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VIA ELECTRONIC FILING

The Honorable Richard G. Andrews
United States District Judge
For the District of Delaware
844 North King Street
Wilmington, DE 19801

Re: Acceleration Bay LLC v. Activision Blizzard, Inc., et al, 15-228, 15-282, 15-311-RGA

Dear Judge Andrews:

You have asked the Parties to address the following issue: “If the Court concludes that Acceleration Bay is the owner of the patents-in-suit, is Boeing required to be joined as a party under Fed. R. Civ. P. 19?” The answer is yes.

Boeing is a “required party” under Rule 19(a) because substantive patent law requires both the owner and its exclusive licensee be parties to an infringement action. *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1344 (Fed. Cir. 2006) (holding that “[f]or the same policy reasons that a patentee must be joined . . ., there must be a joinder of any exclusive licensee.”). [REDACTED]

[REDACTED] and therefore it is a required party under Rule 19 whose absence deprives this Court of subject-matter jurisdiction. *Int’l. Gamco Inc. v. Multimedia Games*, 504 F.3d 1273, 1278 (Fed. Cir. 2007); *Aspex*, 434 F.3d at 1344; *Clouding IP v. Google*, 61 F. Supp. 3d 421, 430, n.8 (D. Del. 2014). Plaintiff lacks sufficient rights to sue alone, [REDACTED]

[REDACTED] No court has found a plaintiff lacking rights such as these to have standing to sue alone. Whether Plaintiff is an owner

¹ We are unaware of any case finding that a patentee transferred ownership where the patentee *retained* exclusionary rights as broad as those Boeing retained here. [REDACTED]

[REDACTED] See *Clouding*, 61 F. Supp. 3d at 436.

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or licensee is irrelevant—it lacks all substantial rights necessary to bring this suit without Boeing, a required party. *See Clouding*, 61 F. Supp. 3d at 436.

Rule 19 provides that an absent party is “required” when it has “an interest relating to the subject of the action” and proceeding without it would “impede the person’s ability to protect the interest” or subject an existing party to “substantial risk of incurring double . . . obligations.” Both the Supreme Court and Federal Circuit have confirmed that both the owner and exclusive licensee are “required parties” in a patent infringement action. In a case later incorporated into Rule 19, the Supreme Court held that the presence of both the patent owner and any exclusive licensee “is indispensable . . . to enable the alleged infringer to respond in one action to all claims of infringement for his act.” *Independent Wireless Tel. Co. v. Radio Corp.*, 269 U.S. 459, 466, 468 (1926) (“[B]oth the owner and the exclusive licensee are generally required parties in the action in equity.”). The Federal Circuit has twice held that a patent owner must join its exclusive licensee, and vice versa. In *Aspex Eyewear*, the Federal Circuit held that even though the owner, Contour, was a party, “[f]or the same policy reasons that a patentee must be joined . . . there must be a joinder of any exclusive licensee.” 434 F.3d at 1344. The Federal Circuit directed the district court to determine whether another party, Chic, was an exclusive licensee because, if so, “Chic was a necessary party and it has not been joined.” *Id.* In *Alfred E. Mann*, the Federal Circuit again reaffirmed this principle: “When there is an exclusive license agreement, . . . but the exclusive license does not transfer enough rights to make the licensee the patent owner, either the licensee or the licensor may sue, but both of them generally must be joined[.]” *Alfred E. Mann Found. For Sci. Research v. Cochlear Corp.*, 604 F.3d 1354, 1360 (Fed. Cir. 2010). It again held that even though the plaintiff was the patent owner, it was necessary on remand to “consider whether, under [*Aspex* and *Independent Wireless*] [the absent exclusive licensee] is an indispensable party” under Rule 19. *Id.* at 1361–63. Furthermore, Judge Stark acknowledged this rule in *Clouding*, advising that “where the plaintiff is a patentee who has given away some but not all substantial rights, it must join its exclusive licensee.” 61 F. Supp. 3d at 430, n.8 (holding that the plaintiff was not the owner).²

The three cases cited by Plaintiff at the hearing do not suggest a different conclusion. First, *Alfred E. Mann* plainly supports Defendants. Second, *Bluestone* is distinguishable because the exclusive field of use licensee was never an owner of the patent, never had any rights beyond its field of use, and did not receive sufficient rights to sue on its own. *Bluestone Innovations LLC v. Nichia Corp.*, 2013 WL 1729814, at *3 (N.D. Cal. Apr. 22, 2013). And the plaintiff-assignee had “covenanted not to sue under any Patent” for products within the exclusive licensee’s field. *Id.* Third, *Princeton Digital* is distinguishable because the assignor – unlike Boeing – had no exclusionary rights and “therefore [was] not a necessary party” under Rule 19. *Princeton Digital Image Corp. v. Hewlett-Packard*, 2013 WL 1454945, at *4, *6 (S.D.N.Y. Mar. 21, 2013).

Rule 19 by its terms mandates this outcome. Under Rule 19(a)(1), [REDACTED]

² Other courts have routinely applied these principles to require either dismissal or joinder of an exclusive licensee. *E.g.*, *Personalized Media Commc’ns v. Echostar Corp.*, 2012 WL 8251515, at *3 (E.D. Tex. July 10, 2012) (holding that an exclusive field-of-use licensee was a required party); *IRIS Corp. Berhad v. United States*, 82 Fed. Cl. 488, 499 (2008) (same); *Superguide Corp. v. DirectTV Enters.*, 202 F.R.D. 460, 462 (W.D.N.C. 2001) (same).

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and Boeing's absence "impede[s] [its] ability to protect [its] interest," and places Defendants at "risk of incurring double, multiple, or otherwise inconsistent obligations." Rule 19(a)(1). Boeing is thus a required party *even if* Plaintiff owns the Patents. As an absent party, Boeing's "ability to protect" its exclusionary rights and financial stake in the patents is "impaired." Rule 19(a).

The Court should dismiss these suits because of Plaintiff's delay and prejudice to Defendants. *See MOSAID Techs. Inc. v. LSI Corp.*, 2014 WL 3361924, at *2 (D. Del. July 2, 2014) (denying leave to amend based on delay and undue prejudice). Plaintiffs lack any good cause for the delay; The rule of International Wireless—that a case cannot proceed without both the patent owner and the exclusive licensee—has long been the law and is evident from the

Courts, including Judge Stark in *Clouding*, have ordered a dismissal under these circumstances. In *Clouding*, Judge Stark rejected plaintiff's late attempt to join Symantec as a required party when neither the licensee nor patentee had ever previously sought such relief. *Clouding IP*, 2014 WL 6466833, at *2 (D. Del. 11/17/14). Moreover, joinder would prejudice Defendants. These suits have been litigated for over a year, discovery is moving forward, infringement and invalidity contentions have been served and the parties are entering depositions and claim construction.

Dismissal is also appropriate because, as Plaintiff stated at the hearing, Rule 19 permits "involuntary joinder of plaintiffs only if the proposed plaintiff is substantively obligated to join." *STC.UNM v. Intel Corp.*, 767 F.3d 1351, 1353 (Fed. Cir. 2014) (Dyk, J., concurring in the denial of rehearing en banc).

See D.I. 102-1, Ex. A, § 4.3(b) (emphasis added); *id.* § 5.1.

Boeing and Plaintiff may sue together, but only after these cases are dismissed and they re-file with all required parties. If the Court nevertheless delays dismissal of these cases to allow Plaintiff to try to join Boeing, at a minimum, the cases should be held in abeyance in the interim, and a new schedule should be set and the filing date should also be reset for purposes of damages calculations if Boeing is joined.

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Respectfully,

/s/ Stephen J. Kraftschik

Stephen J. Kraftschik (#5623)

SJK/bac

Attachments

Cc: Clerk of the Court (by hand delivery; w/attachments)
All Counsel of Record (by electronic mail; w/attachments)

EXHIBIT 1

(REDACTED IN ITS ENTIRETY)

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