

No. 18-77

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*

BRIEF IN OPPOSITION BY RESPONDENTS

Heidi Keefe
Counsel of Record

Mark Weinstein

Reuben Chen

Kyle Chen

COOLEY LLP

3175 Hanover Street

Palo Alto, CA 94304

(650) 843-5000

hkeefe@cooley.com

mweinstein@cooley.com

rchen@cooley.com

kyle.chen@cooley.com

Attorneys for Respondents
HTC CORPORATION and HTC AMERICA, INC.

Additional counsel listed on inside cover

William D. Coston
Jeffri A. Kaminski
Christopher T. La Testa
VENABLE LLP
600 Massachusetts Ave., NW
Washington DC 20001
(202) 344-4000
wdcoston@venable.com
jakaminski@venable.com
ctlatesta@venable.com

*Attorneys for Respondents
BlackBerry Ltd. and BlackBerry Corporation*

Frederick L. Whitmer
Steven D. Moore
D. Clay Holloway
KILPATRICK TOWNSEND & STOCKTON LLP
1100 Peachtree St. NE
Atlanta, GA 30309
(404) 815-6500
fwhitmer@kilpatricktownsend.com
smoore@kilpatricktownsend.com
cholloway@kilpatricktownsend.com

Attorneys for Respondent Motorola Mobility LLC

QUESTIONS PRESENTED

The specific issue raised by the Petitioner arises out of a situation that rarely occurs: when one joint patent owner files suit without first reaching an agreement with the other joint owner(s) on the details of the assertion. The Federal Circuit correctly held that Federal Circuit Rule of Civil Procedure 19 (“Rule 19”) does not authorize involuntary joinder of the unwilling joint patent owners “in the absence of an agreement to the contrary” under 35 U.S.C. § 262. This very issue was previously decided in 2014 by the Federal Circuit in *STC.UNM v. Intel Corp.*, in which both rehearing *en banc* and *certiorari* were denied. *See STC.UNM v. Intel Corp.*, 754 F.3d 940 (Fed. Cir. 2014), *reh’g en banc denied*, 767 F.3d 1351 (Fed. Cir. 2014), *cert. denied*, 135 S. Ct. 1700 (2015). This time, a *per curiam* decision by the entire Federal Circuit unanimously denied AVT’s petition for rehearing *en banc* raising exactly the same issue (which, however, had never been raised by AVT before the trial court):

Absent an agreement to the contrary, should one suing patent co-owner be allowed to force all other unwilling co-owner(s) to join an infringement suit under Rule 19, thus thrusting them into costly litigation (in which their patent is subject to potential invalidation) and putting them at risk of, *e.g.*, sanctions in exceptional cases under 35 U.S.C. § 285 or possibly disruption of established business relationships with the defendant or related parties?

**RULE 29.6 CORPORATE
DISCLOSURE STATEMENT**

HTC Corporation is a publicly traded corporation that has no parent corporation, and no publicly held corporation owns 10% or more of its stock. HTC America Inc. is a wholly-owned subsidiary of HTC Corporation.

Motorola Mobility, LLC is a direct, wholly-owned subsidiary of Motorola Mobility Holdings LLC, which is an indirect, wholly-owned subsidiary of Lenovo Group Limited. No publicly held corporation owns 10% or more of its stock.

BlackBerry Corporation is a wholly-owned subsidiary of BlackBerry Limited. BlackBerry Limited has no parent corporation and no publicly held corporation owns 10% or more of its stock.

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BRIEF IN OPPOSITION**I. PRELIMINARY STATEMENT**

Advanced Video Technologies LLC (“AVT”) petitions that a single *co-owner* of a patent should be allowed to decide *unilaterally* to file an infringement suit, and then involuntarily join all other unwilling co-owners who have never agreed to be joined in a suit. But this Court previously rejected a petition for *certiorari* raising exactly the same issue in *STC.UNM v. Intel Corp.*, 754 F.3d 940 (Fed. Cir. 2014), *reh’g en banc denied*, 767 F.3d 1351 (Fed. Cir. 2014), *cert. denied*, 135 S. Ct. 1700 (2015). Relying on longstanding and settled precedents of the Federal Circuit, *STC.UNM* specifically held that *ordinarily* “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).” *Id.* at 946. The Federal Circuit denied rehearing *en banc*, and this Court denied *certiorari*; and AVT identifies no intervening change in law or other circumstances that would warrant reconsideration of the well-settled *STC.UNM* holding.¹

Contrary to AVT’s assertion, the Federal Circuit has never adopted a blanket rule excluding the

¹ Indeed, the *STC.UNM* case presented a much better record for addressing the issue. There, the plaintiff unsuccessfully moved for joinder under Rule 19. The *en banc* panel split 6-4 on the very issue addressed by the trial court and presented in the petition for *certiorari*. Here, AVT did not press the issue in the district court and did not raise the issue in its briefs to the deciding panel of the Federal Circuit.

application of involuntary joinder under Rule 19 to patent cases. The Federal Circuit has instead held that involuntary joinder can apply if certain conditions are satisfied. For example, “when any patent owner has granted an exclusive license, he stands in a relationship of trust to his licensee and can be involuntarily joined as a plaintiff in the licensee’s infringement suit[.]” *STC.UNM*, 754 F.3d at 946 (internal quotations omitted). Similarly, “if, 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.” *Id.* (internal quotations omitted); *accord Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1468 n. 9 (Fed. Cir. 1998); *cf. Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341, 344 (Fed. Cir. 1997) (“Absent such an agreement [that gives each co-owner the unilateral right to sue], Schering, as a co-owner, would not be able to sue for infringement if its co-owner Roussel declined to join the suit.”)

Further, the Federal Circuit’s rulings are supported by statute—specifically 35 U.S.C. § 262 (hereinafter “Section 262” or “§ 262”). AVT wrongly suggests that the substantive right of a co-owner not to be dragged into an unwanted infringement suit by another co-owner was created from whole cloth by the Federal Circuit. But that substantive right arises directly from the statutory right of each joint owner to *unilaterally* enjoy her patent without interference from the other co-owners “[i]n the absence of an agreement to the contrary[.]” *See* 35 U.S.C. § 262 (italics added); *see also Ethicon*, 135 F.3d at 1468 (“[O]ne 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. This rule finds support

in section 262 of the Patent Act.”) (internal citation omitted).

AVT’s proposal to require joinder of unwilling patent co-owners would also open up a Pandora’s Box by requiring district courts to confront new and potentially unmanageable challenges created by warring co-owners. *Id.* For example, what if a patent has ten co-owners and only one wants to sue? Can the other nine be involuntarily joined under protest? According to AVT’s proposal, the answer would be yes, and the nine co-owners would be “thrust into costly litigation where [their] patent is subject to potential invalidation”² and put at risk of “sanctions in exceptional cases under § 285, and disrupt[ion of] established business relationships with the defendant or related parties.”³

The rule adopted in *STC.UNM* prevents district courts from having to confront these difficult questions, and serves the important public policy of requiring patent co-owners to work out ownership and enforcement related issues in an agreement *before* burdening district courts and defendants with a costly patent suit. The rule acknowledges that co-owners of a patent are in a unique position to address and agree upon assertion related issues long before any suit is filed through careful and thorough contract negotiations (or appropriate legal actions if needed). This ensures that district courts and defendants are not burdened with infringement suits by co-owners

² *STC.UNM*, 754 F.3d at 947.

³ *STC.UNM*, 767 F.3d at 1355 (Dyk, J., *et al.*, concurring).

who did not bother to work through their ownership issues before filing suit. District courts and defendants deserve at least as much.

II. STATEMENT OF THE CASE

The relevant underlying facts are straightforward. Ms. Vivian Hsiun was a co-inventor (and thus a co-owner) of the asserted patent in the underlying case. She was never a party to the case, and AVT never sought to join her, involuntarily or otherwise.

AVT instead maintained that Ms. Hsiun's presence in the suit was unnecessary because, according to AVT, she transferred her interest in the patent to her former employer through her employment agreement. AVT is a non-practicing entity unaffiliated with the original inventors or Ms. Hsiun's former employer. AVT claimed that it obtained Ms. Hsiun's interest to the patent through a chain of transfers executed over several years involving, among others, her former employer.

The district court and the Federal Circuit panel majority rejected AVT's position and held that the employment agreement containing merely "will assign" and "will hold in trust" clauses did not effectuate any present assignment of Ms. Hsiun's patent rights to her former employer. *See Advanced Video Techs. LLC v HTC Corp.*, 879 F.3d 1314, 1317-

18 (Fed. Cir. 2018).⁴ As a result, because neither AVT nor its predecessors ever obtained any assignment from Ms. Hsiun, AVT did not acquire her patent rights and thus lacked prudential standing to bring suit.⁵ AVT is not challenging this aspect of the Federal Circuit's decision.⁶

⁴ The panel majority also held that a “quitclaim provision” in the employment agreement “has no application” because “no patent rights were ever assigned to [her former employer.]” *Advanced Video Techs.* F.3d at 1319. AVT did not petition for *certiorari* on this issue.

⁵ The district court held that AVT never obtained any interest under the employment agreement between Ms. Hsiun and her former employer, which the district court described as “a wholly separate asset from the invention and the patent thereon.” *Advanced Video Techs., LLC v. HTC Corp.*, Nos. 15 Civ. 4626 (CM), 15 Civ. 4631 (CM), 15 Civ. 4632 (CM), 2016 WL 3434819, at *14 (S.D.N.Y. Jun. 14, 2016). AVT never appealed this aspect of the district court's order to the Federal Circuit. The district court also separately observed that AVT “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.” *Id.* at *16.

⁶ Moreover, AVT's original actions previously filed against Appellees were dismissed for lack of subject matter jurisdiction on April 28, 2015 because AVT did not hold any interest in the patent-in-suit at all. *See Advanced Video Techs., LLC v. HTC Corp.*, 103 F.Supp. 3d 409 (S.D.N.Y. 2015) (“Dismissal Order”). AVT did not appeal the Dismissal Order, only the district court's later award of attorneys' fees under 35 U.S.C. § 285, which was then upheld by the Federal Circuit in a *per curiam* opinion. *Advanced Video Techs. LLC v. HTC Corp.*, No. 1:11 Civ 06604 (CM), No 1:11 Civ. 08908, No. 1:12 Civ. 00918 (CM), 2015 U.S. Dist. LEXIS 122423, at *46-47 (S.D.N.Y. Aug. 28, 2015) (*aff'd; reh'g en banc denied*).

After the Federal Circuit's decision, AVT sought panel rehearing and rehearing *en banc*, for the first time asking the the Federal Circuit to allow involuntary joinder of Ms. Hsiun under Rule 19. AVT never previously made that argument. A unanimous *per curiam* decision by the full Federal Circuit denied AVT's rehearing petition. AVT's petition for a *writ of certiorari* to this Court followed.

III. ARGUMENT

A. AVT's Petition for *Certiorari* Should Be Denied.

In its petition for rehearing *en banc*, AVT argued for the first time that, given Ms. Hsiun was a co-owner of the patent-in-suit, she should have been joined involuntarily under Rule 19.⁷ As explained below, AVT has waived this argument. And even if considered on its merits, the argument is wrong and should be rejected.

⁷ In its petition for rehearing *en banc* before the Federal Circuit, AVT also argued alternatively that a co-owner such as Ms. Hsiun was not a necessary party. AVT now concedes in its petition for *certiorari* that a co-owner is a necessary party under this Court's precedent. (Petition at 6-7 (citing *Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 468 (1926).)

1. **AVT Waived the Involuntary Joinder Argument by Raising It Only for the First Time in Its Petition for Rehearing *En Banc* before the Federal Circuit.**

The procedural posture of this case confirms that even if a basis existed to question the wisdom of the Federal Circuit’s rule in *STC.UNM* (and no such basis exists as explained above and below), the present case does not present the proper vehicle to do so because the issue had never been litigated before the district court. *See Yee v. City of Escondido*, 503 U.S. 519, 538 (1992) (“Prudence also dictates awaiting a case in which the issue was fully litigated below, so that we will have the benefit of developed arguments on both sides and lower court opinions squarely addressing the question.”).

Prior to its petition for rehearing *en banc* before the Federal Circuit, AVT never argued that Ms. Hsiun should have been joined involuntarily under Rule 19. (*See, e.g.*, Federal Circuit Oral Argument Recording at 15:18-26 (AVT admitting it “did not try to join [Ms. Hsiun] under Rule 19” in this litigation).) In fact, AVT had gone so far as to assert that “not only is there no need to join Ms. Hsiun as a party, *doing so would be improper.*” (Appx370, Fed. Cir. Case Nos. 2016-2309,-2310,-2311, Dkt. 64 at 6 (Mar. 13, 2018) (*italics added*)). AVT further argued that Ms. Hsiun was not even a “necessary” party – a prerequisite to joinder under Rule 19. (*See, e.g.*, AVT Petition at 6 (“Throughout this appeal, and in fact throughout the litigation of this issue, AVT asserts that ... because AVT is the *only* existing party with the *right* to sue for

infringement of the ... patent[-in-suit], AVT is the *only necessary party* in this action.”) (italics added.)

Because AVT had never raised the involuntary joinder argument under Rule 19 before its petition for rehearing *en banc* to the Federal Circuit, the argument had been waived, and thus *certiorari* should be denied.

2. **Absent an Agreement to the Contrary, Involuntary Joinder Under Rule 19 Impermissibly Abridges and Enlarges Substantive Patent Rights, Which Do Not Include a Unilateral Right To Sue by an Individual Co-Owner.**
 - a. ***STC.UNM* Correctly Recognizes that a Joint Owner of a Patent Has the Substantive Right To Remain Uninvolved in Infringement Litigation.**

The Federal Circuit’s *STC.UNM* decision held 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).” 754 F.3d at 946. This substantive right finds support in the joint ownership provided by 35 U.S.C. § 262 which reads: “In the absence of 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.”

Section 262 is consistent with common law notions of joint ownership. The statute grants each joint owner of a patent the unilateral right to enjoy and exploit the patented invention without interference from other co-owners. The Federal Circuit has therefore long held that Section 262 “allows co-owners to freely license others to exploit the patent without the consent of other co-owners.” *Ethicon*, 135 F.3d at 1468; *accord, e.g., Schering*, 104 F.3d at 344; *STC.UNM*, 754 F.3d at 946-47. Likewise, “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.” *Ethicon*, 135 F.3d at 1468 (citation omitted). “[T]he congressional policy expressed by § 262 is that patent co-owners are ‘at the mercy of each other.’” *Id.* (citation omitted).

The right to refuse to join an infringement suit recognized in *STC.UNM* flows directly from the undivided right of each joint owner to enjoy the patent without interference from any other joint owners. Giving one co-owner the right to unilaterally sue for infringement, over the objections of other co-owners, is inconsistent with the joint ownership provided in Section 262.

And as a practical matter, because one joint owner under Section 262 has the right to practice or license the patent to a third party, without the consent of the other joint owners, that joint owner can obviously prevent or curtail any patent infringement suit filed by another co-owner. It would therefore be

inconsistent with the rights of a joint owner if another co-owner could simply involuntarily join her into a costly infringement suit without her consent.⁸

b. *STC.UNM* Also Correctly Held that Rule 19 Cannot Trump Patent Co-Owners' Substantive Rights.

As held in *STC.UNM*, applying Rule 19 indiscriminately to allow involuntary joinder would be inconsistent with each joint owner's substantive right of unilateral enjoyment of the patent without interference from other co-owners absent "an agreement to the contrary" under § 262. All of the Federal Rules of Civil Procedure, including Rule 19, stem from authorization granted under the Rules Enabling Act, *i.e.*, 28 U.S.C. § 2072. That Act

⁸ While completely ignoring § 262 as authority for the right of a joint owner to refuse to join an infringement suit, AVT argues that the Federal Circuit misconstrued the Sixth Circuit's decision in *Willingham v. Star Cutter Co.*, 555 F.2d 1340, 1346 (6th Cir. 1977). (Petition at 8.) But *Willingham* involved an infringement action where the co-owners had reached an *agreement* giving each party the right to sue without the other party's consent if the other party refused to sue. *See Willingham*, 555 F.2d at 1341-42; *see also id.* at 1346 ("[U]nder the facts of the present case, Rule 19(a) requires the continued joinder of [co-owner] as an involuntary plaintiff in the infringement suit."). No such agreement exists here. As observed in footnote 5, *supra*, AVT never obtained rights under Ms. Hsiun's employment contract with her former employer.

unambiguously states that the rules “shall not abridge, enlarge or modify any substantive right” such as those under § 262. 28 U.S.C. § 2072(b).

But under the proposal by AVT, a single co-owner could bring an infringement suit and force involuntary joinder upon every other co-owner under Rule 19 even “in the absence of an agreement to the contrary” under § 262. By enabling a suing co-owner to “thrust [other co-owners] into costly litigation where [their] patent is subject to potential invalidation”⁹ and to put them at risk of “sanctions in exceptional cases under § 285, and disrupt[ion of] established business relationships with the defendant or related parties,”¹⁰ Rule 19 would drastically “enlarge” the suing co-owner’s right and “abridge” the other co-owners’ rights under § 262. Thus, AVT’s proposal to apply Rule 19 indiscriminately to patent cases would run afoul of the Rules Enabling Act and must be rejected.

AVT relies on Judge O’Malley’s citation to *Provident Tradesmens Bank & Trust Co. v. Patterson*, 390 U.S. 102 (1968), for the proposition that “it is Rule 19—not substantive judge-made laws governing joinder—that establishes the criteria for assessing joinder.” Petition at 11. But the question in *Provident Tradesmens* was whether the procedural protections afforded to indispensable parties were *themselves* substantive rights, and the Supreme Court suggested that they were not. See *Provident Tradesman*, 390

⁹ See *STC.UNM*, 754 F.3d at 947.

¹⁰ See *STC.UNM*, 767 F.3d at 1355 (Dyk, J., *et al.*, concurring).

U.S. at 125 (“The majority of the Court of Appeals read *Shields v. Barrow* to say that a person ... ha[s] a ‘substantive right’ to have suits dismissed in their absence. We are unable to read *Shields* as saying either. It dealt only with persons whose interests must, unavoidably, be affected by a decree and it said nothing about substantive rights.”). The Supreme Court in that case did not confront, let alone suggest existence of, any potential conflict between Rule 19 and a right created by substantive federal law, such as the rights here afforded to joint patent owners. And the Rules Enabling Act makes clear that federal substantive law must prevail in the event of any conflict. *See* 28 U.S.C. § 2072(b).

3. Overturning *STC.UNM* Would Be Unjust, Unworkable, Disruptive, and Contrary to Public Policy.

From a policy standpoint, indiscriminately allowing a single suing patent co-owner to involuntarily join all other co-owners under § 262 would be unjust, unworkable, and disruptive. For instance, suppose a patent has ten co-owners, and only one is suing. Can the other nine be compelled to join the suit under Rule 19? Under AVT’s proposal to overturn *STC.UNM*, the answer would be “yes,” which is unjust. This would allow one co-owner to file suit and then use the threat of involuntary joinder under Rule 19 as leverage to exact concessions from other co-owners – including concessions that the filing co-owner might not have otherwise obtained through arms-length contract negotiations without the cloud of litigation. The threat of being involuntarily dragged into a patent infringement suit can provide

potent leverage against those co-owners who want no part in the suit. This leverage would give a filing patent co-owner a powerful incentive to employ patent infringement litigation (and the threat of involuntary joinder) as the *preferred* means to litigate ownership and other disagreements with the other co-owners of the patent.

And in those cases where unwilling co-owners do not simply roll over and assign their patent rights to avoid involuntary joinder, a host of new practical problems will present themselves. After all, when patent co-owners are brought into a case unwillingly and involuntarily, they are likely to have interests that are inconsistent or even in conflict with one another. Who ends up having control over the litigation? Does each co-owner have independent authority to make binding yet inconsistent statements to the district court about common legal issues, such as claim construction? Or must the court adopt a “majority rule” with respect to resolving the competing positions of co-owners? Under *STC.UNM*, this Pandora’s Box is never opened because the prudential standing rule prevents involuntary joinder of sparring co-owners, and instead encourages them to work out their differences *before* filing suit.

An undercurrent flowing through Judge O’Malley’s concurring opinion in the Federal Circuit’s panel decision is that existing law unfairly allows one co-owner to hold up the assertion of patent rights by other co-owners. *Advanced Video Techs.*, 879 F.3d at 1325-26 (O’Malley, J., concurring). But patent co-owners stand in a unique position to foresee the possibility of a “hold up,” and address it, long before any infringement suit is filed. Through early and

thoughtful contract negotiations (which can occur even before the patent issues), or appropriate legal action if negotiations fail, co-owners can seek clarity on their rights and responsibilities with respect to each other, long before filing suit.¹¹ See *Advanced Video Techs.*, 879 F.3d at 1318 (suggesting that “a party needs to file a state-law based claim to obtain title to the patent before bringing a patent infringement claim”) (citation omitted). And this is exactly what *STC.UNM* encourages.¹² As the district court below correctly observed, any disputes relating to Ms. Hsiun’s co-ownership interest could and should have been addressed ***decades*** before AVT brought its infringement suit. *Advanced Video Techs. LLC*, 2016 WL 3434819, at *16 (“The time to clear up the question of Hsiun's interest in the invention, and

¹¹ That, of course, never happened here. Although AVT’s predecessors knew about the lack of assignment from Ms. Hsiun, they took no action whatsoever to obtain an assignment from her. (See, e.g., Appx008 (“Rather than sue Hsiun for specific performance ... AVC chose to pursue the patent application without her.”)).

¹² As one commentator noted shortly after the denial of rehearing in *STC.UNM*: “if a patent is going to be co-owned, the safest course is to make sure that all of the rights and obligations of the co-owners are clearly defined in a written agreement.” Matthew Siegal, *Fed. Circ. Intel Case Shows Perils Of Co-Owning Patents*, Law360 (Sept. 25, 2014), <https://www.law360.com/articles/580936/fed-circ-intel-case-shows-perils-of-co-owning-patents> (last visited Sept. 12, 2018). That advice provides not only the “safest course” for co-owners, but a course that avoids placing unnecessary burdens on federal courts and would-be defendants. In fact, the strong incentive to clearly define the rights of joint owners in a written agreement is perhaps the reason why issues of involuntary joinder of co-owners do not frequently occur in patent cases.

hence in the patent, was during the patent application process — not today, two decades later.”)

And any potential unfairness would be heavily outweighed by the need to avoid the disruption caused by overturning *STC.UNM*. See 767 F.3d at 1355 (Dyk, J., *et al.*, concurring). As Judge Dyk explained in his concurring opinion in *STC.UNM*, overturning the Federal Circuit’s interpretation of co-owner rights under § 262 “would disrupt settled precedent of this court, which has not been drawn into question by the Supreme Court. That precedent provides a clear definition of substantive rights that may, then, be altered by contract. The value of stability is especially great for such rights.” *Id.*

AVT also suggests that non-suing patent co-owners should be involuntarily joined under Rule 19 in a suit because one co-owner cannot license away other co-owners’ *past* damages. But past damages flow directly from the right to exclude, so there is no basis to distinguish rights going-forward versus past damages in connection with involuntary joinder. See, e.g., *Ethicon, Inc.*, 135 F.3d at 1468 (case dismissed for non-joinder even though only past damages were at issue). More fundamentally, there should be no special rule regarding involuntary joinder simply due to past damages.

IV. CONCLUSION

For at least the reasons above, AVT’s Petition for a *Writ of Certiorari* should be denied.

Dated: September 17, 2018.

Respectfully Submitted,

Heidi Keefe
Counsel of Record

Mark Weinstein

Reuben Chen

Kyle Chen

COOLEY LLP

3175 Hanover Street

Palo Alto, CA 94304

(650) 843-5000

hkeefe@cooley.com

mweinstein@cooley.com

kyle.chen@cooley.com

*Attorneys for Respondents
HTC CORPORATION and
HTC AMERICA, INC.*

William D. Coston

Jeffri A. Kaminski

Christopher T. La Testa

VENABLE LLP

600 Massachusetts Ave., NW

Washington DC 20001

(202) 344-4000

wdcoston@venable.com

jakaminski@venable.com

ctlatesta@venable.com

*Attorney for Respondents
BlackBerry Ltd. and
BlackBerry Corporation*

Frederick L. Whitmer
Steven D. Moore
D. Clay Holloway
**KILPATRICK TOWNSEND &
STOCKTON LLP**
1100 Peachtree St. NE
Atlanta, GA 30309
(404) 815-6500
fwhitmer@kilpatricktownsend.com
smoore@kilpatricktownsend.com
cholloway@kilpatricktownsend.com

*Attorneys for Respondent
Motorola Mobility LLC*

APPENDIX

**APPENDIX — RELEVANT STATUTORY
PROVISIONS**

Title 35 - PATENTS

**PART III - PATENTS AND PROTECTION
OF PATENT RIGHTS**

CHAPTER 26 - OWNERSHIP AND ASSIGNMENT

§ 262. Joint owners

In the absence of 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.

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Appendix

Title 35 - PATENTS

**PART III - PATENTS AND PROTECTION
OF PATENT RIGHTS**

**CHAPTER 29 - REMEDIES FOR INFRINGEMENT
OF PATENT, AND OTHER ACTIONS**

§ 285. Attorney fees

The court in exceptional cases may award reasonable attorney fees to the prevailing party.