

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION**

FALL LINE PATENTS, LLC,	§	
	§	
Plaintiff,	§	CIVIL ACTION NO. 6:18-CV-00407-RWS
	§	
v.	§	(LEAD CASE)
	§	
ZOE’S KITCHEN, INC., ET AL.,	§	
	§	
Defendants.	§	

**ORDER**

Before the Court is Defendants’ Motion for Judgment on the Pleadings Pursuant to Rule 12(c) for Unenforceability and Lack of Standing. Docket No. 63. The motion is fully briefed. Docket Nos. 68, 74, 83. The Court heard argument on Defendants’ motion on June 12, 2019. Docket No. 95. Based on the briefing and argument and for the reasons below, Defendants’ motion is **DENIED**.

**BACKGROUND**

Plaintiff Fall Line Patents, LLC filed complaints on August 15, 2018 alleging that Defendants infringed U.S. Patent No. 9,454,748 (“’748 Patent”). *See, e.g.*, Docket No. 1. The case was then consolidated into this lead case. Docket No. 19. Defendants<sup>1</sup> argue that Plaintiff lacks standing to bring these suits because at the time the complaints were filed, the ’748 patent was unenforceable for failure to share common ownership with its terminally-disclaimed parent U.S. Patent No. 7,822,816 (“’816 Patent”).

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<sup>1</sup> Defendant Starbucks Corporation filed the motion individually with the rest of the defendants joining the motion in a notice. *See* Docket No. 70. Starbucks has since been dismissed from the case. Docket No. 94.

During prosecution of the '748 Patent, the applicant filed a terminal disclaimer ("Terminal Disclaimer") in response to an obviousness-type double patenting rejection pursuant to the requirements of 37 CFR § 1.321(c). Docket Nos. 63-2; 63-4 at 2–6. The Terminal Disclaimer follows one of the United States Patent and Trademark Office's ("PTO") sample forms for terminal disclaimers. Docket No. 63-2. The Terminal Disclaimer states that:

The owner\*, MacroSolve, Inc. of 100 percent interest in the instant application hereby disclaims, except as provided below, the terminal part of the statutory term of any patent granted on the instant application which would extend beyond the expiration date of the full statutory term prior patent No. 7,822,816 as the term of said prior patent is presently shortened by any disclaimer. The owner hereby agrees that any patent so granted on the instant application shall be enforceable only for and during such period that it and the prior patent are commonly owned. This agreement runs with any patent granted on the instant application and is binding upon the grantee, its successors or assigns.

In making the above disclaimer, the owner does not disclaim the terminal part of the term of any patent granted on the instant application that would extend to the expiration date of the full statutory term of the prior patent, "as the term of said prior patent is presently shortened by any terminal disclaimer," in the event that said prior patent later:

- expires for failure to pay a maintenance fee;
- is held unenforceable;
- is found invalid by a court of competent jurisdiction;
- is statutorily disclaimed in whole or terminally disclaimed under 37 CFR 1.321;
- has all claims canceled by a reexamination certificate; is reissued; or
- is in any matter terminated prior to the expiration of its full statutory term as presently shortened by any terminal disclaimer.

The parties dispute whether Plaintiff owned the '816 Patent at the time the complaints were filed. Docket No. 68 at 2. The PTO's assignment records reflect that MacroSolve assigned both the '816 Patent and the pending application for the '748 Patent to Ediche LLC ("Ediche") on June 4, 2014. *See* Docket No. 64-11. Six days later, on June 10, 2014, the PTO issued a re-examination certificate cancelling the '816 Patent. *See* Docket No. 68-7. Almost three years later, on March 3, 2017, Ediche assigned to Plaintiff the '748 Patent and a subsequent continuation U.S.

Patent App. No. 15/260,929. *See* Docket No. 64-12. The March 3, 2017 assignment does not contain an explicit assignment of the '816 Patent as it does, for example, for the '748 Patent and its continuation. *See id.* at 1. Plaintiff maintains that the specific language in the assignment assigned all rights Ediche possessed in the '816 family of patents, including the '816 Patent. Docket No. 68 at 8. Plaintiff also argues that the parties clearly intended to assign the '816 Patent and did not explicitly list it in the assignment because the '816 Patent had been cancelled. *Id.*

On August 15, 2018, Fall Line filed complaints against Defendants asserting the '748 Patent. After Defendants raised the issue of standing, Ediche executed a "Confirming Patent Assignment" purporting to confirm the assignment of the '816 Patent to Plaintiff. *See* Docket No. 68-9.

### **LEGAL STANDARD**

"A motion brought pursuant to Fed. R. Civ. P. 12(c) is designed to dispose of cases where the material facts are not in dispute and a judgment on the merits can be rendered by looking to the substance of the pleadings and any judicially noticed facts." *Great Plains Tr. Co. v. Morgan Stanley Dean Witter & Co.*, 313 F.3d 305, 312 (5th Cir. 2002) (quoting *Hebert Abstract Co. v. Touchstone Props., Ltd.*, 914 F.2d 74, 76 (5th Cir. 1990) (per curiam)). Rule 12(c) motions are "subject to the same standard as a motion to dismiss under Rule 12(b)(6)." *Ackerson v. Bean Dredging LLC*, 589 F.3d 196, 209 (5th Cir. 2009). Under Federal Rule of Civil Procedure 12(b)(6), the Court must dismiss a complaint that does not state a claim for relief that is "plausible on its face." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). To state a plausible claim, plaintiffs must plead facts sufficient to allow the Court to draw a reasonable inference that defendants are liable for the alleged patent infringement. *See id.* (citing *Twombly*, 550 U.S. at 556). At this stage, the Court accepts all well-pleaded facts

as true and views those facts in the light most favorable to plaintiffs. *Bustos v. Martini Club, Inc.*, 599 F.3d 458, 461 (5th Cir. 2010).

“A court may exercise jurisdiction only if a plaintiff has standing to sue on the date it files suit.” *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1364 (Fed. Cir. 2010) (collecting cases). “In order to have standing, the plaintiff in an action for patent infringement must be a ‘patentee’ pursuant to 35 U.S.C. §§ 100(d) and 281.” *H.R. Techs., Inc. v. Astechologies, Inc.*, 275 F.3d 1378, 1384 (Fed. Cir. 2002). A “patentee” can be the owner of a patent, the owner’s assignee, or a licensee who holds all substantial rights in the patent. *See id.*; *see also Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 976 (Fed. Cir. 2005); *Alps South, LLC v. Ohio Willow Wood Co.*, 787 F.3d 1379, 1382 (Fed. Cir. 2015) (“When a patent owner transfers all substantial rights, the transferee is treated as the patentee and has standing to sue.”) (internal quotations omitted).

## ANALYSIS

Defendants argue that Plaintiff did not commonly own the ’748 and ’816 Patents at the time the complaints were filed. Docket No. 63 at 8. Defendants assert that Plaintiff cannot rely on the March 2017 assignment, which expressly identified the ’748 Patent but is silent as to the ’816 Patent. *Id.* at 9. For support, Defendants assert that the PTO assignment records reflect that the ’748 Patent was assigned to Plaintiff in the March 2017 assignment, whereas the records do not show that the ’816 Patent has ever been assigned to Plaintiff. *Id.* Defendants assert that the ’748 Patent is subject to a terminal disclaimer promising that it “shall be enforceable only for and during such period that it and the [’816 Patent] are commonly owned.” *Id.* at 10. Defendants argue that the ’748 Patent is therefore unenforceable in this case because the ’748 and ’816 Patents were not commonly owned at the time the complaints were filed. *Id.* at 10–11 (citing *In re*

*Dinsmore*, 757 F.3d 1343, 1343, 1346–47 (Fed. Cir. 2014)). Accordingly, Defendants request dismissal for lack of Article III standing. *Id.* at 1; Docket No. 74 at 7 (citing *Abraxis*, 625 F.3d at 1364).

Plaintiff responds that the language of the Terminal Disclaimer does not require transferring a cancelled patent. Docket No. 68 at 3–5. Plaintiff argues that such a requirement would fail to serve the public policy goal of avoiding multiple suits on the same invention. *Id.* Plaintiff asserts that the '748 Patent's Terminal Disclaimer also includes a "disclaimer of the disclaimer" that expressly states that no additional portion of the term of the '748 Patent would be lost as a result of the '816 Patent being cancelled during reexamination. *Id.* at 6. Plaintiff also asserts that, to the extent there were any rights in the '816 Patent that could and needed to be assigned, the assignment from Ediche to Plaintiff sufficiently conveyed such rights. *Id.* at 7–8. Lastly, Plaintiff argues that any violation of the '748 Patent's Terminal Disclaimer would not affect Article III standing but merely render the '748 Patent unenforceable for the period of violation. Because the patents were commonly-owned prior to assignment to Plaintiff, and subsequently commonly-owned at least by the "Confirming Patent Assignment," Plaintiff argues there is a sufficient case or controversy to establish Article III standing. *Id.* at 9.

Defendants' argument that a violation of the Terminal Disclaimer removes standing is unpersuasive. There is no dispute that Plaintiff owns the asserted patent, the '748 Patent. Instead, Defendants rely on the Federal Circuit's characterization that the Terminal Disclaimer's language is "clear on its face, [and] can readily be given effect: the patent will not be enforced except when owned by the owner of the [prior patent]." Docket No. 74 at 6 (quoting *In re Dinsmore*, 757 F.3d at 1347). According to Defendants, Plaintiff therefore has no standing to assert the '748 Patent unless it also owns the prior patent, the '816 Patent. However, the Federal Circuit did not address

standing concerns in that case. Rather, the question before the court was whether the lack of common ownership, at the time a terminal disclaimer is filed, constitutes an error for purposes of reissue. *See In re Dinsmore*, 757 F.3d at 1348–49. The most relevant finding from that case is that the terminal disclaimer language at issue, identical to that in the Terminal Disclaimer, constituted a promise from the applicant that the patent subject to the terminal disclaimer would not be enforceable without common ownership. *See id.* No party disputes that a violation of the common ownership requirement of the Terminal Disclaimer renders the '748 Patent unenforceable.<sup>2</sup> *See* Docket No. 68 at 10.

Nonetheless, Defendants fail to support their argument that unenforceability raises an Article III standing issue. Defendants primarily present case law concerning standing issues related to enforceable *title*, not enforceability. In *Paradise Creations*, for example, the Federal Circuit stated that, “in order to assert standing for patent infringement, the plaintiff must demonstrate that it held **enforceable title** to the patent at the inception of the lawsuit.” *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1309 (Fed. Cir. 2003) (emphasis added). Holding enforceable title means that the owner has title that is superior to all others, whereas enforceability concerns equitable issues that may preclude or limit recovery. *See id.* (collecting cases concerning superior title). Defendants fail to connect the case law addressing lack of enforceable title, which is not at issue for the '748 Patent, to unenforceability based on a terminal disclaimer.

The out-of-district cases that Defendants cite are also unpersuasive. The *Michigan Motor Technologies* order does not cite persuasive authority for its conclusion that a violation of common ownership requires dismissal. *See Mich. Motor Techs. LLC v. Hyundai Motor Co.*, No. 17-12901,

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<sup>2</sup> Plaintiff makes this admission subject to its arguments that the '816 Patent was actually assigned to Plaintiff and that the “disclaimer of the disclaimer” does not require transferring a cancelled prior patent.

Docket No. 32 at 3 (E.D. Mich. Aug. 9, 2018). Further, the defendant's briefing in that case relied on *Paradise Creations*, which the Court distinguished above. *See id.*, Docket No. 21 at 24; Docket No. 64-15 at 24. The parties in *Michigan Motor Technologies* were also addressing only a single count of 22 total in the complaint, possibly impacting the arguments presented before the court. *See Mich. Motor Tech.*, No. 17-12901, Docket No. 32 at 3 (“The remedy, as plaintiff suggests, is for plaintiff to refile now that [it] owns the ’918 Patent.”) (internal quotes removed).

In *Email Link*, the court did not address standing but dismissed on unenforceability according to the parties' stipulation. *See Email Link Corp. v. Treasure Island, LLC*, No. 2:11-CV-01433-ECR, 2012 WL 4482576 at \*4 (D. Nev. Sept. 25, 2012) (“The parties agree that the ’176 Patent, owned by Plaintiff, is enforceable only so long as it is commonly owned with its predecessor, the ’789 Patent, owned by Online News Link. The fact that Plaintiff and Online News Link are wholly owned by Acacia does not save the fact that the two patents do not belong to the same entity.”). The court focused on issues relating to corporate structure and the common ownership requirement, which are not in dispute here. *Id.* Further, the court in *Email Link* relied on *Merck & Co.*, which does not support Defendants because the petitioner there did not hold title. *See Merck & Co. v. U.S. Int’l Trade Comm’n*, 774 F.2d 483, 485 (Fed. Cir. 1985). Similarly, in *Enovsys*, the court ruled that a terminally disclaimed patent was not enforceable for the time period prior to the time of common ownership but did not address standing. *See Enovsys LLC v. Nextel Comm’ns., Inc.*, No. CV 06-05306, 2008 U.S. Dist. LEXIS 118191, at \*6–7 (C.D. Cal. Feb. 26, 2008).

Accordingly, even if the ’748 Patent was unenforceable at the time of filing due to lack of common ownership with the ’816 Patent, Plaintiff still held enforceable title to the ’748 Patent and had standing to bring suit. *See Abraxis*, 625 F.3d at 1364 (“[I]n a patent infringement action, the

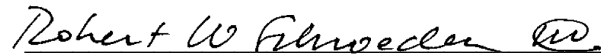
plaintiff must demonstrate that it held *enforceable title* to the patent at the inception of the lawsuit to assert standing.”) (emphasis added). Further, there is also a factual dispute concerning whether the March 2017 assignment assigned the ’816 Patent to Plaintiff. At this stage, accepting all well-pleaded facts as true and in the light most favorable to Plaintiff, the Court finds dismissal under Rule 12(c) based on the alleged unenforceability of the ’748 Patent inappropriate. *See Bustos*, 599 F.3d at 461.

### CONCLUSION

For the reasons listed above, the Court finds that dismissal for lack of standing should be denied. It is therefore

**ORDERED** that Defendants’ Motion for Judgment on the Pleadings Pursuant to Rule 12(c) for Unenforceability and Lack of Standing (Docket No. 63) is **DENIED**.

**So ORDERED and SIGNED this 26th day of July, 2019.**

  
ROBERT W. SCHROEDER III  
UNITED STATES DISTRICT JUDGE