

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

LABYRINTH OPTICAL
TECHNOLOGIES LLC,

Plaintiff,

v.

ALCATEL-LUCENT USA, INC.

Defendant.

CASE NO. SACV 12-00759 AG (DFMx)

ORDER GRANTING DEFENDANT'S
MOTION TO DISMISS FOR LACK OF
STANDING (DKT. NO. 226)

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1 **1. INTRODUCTION**

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3 Plaintiff Labyrinth Optical Technologies LLC (“Plaintiff”) alleges that Defendant Alcatel-
4 Lucent USA, Inc. (“Defendant”) infringes U.S. Patent No. 8,103,173 (the “173 Patent”). On the
5 eve of trial, Defendant now moves to dismiss the case for lack of standing, arguing that Plaintiff has
6 not shown that it actually holds the rights to the ‘173 Patent (the “Motion”). (Dkt. No. 226.)
7 Plaintiff opposes the Motion. (Dkt. No. 304.)

8 The Court GRANTS the Motion.

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10 **2. BACKGROUND**

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12 In November 2011, Teradvance Communications, LLC (“Teradvance”) granted to Acacia
13 Research Group LLC (“Acacia”) an exclusive licence to certain patents and patent applications listed
14 in an attached exhibit (“Exclusive License”). (Miller Decl., Ex. 1, Exclusive License, Dkt. No. 306
15 at 7-24; LABYRINTH-000611-628.) The list included foreign and domestic patents and pending
16 patent applications, including U.S. Patent Application No. 12/554,241, which later issued as the ‘173
17 Patent. (Exclusive License, Ex. A, Dkt. No. 306 at 20-21; LABYRINTH-000624-625.)

18 In April 2012, Acacia entered into an Assignment and Assumption Agreement
19 (“Assignment”) with Plaintiff, one of Acacia’s affiliates. (Miller Decl., Ex. 2, Assignment, Dkt. No.
20 306 at 26-27; LABYRINTH-000629-630.) By its express terms, the Assignment is governed by
21 Texas law. (*Id.* at 27.) The Assignment notes that the Exclusive License covered “the Patents listed
22 in the Exhibit attached hereto (the ‘Patents’),” but the Assignment does not specify whether the
23 Exclusive License covered anything else. (*Id.* at 26.) The Assignment states that it conveyed rights
24 to the “Patents.” (*Id.*) But unlike the Exclusive License, which actually has an exhibit identifying
25 the patents subject to the agreement, the Assignment does not.

26 In May 2012, Plaintiff filed this case. (Dkt. No. 1.) In June 2012, Defendant requested
27 documents proving Plaintiff’s ownership of the ‘173 Patent. (O’Brien Decl., Ex. A, Dkt. No. 226-1
28 at 7-8.) Plaintiff responded that it held full title to the patent and would provide the supporting

1 documentation. (*Id.* at 7.) In December 2012, Plaintiff produced copies of the Exclusive License
2 and the Assignment. (Dkt. No. 232 at 1; Burns Decl., Exs. 1 and 2, Dkt. No. 233 at 4-21, 23-24;
3 LABYRINTH-000611-630.)

4 In January 2015, Plaintiff sent Defendant proposed stipulations of fact for the trial, including
5 that Plaintiff was “the owner of U.S. Patent No. 8,103,173” and a draft joint exhibit list identifying
6 the Assignment as LABYRINTH-000629-631. (O’Brien Decl., Exs. B and C, Dkt. No. 226-1 at 10-
7 12, 14-18.) On February 2, 2015, Defendant informed Plaintiff that Plaintiff had identified
8 LABYRINTH-000631 as the “Exhibit” referenced in the Assignment, but that it actually appeared
9 to be something else. (O’Brien Decl., Dkt. No. 226-1 at ¶ 8.) Plaintiff responded that
10 LABYRINTH-000631 was “mis-attached” from an inventors’ notebook, and that the exhibit to the
11 Assignment was actually LABYRINTH-000624, which was Exhibit A to the Exclusive License.
12 (O’Brien Decl., Ex. D, Dkt. No. 226-1 at 20.) That is, Plaintiff contended that Exhibit A to the
13 Exclusive License **was** the Exhibit to the Assignment.

14 On February 17, 2015, Plaintiff filed a motion *in limine* to preclude Defendant from
15 introducing evidence that Plaintiff lacked standing. (Dkt. No. 232.) In that motion, Plaintiff
16 disclosed for the first time that “due to an apparent drafting error, there was no physical Exhibit
17 attached to the [Assignment].” (*Id.* at 2.) Defendant opposed the motion, and the Court denied it,
18 while looking to this Motion. (Dkt. Nos. 275, 342.)

19 In its opposition to this Motion, Plaintiff cryptically asserts that “while a physical Exhibit to
20 the [Assignment] could not be located, there are electronic files which correspond to the Exhibit.”
21 (Opp’n, Dkt. No. 304 at 1.) As far as the Court can tell, this is just a dangerously-phrased version of
22 Plaintiff’s assertion that the content of the Assignment’s Exhibit should be understood to be the
23 same as the content of Exhibit A to the Exclusive License. Thus, Plaintiff has not produced
24 “electronic files which correspond to the exhibit,” unless that is a reference to Exhibit A to the
25 Exclusive License.

1 **3. LEGAL STANDARD**

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3 “If the court determines at any time that it lacks subject-matter jurisdiction, the court must
4 dismiss the action.” Fed. R. Civ. P. 12(h)(3). “The federal courts are under an independent
5 obligation to examine their own jurisdiction, and standing ‘is perhaps the most important of [the
6 jurisdictional] doctrines.’” *United States v. Hays*, 515 U.S. 737, 742 (1995) (quoting *FW/PBS, Inc. v.*
7 *Dallas*, 493 U.S. 215, 231 (1990)). Whether a party has standing to sue is a question of law. *Prima*
8 *Tek II L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1376 (Fed. Cir. 2000).

9 “A plaintiff generally has the burden of proving standing to sue.” *Tyco Healthcare Grp. LP v.*
10 *Ethicon Endo-Surgery, Inc.*, 587 F.3d 1375, 1378 (Fed. Cir. 2009) (citing *Lujan v. Defenders of Wildlife*, 504
11 U.S. 555, 561 (1992)). In the context of a patent infringement action, “the plaintiff must
12 demonstrate that it held enforceable title to the patent at the inception of the lawsuit.” *Paradise*
13 *Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1309 (Fed. Cir. 2003) (emphasis omitted). “[P]arties
14 should possess rights before seeking to have them vindicated in court. Allowing a subsequent
15 assignment to automatically cure a standing defect would unjustifiably expand the number of people
16 who are statutorily authorized to sue.” *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093
17 (Fed. Cir. 1998).

18 “Standing to sue for patent infringement derives from the Patent Act, which provides that
19 ‘[a] patentee shall have remedy by civil action for infringement of his patent.’” *Prima Tek II*, 222
20 F.3d at 1376-77 (quoting 35 U.S.C. § 281). The Patent Act defines “patentee” as including “not only
21 the patentee to whom the patent was issued but also the successors in title to the patentee.” 35
22 U.S.C. § 100(d). “Applications for patent, patents, or any interest therein, shall be assignable in law
23 by an instrument in writing.” 35 U.S.C. § 261. The writing requirement also applies to “virtual
24 assignees”—those to whom “all substantial rights under the patent have been transferred in the
25 form of an exclusive license.” *Enzo*, 134 F.3d at 1093.

26 “Construction of patent assignment agreements is a matter of state contract law.” *Mars, Inc.*
27 *v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1370 (Fed. Cir. 2008) (citing *Minco, Inc. v. Combustion Eng’g, Inc.*,
28 95 F.3d 1109, 1117 (Fed. Cir. 1996)). Under Texas law, “[i]n the interpretation of contracts the

1 primary concern of courts is to ascertain and give effect to the intentions of the parties as expressed
2 in the instrument.” *R & P Enters. v. LaGuerta, Gavrel & Kirk, Inc.*, 596 S.W.2d 517, 518 (Tex. 1980).
3 To satisfy a writing requirement, Texas courts require “a written memorandum which is complete
4 within itself in every material detail, and which contains all of the essential elements of the
5 agreement, so that the contract can be ascertained from the writings without resorting to oral
6 testimony.” *Cohen v. McCutchin*, 565 S.W.2d 230, 232 (Tex. 1978).

7 “The rule is now well settled that a writing will be held sufficient in this particular if it
8 furnishes ‘within itself, or by reference to some other existing writing, the means or data by which
9 the particular [property] to be conveyed may be identified with reasonable certainty.’” *Hoover v.*
10 *Wukasch*, 254 S.W.2d 507, 510 (Tex. 1953) (quoting *Wilson v. Fisher*, 188 S.W.2d 150, 152 (Tex.
11 1945)). Texas courts have “uniformly held that an unsigned paper may be incorporated by reference
12 in the paper signed by the person sought to be charged.” *Owen v. Hendricks*, 433 S.W.2d 164, 166
13 (Tex. 1968). “The language used is not important provided the document signed by the [party]
14 plainly refers to another writing.” *Id.*

15 “When parties have reduced their contract to writing, and the terms and conditions of the
16 written instrument are expressed without uncertainty as to the subject matter and nature of the
17 contract, the writing is presumed to contain the whole of the agreement, and contemporaneous
18 parol evidence is not admissible to contradict or vary the terms of the written instrument.” *Lewis v.*
19 *E. Tex. Fin. Co.*, 146 S.W.2d 977, 980 (Tex. 1941).

20 “A contract, however, is ambiguous when its meaning is uncertain and doubtful or it is
21 reasonably susceptible to more than one meaning.” *Coker v. Coker*, 650 S.W.2d 391, 393 (Tex. 1983).
22 “An ambiguity in a contract may be said to be ‘patent’ or ‘latent.’ A patent ambiguity is evident on
23 the face of the contract.” *Nat’l Union Fire Ins. Co. of Pittsburgh, PA v. CBI Indus., Inc.*, 907 S.W.2d 517,
24 520 (Tex. 1995). “A latent ambiguity arises when a contract which is unambiguous on its face is
25 applied to the subject matter with which it deals and an ambiguity appears by reason of some
26 collateral matter.” *Id.* “If a latent ambiguity arises from this application, parol evidence is
27 admissible for the purpose of ascertaining the true intention of the parties as expressed in the
28 agreement.” *Id.*

1 “Whether a contract is ambiguous is a question of law for the court to decide by looking at
2 the contract as a whole in light of the circumstances present when the contract was entered.” *Coker*,
3 650 S.W.2d at 394 (citing *R & P Enters.*, 596 S.W.2d at 518). “If after applying the established rules
4 of interpretation, a written instrument remains reasonably susceptible to more than one meaning,
5 extraneous evidence is admissible to determine the true meaning of the instrument.” *R & P Enters.*,
6 596 S.W.2d at 519. “Extrinsic evidence may be used ‘only for the purpose of identifying the
7 [property] with reasonable certainty from the data’ contained in the contract.” *Long Trusts v. Griffin*,
8 222 S.W.3d 412, 416 (Tex. 2006) (quoting *Pick v. Bartel*, 659 S.W.2d 636, 637 (Tex. 1983) (internal
9 quotations omitted)).

10 11 **4. ANALYSIS**

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13 Defendant raised the issue of standing in June 2012, and the issue was never conclusively
14 resolved. (Mot., Dkt. No. 247 at 1; O’Brien Decl., Ex. A, Dkt. No. 226-1 at 7-8.) In the month
15 before trial, the issue came into sharp focus: the Assignment defines the conveyed patents as those
16 listed in the attached Exhibit, and the Exhibit does not exist. But Plaintiff argues that the
17 Assignment is effective because the Assignment assigns rights under the Exclusive License and the
18 exhibit attached to the Exclusive License (“Exhibit A”) was the same as the exhibit that should have
19 been attached to the Assignment. (Opp’n 5; Dkt. No. 232 at 2 n.1.)

20 The Court now analyzes whether that conclusion can be supported by (1) the text of the
21 Assignment, (2) the Exclusive License, as incorporated by reference into the Assignment, or (3)
22 extrinsic evidence.

23 24 25 **4.1 The Text of the Assignment**

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27 The Motion turns on the following language from the Assignment defining “the ‘Patents’”:
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1 **WHEREAS**, Assignor and **TERADVANCE COMMUNICATIONS, LLC**
2 (“Teradvance”) are parties to an Exclusive License Agreement (“Exclusive License”)
3 effective November 28th, 2011 pursuant to which Teradvance as the owner of the
4 **Patents listed in the Exhibit attached hereto** (the “Patents”), agreed to, among
5 other things, grant the worldwide exclusive right and license under the Patents to
6 Assignor, to make, have made, use, offer, sell or import products and to practice
7 methods, including the right to grant sublicenses, together with exclusive rights to
8 enforce the Patents, to collect damages for past and future infringement and to seek
9 equitable relief on any other allowable remedy;

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11 **WHEREAS**, in accordance with Section 8.1 of the Exclusive License, Assignor
12 wishes to assign its entire rights, obligations, interests and liabilities in the Exclusive
13 License *in connection with the Patents* to Assignee, which is an affiliate of Assignor; and
14

15 **WHEREAS**, Assignee agrees to assume such rights, obligations, interests and
16 liabilities of Assignor under the Exclusive License *in connection with the Patents*.

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18 **NOW THEREFORE**, in consideration of the foregoing, the parties agree as
19 follows:

- 20
21 1. Assignor hereby does transfer and assign unto Assignee all of Assignor’s
22 rights, obligations, interests and liabilities under the Exclusive License *as such*
23 *rights, obligations, interests and liabilities relate to the Patents . . .*
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25 (Assignment, Dkt. No. 306 at 26-27; LABYRINTH-000629-630) (bold and underlining in original,
26 italics added).

27 The Assignment confers to Plaintiff “all” rights and liabilities under the Exclusive License
28 only “in connection with the Patents” or “as such . . . relate to the Patents.” (Assignment, Dkt. No.

1 306 at 26; LABYRINTH-000629.) The “Patents” are specifically defined as those “listed in the
2 Exhibit attached hereto.” (*Id.*) The text of the Assignment could have recited that it covered the
3 ‘173 Patent, but it did not. It seems likely that the parties intended to include a list of transferred
4 patents in the Exhibit, but they did not. Therefore, the text of the Assignment, by itself, does not
5 resolve whether or not rights to the ‘173 Patent were assigned.

6 The Court next considers whether the Assignment’s reference to the Exclusive License
7 shows that it conveyed rights to the ‘173 Patent.

8 9 **4.2 Incorporation by Reference — The Exclusive License**

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11 Plaintiff contends that the Assignment and the Exclusive License should be read together
12 because they are related agreements. (Opp’n 7.) Plaintiff explains that the Assignment specifically
13 discusses Section 8.1 of the Exclusive License, which authorizes Acacia to assign its interest to an
14 affiliate so long as “the patents that such Affiliate owns and controls include only the Patents.” (*Id.*
15 (quoting Exclusive License, Dkt. No. 306 at 16); LABYRINTH-000620.)

16 Section 8.1 of the Exclusive License states:

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18 Assignment/Successors Licensors may transfer or assign its interest in this Agreement
19 (as distinguished from the transferability of the License as set forth in Section 2.2
20 above) provided that the transferee or assignee (i) is not an Exclusive Party as defined
21 in Section 1.5 above; and (ii) agrees to be bound by the terms of this Agreement in
22 writing. *[Acacia] may transfer or assign its interest in this Agreement to an Affiliate of [Acacia]*
23 *that is a wholly owned subsidiary of [Acacia] provided that* such Affiliate (a) agrees to be
24 bound by all the terms and conditions of this Agreement in writing, including the
25 obligation to make payments hereunder, and (b) *the patents that such Affiliate owns and*
26 *controls include only the Patents.* Such Affiliate may subsequently transfer its interest in
27 this Agreement to another Affiliate that is a wholly owned subsidiary of [Acacia]
28 provided that (y) such Affiliate also agrees to be bound by all the terms and

1 conditions of this Agreement in writing, including the obligation to make payments
2 hereunder, and (z) the patents that such Affiliate owns and controls include only the
3 Patents. This Agreement shall inure to the benefit of, and be binding upon the
4 respective successors, assigns, heirs, beneficiaries and personal representatives of
5 Licensor and [Acacia]. Nothing in this Agreement, whether expressed or implied,
6 shall be construed to give any person (other than the Parties and their respective
7 permitted successors and assigns), any legal or equitable right, remedy or claim under
8 or in respect of this Agreement or any covenants, conditions or provisions contained
9 herein, as a third party beneficiary or otherwise.

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11 (Exclusive License, Dkt. No. 306 at 16-17; LABYRINTH-000620-621) (underlining in original,
12 italics added).

13 This language does not require that the Affiliate own all of the patents subject to the
14 Exclusive License. Thus, even if Plaintiff established that it does not own any patents outside of
15 those covered by the Exclusive License, it does not follow that compliance with the terms of the
16 Exclusive License would require it to own all of the patents covered by the Exclusive License.
17 Further, it is possible that Acacia breached this portion of the Exclusive License.

18 Plaintiff further argues that, contemplating Acacia's future assignment of rights, Teradvance
19 granted "all substantial rights in and to the Patents" to Acacia or Acacia's "designated Affiliate" in
20 Section 1.1 of the Exclusive License. (Opp'n 7 (quoting Exclusive License, Dkt. No. 306 at 7);
21 LABYRINTH-000611.) But again, the dispute is not whether Teradvance granted rights in all of
22 the patents expressly identified in the Exclusive License to Acacia. Instead, it is whether Acacia
23 then assigned rights in all of those patents to Labyrinth.

24 Plaintiff argues that Texas law broadly applies the doctrine of incorporation by reference to
25 contracts and writings, and that the Assignment is valid because it incorporates the Exclusive
26 License by reference. (*Id.* at 8-9.) Plaintiff cites a case stating that many unsigned documents may
27 be read together and incorporated by reference and that "[t]he language used is not important
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1 provided the [contract] plainly refers to another writing.” (*Id.* at 8 (quoting *Owens*, 433 S.W.2d at
2 166).)

3 This argument assumes that the Assignment somewhere states that it conveys all rights in the
4 Exclusive License, which is the very conclusion Plaintiff seeks to prove. The Assignment plainly
5 refers to the Exclusive License, but that is not enough. Indeed, Defendant acknowledges that the
6 Assignment could have simply stated that it was transferring all of the rights under the Exclusive
7 License, and Defendant does not contest that such incorporation by reference would be effective.
8 (Reply 11.) But the Assignment doesn’t say that. It says that it conveys all rights in the Exclusive
9 License only as such rights “relate to” the “Patents” on the nonexistent list. (*See* Assignment, Dkt.
10 No. 306 at 26; LABYRINTH-000629.)

11 The Assignment’s references to the Exclusive License therefore do not show Plaintiff’s
12 standing to sue under the ‘173 Patent. The Court next turns to Plaintiff’s proffered extrinsic
13 evidence to see whether it can resolve the ambiguity created by the missing Exhibit.

14 15 **4.3 Extrinsic Evidence**

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17 Plaintiff submitted a declaration by Darren Miller, a Vice President of Contracts at Acacia.
18 (Miller Decl., Dkt. No. 306.) Miller declares that: (1) Acacia transferred all of its rights to the
19 Patents to Plaintiff through the Assignment; (2) Exhibit A of the Exclusive License is the same as
20 the Assignment Exhibit; (3) the Assignment Exhibit was either lost or not properly recorded
21 through a clerical mistake; and, (4) both signatories to the Assignment were “aware” that the
22 exhibits were the same. (Miller Decl. at ¶¶ 10, 13-15, 18). Miller also opines that the agreements are
23 related and that they share language, such that the “Patents” in the Assignment means the same as
24 the “Patents” listed in Exhibit A of the Exclusive License. (*Id.* at ¶ 16.)

25 Defendant objects that Plaintiff has not established Miller’s personal knowledge of the facts
26 he asserts. (Reply 1, 5-7.) Defendant’s objections are well taken. Miller’s declaration consists of
27 legal argument and unsupported conclusions.
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1 “[F]or the purpose of identifying the subject-matter to which the written contract relates,
2 parol testimony of that which was in the minds of the parties, and to which their attention was
3 directed at the time, may be given.” *Kirk v. Brazos County*, 11 S.W. 143, 144 (Tex. 1889). But Miller
4 does not offer parol testimony on the state of mind “of the parties” “at the time.” He was not a
5 signatory to either agreement. (Miller Decl., Exs. 1 and 2, Dkt. No. 306 at 19, 27; LABYRINTH-
6 000623, LABYRINTH-000630.) He does not state that he spoke to either of the
7 signatories—which might itself present a hearsay problem—or was involved in any way in making
8 either agreement.

9 Instead, Miller merely asserts that both signatories were “aware” that the exhibits were the
10 same, but provides no foundation or justification for that conclusion. (Miller Decl. at ¶ 15.) He
11 asserts that the exhibits are “the same,” without stating that he saw the non-existent exhibit to the
12 Assignment. (*Id.* at ¶ 14.) In short, Plaintiff has not shown that Miller has the requisite personal
13 knowledge to competently testify concerning what the parties to the agreement understood at the
14 time they executed the Assignment. *See* Fed. R. Evid. 602 (“[a] witness may testify to a matter only
15 if evidence is introduced sufficient to support a finding that the witness has personal knowledge of
16 the matter.”).

17 Strangely, Plaintiff included the person who signed the agreement for Plaintiff—Clayton
18 Haynes—on its trial witness list, and from the briefing on Defendant’s Motion *in Limine* to Exclude
19 Haynes, Dkt. No. 206, the Court understands that his testimony would relate to the Assignment.
20 But Plaintiff chose not to present a declaration from Haynes in opposition to this Motion, and the
21 Court cannot speculate as to what such a declaration might have said.

22 23 **4.4 Timeliness of the Motion** 24

25 Plaintiff argues that it was improper for Defendant to file the Motion so late in the case.
26 (Opp’n 1.) Plaintiff states that had there been a timely meet and confer before Defendant filed the
27 Motion, Plaintiff could have executed another Assignment *nunc pro tunc* ensuring its valid patent
28 rights, filed an identical lawsuit on claim 1 only for the same accused products, and filed a motion to

1 consolidate the actions, thereby preserving the trial date. (*Id.*) Plaintiff says that when it proposed
2 this option after the Motion was filed, Defendant ignored it. (*Id.*)

3 Plaintiff has the responsibility to ensure that it has standing. The Court cannot deny this
4 motion on the ground that it could have been brought earlier or that other procedural avenues
5 might exist for Plaintiff to move forward with its claim.

6 7 **4.5 Conclusion**

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9 Plaintiff has not shown that, at the time it filed the Complaint, it had standing to sue for
10 infringement of the '173 Patent. The case must therefore be DISMISSED.

11 12 **5. THOUGHTS ON A POSSIBLE FEE MOTION**

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14 The Court offers a final observation. In every case terminated by adjudication in this Court
15 after *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), a party has filed an
16 exceptional case motion under 35 U.S.C. § 285. Defendant might now be considering such a
17 motion: “Plaintiff dragged us through three years of litigation when it never even had standing,
18 something that was entirely within it and Acacia’s control!”

19 The Court would be inclined to deny such a motion at this time. Defendant noticed this
20 issue long ago, but let the case ride on Plaintiff’s vague reassurances rather than demanding
21 resolution to Defendant’s satisfaction, only to resurrect the issue after many substantive defenses
22 had failed. Further, assuming the case is either refiled or returns to this Court following an appeal,
23 the Court could later consider an exceptional case motion following resolution of the remaining
24 substantive issues in the case.

1 **6. DISPOSITION**

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The Court GRANTS Defendant's Motion to Dismiss for Lack of Standing. Defendant shall submit a proposed judgment.

IT IS SO ORDERED.

DATED: March 23, 2015



Andrew J. Guilford
United States District Judge