

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
WACO DIVISION

UNM RAINFOREST INNOVATIONS,

Plaintiff,

v.

ZYXEL COMMUNICATIONS
CORPORATION,

Defendant.

Civil Action No. 6:20-cv-00522-ADA

**ZYXEL COMMUNICATIONS CORPORATION'S SUPPLEMENTAL
BRIEFING IN SUPPORT OF ITS MOTION FOR RECONSIDERATION,
CLARIFICATION, AND TO STAY PROCEEDINGS (Dkt. 54)**

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I. INTRODUCTION

Defendant ZyXEL Communications Corporation (“ZyXEL”) respectfully submits this Supplemental Brief to notify the Court of a material case development relevant to ZyXEL’s pending Motion for Reconsideration, Clarification, and to Stay Proceedings (the “Motion”) (Dkt. 54) in which ZyXEL moved this Court: (i) to reconsider the Text Order entered without opinion on January 27, 2021 denying ZyXEL’s Motion to Dismiss for Lack of Standing (the “Motion to Dismiss”) (Dkt. 18-1, 22) and grant the Motion to Dismiss; (ii) to, alternatively, clarify its Text Order by providing a reasoned opinion explaining the Court’s basis for denying ZyXEL’s Motion to Dismiss; and (iii) to immediately stay proceedings pending the Court’s ruling(s) on the Motion’s requested relief.¹

The material case development is that Plaintiff UNM Rainforest Innovations (“UNMRI”) recently filed an action in the Second Judicial District Court of Bernalillo County, New Mexico (the “New Mexico Action”), attempting to clear its title to, and establish its ownership of, the patents asserted in this litigation (“Asserted Patents”).² As UNMRI has finally acknowledged that an “actual controversy exists” as to the ownership of the Asserted Patents, for the reasons stated in the Motion’s papers and herein, the Motion to Dismiss should be granted or, alternatively, the case should be stayed pending resolution of the New Mexico Action—an action which goes to the heart of the issue of ownership of the Asserted Patents and UNMRI’s standing to sue.³

II. THE NEW MEXICO ACTION

On May 4, 2021, UNMRI filed the New Mexico Action against Industrial Technology Research Institute (“ITRI”), ITRI International Inc., and individual Peng-Yu Wang, styled *UNM*

¹ In the Motion to Dismiss (filed on October 29, 2020), ZyXEL challenged both Article III and statutory standing, moving for dismissal under Rules 12(b)(1) and 12(h)(3) (and, alternatively,

Rainforest Innovations v. Industrial Technology Research Institute, et al., Case No. D-202-CV-2021-02803, seeking among other things: (1) a declaratory judgment of ownership of the Asserted Patents (Count I); and (2) to quiet title to the Asserted Patents (Count II). *See* Exhibit A-1 (New Mexico Action Complaint). As in this litigation, UNMRI alleges in the New Mexico Action that it acquired its interest in the Asserted Patents from Sino Matrix Technology, Inc. (“Sino Matrix”), which in turn obtained its interest in the Asserted Patents from ITRI (the original owner of all rights, titles, and interests in the Asserted Patents). *Id.*, ¶¶ 26, 29, 32. Unlike this litigation, however, UNMRI additionally alleges that ITRI and Sino Matrix executed in “secret” a sales contract under which ITRI purports to have “reserve[d] ownership rights in the Asserted Patents” (*id.*, ¶ 54), creating a cloud of title and uncertainty of ownership of the Asserted Patents that has “severely hindered and obstructed” UNMRI’s “attempt to license the patents to other [alleged] infringers.” *Id.*, ¶¶ 54, 61, 63–80. Tellingly, and *finally*, UNMRI also admits that an “actual controversy exists” regarding ownership of the Asserted Patents.⁴ *Id.*, ¶ 66.

under 12(b)(7) for failure to join indispensable parties). *See* Dkt. 34-1, 43, n.1 (“MTD Reply”).

² The Asserted Patents are United States Patent Nos. 8,249,204, 8,265,096, and 8,565,326.

³ ZyXEL notes for the Court that Shore Chan LLP (“Shore Chan”), counsel for UNMRI in this case, was counsel for ITRI in prior infringement cases involving the Asserted Patents. Shore Chan is also UNMRI’s counsel of record in the New Mexico Action *against ITRI*.

⁴ UNMRI’s allegation that the sales contract between ITRI and Sino Matrix (i.e., the Original Assignment) is “secret” is belied by the facts that: (1) the ownership-retention provisions of the Original Assignment are required by ITRI’s funding agency, the Taiwan Ministry of Economic Affairs, and ingrained in Taiwan’s *publicly available* regulations (*see* Motion to Dismiss, II (“Efforts to Protect Taiwanese Investment”)); and (2) UNMRI’s counsel, having represented *ITRI* in 19 U.S. patent cases since 2009, is intimately familiar with such ownership-retention provisions. *See* MTD Reply, n.7. Moreover, “[w]here a party is experienced in the business of acquiring and enforcing patents [as is UNMRI], it is especially appropriate to find that it had constructive knowledge of another’s potential rights in the patents.” *Leighton Techs. LLC v. Oberthur Card Sys.*, No. 04 Civ. 2496(CM), 2007 WL 2230157, at *13 (S.D.N.Y. July 11, 2007). And through its due-diligence inquiry obligations, UNMRI should have learned of the Original Assignment simply by asking its predecessor-in-interest Sino Matrix whether it had executed any such document with ITRI. *See* MTD Reply, IV.B.

III. THIS CASE SHOULD BE DISMISSED BECAUSE UNMRI'S FILING OF THE NEW MEXICO ACTION SHOWS THAT UNMRI RECOGNIZES THAT OWNERSHIP OF THE ASSERTED PATENTS IS *STILL* AT ISSUE AND THAT IT DID NOT MEET ITS BURDEN *IN THIS ACTION* TO PROVE STANDING BY A PREPONDERANCE OF THE EVIDENCE.

Throughout its briefing in response to ZyXEL's "factual attack" challenging the sufficiency of UNMRI's rights in the Asserted Patents—and accordingly its standing to bring suit—UNMRI continually relied only on the allegations in its Complaint and attorney argument, repeatedly imploring this Court to ignore ZyXEL's evidence, cited law, and logic. UNMRI's argument to the Court, at its core, was "there is nothing here." Now, contrary to this prior position, UNMRI has chosen New Mexico as the hill on which to make its stand regarding its rights to the Asserted Patents. UNMRI's suit in New Mexico presents two important new facts that this Court should consider. First, UNMRI acknowledges that it needs a legal declaration of its rights, i.e., its standing, as it relates to the Asserted Patents. Second, UNMRI has chosen New Mexico rather than this Court as the place to seek such declaration. Both facts demonstrate that UNMRI has not proven standing in this action.⁵ Moreover, UNMRI's attempt to seek "a declaration from [the New Mexico state court] declaring [its] right and status" with respect to the Asserted Patents shows that UNMRI is aware that, in the face of ZyXEL's "factual attack," UNMRI has failed to carry *its* burden in this action to prove *by a preponderance of the evidence* its standing to pursue this litigation.⁶ In filing the New Mexico Action, UNMRI seeks the well-reasoned declaration of rights

⁵ As ZyXEL explained in its prior briefing, once ZyXEL challenged subject-matter jurisdiction through a "factual attack," UNMRI was "required to submit facts through some evidentiary method and ha[d] the burden of proving by a preponderance of the evidence that the trial court does have subject matter jurisdiction." *Diamondback Indus., Inc. v. Repeat Precision, LLC*, No. 6:19-CV-00034-ADA, 2019 WL 8501017, at *2 (W.D. Tex. Sept. 11, 2019) (citing *Paterson v. Weinberger*, 644 F.2d 521, 523 (5th Cir. 1981)); *see also* Motion to Dismiss, III.A; Motion, II.

⁶ ZyXEL initiated a "factual attack" challenging UNMRI's rights in the Asserted Patents based on two patent agreement documents executed by original patentee ITRI and UNMRI's predecessor-

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