

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

SICOM SYSTEMS LTD., :  
 :  
 Plaintiff, :  
 : Civil Action No. 03-040 JJF  
 v. :  
 :  
 AGILENT TECHNOLOGIES, INC., :  
 TEKTRONIX, INC., :  
 AND LECROY CORPORATION, :  
 :  
 Defendants. :  
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**MEMORANDUM OPINION**

November 20, 2003  
Wilmington, Delaware

**Farnan, District Judge**

Presently before the Court is Defendants Agilent Technologies, Inc., Tektronix, Inc., and LeCroy Corporation's Motion to Dismiss (D.I. 38-1). For the reasons discussed below, Defendants' Motion to Dismiss will be granted.

**BACKGROUND**

Plaintiff Sicom Systems Ltd. ("Sicom") is suing for alleged infringement of U.S. Patent 5,33,147 ("`147 patent"). The `147 patent was licensed to Sicom by the Canadian government ("Canada"). Canada retained legal title to the patent and a reversionary interest in the patent. The Licensing Agreement states that Sicom has the right to sue for infringement of the patent.

**DISCUSSION**

**I. Allegations of the Parties**

Defendants contend that Sicom is the "sole" but not the "exclusive" licensee of the `147 patent. Defendants assert that Canada has retained the right to use the patented technology and assert that Sicom is merely a licensee. Defendants assert that Sicom's license is not the equivalent of an assignment of the patent and does not give Sicom the capacity to sue for infringement. Thus, Defendants contend that Sicom does not have standing in the present case and that the case must be dismissed.

Sicom contends that it is the exclusive licensee of the '147 patent, and therefore has sufficient interest in the patent to create standing to enforce the patent's claims against alleged infringers. Sicom contends that Canada did not retain the right to make, or to authorize others to make, commercial sales involving the patent that would compete with Sicom and, by electing not to sue in the instant case, Canada relinquished its rights to sue Defendants for infringement of the '147 patent.

## **II. Legal Standard for a Motion to Dismiss**

Federal Rule of Civil Procedure 12(b)(6) allows the dismissal of an action when a party "fail[s] to state a claim upon which relief can be granted." FED. R. CIV. P. 12(b)(6). The purpose of a motion to dismiss pursuant to Rule 12(b)(6) is to test the legal sufficiency of a complaint. Conley v. Gibson, 355 U.S. 41, 45-46 (1957). In reviewing a motion to dismiss for failure to state a claim, "all allegations in the complaint and all reasonable inferences that can be drawn therefrom must be accepted as true and viewed in the light most favorable to the non-moving party." Strum v. Clark, 835 F.2d 1009, 1011 (3d Cir. 1987). A court may dismiss a complaint for failure to state a claim only if it is clear that no relief could be granted under any set of facts that could be proved consistent with the allegations. Hishon v. King & Spalding, 467 U.S. 69, 73 (1984). Stating a claim on which relief can be granted requires stating a legally recognized claim.

### **III. Legal Standard for Standing to Sue for Infringement**

To survive a motion to dismiss, a party must have standing to sue, i.e. it must have "a sufficient stake in an otherwise justiciable controversy." Sierra Club v. Morton, 405 U.S. 727, 731 (1972). Standing must be present at the time the suit is brought. See Procter & Gamble Co. v. Paragon Trade Brands, Inc. 917 F. Supp. 305, 309-10 (D. Del. 1995).

Under the Patent Act, "[a] patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. §281. "The word 'patentee' includes not only the patentee to whom the patent was issued but also the successors in title to the patentee." 35 U.S.C. § 100. Under 35 U.S.C. § 100, "[t]he owner of a patent or the owner's assignee can commence an action for patent infringement, but a licensee alone cannot." Calgon Corp. v. Nalco Chemical Co. 726 F.Supp. 983, 985 (D. Del. 1989).

However, an exclusive license is sometimes treated like an assignment, creating a discrete standing to sue for infringement. See Prima Tek II, L.L.C. v. A-Roo Co., 222 F.3d 1372, 1377 (Fed. Cir. 2000). For a license to be exclusive enough to create standing, the license must convey all substantial rights. See Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA, 944 F.2d 870, 875 (Fed. Cir. 1991). To implement this rule, courts "must ascertain the intention of the parties and examine the substance

of what [the licensing agreement] granted.” Prima Tek II, L.L.C. v. A-Roo Co., 222 F.3d 1372, 1378 (Fed. Cir. 2000).

#### **IV. Decision and Rationale**

Sicom’s Licensing Agreement with Canada makes Sicom the “sole” licensee of the ‘147 patent, while Canada remains the legal title holder of the patent. The Licensing Agreement defines sole as “the right to be the only licensee of the Licensed Intellectual Property.” Defendants’ Exhibit B, at 7. Canada and Sicom are both given the power to sue under the Agreement. The Agreement allows Sicom to use the patent and grant sub-licenses to use the patent. Under the Agreement, Canada is not allowed to make, or authorize another to make, commercial sales in competition with Sicom and cannot grant contracts to develop the patent without first offering the contract to Sicom. Sicom must seek approval for any sub-licenses it seeks to grant but approval cannot be unreasonably withheld. Steps taken to defend the patent are to be done jointly by Sicom and Canada. Further, Sicom is not allowed to assign its rights under the Agreement.

After reviewing the provisions of the instant Agreement, the Court concludes that the rights of Sicom are limited. Canada has retained legal title to the patent and, in the Court’s view, has not granted Sicom sufficient rights to make Sicom the equivalent of an assignee. Although Canada did not retain the right to

compete with Sicom; Canada has retained the right to grant additional licenses and to sue under the patent.<sup>1</sup> Additionally, the Agreement requires Sicom to obtain approval from Canada prior to granting any sub-licenses and further, Sicom is not permitted to assign its rights under the patent. In sum, after an examination of the provisions of the instant Licensing Agreement, the Court concludes that Canada has retained substantial rights to the patent to a degree sufficient to bar its licensee, Sicom, from alone commencing an action for infringement of the claims of the patent.

#### **CONCLUSION**

For the reasons discussed, the Court will grant Defendants' Motion to Dismiss. An order consistent with this Memorandum Opinion will be entered.

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<sup>1</sup> While Canada may have chosen not to pursue an infringement action against the Defendants here, this choice is not the equivalent of a complete abdication of Canada's right to sue others for infringement of the patent.

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**FINAL ORDER**

At Wilmington, this 20th day of November 2003, for the reasons discussed in the Memorandum Opinion issued this date;

IT IS HEREBY ORDERED that Defendants Agilent Technologies, Inc., Tektronix, Inc., and LeCroy Corporation's Motion to Dismiss (D.I. 38-1) is **GRANTED**.

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JOSEPH J. FARNAN, JR.  
UNITED STATES DISTRICT JUDGE