

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SICOM SYSTEMS LTD., :
 :
 Plaintiff, :
 :
 v. : Civil Action No. 03-1171-JJF
 :
 AGILENT TECHNOLOGIES, INC., :
 TEKTRONIX, INC., and :
 LECROY CORPORATION, :
 :
 Defendant. :

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MEMORANDUM OPINION

October 5, 2004

Wilmington, Delaware

Farnan, District Judge

Presently before the Court is a Motion To Dismiss (D.I. 15) filed by Defendants Agilent Technologies, Inc., Tektronix, Inc., and LeCroy Corporation (collectively, "Defendants") requesting the Court to dismiss with prejudice the Complaint filed by Sicom Systems Ltd. ("Sicom"). For the reasons discussed, the Court has granted Defendants' Motion and dismissed this action with prejudice.

BACKGROUND

This action is Sicom's second attempt to sue Defendants for alleged infringement of U.S. Patent No. 5,333,147 ("`147 patent"). The Court dismissed Sicom's first action on the grounds that Sicom lacked standing to sue for infringement as a licensee of the Canadian government ("Canada"). In reaching this decision, the Court concluded that, as a result of the 1998 License Agreement (the "Agreement") between Sicom and Canada, Canada retained substantial rights to the patent to a degree sufficient to preclude Sicom from bringing an infringement action. Sicom Sys. Ltd. v. Agilent Techs., Inc., 2003 U.S. Dist. LEXIS 21339 (D. Del. 2003).

Since the Court's decision, Sicom and Canada amended the Agreement (the "Amendment") to (1) grant Sicom the exclusive right to initiate commercial infringement actions related to the `147 patent, and (2) extend the term of the Agreement to coincide

with the term of the '147 patent. Sicom filed this action shortly after the Amendment was executed.

DISCUSSION

By their Motion, Defendants contend that the Amendment is insufficient to provide Sicom with the standing necessary to bring an infringement action. Defendants contend that Canada retains legal title to the '147 patent and continues to hold important rights with regard to sub-licensing and infringement lawsuits. Because Sicom's rights with respect to the '147 patent are limited, Defendants contend that Sicom lacks standing to sue despite the Amendment.

In response, Sicom contends that the Amendment demonstrates that Sicom has been granted all substantial rights in the '147 patent, with Canada retaining only legal title and other insignificant rights which do not affect Sicom's exclusive right to sue. Sicom contends that under the Amendment, its right to sue is exclusive and covers actions for past, present and future infringement. Sicom also contends that Canada is not a necessary party to the litigation, and therefore, Canada need not be joined in this lawsuit to permit Sicom to proceed.

Standing to sue is a threshold requirement in every federal action. Pfizer Inc. v. Elan Pharms. Research Corp., 812 F. Supp. 1352, 1356 (D. Del. 1993). 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). The party bringing the action bears the burden of establishing that it has standing. Pfizer, 812 F. Supp. at 1356.

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). Thus, a licensee does not have standing to sue without the joinder of the patentee, unless the patentee makes an assignment of all substantial rights under the patent such that “the assignee may be deemed the effective patentee under 35 U.S.C. § 281, and thus may have standing to maintain an infringement suit in its own name.” Prima Tek II, L.L.C. v. A-Roo Co., 222 F.3d 1372, 1377 (Fed. Cir. 2000). An exclusive license may be treated like an assignment for purposes of creating standing, if it conveys to the licensee all substantial rights. See Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA, 944 F.2d 870, 875 (Fed. Cir. 1991). To determine if an exclusive license is sufficient to grant standing to the licensee, the court “must ascertain the intention of the parties and examine the substance of what [the licensing agreement] granted.” Prima Tek II, L.L.C., 222 F.3d at 1378.

After reviewing the Amendment in light of the applicable legal principles, the Court concludes that Sicom does not possess the substantial rights necessary to be an “effective patentee”

for purposes of granting Sicom standing to sue for infringement of the '147 patent. Under the terms of the Agreement, both Canada and Sicom "shall be at liberty to defend or take any proceedings at its own expense and shall be entitled to retain anything flowing from the proceedings." (Art. 11, Cl. 2). Although the Amendment expands Sicom's right to sue by granting it "the exclusive right to sue for commercial infringement" of the '147 patent in the United States, the Court concludes that this expansion of rights does not grant Sicom the exclusive rights necessary to transform its license into an assignment. See Textile Prods v. Mead Corp., 134 F.3d 1481, 1485 (Fed. Cir. 1998) ("A 'right to sue' provision within a license cannot, of its own force, confer standing on a bare licensee."); Calgon, 726 F. Supp. at 986. The qualifier of "non-commercial infringement" contained in the Amendment coupled with the provisions of Article 11, cl. 2 of the Agreement, still give Canada the right to sue for any alleged infringement which is not commercial. Thus, Canada may still be able to pursue non-commercial customers of Defendants like governmental entities, the military and universities, thereby creating multiple risk of litigation over the same patent, a result which is inconsistent with a genuine exclusive right to sue. Further, the Amendment does not expressly grant Sicom the right to sue for past infringement, and the Amendment is only effective as of the date it was signed.

Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574 n.9 (Fed. Cir. 1991). In addition, Sicom's right to sue is still limited despite the Amendment, in that Sicom (1) must notify Canada before bringing suit, (2) must consult with Canada for the purpose of jointly determining the steps to be taken in the event of actual or threatened litigation, and (3) may not "make any admission of liability, nor offer or conclude settlement" without the prior written consent of Canada.¹ (Art. 11, cl. 1).

In addition to the limitations on Sicom's purported exclusive right to sue, the Court also finds the restriction on Sicom's right to assign to be a fatal reservation of rights by Canada for purposes of attempting to grant Sicom standing to sue. "Just as the right to alienate personal property is an essential indicia of ownership, the right to further assign patent rights is implicit in any true assignment." Calgon, 726 F. Supp. at 988. Limits on the right to assignment weigh against a finding that the licensor transferred to the licensee all substantial rights in the patent. Intellectual Prop., 248 F.3d at 1345. In

¹ Sicom urges the Court to consider the letter of Erick K. Fresque on behalf of Canada for purposes of interpreting the Amendment. The Court is not persuaded that this letter is relevant to the rights of Sicom and Canada under the Agreement and the Amendment. The letter is not signed by both parties, and thus, cannot be considered to amend the Agreement. (Art. 17). As such, Canada is not bound by this letter and can repudiate it at any time. Further, the Court finds the import of the Amendment to be clear, and therefore, the Court concludes that extrinsic evidence is not needed to illuminate its terms.

this case, the Amendment does not alter the Agreement's provision that Sicom cannot assign the '147 patent without the written consent of Canada. (Art. 2, cl. 9). Because Sicom's ability to assign the patent is restricted, Sicom's interest in the patent is limited to that of a licensee, and therefore, Sicom does not have standing to bring an infringement lawsuit. See Calgon, 726 F. Supp. at 988; Pfizer, 812 F. Supp. 1373.

In sum, the Court concludes that the Amendment is not sufficient to grant Sicom the substantial rights necessary to transform Sicom from a bare licensee to an assignee with the requisite standing to bring this action. Legal title to the patent rests with Canada and Sicom has not been granted the exclusive right to sue or the unrestricted right to assign the '147 patent. Because Sicom is no more than a licensee under the Agreement and Amendment, it lacks standing to bring this action. Further, Sicom has not contested Defendants' assertion that any dismissal by the Court of this action should be with prejudice, because Sicom has twice attempted and twice failed to establish standing. Accordingly, for these reasons, the Court has granted Defendants' Motion To Dismiss and dismissed this action with prejudice.

CONCLUSION

For the reasons discussed, the Court has granted Defendants' Motion To Dismiss and dismissed this action with prejudice.

An appropriate Order has been entered.