APPENDIX

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APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

INTELLECTUAL TECH LLC,
Plaintiff-Appellant

v.

ZEBRA TECHNOLOGIES CORPORATION,
Defendant-Appellee

2022-2207

Appeal from the United States District Court for the Western District of Texas in No. 6:19-cv-00628-ADA, Judge Alan D. Albright.

Decided: May 1, 2024

JAMES PERKINS, Cole Schotz P.C., Dallas, TX, argued for plaintiff-appellant. Also represented by TIMOTHY J.H. CRADDOCK, GARY SORDEN.

WILLIAM R. PETERSON, Morgan, Lewis & Bockius LLP, Houston, TX, argued for defendant-appellee. Also represented by KARON NICOLE FOWLER, JAMES JOHN KRITSAS, AMANDA SCOTT WILLIAMSON, Chicago, IL; BRENT A. HAWKINS, San Francisco, CA.

Before PROST, TARANTO, and HUGHES, *Circuit Judges*.

PROST, *Circuit Judge*.

Intellectual Tech LLC ("IT") appeals from a decision of the United States District Court for the Western District of Texas dismissing all its claims against Zebra Technologies Corporation ("Zebra") for lack of constitutional standing. *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:19-cv-628, 2022 WL 1608014 (W.D. Tex. May 20, 2022) ("*Opinion*"). For the reasons below, we reverse and remand.

BACKGROUND

In 2019, IT asserted U.S. Patent No. 7,233,247 ("the '247 patent") against Zebra. J.A. 67. The complaint alleged, among other things, that IT "is the owner and assignee" of the '247 patent. Compl., *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:19-cv-628 (W.D. Tex. Oct. 22, 2019), ECF No. 1 ¶ 7. Zebra first moved to dismiss the complaint for lack of standing, and the district court denied the motion. J.A. 300. Subsequently, Zebra moved for summary judgment of no subject-matter jurisdiction based on IT's purported lack of constitutional and statutory standing. J.A. 309. The district court considered this a renewed motion to dismiss, granted the motion based on its determination that IT lacked constitutional standing, and dismissed all claims without prejudice. *Opinion*, 2022 WL 1608014.

IT is the wholly owned subsidiary of OnAsset Intelligence, Inc. ("OnAsset"). Rule 7.1 Corporate Disclosure Statement, *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:19-cv-628, (W.D. Tex. Oct. 22, 2019), ECF No. 2. Here, the history of OnAsset's agreements with a lender, Main Street Capital Corporation ("Main Street"), provides important background regarding

IT's creation and its legal interest in the '247 patent. We first outline these agreements and then describe the underlying district court decision.

I

In 2011, OnAsset granted Main Street a security interest in its patents—including the '247 patent, which was assigned to OnAsset at the time—as part of a loan agreement. J.A. 229–39 (2011 Patent and Trademark Security Agreement); J.A. 477–89 (Security Agreement); J.A. 399–466 (Loan Agreement). The terms gave Main Street certain rights that it could exercise upon OnAsset's default of the loan. In 2013, Main Street notified OnAsset that it was in default. J.A. 510–12.

Subsequently, in 2017, OnAsset and Main Street entered into a forbearance agreement. J.A. 162. At the same time, IT was formed as OnAsset's subsidiary, and OnAsset assigned the '247 patent to IT. J.A. 283–85; J.A. 184. In turn, IT entered into a joinder agreement to the loan agreement between OnAsset and Main Street. J.A. 211. And IT entered into its own patent and trademark security agreement with Main Street, granting Main Street a security interest in the '247 patent like OnAsset had. J.A. 249 (2017 Patent and Trademark Security Agreement). However, by 2018, IT had defaulted as well. *Opinion*, 2022 WL 1608014, at *3, *4 n.2.

IT agrees with the district court's assessment that the 2011 and 2017 patent and trademark security agreements have "mirrored" terms. *See* Appellant's Br. 11 n.1 (citing *Opinion*, 2022 WL 1608014, at *3). As a result, Main Street's default rights at the time the complaint was filed in 2019 were the same whether assessed based on OnAsset's 2013 default (where IT's assignment from OnAsset was subject to these rights) or IT's own 2018 default. We follow the parties' and district court's convention of citing the 2011 agreement throughout.

Turning to the pertinent provisions, section 4 of the patent and trademark security agreement provides:

> 4. <u>Debtor's Use of the Patents and Trademarks</u>. Debtor shall be permitted to control and manage the Patents and Trademarks, including the right to exclude others from making, using or selling items covered by the Patents and Trademarks and any licenses thereunder, in the same manner and with the same effect as if this Agreement had not been entered into, so long as no Default exists.

J.A. 232.

In the event of a default, section 6 provides options that Main Street can elect to exercise:

> 6. <u>Remedies</u>. While a Default exists, Secured Party may, at its option, take any or all of the following actions:
>
> (a) Secured Party may exercise any or all remedies available under the Loan Agreement.
>
> (b) Secured Party may sell, assign, transfer, pledge, encumber or otherwise dispose of the Patents and Trademarks.
>
> (c) Secured Party may enforce the Patents and Trademarks and any licenses thereunder, and

> if Secured Party shall commence any suit for such enforcement, Debtor shall, at the request of Secured Party, do any and all lawful acts and execute any and all proper documents required by Secured Party in aid of such enforcement.

J.A. 232.

In turn, section 3(j) provides mechanisms for Main Street to exercise its rights. Specifically, it states:

> 3. Representations, Warranties and Agreements. Debtor represents, warrants and agrees as follows:
>
> . . .
>
> (j) **Power of Attorney**. To facilitate Secured Party's taking action under subsection (i) and exercising its rights under ***Section 6***, Debtor hereby irrevocably appoints (which appointment is coupled with an interest) Secured Party, or its delegate, as the attorney-in-fact of Debtor with the right (but not the duty) from time to time while a Default exists to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of Debtor, any and all instruments, documents, applications, financing statements, and other agreements and writings required to be obtained, executed, delivered or endorsed by Debtor under this ***Section 3***, or, necessary for Secured Party, while a Default exists, to enforce or use the Patents or Trademarks or to grant or issue any exclusive or nonexclusive license under the Patents or Trademarks to any third party, or to sell, assign, transfer, pledge, encumber or otherwise

> transfer title in or dispose of the Patents or Trademarks to any third party. Debtor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. The power of attorney granted herein shall terminate upon the termination of the Loan Agreement as provided therein and the payment and performance of all Obligations.

J.A. 230–32 (emphasis in original). Zebra has not pointed to evidence that Main Street has elected to exercise any rights under section 6 or taken any action as attorney in fact under section 3(j).[1]

II

Zebra moved to dismiss for lack of standing under Federal Rules of Civil Procedure 12(b)(1) and 12(c). The district court denied the motion, concluding that IT "is the rightful owner of the '247 patent, retains the right to enforce that patent, and thus has constitutional and statutory standing to bring a patent infringement suit against Zebra." J.A. 300.

Zebra renewed its standing arguments in the form of a motion for summary judgment for lack of subject-matter jurisdiction. Zebra primarily argued that OnAsset's initial default in 2013 triggered an immediate transfer of exclusionary rights to Main Street such

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[1] After the complaint was filed, IT, OnAsset, and Main Street entered into an amended forbearance agreement that extended the forbearance date to the end of 2022. J.A. 557. However, because this does not alter the constitutional standing analysis as of the complaint's filing date, we need not assess the impact of forbearance on Main Street's rights. *See Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1309–10 (Fed. Cir. 2003).

that OnAsset had no exclusionary rights to assign IT as of the 2017 assignment agreements. J.A. 316.

The district court rejected this primary argument, concluding that default gave Main Street the right "to enforce, 'sell, assign, transfer, pledge, encumber or otherwise dispose of' the '247 patent," but it did not "automatically divest OnAsset of title to the '247 patent." *Opinion*, 2022 WL 1608014, at *3 (quoting J.A. 232 (2011 Patent and Trademark Security Agreement, section 6)). Nonetheless, the district court granted Zebra's motion as to constitutional standing—which the court restyled as a renewed motion under Rule 12(b)(1)—because, in its view, the fact that "Zebra could obtain a license on the ['247] patent from Main Street" deprived IT of all its exclusionary rights. *Id.* at *7. The district court acknowledged that one way to read section 6 of the agreement was that it did not give Main Street a right to license, but the district court seemed to conclude that Main Street's ability to assign, and Zebra's theoretical ability to obtain title from such an assignment, had the same impact on the standing analysis as Main Street having "an unconditional right to license." *Id.* at *7 n.4. The court stated that it was "follow[ing] [two district court] *Uniloc* opinions, and their extension of [the Federal Circuit decision in] *WiAV*, to find a lack of constitutional standing." *Id.* at *7 (citing *WiAV Sols. LLC v. Motorola, Inc.*, 631 F.3d 1257, 1266 (Fed. Cir. 2010); *Uniloc USA, Inc. v. Apple, Inc.*, No. C 18-00358, 2020 WL 7122617 (N.D. Cal. Dec. 4, 2020); *Uniloc USA, Inc. v. Motorola Mobility, LLC*, No. CV 171658, 2020 WL 7771219 (D. Del. Dec. 30, 2020)).

Next, the court rejected "IT['s] request[] that it be afforded the opportunity to cure any defects in constitutional standing by joining Main Street or substituting it under Federal Rules of Civil Procedure 19 or 20." *Id.* at *8. The court reasoned that the standing defect existed at the time of filing and was therefore incurable. *Id.* Finally, the court found it unnecessary to reach Zebra's arguments related to statutory standing in light of the Article III (i.e., constitutional) determination. *Id.* The court dismissed all of IT's claims without prejudice. *Id.*

IT moved for reconsideration. J.A. 581–82. The court denied IT's motion, largely reiterating the reasoning it outlined in its initial decision. *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:19-cv-628, 2022 WL 3088572 (W.D. Tex. Aug. 3, 2022). The court summarized its understanding of the relevant law as follows: "a patent title holder can deprive itself of exclusionary rights by vesting a third party with a right to assign or sublicense the patent (even if the third party never exercises those rights)." *Id.* at *2. The court acknowledged that "IT may be correct that it is more accurate to say that, on default, Main Street has an unfettered right to license and/or assign the '247 patent in *IT's name*." *Id.* at *3 (emphasis in original). However, the court considered its analysis "completely unaffected by this" purported agency-based distinction. *Id.*

IT timely appealed. J.A. 611. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

Discussion

I

Article III standing determinations are reviewed de novo. *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1363 (Fed. Cir. 2010). Standing requires: (1) an injury in fact; (2) traceability; and (3) redressability. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560–61 (1992). The only meaningful dispute raised by the circumstances here relates to the injury-in-fact requirement.[2] An injury in fact is an "actual or imminent" "concrete and particularized" "invasion of a legally protected interest." *Id.* at 560. This requirement is mandatory at the inception of the lawsuit and carries through the case, requiring the plaintiff to prove it "with the manner and degree of evidence required at the successive stages of the litigation." *Id.* at 561.

The interpretation of an unambiguous contract is a legal issue, and we review the district court's interpretation de novo. *Gonzalez v. Denning*, 394 F.3d 388, 392 (5th Cir. 2004). It is undisputed that Texas law applies to the agreements at issue here. *See* Appellant's Br. 8; Appellee's Br. 8. Under Texas law, contracts are read as a whole to give meaning to the parties' intent as expressed in the writing, and an agreement is considered ambiguous only where the language of the contract is subject to two or more reasonable interpretations or meanings. *Gonzalez*, 394 F.3d at 392; *see also Frost Nat'l Bank v. L&F Distribs., Ltd.*,

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[2] Zebra does present a cursory redressability argument based on IT's ability to sufficiently prove its damages model. Appellee's Br. 25. Because this is an argument about IT's ability to prove substantive elements of its claims instead of a jurisdictional argument, we reject it without further discussion.

165 S.W.3d 310, 312 (Tex. 2005) (concluding that an agreement is not ambiguous where, "after the pertinent rules of construction are applied, the contract can be given a definite or certain legal meaning").

II

The only question before us is whether IT demonstrated the irreducible constitutional minimum of an injury in fact. All that requires here is that IT retained *an* exclusionary right—i.e., infringement would amount to an invasion of IT's legally protected interest. Under the only reasonable reading of the patent and trademark security agreement, IT still retained at least one exclusionary right, even in view of the rights Main Street gained upon default.

Before going further, it is perhaps just as important to frame what is *not* at issue on appeal here. We need not determine whether IT's legal interest in the '247 patent was sufficient to meet the "patentee" requirement of 35 U.S.C. § 281, an issue the district court did not reach. This court has clarified, in light of the Supreme Court's opinion in *Lexmark International, Inc. v. Static Control Components, Inc.*, 572 U.S. 118 (2014), that § 281 is not a jurisdictional requirement. *See Lone Star Silicon Innovations LLC v. Nanya Tech. Corp.*, 925 F.3d 1225, 1235 (Fed. Cir. 2019) ("*Lexmark* is irreconcilable with our earlier authority treating § 281 as a jurisdictional requirement."); *Schwendimann v. Arkwright Advanced Coating, Inc.*, 959 F.3d 1065, 1071 (Fed. Cir. 2020) ("[*Lone Star*] recognized that intervening Supreme Court precedent made clear that our earlier decisions treating the prerequisites of the Patent Act as jurisdictional were wrong."). Further, we have acknowledged that the § 281 inquiry (sometimes called statutory standing in our cases, particularly before *Lexmark*) and the injury-in-fact inquiry (for constitutional standing) are distinct. *Lone Star*, 925 F.3d at 1234–35 ("[A]lthough Lone Star does not possess all substantial rights in the asserted patents [to satisfy § 281] its allegations still satisfy Article III."); *Univ. of S. Fla. Rsch. Found., Inc. v. Fujifilm Med. Sys. U.S.A., Inc.*, 19 F.4th 1315, 1324 (Fed. Cir. 2021) ("[W]e hold [the plaintiff] fails to meet the statutory requirements of § 281 but does meet the requirements of constitutional standing."). In general, the question for the injury-in-fact threshold is whether a party has *an* exclusionary right. *Univ. of S. Fla. Rsch. Found.*, 19 F.4th at 1323.

Prior to our case law's acknowledgement of this jurisdictional and substantive distinction, many of this court's opinions had improperly melded the injury-in-fact inquiry with the § 281 inquiry—often performing a combined analysis of the two simultaneously. The lack of delineation between these two separate legal questions in prior opinions may have caused some of the uncertainty the district court grappled with here. However, the implications illustrate why the distinction is critical. Article III standing is a jurisdictional requirement, which is incurable if absent at the initiation of suit. *See Paradise Creations*, 315 F.3d at 1309–10; *Abraxis*, 625 F.3d at 1366 n.2. Further, for Article III purposes, "[a]t least one plaintiff must have standing to seek each form of relief requested in the complaint." *Town of Chester, N.Y. v. Laroe Ests., Inc.*, 581 U.S. 433, 439 (2017). The issue of whether the statutory requirements of § 281 are met, on the other hand, is not jurisdictional and a defect is curable by joinder. *Lone Star*, 925 F.3d at 1235–36.[3]

We now turn to the only question on appeal, whether IT had *an* exclusionary right in the '247 patent when the complaint was filed. The answer is a clear yes.

Zebra argues that Main Street's ability to license the '247 patent pursuant to section 3(j) of the agreement deprived IT of all exclusionary rights. Zebra makes two arguments related to licensing: (1) Main Street had the exclusive ability to license upon default, which deprived IT of all exclusionary rights, Appellee's Br. 29–32; and (2) even if both Main Street and IT had the ability to license upon default, Main Street's non-exclusive ability to do so still divested IT of all exclusionary rights, *id.* at 17–29.

First, based on our assessment of the patent and trademark security agreement as a whole, we reject Zebra's argument that the agreement granted Main Street exclusive licensing rights upon default. Nothing in the agreement indicates that, without further

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[3] Issues of joinder are also not before us on appeal. Because the district court concluded that IT lacked constitutional standing, it did not assess IT's proposed joinder of Main Street under Federal Rules of Civil Procedure 19 or 20. *Opinion*, 2022 WL 1608014, at *8. In light of our determination that IT does have constitutional standing, issues of joinder can, if necessary, be addressed on remand. *See Lone Star*, 925 F.3d at 1236–39. We also note that following the dismissal here, Main Street, OnAsset, and IT filed suit as co-plaintiffs. *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:22-cv-00788 (W.D. Tex.). That case is currently stayed pending this appeal. Order Staying Case, *Intell. Tech LLC v. Zebra Techs. Corp.*, No. 6:22-cv-788 (W.D. Tex. Jan. 9, 2023), ECF No. 48.

action by Main Street, the mere triggering of Main Street's *options* under section 6 and mechanisms under section 3(j) automatically deprived IT of all its rights under section 4. Because we reject this exclusive-rights argument based on our interpretation of the agreement alone, we need not assess whether IT would have constitutional standing under that reading of the agreement.

Next, we conclude that IT retained exclusionary rights even though Main Street had the non-exclusive ability to license the '247 patent.[4] A patent owner has exclusionary rights sufficient to meet the injury-in-fact requirement even where, without more, it grants another party the ability to license. *See Uniloc USA, Inc. v. Motorola Mobility LLC*, 52 F.4th 1340, 1345 (Fed. Cir. 2022) (observing but not holding that "[p]atent owners and licensees do not have identical patent rights, and patent owners arguably do not lack standing simply because they granted a license that gave another party the right to sublicense the patent to an alleged infringer"); *see also id.* at 1351 (Lourie, J., additional views) ("The grant of a non-exclusive license with the right to sublicense, as here, gives the

[4] We need not address the parties' dispute about the agency-based implications of the attorney-in-fact provision in section 3(j) because our conclusion is the same even if, upon default, Main Street could grant licenses on behalf of itself. At oral argument in this court, Zebra stated that it was not relying on the attorney-in-fact provision as a ground independent of the section 6 and 3(j) provisions. Oral Arg. at 11:55–12:02, No. 22-2207, https://oralarguments.cafc.uscourts.gov/default.aspx?fl=22-2207_04032024.mp3.

licensee the right to sublicense others. But the patentee still retains the right to sue unlicensed infringers.").[5]

Zebra relies heavily on this court's opinion in *WiAV*, as the district court did in its opinion, to support its argument that Main Street's non-exclusive ability to license stripped IT of all exclusionary rights. However, *WiAV* is not instructive here.

In *WiAV*, the court asked whether the plaintiff was an exclusive licensee (an entity that received an exclusionary right as part of a license) or bare licensee (an entity that received only "a promise from the patentee that the patentee will not sue the licensee for practicing the patented invention"). 631 F.3d at 1265. And, even through that lens, which is distinct from the situation at issue here, the court still rejected the notion that "the licensee must be the *only* party with the ability to license the patent" in order to constitute an exclusive licensee. *Id.* at 1266 (emphasis in original). There, in order to assess whether the plaintiff's license included the rights to exclude the alleged infringer, the court assessed whether the alleged infringer possessed or was capable of "obtaining[] a license of those rights from any other party." *Id.* at 1266–67. Ultimately, the court determined that WiAV's sole ability to practice and sublicense within

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[5] In *Uniloc*, the district court concluded that a lender's ability to sublicense upon default deprived the patent owner of standing, and this court affirmed the no-standing judgment based only on collateral estoppel as a result of an earlier unappealed loss on the issue by Uniloc. 52 F.4th at 1345. The reasoning of the district court's standing determination in *Uniloc* has not been endorsed by this court.

its licensed subfield was sufficient to demonstrate that its license had conferred an exclusionary right and, as a result, infringement within that subfield amounted to an injury in fact. *Id.* at 1267.

The licensee-versus-patentee distinction between *WiAV* and this case is critical. A patent owner has exclusionary rights as a baseline matter unless it has transferred all exclusionary rights away.[6] In contrast, a licensee ordinarily obtains freedom from suit but does not necessarily obtain an interest in preventing others from practicing the patent. As a result, in the licensee context, questions about other entities' ability to license can provide a reasonable proxy for understanding the extent of rights a licensee received as part of the license—i.e., whether the license granted exclusionary rights or mere freedom from suit. Those same questions do not provide a reasonable proxy for understanding whether a patent owner retains at least one exclusionary right or whether it has transferred all exclusionary rights away. As Judge Lourie explained in his additional views in *Uniloc*, the issue of patent owner's exclusionary rights is "incorrectly dealt with * * * as one of determining what is an exclusive license." 52 F.4th at 1351 (Lourie, J., additional views).

We need not enumerate the exclusionary rights afforded by a patent or fully define their scope here. Instead, it is sufficient to conclude that Main Street and IT's shared ability to license while a default ex-

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[6] Because there is no dispute that OnAsset had all rights in the '247 patent before its loan agreement with Main Street, the patent owner framing is apt here.

isted did not divest IT, the patent owner, of *all* exclusionary rights. Cases that have evaluated a patent owner's rights support this conclusion. For example, in *Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, this court concluded that the patent owner had not transferred away all of its rights where the rights it granted to a third party, including an unfettered right to sublicense (among many other rights), were given "for only a limited portion of the patent term." 434 F.3d 1336, 1342–43 (Fed. Cir. 2006); *see also Alfred E. Mann Found. for Sci. Rsch. v. Cochlear Corp.*, 604 F.3d 1354, 1361 (Fed. Cir. 2010) (concluding that the patent owner had not transferred away all rights, even under an exclusive license with rights to sublicense, where the patent owner retained the right to sue). Further, in the context of patent co-owners, which share exclusionary rights, we have concluded that an individual co-owner has Article III standing. *See AntennaSys, Inc. v. AQYR Techs., Inc.*, 976 F.3d 1374, 1378 (Fed. Cir. 2020). In sum, IT still suffers an injury in fact from infringement even if IT and Main Street can both license the patent.

In addition to its arguments about licensing, Zebra also argues that the clause in section 6 of the patent and trademark security agreement that granted Main Street the *option* to "sell, assign, transfer, pledge, encumber or otherwise dispose of the" '247 patent, J.A. 232, divested IT of all exclusionary rights. We disagree on this point as well.

Main Street's unexercised option to assign—whether to itself or to others—was not a present divestment of IT's exclusionary rights. Zebra's arguments treat Main Street's option to assign as equivalent to the ultimate ability to license under *WiAV*. Whatever role another entity's ability to license has in the Article III inquiry for a patent owner, it is clear that assignment must be evaluated based on the actual transfer of rights, not mere ability. *See Abraxis*, 625 F.3d at 1364–65 (evaluating whether rights transferred automatically or were set to transfer at some point in the future); *Cent. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Sols., P.C.*, 482 F.3d 1347, 1352–53 (Fed. Cir. 2007) (holding that the plaintiff had Article III standing even where the government had "*discretionary* authority to take title" to the asserted patent because the government "ha[d] shown no interest" in doing so (emphasis in original)). The district court correctly determined that IT was not automatically divested of title upon default. However, it incorrectly concluded that Main Street's *option* to assign presently divested IT of all other legal interests in the '247 patent. The exclusionary rights that IT would have lost upon Main Street's foreclosure or assignment to another party must be evaluated in the same way the court evaluated title—based on the actual state of rights instead of their hypothetical redistribution at some unspecified point in the future. Because Main Street did not exercise any options under section 6, IT was not presently divested of all exclusionary rights.

CONCLUSION

Main Street's default rights under the patent and trademark security agreement did not deprive IT of all exclusionary rights. Thus, the district court incorrectly determined that IT could not demonstrate that infringement of the ’247 patent amounted to an injury in fact. Because IT has constitutional standing, we reverse and remand.

REVERSED AND REMANDED

COSTS

Costs to IT.

APPENDIX B

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

Civil Action No. 6:19-cv-00628-ADA

INTELLECTUAL TECH LLC,
Plaintiff,

v.

ZEBRA TECHNOLOGIES CORPORATION,
Defendant.

MEMORANDUM OPINION & ORDER GRANTING-IN-PART-AS-MODIFIED AND DENYING-IN-PART DEFENDANT ZEBRA'S MOTION FOR SUMMARY JUDGMENT FOR LACK OF STANDING [ECF No. 116]

(Filed May 20, 2022)

Came on for consideration this date is Defendant Zebra Technologies Corporation's Motion for Summary Judgment for Lack of Standing Pursuant to Federal Rules of Civil Procedure 56. ECF No. 116 (the "Motion"). Plaintiff Intellectual Tech LLC ("IT") filed an opposition on March 3, 2022, ECF No. 123, to which Zebra replied on March 17, 2022, ECF No. 124. The Court heard oral arguments on the Motion on May 2, 2022. *See* ECF No. 141. That same day, the Court ordered this Action stayed pending resolution of the Motion. ECF No. 142. After careful consideration of the Motion, the Parties' briefs, and the applicable law, the Court **GRANTS-IN-PART-AS-MODIFIED AND DENIES-AS-MOOT-IN-PART** Zebra's Motion for Summary Judgment for Lack of Standing Pursuant to Federal Rules of Civil Procedure 56. ECF No. 116.

I. BACKGROUND

Whether IT suffered a constitutional injury depends on a series of interrelated agreements that IT entered into with its parent, OnAsset Intelligence, Inc. ("OnAsset"), and OnAsset's creditor, Main Street Capital Corporation ("Main Street"). OnAsset gave Main Street a security interest in U.S. Patent No. 7,233,247 (the "'247 patent") in exchange for a loan. And when OnAsset defaulted on that loan, Main Street gained certain rights in the '247 patent by dint of its security interest. OnAsset and Main Street later entered a forbearance agreement to deal with on OnAsset's default. IT sprung from that forbearance and was given, along with title to the '247 patent, a mandate to monetize the '247 patent. In furtherance of that mandate, IT sued Zebra in this Court on October 22, 2019, alleging infringement of the '247 patent. *See* ECF No. 1. But the rights Main Street maintained in the '247 patent—through security interests followed by defaults—cast a cloud over IT's constitutional.

II. LEGAL STANDARD

"The law of Article III standing, which is built on separation-of-powers principles, serves to prevent the judicial process from being used to usurp the powers of the political branches." *Town of Chester v. Laroe Estates, Inc.*, 137 S. Ct. 1645, 1650, 198 L. Ed. 2d 64

(2017). To have standing, IT "must have (1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the defendant, and (3) that is likely to be redressed by a favorable judicial decision." *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1547, 194 L. Ed. 2d 635 (2016). "Th[at] triad of injury in fact, causation, and redressability constitutes the core of Article III's case-or-controversy requirement," and IT, as "the party invoking federal jurisdiction[,] bears the burden of establishing its existence." *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 103–04, 118 S. Ct. 1003, 140 L. Ed. 2d 210 (1998) (footnote omitted).

Regional circuit law governs standards for the "dismissal of a complaint for lack of standing unless the issue is unique to patent law and therefore exclusively assigned to the Federal Circuit." *Univ. of S. Fla. Rsch. Found., Inc. v. Fujifilm Med. Sys. U.S.A.*, 19 F.4th 1315, 1323 (U.S. Fed. Cir. 2021). Federal Circuit law governs an entity's constitutional standing in a patent infringement action. *WiAV Sols. LLC v. Motorola, Inc.*, 631 F.3d 1257, 1263 (Fed. Cir. 2010).

"[E]ach element of Article III standing must be supported in the same way as any other matter on which the plaintiff bears the burden of proof, with the same evidentiary requirements of that stage of litigation." *Legacy Cmty. Health Servs., Inc. v. Smith*, 881 F.3d 358, 366 (5th Cir.), *as revised* (Feb. 1, 2018), *cert. denied*, 139 S. Ct. 211, 202 L. Ed. 2d 126 (2018) (quotation marks omitted). Thus, at summary judgment, IT cannot rely on "mere allegations"; it "must set forth by affidavit or other evidence specific facts" supporting standing. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 561, 112 S. Ct. 2130, 119 L. Ed. 2d 351 (1992) (quotation marks omitted).

III. ANALYSIS

A. Summary Judgment, Reconsideration, and Subject Matter Jurisdiction

IT asserts that this Court should deny Zebra's Motion on procedural grounds because this Court already disposed of this issue at the dismissal stage. ECF No. 123 at 1. On January 19, 2021, Zebra filed a motion to dismiss for lack of constitutional and statutory standing. ECF No. 68. That motion became ripe on January 29, 2021, ECF No. 74 (the "Dismissal Motion"), and the Court entered a brief order holding that "Intellectual Tech LLC is the rightful owner of the '247 patent, retains the right to enforce that patent, and thus has constitutional and statutory standing to bring a patent infringement suit against Zebra Technologies Corporation," ECF No. 75. IT contends that, "under Federal Rule of Civil Procedure 12(d), Zebra's Motion to Dismiss must be treated as a motion for summary judgment under Rule 56," supposedly because Zebra's motion to dismiss "presented matters outside the pleadings, including certain loan, security, and forbearance agreements." ECF No. 123.

This Court need not treat Zebra's Dismissal Motion as a motion for summary judgment because courts in the Fifth Circuit are permitted to resolve factual disputes underlying subject matter jurisdiction without converting a motion under Rule 12(b)(1) to one for summary judgment. *See, e.g., Ramming v. United States*, 281 F.3d 158, 161 (5th Cir. 2001) ("In examining a Rule 12(b)(1) motion, the district court is empowered to consider matters of fact which may be in dispute."). And in any event, the Court has authority under Rule 54(b) to "to revise[] at any time any order or other decision * * * [that] does not end the action." *Austin v. Kroger Texas, L.P.*, 864 F.3d 326, 336 (5th Cir. 2017) (quoting Fed. R. Civ. P. 54(b)) (internal quotation omitted, alterations in original). Federal Rule of Civil Procedure 54(b) "reflect[s] the inherent power of the rendering district court to afford such relief from interlocutory judgments as justice requires." *Id.* (internal quotation omitted). In accordance with this Rule, courts may reconsider and reverse prior decisions "even in the absence of new evidence or an intervening change in or clarification of the substantive law." *Id.* Accordingly, the Court exercises its discretion to reconsider any prior judgment as to IT's rights in the '247 patent as it bears on constitutional standing.

Moreover, as to the instant Motion, the Fifth Circuit has "expressed doubt as to the propriety of summary judgment as a tool for disposing of a case on jurisdictional grounds when the district court does not actually purport to address the merits of the parties' dispute." *Gaspard v. Amerada Hess Corp.*, 13 F.3d 165, 168 (5th Cir. 1994). The Federal Circuit has likewise treated a summary judgment motion for lack of subject matter jurisdiction as a "suggestion" that the district court should dismiss under Rule 12(b)(1). *See Indium Corp. of Am. v. Semi-Alloys, Inc.*, 781 F.2d 879, 883–84 (Fed. Cir. 1985); *see also* Charles A. Wright & Arthur R. Miller, Federal Practice and Procedure § 1350 & n.33 (3d ed.) (collecting cases). The Court, therefore, treats this Motion as a renewed motion to dismiss under Rule 12(b)(1).

B. Constitutional Standing

1. Main Street's Rights

As explained in more depth below, the Court's constitutional-standing inquiry focuses on whether IT had an exclusionary right when it filed suit against Zebra. To ascertain the scope of IT's rights, the Court must consider what rights IT ceded to its creditor, Main Street, if any.

a. Structure of the Parties' Agreements

On April 2, 2011, OnAsset, Plaintiff IT's parent company, entered into a "2011 Loan Agreement" with a lender, Main Street.[1] ECF No. 116 at 2. As a condition of the 2011 Loan Agreement, OnAsset granted a security interest in all of its property, including the '247 patent. ECF No. 116 at 2. According to the "2011 Patent and Trademark Security Agreement" between OnAsset and Main Street, if OnAsset defaulted on the 2011 Loan Agreement, Main Street could, "at its option," "sell, assign, transfer, pledge, encumber or otherwise dispose" of the '247 patent. ECF No. 62-2 at Section 6. But only so long as OnAsset was in default. *Id.* ("While a Default exists * * * *").

The 2011 Patent and Trademark Security Agreement also "irrevocably" appointed Main Street as OnAsset's "attorney-in-fact," with "the right (but not the duty)" to execute any agreement in OnAsset's name necessary for Main Street to enforce, license, sell, assign, transfer, pledge, encumber, or otherwise

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[1] It is this Court's understanding that Texas law governs the relevant agreements referred to herein. *See also* ECF No. 123 at 8 n.5.

transfer title in the ’247 patent. *Id.* at Section 3(j). Main Street could only exercise this power of attorney while OnAsset was in default and only “[t]o facilitate [Main Street’s] * * * exercising” the rights Main Street accrued while OnAsset was in default of the 2011 Loan Agreement. *Id.*

On April 19, 2013, Main Street issued a notice of default to OnAsset. *See* ECF No. 116 at 3. There is no dispute that OnAsset defaulted. *See id.* On June 2, 2017, OnAsset and Main Street entered into a “2017 Forbearance Agreement,” which required that OnAsset engage in “Monetization Actions” with respect to the ’247 patent. *See* ECF No. 116 at 3–4. To that end, OnAsset formed its subsidiary, Plaintiff IT. *See* ECF No. 116 at 4. Also on June 2, 2017, OnAsset and IT entered into a Contribution Agreement that assigned the ’247 patent to IT. *See* ECF No. 116 at 4; ECF No. 123 at 3.

At the same time, IT and Main Street executed: a 2017 Joint Agreement binding IT to the 2011 Loan Agreement as a borrower, *see* ECF No. 116 at 4 n.3; and a “2017 Patent and Trademark Security Agreement” that mirrored the terms in the 2011 Patent and Trademark Security Agreement, ECF No. 62-8; *see* ECF No. 116 at 4 n.3. But by December 2018, IT had defaulted on several obligations under the 2017 Forbearance Agreement and 2011 Loan Agreement. *See* ECF No. 116 at 5. Nevertheless, IT initiated this action in October 2019. ECF No. 1. Almost two years later, in the summer of 2021, IT and Main Street entered into a First Amended Forbearance Agreement. *See* ECF No. 116 at 5.

b. Effect of Default

Zebra alleges that OnAsset's 2013 default divested OnAsset of its rights in the '247 patent, making the 2017 assignment to IT ineffective. This Court disagrees. By its terms, the 2011 Patent and Trademark Security Agreement undoubtedly granted Main Street the right, on OnAsset's default, to enforce, "sell, assign, transfer, pledge, encumber or otherwise dispose of" the '247 patent. ECF No. 62-2 at Section 6. It did not, however, automatically divest OnAsset of title to the '247 patent. Texas law provides that, after default, a secured party "may take possession of the collateral," not that the debtor is automatically divested of title to the collateral. Tex. Bus. & Com. Code § 9.609(a)(1). Moreover, many of the secured party's rights after a default will be dictated "by agreement of the parties." *Id.* § 9.601(a), and no agreement herein provided for automatic divestment.

Main Street had the right to take title to (that is, foreclose upon) the '247 patent so long as OnAsset was in default, but there is no indication Main Street exercised that option. Accordingly, the 2017 assignment of the '247 patent from OnAsset to IT was proper and there is no defect in the chain of title. IT's rights in the '247 patent were, however, subject to Main Street's rights under Section 6 of the 2011 Patent and Trademark Security Agreement. *See* ECF No. 62-2 at Section 7 ("This Agreement shall be binding upon and inure to the benefit of Debtor and Secured Party and their respective participants, successors and assigns * * * *"). And Main Street's rights under that section would only revert to IT if, for example, Main

Street waived them or OnAsset cured its default of the 2011 Loan Agreement.

The Court holds that the 2017 Forbearance Agreement did not act to revert Main Street's rights in the '247 patent to IT. Rather, the terms of the 2017 Forbearance Agreement unequivocally provide that Main Street was merely forbearing "any exercise and enforcement of such rights." ECF No. 68-2 at IT001670, 1672 (Section 4(a)), 1679 (Section 9), 1682–83 (Section 17). Moreover, the Court is satisfied that IT's December 2018 default on the 2017 Forbearance Agreement relieved Main Street of its duty to forbear exercising its rights to the '247 patent.[2] *See* ECF No. 68-2 at IT001627 (Section 4(a)).

As such, when IT initiated this Action on October 22, 2019, Main Street possessed rights to enforce, "sell, assign, transfer, pledge, encumber or otherwise dispose of" the '247 patent. Main Street's possession of those rights was uninterrupted from at least April 19, 2013, when it issued its notice of default to OnAsset. From June 2, 2017 (the effective date of the 2017 Forbearance Agreement) to December 2018 (when IT defaulted on the 2017 Forbearance Agreement and 2011 Loan Agreement), Main Street was bound to forbear exercising its rights in the '247 patent.

IT's opposition to Zebra's Motion is not inconsistent with this description of the distribution of

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[2] Even if it could be argued that the 2017 Forbearance Agreement reverted Main Street's rights in the '247 patent to IT, IT's 2018 default provided an identical set of rights to Main Street according to Section 6 of the 2017 Patent and Trademark Security Agreement. ECF No. 62-8 at Section 6.

rights among IT, Main Street, and OnAsset. IT primarily objected to Zebra's theory that title in the '247 patent automatically transferred to Main Street on default. ECF No. 123 at 6–9. This Court rejects Zebra's "automatic transfer theory"—or at least IT's articulation of that theory—for those reasons stated above (and those IT identified). ECF No. 123 at 7. As explained above, while title to the '247 patent did not pass automatically, other rights in the '247 patent did. And Zebra correctly notes how IT's opposition "misses the mark." ECF No. 124 at 1. "The issue not whether *ownership* of the '247 patent transferred upon default, but rather whether the rights that Main Street received deprive IT of its * * * ability to exclude others from using the [patented] invention." *Id.* As discussed below, the Court holds that the rights Main Street received deprived IT of those exclusionary rights critical to constitutional standing.

2. <u>Constitutional Standing Demands an Exclusionary Right</u>

Ascertaining standing in a patent-infringement case requires an inquiry into both Article III or "constitutional" standing and what has been called "statutory" or "prudential" standing. To have constitutional standing, a plaintiff must have an "exclusionary right." *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1340 (Fed. Cir. 2007). To have statutory standing, a plaintiff must have "all substantial rights" to the asserted patent. *Id.*

As other courts have more coherently explained, "constitutional standing in a patent case is anything but straightforward." *Uniloc USA, Inc. v. Motorola Mobility, LLC*, No. CV 17-1658-CFC, 2020 WL

7771219, at *3 (D. Del. Dec. 30, 2020) (hereinafter, *Motorola*). The Supreme Court has confirmed that patent owners and even exclusive licensees have constitutional standing to sue for patent infringement. *See Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 469, 472 (1926). As the decades have rolled by, however, it has become increasingly unclear who qualifies as a "patent owner" or an "exclusive license"—or whether these labels are helpful in discerning who suffers a constitutional injury by another's infringement. *See id.* (collecting cases). In *WiAV Solutions LLC v. Motorola, Inc.*, the Federal Circuit attempted to bring desperately needed clarity. 631 F.3d at 1265. It determined that an exclusive licensee has no constitutional standing to sue a defendant who holds a license or can obtain one. That is, it has no "exclusionary right" against such a defendant. *See generally id.*

a. The *WiAV* Opinion

The *WiAV* opinion laid out in clear terms how courts should evaluate the constitutional standing of those alleging to be exclusive licensees. The panel clarified two strains of its precedent: cases involving an agreement explicitly deeming the plaintiff an "exclusive licensee," like the case before the *WiAV* court; and cases involving agreements of lesser clarity as to the nature of the granted license. Authority in the latter category endorsed a searching inquiry to determine whether the patentee intended for the plaintiff to be its exclusive licensee. *Id.* at 1264–65; *Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481, 1485 (Fed. Cir. 1998) (holding that a requirements contract for the accused product did not convert the exclusive supplier into an "exclusive licensee" because the licensor did not promise that all others would be excluded from practicing the patented invention); *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1368 (Fed. Cir. 2008) (holding that a licensee was not an "exclusive licensee" because others were permitted to practice the invention in the relevant territory).

Once a court determines that the parties to the relevant agreement intended for the plaintiff to be an exclusive licensee—in *WiAV*, the relevant agreement explicitly labeled the plaintiff as such—it will be presumed that the plaintiff has constitutional standing to sue any entity *not* falling into one of the following two buckets. *WiAV*, 631 F.3d at 1267. In the first bucket are non-exclusive licensees in existence at the time plaintiff received the exclusive license. *Id.*; *see also Alfred E. Mann Found. For Scientific Research v. Cochlear Corp.*, 604 F.3d 1354 (Fed. Cir. 2010) (concluding that a licensee was an exclusive licensee of a patent despite the licensor retaining the ability to license the patent to settle lawsuits). The second bucket holds any entity that could obtain a license. For example, a defendant could obtain a license from a member of the first bucket that possesses a right to sublicense the defendant. *WiAV*, 631 F.3d at 1267. "[I]f an exclusive licensee has the right to exclude others from practicing a patent, and a party accused of infringement does not possess, and is incapable of obtaining, a license of those rights from any other party, the exclusive licensee's exclusionary right is violated." *Id.* at 1266–67.

The *WiAV* panel concluded that its plaintiff had constitutional standing to sue the named defendants because the rights of certain third parties to sublicense the asserted patents were so cabined that the named defendants could not obtain a license on the accused technology. This Court, like others, reads *WiAV* to mean that an "exclusive licensee" lacks constitutional standing to sue *anyone* if a third party has an unconditional right to license the asserted patent to *everyone*. *See Motorola*, 2020 WL 7771219, at *4 ("[U]nder *WiAV*, a third party's legal right to grant the defendant a license to the asserted patent deprives an exclusive licensee plaintiff of standing." (citing *ChromaDex, Inc. v. Elysium Health, Inc.*, 507 F. Supp. 3d 579, 585 (D. Del. 2020))).

Two district courts—the District of Delaware and the Northern District of California—recently extended *WiAV* to hold that even a patent owner lacks constitutional standing if a third party has an unfettered right to sublicense the asserted patent. The Court considers those two opinions in turn and joins them in extending *WiAV*.

b. The *Uniloc* Cases

In *Motorola*, the U.S. District Court for the District of Delaware held that plaintiffs, Uniloc Luxembourg, S.A. and Uniloc USA, Inc. (collectively, the "Unilocs"), lacked constitutional standing to sue for patent infringement where the Unilocs defaulted on a loan from Fortress Credit Co. LLC ("Fortress"), causing Fortress to automatically accrue a right to sublicense the asserted patents. 2020 WL 7771219, at *8.Years earlier, in late 2014, the Unilocs granted Fortress a license, with a right to sublicense, on the

Unilocs' patent portfolio in exchange for a $26 million loan with which the Unilocs meant to fund campaigns to monetize their portfolio. *Id.* at *1. The license agreement specified that Fortress could not to "use" the license and right to sublicense unless and until the Unilocs defaulted on the loan. *Id.* The *Motorola* court described the structure of this license as a "security" on the loan. *Id.*

In March 2017, the Unilocs failed to meet a required monetization goal under the loan agreement; though Fortress "did not view or treat" the Unilocs as having defaulted, the *Motorola* court deemed the derogation a default. *Id.* at *7. Moreover, the default "was neither cured by the Unilocs nor waived by Fortress." *Id.* Upon default, Fortress was, in the court's judgment, free to use its right to sublicense the asserted patent. *Id.* at *8. Fortress held that right as of November 2017, when the Unilocs initiated a patent infringement suit against Motorola. *Id.*

The *Motorola* court opined that the existence of Fortress's unfettered right to sublicense at the time the Unilocs sued Motorola defeated the Unilocs' constitutional standing. *Id.* In holding so, the court read *WiAV* as dictating that "a third party's legal right to license the asserted patent to the defendant deprives the patent's owner * * * of standing to sue for infringement." *Id.* at *4. From this and other precedent, the *Motorola* court distilled a guiding principle: "it is the violation of the exclusionary rights that come with a patent that constitutes the injury-in-fact necessary for Article III standing in a patent infringement case." *Id.* at *5. Reasoning that a plaintiff has no exclusionary right "if another party has the right to allow the defendant to use the patent," the court held that the Unilocs abandoned their exclusionary rights by defaulting on their loan agreement with Fortress and thereby ceding to Fortress the unfettered ability to sublicense.[3] *Id.* Accordingly, the Unilocs did not have constitutional standing to sue Motorola for patent infringement. *Id.*

The U.S. District Court for the Northern District of California considered the same facts only weeks before (though with a different defendant) and reached the same result under the same rationale. *Uniloc USA, Inc. v. Apple, Inc.*, No. C 18-00358 WHA, 2020 WL 7122617, at *7–8 (N.D. Cal. Dec. 4, 2020) (hereinafter, *Apple*) ("A patent licensee's right to grant an unencumbered sublicense renders even the *patent owner's* right to exclude (and, thus, to sue) illusory.").

3. IT Lacked an Exclusionary Right

The Court holds that Main Street's rights deprived IT of an exclusionary right at the time IT filed this Action. Zebra relies on *WiAV*, and the *Uniloc* opinions' extension of *WiAV*, to argue that IT has no

[3] The *Motorola* court noted a divide in pre-*WiAV* Federal Circuit opinions. In one corner, the court held that a patentee had standing even where a third party had a right to sublicense. *See Alfred E. Mann*, 604 F.3d at 1362; *Aspex Eyewear, Inc. v. Miracle Options, Inc.*, 434 F.3d 1336, 1342 (Fed. Cir. 2006). Yet in another case, the court held that a third party's right to sublicense deprived a patentee of standing. *Azure Networks, LLC v. CSR PLC*, 771 F.3d 1336, 1347 (Fed. Cir. 2014), *vacated on other grounds*, 575 U.S. 959 (2015). The latter opinion is consistent with the *WiAV* opinion's robust analysis of the issue. Accordingly, this Court will follow the opinion in *Azure*, as extended in *WiAV*.

exclusionary right because Zebra could obtain a license on the asserted patent from Main Street. The Court agrees. On October 22, 2019, Main Street possessed an unfettered right to license the ’247 patent.[4] *See supra* Section III.B.1.b. Meaning Zebra had the “ability to obtain” a license to the ’247 patent from Main Street. *WiAV*, 631 F.3d at 1266. At the very least, IT has not provided contrary evidence regarding Zebra’s ability to obtain a license from Main Street. *Cf. Semcon IP Inc. v. Huawei Device USA Inc.*, No. 216CV00437JRGRSP, 2017 WL 1017424, at *3 (E.D. Tex. Feb. 21, 2017) (declining to dismiss a case for lack of constitutional standing where plaintiff provided evidence that relevant third parties did not have the “ability to grant any defendant a license”), *R&R adopted*, No. 2:16-CV-437-JRG-RSP, 2017 WL 1001286 (E.D. Tex. Mar. 15, 2017). Because Zebra had that ability, IT could not have an exclusionary right against Zebra sufficient to engender Article III standing here.

[4] It could be argued that Main Street did not possess a right to license the ’247 patent because Section 6 of the 2011 Patent and Trademark Security Agreement does not explicitly provide for a right to license, even though Section 3(j) grants a power of attorney to license in support of Section 6. Section 6 did, however, expressly provide a right to assign: the ’247 patent; and the right to sue for “past infringement” of the ’247 patent. *See* ECF No. 62-2 at Section 6 (granting rights to “Patents”), Section 1 (“Patents” defined to include “right to sue for past infringement and damages). Accordingly, Zebra could have obtained title to the ’247 patent from Main Street, effectively licensing all of Zebra’s past and ongoing accused conduct, thereby depriving IT of constitutional standing just as if Main Street had an unconditional right to license.

At oral arguments, IT attempted to distinguish *Motorola* and *Apple* by noting that neither dealt with a security agreement. IT also argued that even if Main Street had rights under Section 6, it could only exert those rights "on behalf of Intellectual Tech, not as Main Street." The Court cannot figure how these distinctions are material; neither speaks to a constraint on Main Street's ability to license Zebra's conduct. Accordingly, the Court follows the *Uniloc* opinions, and their extension of *WiAV*, to find a lack of constitutional standing.

IT "must show Article III standing both at the time of the filing of the complaint and throughout the lawsuit." *Brackeen v. Haaland*, 994 F.3d 249, 438 (5th Cir. 2021); *Lujan*, 504 U.S. at 569–70 & n.4 (standing "is to be assessed under the facts existing when the complaint is filed."); *Schwendimann v. Arkwright Advanced Coating, Inc.*, 959 F.3d 1065, 1077 (Fed. Cir. 2020) (Reyna, J. dissenting) ("A plaintiff must have Article III standing at the time it filed suit."). For the foregoing reasons, IT failed to show Article III standing at the time of the filing of its complaint.

4. IT Cannot Retroactively Cure Defects in Constitutional Standing

IT requests that it be afforded the opportunity to cure any defects in constitutional standing by joining Main Street or substituting it under Federal Rules of Civil Procedure 19 or 20. But it is well established that a defect in Article III standing "cannot be cured by the addition of a party with standing, nor by the subsequent purchase of an interest in the patent in suit." *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 (Fed. Cir. 2005); *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1364 (Fed. Cir. 2010); *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093 (Fed. Cir. 1998). Accordingly, the Court determines that this Action cannot proceed in view of an incurable standing defect.

C. Prudential Standing

Given its holding as to constitutional standing, the Court need not address Zebra's prudential standing challenge.

IV. CONCLUSION

It is therefore **ORDERED** that Zebra's Motion for Summary Judgment for Lack of Standing Pursuant to Federal Rules of Civil Procedure 56, ECF No. 116, is **GRANTED-IN-PART-AS-MODIFIED AND DENIED-AS-MOOT-IN-PART**.

IT IS ORDERED that Zebra's Motion, ECF No. 116, is **GRANTED** to the extent it requests dismissal under Federal Rule of Civil Procedure 12(h)(3) and/or 12(b)(1) of IT's claims for lack of subject matter jurisdiction due to IT's lack of constitutional standing. **IT IS THEREFORE ORDERED** that all of IT's claims against Zebra are hereby **DISMISSED WITHOUT PREJUDICE**.

IT IS FURTHER ORDERED that Zebra's Motion, ECF No. 116, is **DENIED-AS-MOOT** as to Zebra's challenge to IT's statutory standing.

The Clerk of the Court is directed to **CLOSE** the above-captioned matter.

SIGNED this 20th day of May, 2022.

/s/ Alan D Albright
ALAN D ALBRIGHT
UNITED STATES DISTRICT JUDGE

APPENDIX C

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

Civil Action No. 6:19-cv-00628-ADA

INTELLECTUAL TECH LLC,
Plaintiff,

v.

ZEBRA TECHNOLOGIES CORPORATION,
Defendant.

MEMORANDUM OPINION & ORDER

(Filed August 3, 2022)

Came on for consideration this date is the Joint Motion for Entry of Disputed Bill of Costs, ECF No. 148, and Plaintiff Intellectual Tech LLC's Motion for Reconsideration and Reinstatement. ECF No. 147 (the "Motion"). Defendant Zebra Technologies Corporation ("Zebra") responded to the Motion on June 29, 2022, ECF No. 150, to which Intellectual Tech LLC ("IT") replied on July 6, 2022, ECF No. 151. After careful consideration of the motions, the parties' briefs, and the applicable law, the Court **GRANTS-IN-PART** and **DENIES-IN-PART** the Joint Motion for Entry of Disputed Bills of Costs, ECF No. 148, and **DENIES** Plaintiff's Motion for Reconsideration and Reinstatement, ECF No. 147.

I. BACKGROUND

Whether IT suffered a constitutional injury sufficient to give it standing depends on a series of interrelated agreements IT entered into with its parent, OnAsset Intelligence, Inc. ("OnAsset"), and OnAsset's creditor, Main Street Capital Corporation ("Main Street"). OnAsset gave Main Street a security interest in U.S. Patent No. 7,233,247 (the "'247 patent") in exchange for a loan. And when OnAsset defaulted on that loan, Main Street gained certain rights in the '247 patent by dint of its security interest. OnAsset and Main Street later entered a forbearance agreement to deal with OnAsset's default. IT sprung from that forbearance and was given, along with title to the '247 patent, a mandate to monetize the '247 patent. In furtherance of that mandate, IT sued Zebra in this Court on October 22, 2019, alleging infringement of the '247 patent. *See* ECF No. 1. But the rights Main Street maintained in the '247 patent—through security interests followed by defaults—deprived IT of constitutional standing.

The Court concluded as much in an opinion rendered May 20, 2022. *See Intellectual Tech LLC v. Zebra Techs. Corp.*, No. 6:19-cv-00628-ADA, 2022 U.S. Dist. LEXIS 90905, at *19 (W.D. Tex. May 20, 2022) (the "*Dismissal Op.*"). The Court determined that, on October 22, 2019— when IT initiated this Action—IT was in default on a loan from Main Street. *See id.* at *10. According to the relevant contractual provisions, Main Street received certain rights the moment IT defaulted. *See id.* These included the unfettered right to enforce, "sell, assign, transfer, pledge, encumber or otherwise dispose of" the '247 patent. *See id.* The

Court concluded that IT had no exclusionary right against Zebra at the time IT initiated this Action because Main Street could have licensed Zebra's allegedly infringing conduct on that day. *Id.* This, the Court opined, inevitably followed from one vein of relevant caselaw. *Id.* (first citing *WiAV Sols. LLC v. Motorola, Inc.*, 631 F.3d 1257 (Fed. Cir. 2010); then citing *Uniloc USA, Inc. v. Motorola Mobility, LLC*, No. CV 17-1658-CFC, 2020 WL 7771219, at *3 (D. Del. Dec. 30, 2020); and then citing *Uniloc USA, Inc. v. Apple, Inc.*, 2020 U.S. Dist. LEXIS 228257, 2020 WL 7122617, at *7–8 (N.D. Cal. Dec. 4, 2020)).

IT asks the Court to reconsider that ruling under Federal Rule of Civil Procedure 59(e) to correct what it sees as manifest errors. Identifying no manifest error, the Court declines to do so.

II. LEGAL STANDARD

A. Article III Standing

"The law of Article III standing, which is built on separation-of-powers principles, serves to prevent the judicial process from being used to usurp the powers of the political branches." *Town of Chester v. Laroe Estates, Inc.*, 137 S. Ct. 1645, 1650, 198 L. Ed. 2d 64 (2017). To have standing, IT "must have (1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the defendant, and (3) that is likely to be redressed by a favorable judicial decision." *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1547, 194 L. Ed. 2d 635 (2016). "Th[at] triad of injury in fact, causation, and redressability constitutes the core of Article III's case-or-controversy requirement," and IT, as "the party invoking federal jurisdiction[,] bears the burden of establishing its existence." *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 103-04, 118 S. Ct. 1003, 140 L. Ed. 2d 210 (1998) (footnote omitted).

Regional circuit law governs standards for the "dismissal of a complaint for lack of standing unless the issue is unique to patent law and therefore exclusively assigned to the Federal Circuit." *Univ. of S. Fla. Rsch. Found., Inc. v. Fujifilm Med. Sys. U.S.A.*, 19 F.4th 1315, 1323 (U.S. Fed. Cir. 2021). Federal Circuit law governs an entity's constitutional standing in a patent infringement action. *See WiAV Sols. LLC v. Motorola, Inc.*, 631 F.3d 1257, 1263 (Fed. Cir. 2010).

"[E]ach element of Article III standing must be supported in the same way as any other matter on which the plaintiff bears the burden of proof, with the same evidentiary requirements of that stage of litigation." *Legacy Cmty. Health Servs., Inc. v. Smith*, 881 F.3d 358, 366 (5th Cir.), *as revised* (Feb. 1, 2018), *cert. denied*, 139 S. Ct. 211, 202 L. Ed. 2d 126 (2018) (quotation marks omitted). Thus, at summary judgment, IT cannot rely on "mere allegations"; it "must set forth by affidavit or other evidence specific facts" supporting standing. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 561, 112 S. Ct. 2130, 119 L. Ed. 2d 351 (1992) (quotation marks omitted).

Ascertaining standing in a patent-infringement case requires an inquiry into both Article III or "constitutional" standing and what has been called "statutory" or "prudential" standing. To have constitutional standing, a plaintiff must have an "exclusionary right." *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1340 (Fed. Cir. 2007). To have statutory standing, a plaintiff must have "all substantial rights" to the asserted patent. *Id.*

B. Reconsideration

Motions for reconsideration are made under Rule 59(e) of the Federal Rules of Civil Procedure. "Under Rule 59(e), amending a judgment is appropriate (1) where there has been an intervening change in the controlling law; (2) where the movant presents newly discovered evidence that was previously unavailable; or (3) to correct a manifest error of law or fact." *Demahy v. Schwarz Pharma, Inc.*, 702 F.3d 177, 182 (5th Cir. 2012).

C. Costs

Federal Rule of Civil Procedure 54(d)(1) provides: "Unless a federal statute, these rules, or a court order provides otherwise, costs—other than attorney's fees—should be allowed to the prevailing party." Fed. R. Civ. P. 54(d)(1). Federal Circuit law governs the definition of a "prevailing party" in patent cases. *See, e.g., Raniere v. Microsoft Corp.*, 887 F.3d 1298 (Fed. Cir. 2018). Section 1920 of Title 28 "control[s] a federal court's power to hold a losing party responsible for the opponent's fees" by limiting what costs can be awarded. *Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 444, 107 S. Ct. 2494, 96 L. Ed. 2d 385 (1987).

III. ANALYSIS

A. The Court Will Not Reconsider the *Dismissal Op.*

The *WiAV* and *Uniloc* opinions laid down the following principle: a patent title holder can deprive itself of exclusionary rights by vesting a third party with a right to assign or sublicense the patent (even if the third party never exercises those rights). The Court cannot stress this point enough: holding title to a patent is not the same as holding exclusionary rights to a patent. In the *Uniloc* opinions, the patent title holders, the Unilocs, did not have exclusionary rights because they vested a third party, Fortress, with a right to sublicense the patent. Fortress did not have an exclusionary right in the asserted patent, but Fortress's right to sublicense the same sufficed to deprive the Unilocs of their exclusionary right. *See Dismissal Op*. at *15–17.

IT has not grasped these concepts. Its briefing returns, again and again, to whether Main Street received exclusionary rights in the '247 patent. To whether Main Street ever deprived IT of title to the '247 patent.[1] That is not the critical question. The

[1] *See, e.g.*, ECF No. 147 at 1 ("The other two options do not transfer any exclusionary rights from Intellectual Tech to Main Street * * * *"); *id.* at 4 ("[N]one of those three options provides a 'present grant' of exclusionary rights to Main Street."); *id.* at 5 ("Main Street received no exclusionary rights."); *id.* at 5 ("Main Street does not have title or any exclusionary rights to the '247 patent."); *id.* at 10 ("Only foreclosure would transfer the exclusionary rights to Main Street . . .); ECF No. 151 at 1 (stating that Main Street's power of attorney "does not mean that Main Street had any exclusionary rights"); *id.* ("Because Main Street did not have title to the '247 Patent, Zebra could not obtain title from

Court affirms that, upon default, title to the '247 patent remained with IT. *See Dismissal Op*. at *7 ("[Default] did not, however, automatically divest OnAsset of title to the '247 patent."). The critical question is whether Main Street received rights upon IT's default that deprived IT—the undisputed title holder—of exclusionary rights. Just as Fortress's unfettered right to sublicense deprived the title holder, the Unilocs, of exclusionary rights, Main Street's unfettered right to license and/or assign the '247 patent deprived IT of exclusionary rights.[2] Main Street did not have to take title to the '247 patent to achieve this. It bears repeating: Main Street *did not have to take title to the '247 patent* to achieve this. The Motion's fixation on Main Street not taking title to the '247 patent is, therefore, misplaced.

Despite IT's holding title to the '247 patent, IT lacked exclusionary rights because, on default, Main Street had the right to assign or license the '247 patent to Zebra (or anyone else). In ceding these rights to Main Street, IT opened the door for Main Street to license Zebra's accused conduct such that IT could not exercise its exclusionary rights against Zebra. *Cf. WiAV*, 631 F.3d at 1266 ("[A]n exclusive licensee lacks standing to sue a party who has the ability to obtain such a license from another party with the right to grant it."). And it is Zebra's *ability* to receive a license

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Main Street."); *id.* at 2 ("Main Street received no exclusionary rights * * * *"); *id.* ("[F]oreclosure is a prerequisite for Main Street to exercise exclusionary rights."); *id.* at 4 ("The power of attorney does not give Main Street any independent right to exclude.").

[2] The *Dismissal Op.* explains this in detail, with reference to *WiAV* and the *Uniloc* opinions. *See Dismissal Op.* at *13–17.

to the patent[3] that destroys IT's exclusionary rights against Zebra.

IT may be correct that it is more accurate to say that, on default, Main Street has an unfettered right to license and/or assign the '247 patent *in IT's name*. It concedes that Zebra could obtain title to the '247 patent. ECF No. 147 at 9 ("Zebra could only obtain title from [IT], whether under control of Main Street, Main Street's delegate, or otherwise."). But in IT's reading of the relevant agreements, Main Street, acting as IT's "agent-in-fact," would have to assign or license the '247 patent to Zebra in IT's name. ECF No. 147 at 5–9. It proclaims that this distinction "is the whole ball game." *Id.* Why? IT won't tell.[4]

The Court, having already been frustrated by IT's unwillingness to address the significance of the distinction, does not appreciate IT's continued silence. *Dismissal Op.* at *18 ("The Court cannot figure how these distinctions are material."). During default, Main Street may assign or license the '247 patent to Zebra or anyone else, it may just have to do so in IT's name. That is the extent of IT's involvement; IT has no veto power or authority to otherwise constrain Main Street's discretion regarding who can receive a license or title to the '247 patent. The Court's preceding analysis is completely unaffected by this lone condition on Main Street's right to license and/or assign the '247 patent during default. Main Street plainly

[3] IT concedes this. ECF No. 147 at 9 ("Zebra could only obtain title from Intellectual Tech, whether under control of Main Street.").

[4] For this proposition, IT cites *Dismissal Op.* at *17 n.3 without indicating what reasoning therein supports IT's position.

had "the right to allow the defendant to use the patent," so IT did "not have the ability to prevent the defendant from practicing" it. *Uniloc USA, Inc. v. Motorola Mobility, LLC*, 2020 U.S. Dist. LEXIS 244512, at *15. In conclusion, Main Street did not receive title to the '247 patent on default, but it did receive rights sufficient to deprive title-holder IT of its exclusionary rights. *See Dismissal Op.* at *11–19. Not having those rights when it filed suit, IT lacked constitutional standing. *See id.*

IT has not given this Court any reason to reconsider the *Dismissal Op*.

B. Zebra is Not a Prevailing Party

Zebra has requested that the Court tax costs pursuant to Rule 54(d)(1), Local Rule 54, and § 1920. Zebra is not, however, a "prevailing party" under Rule 54(d)(1) because the Court dismissed IT's claims on jurisdictional grounds and without prejudice. Accordingly, Zebra is not entitled to costs.

As the Supreme Court has recently described:

> Congress has included the term "prevailing party" in various fee-shifting statutes, and it has been the Court's approach to interpret the term in a consistent manner* * * * The Court has said that the "touchstone of the prevailing party inquiry must be the material alteration of the legal relationship of the parties." * * * This change must be marked by "judicial imprimatur."

CRST *Van Expedited, Inc. v. E.E.O.C.*, 578 U.S. 419, 422 (2016) (citations omitted). It further clarified that a "defendant may prevail even if the court's final judgment rejects the plaintiff's claim for a nonmerits reason." *Id.* at 431.

In *Raniere v. Microsoft Corp.*, the Federal Circuit followed CRST to affirm a district court's deeming defendants the "prevailing party" for purposes of 35 U.S.C. § 285[5] after the plaintiff's claims were dismissed for lack of standing. 887 F.3d at 1307. The panel described the defendants as having "won" by achieving a dismissal *with prejudice*. *Id.* at 1306. "[T]hey prevented [the plaintiff] from achieving a material alteration of the relationship between them, based on a decision marked by 'judicial imprimatur.'" *Id.* In categorizing the defendants as "prevailing," the Court also took great pains to discuss how dismissal was "with prejudice," equating that to a decision on the merits. *Id.* at 1308.

Here, dismissal was without prejudice. *See Dismissal Op.* at *19. The Court concluded that IT lacked constitutional standing but granted dismissal without prejudice. IT cannot resuscitate this Action by resolving defects in its exclusionary rights, *see id.*, but IT is entitled to cure those defects and refile this Action. Zebra contends that "[i]t remains hypothetical if [IT] can or ever will be able to cure the standing defects that required dismissal of this lawsuit and refile this suit." ECF No. 148 at 3. IT disagrees, arguing that this "litigation is essentially just postponed until * * *

[5] The Federal Circuit treats "the prevailing party issue under Rule 54 and § 285 in a similar fashion." *Raniere*, 887 F.3d at 1307 n.3.

the standing defect is cured and the case is refiled." *Id.* at 5. The existence of Main Street and IT's 2021 Forbearance Agreement suggests that IT may, with Main Street's cooperation, be able to cure its standing defects (if it has not done so already). Accordingly, the Court affirms that dismissal was appropriately without prejudice.

Given that, and *Raniere*'s focus on the significance of dismissal *with* prejudice, the Court concludes Zebra is not a prevailing party. The dismissal order did not alter the legal relationship between the parties given that IT may simply re-file this Action once it cures standing defects. This accords with how circuit courts beyond the Federal Circuit have treated judgments without prejudice. *See Citi Trends, Inc. v. Coach, Inc.*, 780 F. App'x 74, 79 (4th Cir. 2019) (collecting cases describing how judgments with "no preclusive effect on the plaintiff's ability to re-file does not confer prevailing party status"); *Dunster Live, LLC v. LoneStar Logos Mgmt. Co., LLC*, 908 F.3d 948, 951 (5th Cir. 2018); *Mixing & Mass Transfer Techs., LLC v. SPX Corp.*, No. CV 19-529 (MN), 2020 WL 6484180, at *3 (D. Del. Nov. 4, 2020) (holding that an order dismissing without prejudice "would not materially alter the legal relationship of the parties"). At bottom, Zebra is not a prevailing party and so is not entitled to costs under Rule 54(d)(1) or § 1920.

C. The Court Grants IT's Extension

In the Joint Motion for Entry of Disputed Bill of Costs, IT moved for a retrospective four-day extension under Federal Rule of Civil Procedure 6(b)(1)(B) for its objections to Zebra's bill of costs. Based on IT's representations, the Court is satisfied that IT promptly identified its error and that IT's delay in issuing objections was brief, accidental, and acted little prejudice upon Zebra.

IV. CONCLUSION

It is therefore **ORDERED** that Plaintiff's Motion for Reconsideration and Reinstatement, ECF No. 147, is **DENIED**.

It is **FURTHER ORDERED** that the parties' Joint Motion for Entry of Disputed Bill of Costs, ECF No. 148, is **GRANTED-IN-PART** and **DENIED-IN-PART**. IT's motion for an extension therein is **GRANTED** and the motion for entry of the bill of costs is **DENIED**.

SIGNED this 3rd day of August, 2022.

/s/ Alan D. Albright
ALAN D ALBRIGHT
UNITED STATES DISTRICT JUDGE