

United States District Court
For the Northern District of California

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN RE LONE STAR SILICON
INNOVATIONS LLC

No. C 17-03980 WHA
No. C 17-03981 WHA
No. C 17-04032 WHA
No. C 17-04033 WHA
No. C 17-04034 WHA
No. C 17-05458 WHA

**ORDER GRANTING
MOTIONS TO DISMISS**

_____ /

INTRODUCTION

Defendants in six related patent infringement actions move to dismiss on the basis that plaintiff in all six lacks standing. To the extent stated below, the motions are **GRANTED**.

STATEMENT

The essence of this problem is that the patent owner tried to find a way to shield itself from counterclaims while retaining a way to reap the monetary benefits of suing competitors and others for infringement of its patents. Its mechanism for that neat trick was a “patent transfer agreement” that seemed to include the magic wording required to authorize a non-practicing entity to sue. But other wording in the same agreement subtracted from those provisions and thus rendered the agreement insufficient to sustain standing for the non-practicing entity under Federal Circuit law.

* * *

1 In the six above-captioned actions, plaintiff Lone Star Silicon Innovations LLC, a non-
2 practicing entity with its principal place of business in Plano, Texas, asserts claims for patent
3 infringement against Semiconductor Manufacturing International Corporation, Semiconductor
4 Manufacturing International (Shanghai) Corporation, Semiconductor Manufacturing
5 International (Beijing) Corporation, and SMIC, Americas (collectively, “SMIC”); Renesas
6 Electronics Corporation and Renesas Electronics America Inc. (collectively, “Renesas”); Nanya
7 Technology Corporation, Nanya Technology Corporation, U.S.A., and Nanya Technology
8 Corporation Delaware (collectively, “Nanya”); United Microelectronics Corporation and UMC
9 Group (USA) (collectively, “UMC”); Toshiba Corporation, Toshiba America, Inc., and Toshiba
10 America Electronic Components, Inc. (collectively, “Toshiba”); and Micron Technology, Inc.,
11 Micron Semiconductor Products, Inc., Micron Consumer Products Group, Inc., and Micron
12 Memory Japan, Inc. (collectively, “Micron”). These actions originated in the Eastern District of
13 Texas and transferred to our district in mid-2017.

14 Lone Star currently asserts the following patents against each group of defendants:

- 15 • SMIC — 5,973,372 (“the ’372 patent”) and 6,388,330 (“the ’330
16 patent”)
- 17 • Renesas — 6,153,933 and the ’330 patent
- 18 • Nanya — 6,097,061 (“the ’061 patent”) and the ’330 patent
- 19 • UMC — the ’372 patent and the ’330 patent
- 20 • Toshiba — 5,912,188 (“the ’188 patent”), 6,023,085 (“the ’085
21 patent”), the ’330 patent, and RE39,518
- 22 • Micron — the ’188 patent, the ’085 patent, the ’061 patent, and the
23 ’330 patent

24 Each of the patents-in-suit originally issued to Advanced Micro Devices, Inc., a multinational
25 semiconductor company based in Sunnyvale, California. On August 4, 2016, AMD and Lone
26 Star entered into a patent transfer agreement that encompassed various patents, including the
27 patents-in-suit, and executed an assignment for those patents. The complaint in each of the six
28 above-captioned actions alleges that Lone Star is the “assignee” and “sole owner” of the
patents-in-suit. Lone Star, however, did not produce the patent transfer agreement until October
2017 — months after the actions commenced.

1 Section 2.1 of the patent transfer agreement gave Lone Star “all right, title and interest
2 in, to and under the Assigned Patents . . . including any and all inventions and discoveries
3 claimed therein, any and all legal rights entitled by the original owner of the Assigned Patents
4 and all rights of AMD to sue for past, present and future infringement of any and all of the
5 Assigned Patents.” In exchange, Section 5.1 gave AMD 35 to 50 percent of the proceeds from
6 Lone Star’s “monetization efforts.” No provision in the patent transfer agreement addressed
7 Lone Star’s right (or lack thereof) to practice the patents-in-suit.

8 Despite the broad language of Section 2.1, other provisions in the same agreement
9 substantially curtailed Lone Star’s rights. For example, Section 4.1 gave AMD “a fully paid up,
10 irrevocable, worldwide, transferable, non-exclusive, license under the Assigned Patents to use,
11 develop, copy, modify, import, make and have made, offer for sale, sell, lease, import, export,
12 distribute, demonstrate, display, transfer and/or otherwise exploit or dispose of [its] Licensed
13 Products,” which includes “all of its software, hardware, products, designs, services, and
14 activities.” Section 2.3 further required Lone Star to comply with “Existing Encumbrances”
15 and “to make any and every future sale, transfer, assignment, lien, mortgage or other
16 encumbrance of the Assigned Patents subject to the Existing Encumbrances and the license and
17 other rights granted under Section 4,” with “Existing Encumbrances” broadly defined as:

18 (a) pre-existing patent licenses, covenants not to assert, promises
19 or agreements to license, and/or similar patent immunities; (b)
20 rights to renew or extend pre-existing patent licenses exercised
21 unilaterally by third parties (such as legally binding options); (c)
22 releases for past infringement; and/or (d) pre-existing
23 commitments related to AMD’s or its Affiliates’ standardization
24 activities or patent pool activities, and other pre-existing
specification-related or standards-related licenses, covenants and
promises of AMD or any of its Affiliates, which, in each of (a),
(b), (c) and (d), shall transfer in connection with the transfer of the
Assigned Patent(s) and/or which AMD or any of its Affiliates has
committed to maintain in connection with the transfer of such
Assigned Patent(s).

25 Section 2.6 further restricted Lone Star’s ability to transfer the patents-in-suit:

26 Any assignment of an Assigned Patent in violation of this Section
27 2.6 shall be void ab initio. Lone Star will not transfer ownership
28 of any of the Assigned Patents unless: (a) all Assigned Patents are
transferred collectively; (b) the proposed successor-in-interest
agrees to be bound by this Agreement (with the successor-in-
interest taking the place of Lone Star for all purposes of this

1 Agreement) including, but not limited to, obtaining ownership of
2 any of the Assigned Patents subject to any and all Existing
3 Encumbrances, in writing enforceable by AMD and with a copy
provided to AMD; and (c) AMD provides its written consent to the
transfer, which shall not be unreasonably withheld.

4 Finally, Section 6.2(f) explicitly limited Lone Star's enforcement rights to specific
5 "Unlicensed Third Party Entities" listed in Exhibit E to the patent transfer agreement:

6 Lone Star acknowledges that the Assigned Patents are subject to
7 Existing Encumbrances to other Persons and that Lone Star
8 represents and warrants that it shall not commence, direct or
9 control any legal action seeking to enforce and/or licensing activity
10 asserting any of the Assigned Patents against a Person that is (1)
11 not an Unlicensed Third Party Entity or Affiliate thereof, or (2) is a
12 distributor, reseller, or direct or indirect customer with respect to
13 materials, devices, software or firmware, services or products that
14 are used, made or supplied directly or indirectly by or for a Person
15 that is not an Unlicensed Third Party Entity.

16 Section 3.3(c) added that "[t]he Parties shall cooperate in good faith in attempting to identify
17 additional third-parties that the Parties may agree, *at each's sole discretion*, to add to the
18 Exhibit E list of Unlicensed Third Party Entities" (emphasis added).

19 After receiving the patent transfer agreement, all defendants moved to dismiss on the
20 basis that Lone Star had no standing to sue thereunder. This order follows full briefing in each
21 of the above-captioned actions (*i.e.*, eighteen briefs in total) and oral argument.¹

22 ANALYSIS

23 The question of standing is jurisdictional. *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d
24 1538, 1551 (Fed. Cir. 1995). The party bringing the action bears the burden of establishing it
25 has standing. *Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 975–96 (Fed. Cir. 2005)
26 (citation omitted). The Federal Circuit has recognized three general categories of plaintiffs in
27 analyzing the standing issue in patent infringement actions. *First*, a patentee or assignee of "all
rights or all substantial rights" under the patent can sue in its own name alone. *Second*, an
exclusive licensee or other party with exclusionary rights — but not "all substantial rights" —
can sue, but must usually join the patentee to avoid "the potential for multiple litigations and
multiple liabilities and recoveries against the same alleged infringer." Joinder also "protects the

28 ¹ In Case No. 17-5458, Micron styled its motion as one for judgment on the pleadings. That motion, however,
seeks the same relief as the other defendants' motions to dismiss and thus receives no separate treatment herein.

1 patentee from losing substantial rights if its patent claims are invalidated or the patent rendered
2 unenforceable in an action in which it did not participate.” *Luminara Worldwide, LLC v. Liown*
3 *Elects. Co. Ltd.*, 814 F.3d 1343, 1350 (Fed. Cir. 2016). *Third*, a party that holds “less than all
4 substantial rights to the patent” and lacks exclusionary rights thereunder cannot sue or even
5 participate alongside the patent owner as a party to an infringement action. *Morrow v.*
6 *Microsoft Corp.*, 499 F.3d 1332, 1339–41 (Fed. Cir. 2007) (citations omitted).

7 The instant motions concern only the first category since Lone Star claims to be an
8 “assignee” and “sole owner” of the patents-in-suit under its patent transfer agreement with
9 AMD. To create an assignment, a contract must transfer (1) the entire exclusive patent right,
10 including “all substantial rights in the patent”; (2) an undivided interest in the patent right; or
11 (3) the entire exclusive patent right within any geographical region of the United States. An
12 agreement that does not transfer one of these three interests is merely a license. *Diamond*
13 *Coating Techs., LLC v. Hyundai Motor Am.*, 823 F.3d 615, 618 (Fed. Cir. 2016). Whether an
14 agreement constitutes an assignment or license depends not on the “labels” or “bare formalities”
15 of title transfer but on the “substance of what was granted.” *Ibid.*

16 The Federal Circuit has observed that the exclusive right to make, use, and sell products
17 or services under the patent is “vitaly important” to assignment, and that the nature and scope
18 of the right to sue accused infringers and license the patent is the “most important factor” to
19 consider. *Id.* at 619 (quoting *Alfred E. Mann Found. for Scientific Research v. Cochlear Corp.*,
20 604 F.3d 1354, 1360–61 (Fed. Cir. 2010)).

21 Other rights that should be examined include the scope of the licensee’s right to
22 sublicense, the licensor’s reversionary rights following breach or termination of the license
23 agreement, the licensor’s right to proceeds from litigation or licensing activities, the duration of
24 the licensee’s rights, the licensor’s ability to supervise and control the licensee’s activities, the
25 licensor’s obligation to continue paying patent maintenance fees, and the nature of any limits on
26 the licensee’s right to assign its interests in the patent. *See Mann*, 604 F.3d at 1360–61.

27 Both sides cite selective snippets of various favorable-sounding authorities in their
28 briefs. Considering the *Mann* factors as a whole, however, the controlling decision with

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