IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ACCELERATION BAY LLC, Plaintiff, v. ACTIVISION BLIZZARD, INC., Defendant.	Civil Action No. 15-228-RGA
ACCELERATION BAY LLC, Plaintiff, v. ELECTRONIC ARTS INC., Defendant.	Civil Action No. 15-282-RGA
ACCELERATION BAY LLC, Plaintiff, v. TAKE-TWO INTERACTIVE SOFTWARE, INC., ROCKSTAR GAMES, INC., and 2K SPORTS, INC., Defendants.	Civil Action No. 15-311-RGA

MEMORANDUM

Presently before the Court is Defendants' motion to dismiss for lack of standing. (D.I. 100).[1] The issues have been fully briefed. (D.I. 101, 109, 119). The Court heard oral argument on May 2, 2016. (D.I. 133). For the reasons set forth herein, unless Boeing joins this action within 14 days, Defendants' motion to dismiss will be **GRANTED**.

[1] All citations are to Civil Action No. 15-228, unless otherwise indicated.

Acceleration Bay LLC ("AB") filed three separate patent infringement lawsuits against Defendants. (D.I. 1). AB alleges that Defendants infringe U.S. Patent Nos. 6,701,344; 6,714,966; 6,732,147; 6,829,634; 6,910,069; and 6,920,497 (collectively "the patents-in-suit"). (D.I. 7). AB claims to own these patents by way of a purchase agreement with the Boeing Intellectual Property Licensing Company. (D.I. 109 at 7). During discovery, Defendants acquired this agreement from Boeing. (D.I. 133 at 67). Shortly thereafter, on March 1, 2016, Defendants filed this motion. (*Id.* at 67, 69-70; D.I. 100).

Standing to sue is a threshold requirement in every federal case. *Warth v. Seldin*, 422 U.S. 490, 498 (1975). Standing is "comprised of both constitutional and prudential components." *Oxford Assocs. v. Waste Sys. Auth. of E. Montgomery Cty.*, 271 F.3d 140, 145 (3d Cir. 2001). Whether a plaintiff has standing to sue is a matter of law to be determined by the court. *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1551 (Fed. Cir. 1995) (en banc). "The party bringing the action bears the burden of establishing that it has standing." *Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 976 (Fed. Cir. 2005). "Standing must be present at the time the suit is brought." *Id.* at 975-76.

Generally, to satisfy prudential standing, a patent infringement plaintiff "must have held legal title to the patent at the time of the infringement." *Rite-Hite*, 56 F.3d at 1551; *see also* 35 U.S.C. §§ 100(d), 281. "A conveyance of legal title by the patentee can be made only of the entire patent, an undivided part or share of the entire patent, or all rights under the patent in a specified geographical region of the United States." *Id.* (citing *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891)). "A transfer of less than one of these three interests is a license, not an assignment of legal title." *Id.* at 1551-52. In circumstances where a patent owner transfers "all substantial rights" to the patents-in-suit, however, "the transfer is tantamount to an assignment of

those patents to the exclusive licensee, conferring standing to sue solely on the licensee." *Alfred E. Mann Found. for Sci. Research v. Cochlear Corp.*, 604 F.3d 1354, 1358-59 (Fed. Cir. 2010). Thus, to sue for infringement in its own name, a plaintiff must either hold (1) "all patent rights—the entire bundle of sticks," or (2) "all substantial rights." *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1339-40 (Fed. Cir. 2007).

"[U]nlike an assignee that may sue in its own name, an exclusive licensee having fewer than all substantial patent rights (that is not subject to an exception) that seeks to enforce its rights in a patent generally must sue jointly with the patent owner." *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1347-48 (Fed. Cir. 2001); *see also Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1344 (Fed. Cir. 2006) (Just as "a patentee must be joined in any lawsuit involving his or her patent, there must be joinder of any exclusive licensee." (citing *Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 466 (1926))). In other words, "[w]hen 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 as parties to the litigation." *Alfred E. Mann*, 604 F.3d at 1360.

"[W]hether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions." *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 873 (Fed. Cir. 1991). To determine "whether a provision in an agreement constitutes an assignment or a license, one must ascertain the intention of the parties and examine the substance of what was granted." *Id.* at 874. Here, the license agreement is to be interpreted under Washington

law,[2] which provides that the interpretation of a contract presents a question of law, so long as "the interpretation does not depend on the use of extrinsic evidence, or . . . only one reasonable inference can be drawn from the extrinsic evidence." *Tanner Elec. Coop. v. Puget Sound Power & Light Co.*, 911 P.2d 1301, 1310 (Wash. 1996). Under Washington law, "the touchstone of the interpretation of contracts is the intent of the parties." *Scott Galvanizing, Inc. v. Nw. EnviroServices, Inc.*, 844 P.2d 428, 432 (Wash. 1993).

In "ascertain[ing] the intention of the parties and examin[ing] the substance of what was granted . . ., it is helpful to look at wh[ich] rights were retained by the grantor." *Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1378 (Fed. Cir. 2000). Here, Boeing nominally assigned "all right, title and interest in and to the [patents-in-suit]" to AB, but that transfer was made "subject to" certain pre-existing licenses, "and the license set forth in paragraph 4.3." (D.I. 102, Ex. A ¶ 4.1). The license in ¶ 4.3 has two components: (1) a non-exclusive, non-transferable right to practice the patents in any field of use; and (2) the exclusive, transferable right to practice the patents in the "Boeing Field of Use,"[3] including the sole right to sublicense and enforce the patents in the Boeing Field of Use. (D.I. 102, Ex. A ¶ 4.3). While Boeing intended to assign all "right, title and interest" in the patents, it clearly intended to "condition[] [that assignment] on the terms of the license [Boeing] retained." *Clouding IP, LLC v. Google Inc.*, 61 F. Supp. 3d 421,

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[2] State contract law determines "the proper construction of [patent] assignment agreements." *Minco, Inc. v. Combustion Eng'g, Inc.*, 95 F.3d 1109, 1117 (Fed. Cir. 1996).

[3] The Boeing Field of Use "includes [the] use of a product, process or service for or in conjunction with" any of the following, or a "simulation" thereof: "aircraft, airplane, missiles, spacecraft, satellite, space station, vehicle, platform or any combination or sub-combination thereof intended for use in the atmosphere . . . or in space, alone or in combination with assets or services located on, above or under the earth's surface." (D.I. 102, Ex. A ¶ 2.5). The Boeing Field of Use also includes: military or national security uses (or a simulation under the auspices of a government); "marine, rail, and multi-modal transportation;" "solar energy technology;" and "information surveillance and reconnaissance." (*Id.*).

434 (D. Del. 2014). Since Boeing retained these rights, it did not convey "entire patent[s], an undivided part or share of [any] patent, or all rights under the patent[s] in a specified geographical region of the United States." *Rite-Hite*, 56 F.3d at 1551. AB is therefore an exclusive licensee. *Id.* at 1551-52.

At oral argument, AB argued that it had "been granted all rights," and then "granted a very small package of rights back to Boeing." (D.I. 133 at 39). The agreement provides that the license in ¶ 4.3—which the assignment in ¶ 4.1 was made "subject to"—was a "[l]icense [b]ack to [Boeing]." (D.I. 102, Ex. A ¶¶ 4.1, 4.3). Specifically, the agreement states that "[u]pon the Closing, [AB] hereby grants [the license] to [Boeing] and any Affiliate." (*Id.* ¶ 4.3). In examining a contract with similar language, a district court reached the conclusion advocated by AB. *See Princeton Dig. Image Corp. v. Hewlett-Packard*, 2013 WL 1454945, at *4 (S.D.N.Y. Mar. 21, 2013). In this context, I do not think there is a material distinction between a right retained and a right granted back.[4] Courts "determine the parties' intent by focusing on the objective manifestations of the agreement." *Hearst Commc'ns, Inc. v. Seattle Times Co.*, 115 P.3d 262, 267 (Wash. 2005). Here, the agreement evinces the parties' intent to effectuate a particular allocation of rights. Boeing's grant was explicitly limited by the agreement's "subject to" language, which reserved for Boeing certain rights. The labels ascribed to those retained rights have no bearing on the "analy[sis] [of] the respective rights allocated to each party under [an] agreement." *Propat Int'l Corp. v. RPost, Inc.*, 473 F.3d 1187, 1189 (Fed. Cir. 2007); *see also Diamond Coating Techs., LLC v. Hyundai Motor Am.*, 2016 WL 2865704, at *2 (Fed. Cir. May 17, 2016) ("We have not allowed labels to control by treating bare formalities of 'title'

[4] Generally, "[a] grant-back clause in a patent license requires the licensee to grant back to the licensor patent rights which the licensee may develop or acquire," rather than rights that already exist. 6A Donald S. Chisum, *Chisum on Patents* § 19.04[3][j] (2016).

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