

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

KERANOS, LLC.,	§	
	§	
<i>Plaintiff,</i>	§	
v.	§	CASE NO. 2:10-CV-207-TJW
	§	
ANALOG DEVICES, INC., <i>et al.</i> ,	§	
	§	
<i>Defendants.</i>	§	

MEMORANDUM OPINION AND ORDER

Pending before the Court are motions to dismiss brought by numerous Defendants.¹ Most of the motions to dismiss argue that Plaintiff Keranos, LLC (“Keranos” or “Plaintiff”) lacks standing and, thus, that this suit should be dismissed pursuant to Federal Rule of Civil Procedure 12(b)(1). The majority of the Defendants’ motions also argue that Plaintiff’s Complaint (Dkt. No. 1) does not allege sufficient facts to state a cause of action for contributory, induced, and willful infringement, and that the Complaint should be dismissed for failure to state

¹ The following Defendants brought or joined motions to dismiss that are currently pending before the Court, which are all addressed in this Order: Microchip Technology, Inc. (Dkt. No. 166); Analog Devices, Inc. (Dkt. No. 168), Seiko Epson Corporation and Epson America, Inc. (Dkt. No. 179), VIS Micro, Inc. (Dkt. No. 192), and EM Microelectronic-U.S., Inc. (Dkt. No. 173); Micronas USA, Inc. (Dkt. No. 209); Alcatel-Lucent Holdings Inc., Alcatel USA GP, Inc., Alcatel USA Marketing, Inc., Alcatel USA Resources, Inc., and Alcatel USA Sourcing, Inc. (Dkt. No. 236); Intel Corporation (Dkt. No. 238); National Semiconductor Corp. (Dkt. No. 235); Ubicom, Inc. (Dkt. No. 240); Austriamicrosystems AG and Austriamicrosystems USA, Inc. (Dkt. No. 257); Freescale Semiconductor, Inc. (Dkt. No. 285); ROHM Semiconductor U.S.A., LLC (Dkt. No. 288); Samsung Electronics Co., Ltd. and Samsung Semiconductor, Inc. (Dkt. No. 270); Winbond Electronics Corporation and Winbond Electronics Corporation America (Dkt. No. 289); Apple Inc. (Dkt. No. 286); International Business Machines Corporation (Dkt. No. 273); Taiwan Semiconductor Manufacturing Co., Ltd. and TSMC North America (Dkt. No. 284); Renesas Electronics Corporation and Renesas Electronics America Inc. (Dkt. No. 301); and NXP Semiconductors USA, Inc. (Dkt. No. 351).

a claim pursuant to Federal Rule of Civil Procedure 12(b)(6). Various defendants also raise additional, individual issues in their motions to dismiss, including personal jurisdiction arguments. The Court will first address the global arguments that Plaintiff does not have standing to sue for patent infringement and that Plaintiff has not alleged sufficient facts to state a claim for contributory, induced, and willful infringement. The Court will then address the individual issues raised in each Defendant's motion to dismiss.

I. Motions to Dismiss for Lack of Standing

Defendants argue that Keranos does not have standing to sue for infringement because (1) it is not the legal title owner of the patents-in-suit, and (2) its alleged interest in the patents-in-suit is insufficient to give rise to standing. Specifically, Defendants argue that the legal title holder of the patents-in-suit, United Module, Inc. ("United Module"), has not transferred "all substantial rights in the patent" to Keranos. Keranos, however, asserts that the rights granted to Keranos through the Exclusive Patent License and Royalty Agreement ("License Agreement") with United Module are sufficient to confer standing.

A. Factual and Procedural Background

Plaintiff filed the present suit on June 23, 2010 alleging that Defendants infringed United States Patent Nos. 4,795,719 ("the '719 patent"), 4,868,629 ("the '629 patent"), and 5,042,009 ("the '009 patent") (collectively the "patents-in-suit"). The patents-in-suit are owned by United Module. On February 16, 2010, after the patents-in-suit had already expired, Keranos and United Module entered into the License Agreement in which United Module granted to Keranos:

- “the world-wide exclusive right and exclusive license to sue and recover for current and past infringements of the Patent Rights and any and all causes of action and remedies, either legal and/or equitable related thereto;”
- “the world-wide exclusive right and exclusive license to negotiate and grant sublicenses to third parties under the Patent Rights for past, present and/or future activities;” and
- “any and all other substantial rights in the Patent Rights . . . necessary and sufficient under any applicable law or precedent to confer standing and permit [Keranos] to initiate any actions on its own under paragraph 3 [of the License Agreement], and further without the need to join [United Module] in any such actions”
- subject to the rights of prior licensees, “the world-wide exclusive right and exclusive license to make, have made, use, import and sell the Licensed Technology to the end of the term for which such Patent Rights exist;” and
- subject to the rights of prior licensees, “the world-wide exclusive right and exclusive license to have previously made, had made, used, sold and imported the Licensed Technology.”

United Module is “expressly prohibited” under the License Agreement “from instituting or participating in any action for infringement related to the Patent Rights” and from “negotiation and/or granting any further licenses under the Patent Rights” without “express written authorization from [Keranos].” The License Agreement defines “Patent Rights” to mean “any and all of [United Module’s] rights, title, ownership and interest world-wide in the Patents,” and the term “Patents” is defined to include all three of the patents-in-suit.

B. Legal Standard

Standing “determines the court’s fundamental power to hear [a] suit.” *Rivera v. Wyeth-Ayerst Labs.*, 283 F.3d 315, 319 (5th Cir. 2002). “Whether a party has standing to sue in federal court is a question of federal law.” *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1308 (Fed. Cir. 2003). The party asserting jurisdiction has the burden of establishing jurisdiction. *Id.*; *see also Rivera*, 283 F.3d at 318-19. In the context of patent infringement suits, there are two separate limitations on standing: constitutional and prudential. *See Morrow v. Microsoft, Corp.*, 499 F.3d 1332, 1338-39 (Fed. Cir. 2007) (differentiating constitutional and prudential standing). “Article III standing ... generally must be present at the inception of the lawsuit.” *Paradise*, 315 F.3d at 1308, *citing Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992). “[I]n order to assert standing for patent infringement, the plaintiff must demonstrate that it held enforceable title to the patent at the inception of the lawsuit.” *Id.* at 1309.

Only a patentee has standing to bring suit for patent infringement in its own name. *Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481 (Fed.Cir.1998); *see* 35 U.S.C. § 281. However, patent rights can be assigned, and a valid assignment that transfers “all substantial rights under the patent” vests independent standing in the assignee to enforce the rights under the patent. *See Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1249-50 (Fed. Cir. 2000); 35 U.S.C. § 261. Thus, when a patentee transfers title in a patent by assignment, the assignee is the effective patentee under the Patent Act and the assignee has standing to sue for infringement in its own name. *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1340 (Fed.Cir.2006). “A party that has been granted all substantial rights under the patent is considered the owner

regardless of how the parties characterize the transaction that conveyed those rights.” *Speedplay*, 211 F.3d at 1250.

C. Discussion

The thrust of Defendants’ argument is that the License Agreement between Plaintiff and United Module did not confer standing on Plaintiff because it did not transfer to Plaintiff the right to practice the invention or exclude others from practicing the invention. Accordingly, Defendants contend that it did not assign all substantial rights in the patent such that Keranos has standing to sue for infringement of the patents-in-suit on its own. Once a patent expires, the right to exclude others ceases, and the world is free to use the patented invention. *See In re Kaplan*, 789 F.2d 1574 (Fed. Cir. 1986). Because the patents-in-suit all expired before Keranos was formed and before the License Agreement was executed, Defendants argue that it could not have transferred the right to practice the invention or exclude others from practicing the invention. At best, Defendants claim that the License Agreement conveyed to Keranos the right to sue for past infringement, which Defendants argue is not enough to confer standing.

In *Valmet Paper Machinery, Inc. v. Beloit Corporation*, the Western District of Wisconsin considered and rejected a similar argument. 868 F.Supp. 1085, 1087-88 (W.D. Wis. 1994). There, the defendants argued that only assignees who have acquired all the rights under a patent, including the exclusive right to make, use and vend the invention, have standing to sue for patent infringement. *Id.* at 1087. Because the patents in *Valmet* had expired at the time the assignment was made, the defendants argued that the assignment could not have transferred the right to make, use, or vend the invention, and plaintiff only acquired a right to claim damages. *Id.* The defendants argued that this was not enough to confer standing under the Supreme

Court's ruling in *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24 (1923). *Id.* In *Crown Die*, the patent holder transferred to the plaintiff, during the life of the patent, only the right to sue for past and future infringements, and not the right to make, use or vend the patented article. *Id.* at 38-39. In other words, the patent owner “divide[d] up the monopoly of patent property” by assigning the right to sue for infringements while retaining substantial rights under the patent. *Id.* The Supreme Court concluded that this arrangement was not an assignment and did not confer upon the plaintiff standing to sue for past infringements in its own name. *Id.* However, *Valmet* held that the policy considerations that motivated the decision in *Crown Die*—i.e. the desire to prevent a patent owner from stirring up litigation by third parties by dividing up the monopoly of patent property and assigning rights to different individuals—did not apply in the context of an assignment of an expired patent. *Valmet*, 868 F.Supp. at 1088. “In *Crown Die* the patent owner retained substantial rights in the patent. In the present case, by contrast, the patent owner retained no interest in [the patent-in-suit].” *Id.* While the patent owner in *Crown Die* divided up the monopoly of patent property by assigning only the right to sue for infringement of a valid patent, when the owner of an expired patent transfers the right to sue for past infringement, “the assignee has all of the rights of his assignor.” *Id.* (quoting Risdale Ellis, *Patent Assignments* § 61 (3d Ed. 1955)).

Thus, *Valmet* held that “[a]fter thoroughly examining the case law and the writings of patent authorities, I conclude that the right to sue for past infringement may indeed be assigned after a patent has expired and that the assignee of such a right can maintain an infringement suit in its own name.” *Valmet*, 868 F.Supp. at 1088. Other courts have reached the same conclusion. *See New Medium Technologies LLC v. Barco N.V.*, 644 F.Supp.2d 1049, 1060 (N.D. Ill. 2007)

(holding that fact that the license on patent was executed after the patent expired did not remove licensee's standing to bring patent infringement action and that defendants "have failed to cite any authority directly stating that a holder of patent rights may not license the right to sue for infringement to another party after expiration of the patent"); *Tompkins v. St. Regis Paper Co.*, 226 F. 744, 747 (D.C.N.Y.1915), aff'd, 236 F. 221 (2d Cir.1916) (holding that an existing cause of action for infringement of a patent may be assigned after expiration of the patent and the assignee may maintain an action thereon, despite the defendant's argument that once a patent expires, the right to sue for past infringement cannot be assigned because "there [is] nothing to assign, except a mere cause of action at law to recover the damages"); *see also* Lipscomb's Walker on Patents § 19:19 (3d ed. 1987) ("An assignment of a patent after it expires is a nullity with respect to the transfer of a grant but will operate to transfer to the assignee the right to sue for past infringements.").

In the present case, as in *Valmet*, the License Agreement clearly transferred all substantial rights remaining in the patents-in-suit to Keranos. Accordingly, based on its careful review of the parties' arguments, the License Agreement, and the applicable law, the Court finds that Keranos has standing to sue for infringement of the patents-in-suit. Defendants' motions to dismiss for lack of standing are, therefore, DENIED.

II. Motions to Dismiss for Failure to State a Claim

Various Defendants also move the Court to dismiss Plaintiff's claims for direct, contributory, induced, and willful infringement pursuant to Federal Rule of Civil Procedure 12(b)(6). Defendants argue that Plaintiff's allegations of direct, contributory, induced, and willful infringement in the complaint fail to meet the pleading requirements set forth in *Bell*