woo and Li. But Hsiun refused to assign anything to AVC. So Woo told the Patent Office that she had assigned her interest in the invention years earlier, and the Patent Office apparently bought his story.

But Woo's declaration to the patent office did not confer title to Hsiun's share of the invention/patent on AVC — any more than AVT's belief that AVC had passed title to the patent to Epogy turned *that* assertion from error to truth. *See Advanced Video Techs.*, 103 F. Supp. 3d at 424. What Woo may have believed (or hoped) about the ownership issue is irrelevant because — as has been said before in the context of this dispute — saying so does not make it so. The question is whether, as a matter of law, Hsiun's signature on her Employment Agreement operated to assign her one third share in the invention to Infochips, AVT's predecessor in interest twice removed. If it did not, then no matter what Woo said to the Patent Office, AVC did not own 100% of the '788 invention by assignment at the time it obtained the patent.

So we turn to the Employment Agreement, to see what, if anything, Hsiun assigned to Infochips.

The answer is: nothing.

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While state law governs the interpretation of contracts generally, “the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases” and is treated as a matter of federal law. *DDB Techs., L.L.C. v. MLB Advanced Media, LP.*, 517 F.3d 1284, 1290 (Fed. Cir. 2008). “[W]hether an assignment of patent rights in an agreement ... is automatic, requiring no further act on the part of the assignee, or merely a promise to assign depends on the contractual language.” *Id.*

Section 2.b of Hsiun’s contract states, “I agree that I ... *will hold in trust ... and will assign* to the Company all my right, title, and interest in and to any and all inventions.” (Chen Decl., Ex. 3 at AVT0000120 (emphasis added).) The words “will assign,” read naturally, refer to something Hsiun is agreeing to do in the future. And indeed, that is how these words have been interpreted by the courts.

The language of Hsiun’s Employment Agreement is virtually identical to the language parsed by the Federal Circuit in *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574 (Fed. Cir. 1991). In that case, Plaintiff Arachnid had been assigned rights in a patent by the patent’s co-owners. One such contractual assignment stated that rights to any inventions “will be assigned” by the inventor to Arachnid. The Federal Circuit held that language stating that inventions “will be assigned” by one entity to another did not create a present assignment of property rights, but rather was an agreement to assign those rights. Since, that promise notwithstanding, no such assignment was

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ever consummated, the Federal Circuit concluded that Arachnid was merely co-owner of the patent, and so lacked standing to sue for patent infringement. *Id.* at 1580.

By contrast, in *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245 (Fed. Cir. 2000), cited by AVT, the court parsed contract language stating that inventions “*shall belong exclusively to [Speedplay] [,] and [the employee-inventor] hereby conveys, transfers and assigns to [Speedplay] . . . all right, title and interest in and to Inventions.*” *Id.* at 1253 (emphasis added). The Defendant Bebop argued that the use of the phrase “shall belong” made the contract an agreement to assign, but the Federal Circuit, focusing on the words “*hereby conveys, transfers and assigns,*” concluded that the agreement constituted a present assignment of patent rights. That, too, is the natural reading of the language; “hereby” means “by this document,” which is being executed presently and not in the future.

The *Speedplay* court relied principally on *Filmtec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568, 1570 (Fed. Cir. 1991). In *Filmtec*, the Federal Government insisted that a contract granting it all of the right, title and interest in future inventions by the inventor operated as a present assignment, even though the inventions had not yet been created when the contract was signed. The Federal Circuit agreed, but did so because the contract said that MRI (the inventor), “... agrees to grant *and does hereby grant to the Government* the full and entire domestic right, title and interest” in any present *or future* invention. (Emphasis added). The words “does hereby grant” proved critical,

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because they indicated that the parties “did not merely obligate MRI to grant future rights, but expressly granted to the Government MRP s rights in any future invention.” The court reasoned that “no further act would be required once an invention came into being; the transfer of title would occur by operation of law.” *Id.* at 1573. *See also Imatec, Ltd v. Apple Computer, Inc.*, 81 F. Supp. 2d 471, 482 (S.D.N.Y. 2000) *affd*, 15 F. App’x 887 (Fed. Cir. 2001).

There is no similar “hereby” language in Hsiun’s Employment Agreement. She simply says that she “will hold” her inventions “in trust” for Infochips and “will assign” them to Infochips. (Chen Decl., Ex. 3 at AVT0000120.) “Will” is the language of a promise to do something in the future; it does not suggest present action.

Even more explicit is the language in *Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111 (Fed. Cir. 2003). There, various agreements between the employee-inventors and their University employer — including a Patent Policy, a Co-Inventor Agreement, powers of attorney, and certain Joint Assignments to parent patent applications — included the following language:

- “Such inventions and discoveries belong to the University,”
- The employees shall cooperate with the university including by “providing information needed for preparation of patent applications and associated documents [and] review and signing of patent applications and associated documents,”

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- “The University is the owner of the Inventions,”
- “It is understood by the Parties that [the University] as the owner of the Inventions has the right to assign or license any of the Inventions,” and
- Employees are required “to sign all lawful papers, to execute all divisions, continuations, substitutions, renewal, and reissue applications, [and] to execute all necessary assignment papers to cause any and all of said Patents to be issued to [the University].”

Regents, 321 F.3d at 1119-20 (Fed. Cir. 2003). The Federal Circuit concluded that the agreements “expressly vest ownership of the parent applications in [the University]. Furthermore, all of those documents imposed upon [the inventors] a continuing duty to cooperate in the prosecution of patent applications, which expressly includes ‘signing ... patent applications and associated documents’ and ‘execut[ing] all necessary assignment papers.’ *Id.* As such, the Federal Circuit, like the district court, declared that the University owned the patents in suit. *Id.* at 1118-1123.

There is yet another reason why the Employment Agreement’s “will assign” language cannot be read as a present assignment, but must be construed as a promise to assign in the future. The Employment Agreement provides that Hsiun “will hold” her inventions “in trust for Infochips.” Promising to hold inventions in trust for a third party is absolutely and utterly inconsistent with a present assignment of one’s interest in the invention to that party. If, by signing the Employment Agreement, Hsiun

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were signing away her rights to her inventions, she would not need to hold them in trust for anyone — she would already have given them away! But the contract language plainly contemplates that Hsiun would keep title to her inventions (albeit for the benefit of her employer) until such time as she executed the assignment contemplated by the contract. I find this language to be dispositive of the issue of present assignment.

AVT points to other language in the Employment Agreement to support its claim that Hsiun made a present assignment of rights in 1992. For example, it notes that the subheading of section 2.b is “Inventions and Original Works *Assigned* to the Company” (Chen Decl., Ex. 3 at AVT0000120 (emphasis added)), and argues that this means that section 2.b operates as a present assignment of Hsiun’s rights.

I disagree. The use of the past tense “assigned” in the subheading must be read in conjunction with the operative words in the text of the agreement, which are most decidedly not in the past or the present tense, but in the future tense — “will assign,” not “have assigned” or “hereby assigns.” The natural reading of the heading and text taken together is that Section 2.b applies to inventions and original works that are actually assigned to the company *once they are in fact assigned* in accordance with the terms of the Agreement. Furthermore, under California law (which governs the Employment Agreement), the fact that the past tense language is in a heading makes it more or less irrelevant, since “the absence of a fully descriptive heading does not restrict the

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plain meaning of the provision.” *Westrec Marina Mgmt., Inc. v. Arrowood Indem. Co.*, 163 Cal. App. 4th 1387, 1395, 78 Cal. Rptr. 3d 264, 270 (2008).

AVT also points to Section 2.e of the Employment Agreement, which states, “I agree that my obligation to assist the Company to obtain United States or foreign letters patent, copyrights, or mask work rights covering inventions ... *assigned hereunder to the Company* shall continue beyond the termination of my employment.” (Chen Decl., Ex. 3 at AVT0000121 (emphasis added).) AVT argues that the language of section 2.e assumes that section 2.b has already effected an assignment of rights.

But once again, AVT offers a strained reading of the language. The phrase “inventions...assigned hereunder to the Company” plainly refers to any inventions that may be from time to time assigned in accordance with Section 2.b — which is not, by its terms, a present assignment. Indeed, the only way to make Section 2.e consonant with Section 2.b is to conclude that section 2.e applies only to inventions that Hsiun actually assigned to Infochips. No such assignment was executed in connection with the invention underlying the ’788 patent.

Thus, the most natural reading of the Employment Agreement — as was the case in *Arachnid* — is that the Agreement merely obligated Hsiun to grant future rights to Infochips. It did not effect a present assignment of rights to any future inventions.

*Appendix C***B. AVT Does Not Otherwise Own All Necessary Rights in the Patent**

That ruling does not dispose of this case. AVT makes two other arguments for why it owns the entire interest in the patent.

1. AVT Has No Rights Under the So-Called Power of Attorney Clause That Allow it to Avoid the Doctrine of Prudential Standing

The argument the court considers to be the principal argument is AVT's assertion that, per the "power of attorney" clause in section 2.e of the Employment Agreement, "The right to act as Ms. Hsiun's agent went to AVC as a successor-in-interest, and the Receiver assigned whatever rights Ms. Hsiun may have had (if any) to Plaintiff AVT on June 5, 2015." (Pl. Opp., Docket No. 26, at 6.) Defendants respond that "AVT's arguments are irrelevant because *no one ever signed any assignment papers on behalf of Ms. Hsiun* during prosecution of the '788 patent using the alleged power of attorney, *which did not extend to anything beyond issuance of the patent.*" (Defs.' Reply Br. in Support of Their Mot. to Dismiss, Docket No. 27, at 11-12 (emphasis in original).)

Defendants are correct.

a. The Employment Agreement Created an Agency Coupled with an Interest

Section 2.e of the Employment Agreement obligates Hsiun to "assist the Company *to obtain United States or foreign letters patent, copyrights, or mask work rights*

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covering inventions, works of authorship, and mask works, respectively, assigned hereunder to the Company.” (Chen Decl., Ex. 3 at AVT0000121 (emphasis added).) It further provides that:

If the Company is unable because of my mental or physical incapacity or for any other reason to secure my signature to apply for or to pursue any application for any United States or foreign letters patent, copyrights, or mask work rights covering inventions or other rights assigned to the Company as above, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, copyrights, and mask work rights with the same legal force and effect as if executed by me.

(Chen Decl., Ex. 3 at AVT0000121.)

Under the law of agency, Infochips’ rights under the power of attorney clause are best characterized as an agency coupled with an interest (or, as it is referred to in the Restatement, as a “power given as security” (Restatement (Third) Of Agency § 3.13 (2006)).

“The requirements for the creation of an agency coupled with an interest are (1) that the agency be held for the benefit of the agent and not the principal, (2) that the agency is created to secure the performance of a

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duty to the agent or to protect a title in him, and (3) that the agency is created at the same time the duty or title is created or is created for consideration.” *Lombardo v. Santa Monica Young Men’s Christian Assn.*, 169 Cal. App. 3d 529, 541, 215 Cal. Rptr. 224, 231 (Ct. App. 1985). Here, the creation of the agency was clearly for the benefit of Infochips — the power of attorney granted Infochips the right to sign Hsiun’s name, should she refuse to comply with certain obligations in the Employment Agreement. It was created to secure the performance of a duty — that is, to force Hsiun, in one way or another, to comply with those obligations. And the agency was created at the same time — indeed, by the very same contract — as the underlying duty was created.

In California, “A written grant of authority or a power of attorney that is not subject to the statutory provisions regarding powers of attorney is subject to the common law of agency relating to the creation, termination, and revocation of the agent’s authority, and the authority of the agent is prescribed by the common law and the express provisions of the written grant of authority.” 1 Cal. Real Est. § 1:98 (4th ed.). An agency coupled with an interest is not subject to California’s statutory provisions regarding power of attorney, and so is governed by common law. *See* Cal. Prob. Code § 4050(b)(1). Under the common law, an agency coupled with an interest may not be terminated at the will of the principal. Rather, it is an irrevocable power, and the agent (for whose benefit the agency was created) may seek specific enforcement of its interest in the event that the principal attempts to revoke the agency. Restatement (Third) Of Agency § 3.12 (2006) (Comment B). In our case, the Employment Agreement explicitly makes the power irrevocable.

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The parties have not briefed the issue of whether an agency coupled with an interest passes automatically to the agent's successors and assigns under California law. Certainly, the Employment Agreement is not as helpful as it might be, since it does not define the term "Company," for purposes of this (or any) clause therein, as "Infochips, its subsidiary or affiliate *and its successors and assigns.*" It simply defines the term "Company" as "Infochips, its subsidiary or affiliate." AVC (and before that, LMS) was neither a "subsidiary" nor an "affiliate" of Infochips. All AVC did was purchase certain pledged assets of Infochips from the latter's lender, LMS.

However, the Employment Agreement does contain a clause stating that its provisions were intended "for the benefit of Infochips and its successors and assigns. Section 6.d of the Employment Agreement states, "This Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company, its successors, and its assigns." (Chen Decl, Ex. 3 at AVT0000123.) The Employment Agreement also contains a "survival" clause, which states that, "The provisions of this Agreement shall survive the termination of my employment and the assignment of this Agreement by the Company to any successor in interest or other assignee." (*Id.*)

One of the provisions that was of "benefit" to Infochips, and that would be of benefit to its "successors and assigns," was the agency coupled with an interest, because it was intended irrevocably to facilitate the prosecution of patent applications despite Hsiun's failure to cooperate.

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Woo purchased, *inter alia*, the Employment Agreement from LMS. Although the record is silent about whether the purchase of this asset (for the Employment Agreement was an asset) constituted “an assignment of this agreement by the Company to any successor in interest or other assignee,” I will assume without deciding that there was such an assignment.³ Woo subsequently assigned his interest in the assets he had purchased from LMS to AVC. Since Hsiun’s employment had long since ended, the only rights against Hsiun that AVC might have acquired were those rights that Infochips retained following the termination of Hsiun’s employment.

One of those surviving rights was the right to compel Hsiun to live up to her obligation to cooperate in the prosecution of the patent. But assuming *arguendo* that AVC ever really succeeded to this right, Woo did not choose to exercise it. That is, he did not elect to sue Hsiun for her undoubted breach of that obligation, which expressly survived termination.⁴

Another surviving enforcement right was the agency coupled with an interest. The holder of that power had the

3. To be completely frank, I doubt there was such an assignment, and I am sure AVT could not prove that one occurred. Whether the sale of the contract without an assignment transferred Infochips’ rights under the contract is (1) not briefed and (2) open to question. But I need not, and therefore do not, resolve this issue.

4. This fact might be thought to suggest that Woo himself doubted that he had succeeded to the surviving enforcement rights under the Employment Agreement, but again, I need not go there.

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right (1) to sign Hsiun's name to "patent applications," if she failed to sign them herself and the right (2) to engage in all "all other lawfully permitted acts *to further the prosecution and issuance of letters patent...*" (Chen Decl., Ex. 3 at AVT0000121 (emphasis added).) There is at least an argument that effecting an assignment of Hsiun's interest in the underlying invention (an assignment Hsiun refused to make) could constitute a "lawfully permitted act[] to further the prosecution" of the patent. If it were necessary for AVC to demonstrate that it held 100% title to the invention in order to prosecute an application for a patent solely in its name, and if the only way for AVC to own 100% of the invention was for Hsiun AVC to assign her rights in the invention, then the power to do "lawful acts to further the prosecution" of the patent would seem to include the power to sign Hsiun's name to an assignment. As it is unnecessary to decide this issue as well, I assume — again, for the sake of argument only — that such an assignment would fall within the powers conferred upon Infochips and its successors-in-interest by section 2.e of the Employment Agreement.

But neither Woo nor AVC ever signed Hsiun's name, either to a patent application or to any assignment of her interest in the invention. Instead, Woo asserted to the PTO that Hsiun had assigned her interest in the patent to Infochips back in 1992, by virtue of her signing the Employment Agreement. As detailed above, that assertion was (like so many of the assumptions made by AVT and its various predecessors in interest) factually and legally erroneous.

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Thus, AVC did not ever obtain Hsiun's 1/3 interest in the patent, to which Hsiun was entitled as a matter of law because she was an inventor who never assigned away her rights. *See Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1119 (Fed. Cir. 2003) (absent an assignment, "initial ownership of a patent vests in the inventor by operation of law"). AVC had a 2/3 interest in the patent and Hsiun retained her 1/3 interest (admittedly in violation of her contractual obligations). The failure to sign Hsiun's name to a patent application or to effect any assignment of Hsiun's interest is simply another instance of Plaintiff's bluffing with respect to ownership of the patent and hoping no one would notice. But someone did notice — namely, Motorola, Blackberry, and HTC. And now this court.

This fact, on its own, is sufficient to dismiss the second iteration of these cases. But AVT's problems don't stop there.

b. AVT Never Succeeded to the Agency Coupled with an Interest, and in Any Event, That Power Has Long Since Expired

The next problem for AVT is the nature of what was assigned by AVC's recently appointed Receiver.

AVC's Receiver assigned "any and all right, title, and interest to *United States Patent No. 5,781,788* (the "*Patent*") held and enjoyed by [AVC]." (Compl., Ex. F (emphasis added).) On the day that AVC's Receiver made that assignment, AVC had an undivided 2/3 interest in the

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'788 patent, and Hsiun had an undivided 1/3 interest in the patent. Therefore, the Receiver could at most assign to AVT a 2/3 interest in the patent. AVC's Receiver could not assign to AVT something that AVC did not own, and — even assuming AVC had succeeded to Infochips' surviving rights under the Employment Agreement — AVC did not own Hsiun's interest in the patent.

AVT simply cannot argue that AVC owned Hsiun's interest in the patent, because Woo never did any of the things he could have done to obtain that interest. He did not sue Hsiun to compel her to assign her interest, and he did not exercise the irrevocable power to assign her interest to AVC.

AVT cannot, and so does not, deny these facts.⁵ Nonetheless, it says that the lawsuit can be maintained in Hsiun's absence because it has succeeded to AVC's irrevocable power to do anything necessary to obtain the patent. (*See* Pl. Opp. at 6). Indeed, AVT actually argues that Hsiun “never ha[s] any personal ownership to any rights under the '788 patent” in part because she “granted the Company power of attorney to sign her name if the Company was unable, **for any reason**, to obtain her signature on any necessary documents. (*Id.* at 9 (emphasis in original).)

5. Which is not to say that AVT admits them; AVT argues that Hsiun never owned any interest in the invention or in the patent, because she assigned her rights when she signed the Employment Agreement. Unfortunately for AVT, I have already revealed the flaw in that argument and so rejected the premise of AVT's opposition papers.

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Because AVT erroneously insists, as Woo insisted, that Hsiun never owned any part of the invention or the patent, its backup argument is purely theoretical. If AVT had acquired the agency coupled with an interest, it has not purported to exercise any such irrevocable power to assign Hsiun's interest in the patent (otherwise it would have undercut the argument it inherited from the hapless Woo). Absent actual exercise of the power to sign Hsiun's name, AVT, as a simple matter of fact, is not the 100% owner of the patent. It therefore cannot maintain the lawsuit in Hsiun's absence.

But, more importantly, AVT has no such power to exercise.

It is undisputed that AVT is only the assignee of whatever interest AVC had *in the '788 patent*. The Receiver did not assign to AVT any interest that AVC may have had in any other asset that were owned by AVC — including *the Employment Agreement*, which is a wholly separate asset from the invention and the patent thereon. And it is the Employment Agreement, not the patent, that confers the irrevocable power on Infochips (and, arguably, on its successors and assigns).

AVC obtained its interest in the Employment Agreement when Woo assigned the assets he had purchased from LMS to AVC. But neither AVC nor AVC's Receiver ever assigned *the Employment Agreement* to anyone — and certainly not to AVT via the Assignment quoted above.

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The absence of such an assignment is fatal to AVT's claim to the agency coupled with an interest. The whole point of the first litigation was to establish that AVC failed to convey any interest in *any* of its assets (patent, Employment Agreement, whatever) to its successor in interest, Epogy, when it became a subsidiary of Epogy. If the 2015 Decision stands for anything, it stands for the proposition that AVC did not pass title to its assets to Epogy, and that Epogy therefore could not pass title to AVC's assets to a Mr. J. Nicholas Gross, and that Mr. Gross could not pass title to AVC's assets to AVT. The 2015 Decision is final and has not been appealed; principles of former adjudication bar AVT from re-arguing the point.

So the only possible way for AVT to have acquired whatever rights AVC had as a result of its ownership of the Employment Agreement was if the recently appointed Receiver assigned AVT those rights. But the Receiver only assigned AVC's rights in the '788 Patent, and the Employment Agreement's enforcement provision are not rights *in the patent*, even though they are not wholly unrelated to the patent. Assigning AVC's rights in the '788 patent did not effect an assignment of its rights in Hsiun's Employment Agreement.

So what comes next? Do we go through this exercise yet again? Does AVT go back to the Court of Chancery and ask for the appointment of yet another Receiver?

No, we don't. Because there is nothing left for AVC (or a Receiver for AVC) to assign. As Defendants correctly argue, the agency coupled with an interest by its terms

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was good for one thing and one thing only — it existed for the limited purpose of *obtaining* the patent. That is, it permitted the holder of the power, the agent, to sign applications and do all other lawful things that were necessary in order to get the PTO to issue a patent. *But the patent has already been obtained.* It issued in 1998. The patent has not been cancelled. The patent exists. There is no need to “obtain” it — even though the PTO was operating under a mistaken premise when it issued the patent to AVC alone.

So even if AVC’s Receiver had purported to confer AVC’s powers under the Employment Agreement onto AVT — which he did not — it would avail AVT absolutely nothing. Signing Hsiun’s name to an assignment today cannot possibly qualify as a lawful act done *to obtain the patent*. The power cannot be broadened beyond its terms, and its terms are quite clear.

Indeed, the power no longer exists. Under California law, when the subject matter underlying a power coupled with an interest expires, the power of attorney expires. *Bonfigli v. Strachan*, 192 Cal. App. 4th 1302, 1313, 122 Cal. Rptr. 3d 447, 456 (2011), *as modified on denial of reh’g* (Mar. 24, 2011). Here, the subject matter underlying the power of attorney is the attainment of a patent. Because the patent has already issued, the power of attorney has expired. It ended in 1998, when the patent issued.

*Appendix C***2. AVT Never Succeeded to Any Rights Conferred by the Quitclaim**

The final argument made by AVT is that it can maintain this lawsuit in Hsiun's absence because, under a "quitclaim" clause in the Employment Agreement, she deeded to Infochips and its successors and assigns her interest in any patent litigation that might be brought in connection with her invention.

The language of the quitclaim provides as follows: "I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have [for] infringement of any patents, copyrights, or mask work rights resulting from any such application assigned hereunder to the Company." (Chen Decl., Ex. 3 at AVT0000121.)

For the same reason as explained above, AVT has no interest in this quitclaim. The quitclaim rights arise under the Employment Agreement; they are not part and parcel of AVC's rights under the '788 patent. Because AVC never transferred the Employment Agreement to anyone, AVT has no rights that arise by virtue of the Employment Agreement. Whatever powers the quitclaim conferred upon AVC were never transferred to AVT.

And once again, returning to the Court of Chancery to obtain further assignment of AVC's assets would be unavailing. By its terms, the quitclaim applies only to patents that Hsiun *assigned to the Company* in accordance with the obligations she undertook in the

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Employment Agreement. The '788 patent is not such a patent. Hsiun had an undoubted contractual obligation to assign the patent to Infochips or (the Court is assuming) to its successors in interest who had the benefit of the Employment Agreement. Hsiun breached her contract when she refused to execute the assignment in 1995. But her breach did not work an assignment, and Woo and AVC never sued to compel Hsiun to live up to her obligations. Therefore, the quitclaim could never, by its terms, apply to the '788 patent.

IV. The Complaint is Dismissed with Prejudice

As discussed above, the Federal Circuit has long held that a co-owner of a patent cannot maintain a suit for patent infringement absent the joinder of all co-owners. *See STC. UNM v. Intel Corp.*, 754 F.3d 940, 947 (Fed. Cir. 2014) *cert. denied*, 135 S. Ct. 1700, 191 L. Ed. 2d 676 (2015). “Indeed, generally ‘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.’” *Id.* (citing *Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341, 345 (Fed.Cir.1997)). Thus, in the patent context, an absent co-owner of a patent is both a necessary and indispensable party to suit for purposes of Rule 12(b)(7). These lawsuits must be dismissed, because one of the co-owners of the patent is not a party to it.

Woo and AVC had a strong case for breach of contract against Hsiun when she refused to sign the assignment. They chose not to bring that lawsuit. AVT argues here that Infochips’ and its successors had the right to sign

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Hsiun's name to a patent application and to assign her interest in the invention; but neither AVT, nor Woo or AVC before it did either of those things. Instead, they did exactly what AVT did during all the years when it was bringing infringement actions while aware of a potential defect in its title to the patent: Woo declared that AVC owned Hsiun's interest and toughed it out, hoping that no one would ever mount a challenge. Unfortunately for AVT, someone has mounted a challenge.

The dismissal is with prejudice. AVT expended considerable effort to cure the defect in title that proved fatal the last time around, but the court made no secret of the fact that the issue of Hsiun's partial ownership of the patent was still lurking, unresolved. AVT has not cured this defect, and for the reasons set forth above, it does not appear to this court that AVT can do so. Even if a Receiver for AVC assigned the Employment Agreement to AVT, AVT has no remedy left to it. It is no longer able to compel Hsiun to comply with the terms of her Employment Agreement, because the statute of limitations on a breach of contract claim ran years ago. It cannot assign itself Hsiun's interest in the patent, because the agency coupled with an interest expired by its terms when the patent was obtained, 18 years ago. And the quitclaim of litigation does not apply to the '788 patent for the simple reason that Hsiun never assigned her interest in that patent to anyone.

The time to clear up the question of Hsiun's interest in the invention, and hence in the patent, was during the patent application process — not today, two decades later.

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CONCLUSION

For the foregoing reasons, Defendants' motion to dismiss with prejudice is granted. The Clerk of the Court is directed to remove Docket No. 18 in 15 Civ. 4626, Docket No. 17 in 15 Civ. 4631, and Docket No. 15 in 15 Civ. 4632 from the Court's list of pending motions.

Dated: June 14, 2016

/s/ Colleen McMahon
U.S.D.J.