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VIA CM/ECF & HAND DELIVERY
The Honorable Christopher Burke
United States District Court
844 North King Street
Wilmington, DE 19801

Re: ***Midwest Energy Emissions Corp., et. al v. Arthur J. Gallagher & Co., et al.*, C.A. No. 19-1334-CJB**

Dear Judge Burke:

The Parties respectfully write pursuant to Your Honor's oral order (D.I. 681). The Parties have been unable to agree on the substantive issue of whether MES lacks constitutional standing or the appropriate remedy. The Parties are continuing to confer on this matter and their respective positions are below:

Plaintiffs' Position:

I. What is the parties' dispute?

On Friday at 12:06pm, local counsel for Defendants emailed Plaintiffs a letter arguing that "Plaintiff MES Inc.," one of two plaintiffs in this case, "lacks constitutional standing and must be dismissed from this case immediately for lack of subject matter jurisdiction." Ex. A at 1. According to the letter, the Court "previously declined to dismiss MES on the basis that 'MES *could* hold exclusive rights to obtain patent infringement damages as to [the 147 patent] for a portion of the relevant time period'" and "the facts . . . have changed." *Id.* The changed facts Defendants point to are that the '147 patent is no longer at issue in the case and the damages period has narrowed. The letter also makes clear that the issue it is raising is "*constitutional, not statutory.*" Ex. A at 2 (emphasis added).

Plaintiffs inquired as to exactly what Defendants contemplated should happen. Ex. B (email chain) at 13. Defendants then asked for dismissal of MES "prior to the commencement of trial because it will be more confusing to begin the trial with MES and then have it disappear as a party during the trial, and leaving it a party during the trial raises the risk of unnecessary error or confusion," Ex. B (email chain) at 9–10, and asked Plaintiffs to join a letter to the Court informing it of the issue, *id.* at 7–8.

In response to the letter, the Court sought information from the parties, and Defendants proposed a blind submission of the parties' position. Ex. B at 3. Plaintiffs did not understand the Court to be requesting argument and instead—information—and continued to ask Defendants for more information about the nature of the dispute with limited success.

II. Is the challenge statutory or constitutional?

A. It is statutory, and it is forfeited.

The issue raised in Defendants' letter, although framed as constitutional, is in fact statutory standing. The letter suggests that the Court declined to dismiss MES earlier in this case because of the presence of allegations about the '147 patent and about MES's potential entitlement to past damages. Ex. A at 1–2. But the Court's previous ruling held that Defendants' original MES standing challenge—even though brought as a constitutional and statutory standing issue—was properly considered as an issue of statutory standing alone (*i.e.*, whether MES qualifies as a patentee under 35 U.S.C. § 281). *Compare* D.I. 174 at 4 (challenging standing under Rule 12(b)(1)—lack of subject matter jurisdiction, which would be constitutional standing—and under Rule 12(b)(6), which would extend to statutory standing) *with* D.I. 279 at 14 (resolving the issue as one of statutory standing under Rule 12(b)(6)).

The Court's holding is correct. *See, e.g.*, *Lone Star Silicon Innovations LLC v. Nanya Tech. Corp.*, 925 F.3d 1225, 1235–36 (Fed. Cir. 2019) ("We therefore firmly bring ourselves into accord with *Lexmark* and our sister circuits by concluding that whether a party possesses all substantial rights in a patent does not implicate standing or subject-matter jurisdiction."); *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 125 (2014); *TransUnion LLC v. Ramirez*, 594 U.S. 413, 426–27 (2021) ("For standing purposes, therefore, an important difference exists between (i) a plaintiff 's statutory cause of action to sue a defendant over the defendant's violation of federal law, and (ii) a plaintiff 's suffering concrete harm because of the defendant's violation of federal law. Congress may enact legal prohibitions and obligations. And Congress may create causes of action for plaintiffs to sue defendants who violate those legal prohibitions or obligations. But under Article III, an injury in law is not an injury in fact.").

The operative pleading in this case—the Final Pretrial Order—does not join any challenge to MES's statutory standing, and this issue is forfeited. *See* D.I. 659.3, 659.5 (Defendants' statements of factual and legal issues to be tried not mentioning standing). The facts that Defendants now rely on—the dropping of the '147 patent and the narrowing of the damages period—all occurred *before* this Pretrial Order was submitted for the Court's entry, and there is no manifest injustice presented to Defendants. *See* Fed. R. Civ. P. 16(e) ("The court may modify the order issued after a final pretrial conference only to prevent manifest injustice."). It is forfeited, and Defendants cannot resurrect it now.

When asked why this issue was being raised on the eve of trial, Defendants responded that their challenge was "nonwaivable" because it implicated "subject matter jurisdiction." Ex. B at 9. That, as explained above, is simply incorrect. Defendants also stated that they had "just fully appreciated [the issue] last night[, the night of Thursday, February 22,] in the course of trial prep." Defendants' failure to work up this standing issue until trial preparations is a decision that they made, and that decision resulted in their failure to timely raise the issue in the operative pleading in this case, the Final Pretrial Order. Allowing Defendants to undo that choice and add new issues to this trial would not prevent manifest injustice.

B. To the extent the issue has any constitutional dimension, the Court need not decide it.

Even accepting Defendants' view that their arguments somehow implicate constitutional standing at this juncture, the Court need not dismiss MES. As the Supreme Court has repeatedly explained, "as in all standing inquiries, the critical question is whether ***at least one*** petitioner has 'alleged such a personal stake in the outcome of the controversy as to warrant his invocation of federal-court jurisdiction.'" *Horne v. Flores*, 557 U.S. 433, 445 (2009) (quoting *Summers v. Earth Island Inst.*, 555 U.S. 488, 493 (2009)) (emphasis added). *See also Town of Chester, N.Y. v. Laroe Ests., Inc.*, 581 U.S. 433, 439 (2017) ("[W]hen there are multiple plaintiffs: At least one plaintiff must have standing to seek each form of relief requested in the complaint."); *Bowsher v. Synar*, 478 U.S. 714, 721 (1986) (concluding that one of three parties had standing, so the Court "need not consider the standing issue" as to the other two); *Dir., Off. of Workers' Comp. Programs, U.S. Dep't of Lab. v. Perini N. River Assocs.*, 459 U.S. 297, 305 (1983) (holding that presence of one party with standing assures that controversy before Court is justiciable); *Vill. of Arlington Heights v. Metro. Hous. Dev. Corp.*, 429 U.S. 252, 264 (1977) ("Because of the presence of this plaintiff [with standing], we need not consider whether the other individual and corporate plaintiffs have standing to maintain the suit."); *Know Your IX v. DeVos*, No. CV RDB-20-01224, 2020 WL 6150935, at *3 (D. Md. Oct. 20, 2020) (collecting cases). ME2C has constitutional standing here, and, in the parties' communications on this issue, Defendants have not suggested otherwise. Given that Defendants have not contested that ME2C has constitutional standing, and given that ME2C *does* have constitutional standing,[1] the Court need not resolve MES's standing. Precedent makes clear that this Court has the undisputably has the authority to decide the case as it stands now.

C. The Court should also decline to dismiss MES because of the prejudice its dismissal would pose to ME2C.

What is more, there is no prejudice to Defendants from having MES in this case. Plaintiffs have repeatedly asked Defendants what prejudice they may suffer by the inclusion of MES in the case. Defendants have only responded with a generalized concern that MES's inclusion "raises the risk of unnecessary error or confusion." Ex. B at 9–10. As explained above, there is simply no error in including MES in the case from a constitutional standing perspective, and there is no live statutory standing challenge in this case. And Defendants have not explained how, if at all, the evidence received or the arguments in the case would differ with MES out of the case. Without grounding their concern in specific evidence or arguments that may come up during the case, Defendants have offered no substantive reason why confusion would be presented by the inclusion of MES.

[1] There can be no question that ME2C has constitutional standing. As will be shown at trial but has been previewed to the Court in the pleadings filed thus far in this case, Defendants' conduct have inflicted on ME2C a concrete, particularized, actual injury that is redressable by judicial relief.

At the same time, dismissing MES could present significant prejudice to ME2C. If Defendants are correct that there is an issue of constitutional standing here, constitutional standing is an unwaivable defense. Defendants *have not agreed* that ME2C has constitutional standing, but even if they did, Defendants could later argue that inclusion of MES was required and ME2C, standing alone, does not have constitutional standing.

To be sure, in Plaintiffs view, ME2C has constitutional standing, with a concrete, particularized, actual injury caused by Defendants that is redressable by judicial relief. *See TransUnion*, 594 U.S. at 423. Plaintiffs also understand that ME2C has statutory standing based on the EERC's assignment of the patents to ME2C as detailed in the Closing Agreement (PTX-54), which establishes that the Assignment of Patent Rights were executed and delivered to ME2C.

But when Plaintiffs pointed Defendants to PTX-54 (attached as Ex. C), Defendants responded as follows:

> You identified PTX-54, the Closing Agreement as showing the basis for MES's constitutional standing. The Closing Agreement states that "the Company," defined collectively as ME2C and MES, has "the option to acquire the Patent Right" and that "the Company has elected to exercise" that option. PTX-054 at 1. However, the Closing Agreement later provides that the "Assignment of Patent rights" shall be "execute[d] and deliver[ed] to ME2C." PTX-054 at 1. Similarly, Plaintiffs have alleged that ME2C owns "all rights, title, and interest" in the 114 and 517 patents. D.I. 406 ¶ 243. The assignments filed with the PTO, along with the accompanying Assignment agreements, show ME2C as the sole assignee. PTX-039; PTX-046. So, we don't see any basis in PTX-054 for constitutional standing on the part of MES.

See Ex. B at 1–2. As Defendants themselves quoted above, "the Company" is defined in that agreement as both MES and ME2C, which Defendants seem to imply creates a potential ambiguity in the contract. ME2C does not read the contract to be ambiguous, but to the extent Defendants or the Court read it that way, there is at least a possibility that MES may be a necessary party. And if MES was dismissed now and the Court were to later conclude inclusion of MES was necessary for constitutional standing, Plaintiffs would be severely prejudiced by the dismissal of MES.

III. What should happen next?

The answer to that question is nothing.

At bottom, based on what Defendants have disclosed to Plaintiffs about their dispute, Defendants are urging an unpreserved and forfeited statutory standing challenge under the guise of constitutional standing to excuse their failure to preserve the issue. This dispute was presented with urgency to Plaintiff (demanding an answer to the initial letter within a few hours on the last business day before trial) and to the Court (asking to file a letter informing the Court of a dispute and filing such a letter late on the same day). But there is simply no urgency here. The defense is not constitutional; it is forfeited; and entertaining Defendants' request, under

Defendants' view of the law and their apparent view of the operative contract language, could ultimately harm Plaintiff. Defendants have not suggested they want a second, eve-of-trial continuance, but that would be extremely prejudicial to Plaintiff as well.

What is more, if Defendants are sure that this issue is one of constitutional standing, ME2C's constitutional standing—which appears to be unchallenged here—is sufficient for the Court to have subject matter jurisdiction here under significant Supreme Court precedent. And, of course, if there really is *some* Article III issue here, Defendants have declined to identify—at least to Plaintiffs at this time—any particular prejudice MES's presence creates. Thus, there is no harm in proceeding as the parties had originally planned to—with bot

CERT Defendants' Position:

Plaintiff MES Inc. lacks constitutional standing and must be dismissed from this case immediately for lack of subject matter jurisdiction. *See* Fed. R. Civ. P. 12(h)(3) ("If the court determines at any time that it lacks subject-matter jurisdiction, the court must dismiss the action.").[2] To satisfy the constitutional standing requirements of Article III, a plaintiff must allege and show a concrete and particularized injury that is actual and imminent. That injury must be fairly traced to the defendant and likely redressed by a judgment in its favor. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992). In a case for patent infringement, "those who possess exclusionary rights in a patent suffer an injury when their rights are infringed." *Lone Star Silicon Innovations LLC v. Nanya Tech. Corp.*, 925 F.3d 1225, 1234 (Fed. Cir. 2019).

MES has no such exclusionary rights in the remaining asserted patents or any right to recover damages for alleged infringement in the time period at issue in this case. The Court previously declined to dismiss MES on the basis that "MES *could* hold exclusive rights to obtain patent infringement damages as to [the 147 patent] for a portion of the relevant time period." D.I. 279 at 16. The facts, however, have changed. MES is no longer pursuing an infringement claim for the 147 patent. Moreover, MES terminated any exclusive license it had to the 147 patent or related applications[3] when the EERC assigned the patents-in-suit to ME2C. D.I. 406 ¶ 99. As the Court has recognized, the assignment of rights occurred on April 24, 2017. D.I. 279 at 14. As of that date, MES's exclusive license was terminated. Regardless of whether it retained a right to recover damages for past infringement of the 147 patent, *id.* at 14-5, MES has not pled any exclusionary interest or right to recover for damages after April 24, 2017, nor is there any conceivable basis for it to do so. The Complaint is clear that ME2C owns "*all* rights, title, and interest" in the 114 and 517 patents, and that ME2C "holds *all* substantial rights pertinent to this suit, including the right to sue and recover for all past, current, and future infringement." D.I. 406 ¶¶ 243, 315 (emphases added). MES is not alleged to hold *any* rights regarding the 114 and 517 patents. As the case stands now, Plaintiffs are no longer asserting the 147 patent, and no right is

[2] "[S]ubject matter jurisdiction cannot be waived." *Medtronic Ave, Inc. v. Boston Scientific Corp.*, No. 98-478-SLR, 2004 WL 769365, at *4 (D. Del. Apr. 5, 2004). "A challenge to constitutional standing goes to the Court's subject matter jurisdiction and may be raised at any time." *Cirba Inc. v. VMWARE, Inc.*, No. CV 19-742-LPS, 2020 WL 7489765, at *4 n.4 (D. Del. Dec. 21, 2020).

[3] As the Court recognized, MES's relevant rights were limited to the 147 patent as it was the only asserted patent (at that time) that issued prior to April 24, 2017. D.I. 279 at 14 n.10.

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