PUBLIC VERSION

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

In the Matter of	
CERTAIN THERMOPLASTIC-ENCAPSULATED ELECTRIC MOTORS, COMPONENTS THEREOF, AND PRODUCTS AND VEHICLES CONTAINING SAME	**Inv. No. 337-TA-1052**

ORDER NO. 7: CORRECTED INITIAL DETERMINATION GRANTING RESPONDENTS' MOTION TO TERMINATE THE INVESTIGATION DUE TO COMPLAINANT'S LACK OF STANDING

(August 11, 2017)[1]

On March 21, 2017, Complainant Intellectual Ventures II LLC ("Complainant" or "Intellectual Ventures") filed a complaint asserting infringement of U.S. Patent Nos. 7,154,200; 7,067,944; 7,067,952; 7,683,509; and 7,928,348 (the "asserted patents"). On June 20, 2017, Respondents[2] filed a motion to terminate the instant investigation on the grounds that Intellectual

[1] An earlier version of this order issued on August 3, 2017, and it was incorrectly numbered Order No. 6 and designated as potentially containing confidential business information subject to the protective order. The parties subsequently confirmed that there was no confidential information in the order, and this public version bears the correct order number.

[2] "Respondents" refers to Respondents Aisin Seiki Co., Ltd.; Aisin Holdings of America, Inc.; Aisin Technical Center of America, Inc.; Aisin World Corp. of America; Bayerische Motoren Werke AG; BMW of North America, LLC; BMW Manufacturing Co., LLC; DENSO Corporation; DENSO International America, Inc.; Honda Motor Co., Ltd.; Honda North America, Inc.; American Honda Motor, Co., Inc.; Honda of America Mfg., Inc.; Honda Manufacturing of Alabama, LLC; Honda R&D Americas, Inc.; Mitsuba Corporation; American Mitsuba, Corporation; Nidec Corporation; Nidec Automotive Motor Americas, LLC; Toyota Motor Corporation; Toyota Motor North America, Inc.; Toyota Motor Sales, U.S.A., Inc.; Toyota Motor Engineering & Manufacturing North America, Inc.; Toyota Motor Manufacturing, Indiana, Inc.; and Toyota Motor Manufacturing, Kentucky, Inc.

Ventures lacks standing to sue (the "Motion"). Motion Docket No. 1052-003 ("Mot." or "Mem."). On June 30, 2017, Intellectual Ventures filed its opposition to the Motion. Also on June 30, 2017, the Commission Investigative Staff ("Staff") filed a response supporting the Motion. On July 6, 2017, Respondents filed a reply brief in support of the Motion. On July 11, 2017, Intellectual Ventures filed a motion for leave to file a sur-reply. Motion Docket No. 1052-004. On July 17, 2017, Respondents filed an opposition to Intellectual Ventures's motion for leave to file a sur-reply.

I. BACKGROUND

Griffith D. Neal is a named inventor on all the asserted patents. Complainant's Opp., Ex. 1 (Confidential Decl. of Griffith Neal) at ¶ 5. Mr. Neal is the president, treasurer, and secretary of Encap Holding Company ("Encap Holding"). *Id.* at ¶ 3. He also is a member of Encap Holding's board of directors. *Id.*

Before December 31, 2008, Encap Technologies, Inc. ("Encap Technologies") was a wholly owned subsidiary. *Id.* at ¶ 6. Mr. Neal was president of both companies. On December 31, 2008, the two companies merged ("2008 merger agreement"). *Id.* at ¶ 7. "After the merger, Encap Holding Company was the only surviving entity." *Id.*; Staff Ex. 1, Ex. A, § 1.1 ("[T]he separate corporate existence of [Encap Technologies] shall cease (except as may be continued by operation of law.)").)." On October 17, 2012, Encap Technologies, the defunct corporation, purported to assign the asserted patents to Complainant's predecessor, Intellectual Ventures Holding 88 LLC ("Intellectual Ventures Holding 88") (the "2012 assignment agreement"). Complainant's App., Ex. 3.

Respondents argue that because Encap Technologies had ceased to exist and all rights in the asserted patents owned by Encap Technologies had passed to Encap Holding four years earlier, there was no valid transfer of the asserted patents in 2012, and the chain of title leading to Intellectual Ventures is broken. As a result, Respondents say, Intellectual Ventures does not own the patents and lacks standing to bring the complaint in this investigation. Respondents say the 2008 merger agreement is governed by Illinois law and that Illinois law holds that unambiguous contract language precludes the introduction of extrinsic evidence to vary the expressed intent of the parties.

In opposition, Intellectual Ventures says "Encap Technologies Inc. ceased to exist only in the sense that it had no separate corporate existence from Encap Holding Company," Opp. at 4, and that it still could convey the asserted patents to Intellectual Ventures' Holding 88 under "the law of corporate merger." *Id.* at 10-11. Intellectual Ventures argues that it was the intent of the parties to convey the asserted patents to Intellectual Ventures Holding 88. Intellectual Ventures also maintains that Encap Holding "consistently held itself out commercial [*sic*] under the trade name Encap Technologies Inc." *Id.* at 4. Intellectual Ventures claims that under Illinois law "a contract entered into by a company conducting affairs under an unregistered name is still valid and enforceable by and against the company." *Id.* at 5. Intellectual Ventures also points to a "confirmatory assignment" "to confirm expressly that in 2012 it assigned its patents to [Intellectual Ventures Holding 88] using the name Encap Technologies Inc." *Id.* at 15; Complainant's App. Ex. 7.

Staff supports the Motion on the ground that the 2008 merger agreement vested all ownership rights in the asserted patents in Encap Holding, and the 2012 assignment to Intellectual Ventures Holding 88 by Encap Technologies therefore transferred no rights in the

patents. Staff cites the principle that courts applying a contract that is unambiguous must give effect to the plain meaning of the agreement. Staff also points out that two of the five asserted patents never were owned by Encap Technologies; thus, even if there had been no merger, Encap Holding could not have transferred ownership to those patents in 2012.

II. DISCUSSION

There is no dispute that lack of standing requires termination of an investigation under Section 337. Commission Rule 210.12 requires that intellectual property-based complaints filed by a private complainant "include a showing that at least one complainant is the owner or exclusive licensee of the subject intellectual property." 19 C.F.R. § 210.12(a)(7)." *Certain Optical Disc Drives, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-897 ("*Optical Drives II*"), Initial Determination Terminating the Investigation Based on Complainant's Lack of Standing at 19-21 (June 5, 2015), *adopted by the Commission in pertinent part*, Comm'n Op. at 5 (July 6, 2015). "In determining whether this requirement is met," the Commission applies "the standing requirement established by courts in patent infringement cases." *Optical Drives II*, ID at 19-20 (citing *Certain Catalyst Components and Catalysts for the Polymerization of Olefins*, Inv. No. 337-TA-307, Comm'n Op., 1990 WL 710614, at *15 (June 7, 1990)). "In both Federal courts and before the Commission, "[t]he question of standing to assert a patent claim is jurisdictional." *Id.* (citing *SiRF Tech. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1325 (Fed. Cir. 2010)).[3]

[3] Respondents argue that "a plaintiff with constitutional standing must also satisfy the prudential standing requirement by either possessing *all* substantive rights in the asserted patent or joining the owner or exclusive licensee of the remaining rights." Resp's Reply Br. at 13 (citing *Intellectual Prop. Dev. Inc. v. TCI Cablevision of Cal.*, 248 F.3d 1333, 1346-47 (Fed. Cir.

Further, as discussed in *Optical Drives II,* "[a] complainant bears the burden to prove it has standing." *Id.* (citing *Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same*, Inv. No. 337-TA-605, Initial Determination at 14, 2008 WL 5626937, at *10 (December 1, 2008), *reviewed on other grounds*, Comm'n Op., 2009 WL 1520119 (May 20, 2009)). "Motions to dismiss based on lack of standing are not decided on a summary determination standard but with a burden on the complainant, which is similar to the treatment of motions to dismiss for lack of standing in Federal District Courts pursuant to Federal Rule of Civil Procedure 12(b)(1). *Id.* (citing *Certain Wireless Devices, Including Mobile Phones and Tablets II*, Inv. No. 337-TA-905, Order No. 12 at 3-4, 2014 WL 2094223, at *2 (May 1, 2014)) (discussing the legal standard for motions to dismiss based on lack of standing); *Certain Devices with Secure Communication Capabilities, Components Thereof, and Products Containing the Same*, Inv. No. 337-TA-818, Order No. 15, 2012 WL 7857467 (July 18, 2012) (terminating an investigation due to lack of standing)).

The issue here is whether the 2012 assignment agreement between Encap Technologies and Intellectual Ventures' predecessor conveyed any ownership rights in the asserted patents. If the 2012 assignment agreement did not convey any ownership rights, it follows as a matter of law that subsequent conveyances were invalid, that Intellectual Ventures has no standing to maintain this investigation, and that the investigation must be summarily terminated. *See*

2001)). The Commission, however, has recognized that "the Supreme Court's decision in *Lexmark Intern., Inc. v. Static Control Components, Inc.,* essentially discarded the concept of 'prudential standing.'" *Certain Optical Disc Drives, Components Thereof, and Products Containing the Same,* Inv. No. 337-TA-897 ("*Optical Drives I*"), Comm'n Op. at 6-7 (Jan. 7, 2015).

Optical Drives II, Comm'n Op. at 5 (terminating investigation in its entirety for lack of standing).

The 2012 assignment agreement plainly and unambiguously purports to transfer ownership of the asserted patents from Encap Technologies to Intellectual Ventures's predecessor, Intellectual Ventures Holding 88. Complainant's App., Ex. 3 (Preamble, Signature Page). The parties do not dispute this fact; instead, they dispute whether, as a matter of law, it was possible for Encap Technologies to convey any rights in the asserted patents, since Encap Technologies had been merged with Encap Holding four years before the purported conveyance.

Respondents contend that the 2008 merger agreement must be given effect as written. I agree.[4] The December 2008 merger agreement expressly and unambiguously provides that Encap Technologies, as of the effective date of the agreement, was "merged with and into" Encap Holding; and that "the separate corporate existence of [Encap Technologies] shall cease." Staff Ex. 1, Ex. A § 1.1. The agreement identifies Encap Holding as the surviving corporation with "all property" of Encap Technologies vested in Encap Holding. *Id.* at § 1.3, 1.4. Intellectual Ventures has failed to produce any evidence or any persuasive argument indicating why these clear contractual provisions should not be applied as written.

In general, "[s]tate law governs contractual obligations and transfers of property rights, including those relating to patents." *Regents Univ. of N.M. v. Knight,* 321 F.3d 1111, 1118 (Fed. Cir. 2003). Section 8.2 of the 2008 merger agreement states that the agreement is governed by

[4] Respondents note that a number of pertinent agreements, including the 2008 merger agreement, were not included with the Complaint. *See* 210.12(a)(9)(ii) (requiring that a complaint under section 337 must include "identification of the ownership of each involved U.S. patent and a certified copy of each assignment of each such patent").

Illinois law. Staff Ex. 1, Ex. A, § 8.2. Under Illinois law, the plain meaning of contract language determines the legal effect of a written agreement. *Thompson v. Gordon,* 948 N.E.2d 39, 47-48 (Ill. 2011). Further, under Illinois law, when a contract's language is unambiguous, extrinsic evidence may not be used to vary the terms of the contract or to create an ambiguity. *Id.*

The plain language of the 2008 merger agreement left Encap Holding as the only surviving corporate entity. All Encap Technologies' rights and interests were merged into Encap Holding, which was enabled to prosecute and defend those interests. The result is that after 2008 Encap Technologies had no separate existence and was legally unable to convey any ownership rights in the asserted patents.

It is axiomatic that a party cannot convey rights that it does not possess. "[O]ne cannot give what one does not have." *In re CTP Innovations, LLC, Patent Litigation,* MDL No. 14-MD-2581, 2016 U.S. Dist. LEXIS 165684, at *16 (D. Md. Nov. 29, 2016). This is basic, universal property law.[5] Encap Technologies after 2008 was powerless to convey any patent rights to Intellectual Ventures Holding 88. It follows that Intellectual Venture Holding 88's subsequent conveyances to parties in the chain leading to Intellectual Ventures are of no effect.

[5] "No one in general can sell personal property and convey a valid title to it unless he is the owner or lawfully represents the owner. *Nemo dat quod non habet.* Persons, therefore, who buy goods from one not the owner, and who does not lawfully represent the owner, however innocent they may be, obtain no property whatever in the goods, as no one can convey in such a case any better title than he owns, unless the sale is made in market overt, or under circumstances which show that the seller lawfully represented the owner." *Mitchell v. Hawley*, 83 U.S. 544, 550 (1872).

Intellectual Ventures lacks any ownership rights in the patents and hence lacks standing to bring this investigation.[6]

Intellectual Ventures argues that Mr. Neal had authority to convey the patents on behalf of Encap Holding, and that he intended to do so. But in fact he did not do so. The entity named as the seller in the 2012 assignment agreement is Encap Technologies, and Mr. Neal signed the agreement as president of Encap Technologies. Only by ignoring corporate distinctions and "piercing the corporate veil" can the result wished for by Intellectual Ventures be achieved and, contrary to Intellectual Ventures' assertions, courts do not routinely ignore the corporate form; rather, the corporate form is honored absent evidence of abuse. [7,8]

Intellectual Ventures argues that Encap Technologies was a trade name for Encap Holding. In executing the 2012 assignment agreement, however, Mr. Neal did not sign as Encap

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[6] A court sitting in equity could rectify the parties' mutual error by reforming the 2012 patent assignment agreement to effectuate the clear intent of the parties. That is a result that lies outside the Commission's authority under section 337. *See infra.*

[7] In *Tri-Star Elecs. Int'l., Inc. v. Preci-Dip Durtal SA,* 619 F.3d 1364 (Fed. Cir. 2010), the court held that a successor to a defunct company "received the assignment of the patent at the time of the assignment," precisely because the patent owner's assignment included successors. 619 F.3d at 1367. In *Tri-Star,* the court was not asked, as here, to re-write the contract, but simply to construe it as written. *Tri-Star* does not support the argument that I can look outside the four corners of the 2012 assignment agreement to effectuate the parties' intent in derogation of the plain language of the agreement.

[8] In Illinois, for example, "It is a fundamental principle that a corporation is a legal entity that is separate and distinct from its shareholders, directors, and officers and from other corporations with which it may be connected. *Gass v. Anna Hosp. Corp.,* 911 N.E.2d 1084, 1090 (2009) (citing *Main Bank of Chicago v. Baker,* 427 N.E.2d 94 (1981)). "One who seeks to have the courts apply an exception to the rule of separate corporate existence . . . must seek that relief in his pleading and carry the burden of proving actual identity or a misuse of corporate form which, unless disregarded, will result in a fraud on him." *Id.* at 1091 (citing *South Side Bank v. T.S.B. Corp.,* 419 N.E.2d 477 (1981)).

Holding d/b/a Encap Technologies or anything of the sort. Such may have been his unexpressed intent, but that intent is not reflected in the document he signed. Rule 210.12(a)(7) requires that at least one complainant be the owner or exclusive licensee of the patents in issue, and contains no trade names exception. 19 C.F.R. § 210.12(a)(7). Intellectual Ventures has not cited any legal authority that permits conveyance of a patent under a trade name instead of in the name of the true owner.[9]

Indeed, none of the evidence that Intellectual Ventures presents concerning the parties' intent to effectuate a transfer of the asserted patents in 2012 justifies deviating from the plain meaning of the terms of the 2012 contract, which is an agreement made by Encap Technologies, a legal entity that at the time had no existence independent of Encap Holding and no ownership rights in the patents purportedly assigned.

Intellectual Ventures asserts that the 2012 assignment agreement, unlike the 2008 merger agreement, must be interpreted under Delaware law. Intellectual Ventures then posits a false conflict between Illinois and Delaware law. The courts in both states, in fact, subscribe to the same basic rule of contract interpretation that governs across the United States: a court must give effect to the intent of the parties to the contract, and the best evidence of their intent is the words they use in their agreement. When those words are unambiguous, there is no room for interpretation. *GMG Capital Investments, LLC v. Athenian Venture Partners I*, 36 A.3d 776, 783 (Del. 2012) ("If a contract is unambiguous, extrinsic evidence may not be used to interpret the

[9] Intellectual Ventures cites *Energy Boost, LLC v. Dynamic Force Ltd.*, No 98 C 5922, 1999 U.S. Dist. LEXIS 4117, at *9-10 (N.D. Ill. Mar. 26, 1999). That case involved a much more lenient standing requirement under the Lanham Act, *i.e.*, a "reasonable interest to be protected." *Id.* at *7, 9. That standard does not apply to standing requirements under the Commission's rule or under the Patent Act.

intent of the parties, to vary the terms of the contract or to create an ambiguity.") (citing and quoting *Eagle Inds., Inc. v. DeVilbiss Health Care, Inc.,* 702 A.2d 1228, 1232 (Del. 1997) (internal quotation marks omitted); *Comet Systs., Inc. Shareholders' Agent v. MIVA, Inc.,* 980 A.2d 1024, 1030 (Del. Chancery 2008) ("The court's analysis of contractual provisions 'is guided by the 'elementary canon of contract construction that the intent of the parties must be ascertained from the language of the contract.'") (citing *In re IAC/InterActive Corp.,* 948 A.2d 471, 494 (Del. Ch. 2008)) (quoting *Citadel Holding Corp. v. Roven,* 603 A.2d 818, 822 (Del. 1992)). Indeed, the Delaware Supreme Court has explicitly recognized that the principles governing contract interpretation in Illinois and Delaware are consistent. *See GMG,* 36 A.3d at 784 and note 30 (citing, *inter alia, BAE Sys. N. Am. v. Lockheed Martin Corp.,* 2004 WL 1739522, at *5 and n. 27 (Del. Ch. Aug. 3, 2004) ("'noting that 'the standards set forth in *Motorola* for contract interpretation under Illinois law do not differ materially from those guiding Delaware courts'")).

Intellectual Ventures argues that the parol evidence rule does not preclude the use of extrinsic evidence to provide context for contractual terms. Opp. at 22. Even if that were true,[10] the parol evidence rule is not the governing principle. The applicable principle is the four corners rule which, in the absence of ambiguity, limits the parties' agreement to the four corners

[10] Under Illinois law, "both the meaning of a written agreement and the intent of the parties is to be gathered from the face of the document without assistance from extrinsic evidence." *Gillespie Cmty. Unit. Sch. Dist. No. 7, Macoupin Cty v. Union Pac. R Co..,* 43 N.E.3d 1155, 1173 (2015), *appeal denied sub nom. Gillespie Cmty. Unit. Sch. Dist. No. 7 v. Union Pac. R.R. Co.,* 48 N.E.3d 1092 (2016) (summarizing holding from *Rakowski v. Lucente,* 472 N.E. 2d 791 (1984)). "If the language of the contract is facially unambiguous, then the contract is interpreted by the trial court as a matter of law without the use of parol evidence." *Id.* "If, however, the trial court finds that the language of the contract is susceptible to more than one meaning, then an ambiguity is present . . . . [o]nly then may parol evidence be admitted to aid the trier of fact in resolving the ambiguity." *Id.*

of a contract. The four corners rule is more restrictive than the parol evidence rule, and prohibits supplementation of the written terms of a contract.[11]

Similarly, Intellectual Ventures' argument that the contract would be rendered meaningless by applying it as written does not avail. The 2012 assignment agreement is not meaningless. It simply is ineffective to convey any rights in the subject patents because Encap Technologies had no rights to convey. Further, as noted by Staff, Intellectual Ventures' arguments would make the 2008 merger agreement meaningless. That cannot be the correct outcome of this controversy.[12]

Intellectual Ventures seeks to repair the defect in its title by a "confirmatory assignment" executed by Mr. Neal in response to the Motion. Opp. Ex. 7. Such after-the-fact attempts to alter the plain language of an assignment agreement during litigation cannot establish standing. The Commission follows federal court precedent under the Patent Act, as stated above. *Certain*

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[11]" Justice Posner points out . . . that although the parol evidence rule 'overlaps' the four corners rule, the two rules are 'not identical.' Richard A. Posner, *The Law and Economics of Contract Interpretation,* 83 Tex. L.Rev. 1581, 1603 (2005). The four corners rule, he explains, is more restrictive than the parol evidence rule. While the parol evidence rule 'forbids only the use of evidence of the precontractual negotiations to contradict the written contract,' the four corners rule 'goes further by prohibiting the use of extrinsic evidence to supplement rather than only to contradict the written contract.' *Id.* " *Gillespie,* 43 N.E.3d at 1173.

[12] Intellectual Ventures' legal citations regarding mergers are unpersuasive. *Fischbein v. First Chicago NBD Corp.,* 161 F.3d 1104 (7th Cir. 1998), involved a dispute as to whether a merger effectuated a change in control for the purpose of exercising stock options under a stock incentive plan. *In re Luster,* 981 F.2d 277 (7th Cir. 1992), "presents the question whether net operating loss carry forwards are 'property' of the debtor's estate under the Bankruptcy Act of 1898, a statute repealed 14 years ago." *Id.* Intellectual Ventures' reliance on the application of merger law in these entirely unrelated settings cannot defeat the plain meaning of the 2008 merger agreement, which was clearly and simply to end the corporate existence of Encap Technologies and transfer all of its assets to Encap Holdings.

Optical Disc Drives, Components Thereof, and Products Containing the Same, Inv. No. 337-TA-897("*Optical Drives I*"), Comm'n Op. at 5 n. 2 (Jan. 7, 2015). Federal law requires that a complainant establish standing at the time the complaint is filed. *Optical Drives I,* Comm'n Op. at 11 (citing *Morrow v. Microsoft Corp.,* 499 F.3d 1332, 1340-41 (Fed. Cir. 2007) ("standing deficiency cannot be cured by adding the patent title owner to the suit.")); *see also Aspex Eyewear v. Miracle Optics, Inc.*, 434 F.3d 1336, 1339, 1342 (Fed. Cir. 2006) (noting with approval the district court's opinion that "a party's standing to sue must exist at the time an original complaint is filed").

Intellectual Ventures's strongest argument is exemplified by two district court cases, *Special Happy, Ltd., v. Lincoln Imps., Ltd.,* No. SACV 09-00074-MLG, 2011 U.S. Dist. LEXIS 72510 (C.D. Cal. 2011), and *LP Matthews LLC v. Bath & Body Works, Inc.,* 458 F.Supp.2d 211 (D. Del. 2006). These cases present facts similar to the facts before me, in which a technical error results in the failure to convey legal title to an asserted patent. In these cases, the district courts declined to dismiss based on lack of standing, although the plaintiffs did not actually possess legal title to the patents. As discussed below, the district courts in these cases reformed the contracts conveying title so as to effectuate the obvious intent of the parties and permit the plaintiffs to claim rights as patent owners.

Courts long have recognized a cause of action for reformation of mistaken instruments. "[R]eformation is a remedy the purpose of which is to make a mistaken writing conform to antecedent expressions on which the parties agree." 7 Joseph M. Perillo, CORBIN ON CONTRACTS 302 (2002). For example, "[a] mistake of description in a deed may lead to a series of similar mistakes in subsequent conveyances. In a suit for reformation, the court can deal with the whole series of mistakes. It may not be possible to reform every instrument in the

series, but the court may be able to produce the desired result by confirming in the proper party the title that would have been his if the original mistake had not been made." *Id.* at at 294-295.

With respect to contract reformation, "'[t]he parol evidence rule does not prevent oral proof of the mistake even though there is no 'ambiguity' on the face of the instrument.'" *Id.* at 300 and n. 47 (quoting *Rosen v. Westinghouse Elec. Supply Co.*, 240 F.2d 488 (8th Cir. 1957)). "Reformation . . . is based on a court's equitable power to state the parties' original intention retroactive to the date of the original contract." *Id.*, 2017 Spring Cumulative Supplement at 160-161. The evidence required to prevail in an action seeking reformation is the parties' "expressed agreement and an intention to be bound in accordance with the terms that the court is asked to establish and enforce." *Id.* at 304 (citations omitted).

The action for reformation originated in equity, but "[i]t is now available in any court that is judicially recognized as the successor of the court of Chancery with the equity powers of that court." *Id.* at 317. As a result, "[a]ny court today with power to decree the reformation of an instrument of mistake can in the same suit take the further steps necessary to do complete justice." *Id.* at 318.

The cases Intellectual Ventures relies on are instances of contract reformation. *Special Happy* addresses the problem of clerical mistakes and typographical errors, characterized as "'scrivener's errors.'" 2011 U.S. Dist. LEXIS at *14. Similarly, identifying the wrong party in a contract and then executing the contract on behalf of the wrong party can be fixed by granting reformation, which is what the court did in *LP Matthews*. *See* 458 F. Supp.2d at 214-215. Reformation in such cases is not a casual "fix" but a well-recognized legal action that conforms to the requirements described in the law and noted above.

Intellectual Ventures touches all the bases with respect to contract reformation. It has demonstrated that the use of the name Encap Technologies instead of Encap Holding in the 2012 assignment agreement was a mistake, that the president of both entities, Griffith Neal, fully intended to assign the subject patents to Intellectual Ventures Holding 88, that the parties to the contract agree that as a result of the 2012 assignment agreement Encap Holding sold its rights in the patents to Intellectual Ventures Holding 88, Intellectual Ventures Holding 88 owned the patents and was within its rights to convey them, ultimately, to Intellectual Ventures, and therefore Intellectual Ventures has standing to bring this action. *See* Confirmatory Assignment, Complainant's App. Ex. 7; Decl. of Griffith Neal, Complainant's App., Ex. 1 at ¶ 18. If these facts were presented to a court of general jurisdiction, the doctrine of reformation would likely allow the court to rectify the mistake and vest ownership in Intellectual Ventures.

The Commission, however, is not a court of general jurisdiction. Congress has delegated authority to the ITC under section 337 to conduct investigations and apply statutory remedies based on, *inter alia,* importations in violation of "a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17." 19 U.S.C. § 1337(a)(1)(B). Under the Patent Act, a patent is not enforceable unless the party seeking enforcement has standing to bring the enforcement action. The Commission's rules state that a party lacks standing unless that party is the owner or exclusive licensee of the subject intellectual property. 19 C.F.R. § 210.12(a)(7). Intellectual Ventures, as a result of an error in the 2012 assignment agreement, does not own the asserted patents. No provision of the Patent Act or section 337 permits a Commission ALJ to reform patent assignment agreements to change the ownership of a patent.

The situation here is analogous to the problem of incorrect inventorship. "Section 102(f) of the patent code 'mandates that a patent accurately list the correct inventors of a claimed invention,' and misjoinder or nonjoinder of inventors will render a patent invalid." *Dyson, Inc. v. Sharkninja Operating LLC*, 2016 WL 5404605, at *2 (N.D. Ill. Sept. 28, 2016), *objections overruled,* 2017 WL 446043 (N.D. Ill. Feb. 2, 2017) (citing *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1349 (7th Cir. 1998)). Congress has provided that the PTO or a court can correct an error in inventorship as long as it occurred without intent to deceive. 35 U.S.C. § 256 ¶1. The Commission, however, "lacks the authority to correct inventorship under Section 256 or any other statutory provision, and the Commission's authority in this regard must be conferred by statute." *Certain Sortation Systems, Parts Thereof, and Prods. Containing Same,* Inv. No. 337-TA-460, Initial Determination, 2002 WL 31598012, at *138 (Oct. 22, 2002) *unreviewed in relevant part,* Comm'n Op., 2003 WL 1712556 (Feb. 19, 2003) (citing *Certain EPROM, EEPROM, Flash Memory, and Flash Microcontroller SemiconductorSemiconductor Devices, and Products Containing Same*, Inv. No. 337-TA-395 ("*EPROM*"), Comm'n Op. at 14 (July 9, 1998)). *Accord Certain Variable Speed Wind Turbines and Components Thereof,* Inv. No. 337-TA-641, Comm'n Op., 2010 WL 741200, at *19 (Mar. 2, 2010, *aff'd in part, vacated in part, and rev'd in part on other grounds sub nom. General Elec. Co. v. Int'l Trade Comm'n,* 685 F.3d 1034 (Fed. Cir. 2012); *Certain Apparatus for the Continuous Production of Copper Rod,* Inv. No. 337-TA-52 ("*Copper Rod*"), Comm'n Determination, 1979 WL 445781 at *15 (Nov. 23, 1979) (affirming finding of unenforceability where all inventors were not joined). The Commission held in *EPROM*, "Since the Commission has no power to correct inventorship, the [asserted] patent is unenforceable unless and until either the PTO or a court makes the correction." *Id.* at 14.

The same reasoning applies in these circumstances. Where the Commission lacks authority to remedy a standing defect, termination of an investigation is mandatory. The Commission has expressly so held in the context of inventorship errors. "Even if the non-joinder of inventors could be corrected, the patent is unenforceable until the correction is made." *Id.* (citing *Copper Rod*). Because Intellectual Ventures has not corrected the error that led to the break in the chain of ownership of the asserted patents, Intellectual Ventures lacks standing and cannot bring its claim before the ITC at this time.[13]

III. CONCLUSION

For the foregoing reasons, Respondents' motion to terminate the investigation for lack of standing is GRANTED, and this investigation is terminated in its entirety.

This initial determination, along with supporting documentation, is hereby certified to the Commission. This initial determination shall become the determination of the Commission unless a party files a petition for review of the Initial Determination pursuant to Commission Rule 210.43(a), or the Commission, pursuant to Commission Rule 210.44, orders, on its own motion, a review of the initial determination or certain issues contained herein. 19 C.F.R. § 210.42(d).

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[13] Intellectual Ventures' motion to file a sur-reply is hereby GRANTED. In its sur-reply, Intellectual Ventures re-iterates its argument that patent ownership is construed in accordance with state law. This is true—and under state contract law canons, Intellectual Ventures is not the owner of the asserted patents, as discussed above. A state court, in an action for reformation or in a contract dispute, might decide to treat Intellectual Ventures as the true owner of the patents, on whatever state law theory. The point is, as discussed herein, that ownership is determined by state law, but standing to sue is not. The Commission cannot fix errors that lead to a lack of standing, as the Commission has affirmed in the context of inventorship. Thus, unless and until the issue regarding ownership is resolved in favor of Intellectual Ventures, by a state court action or by execution of the necessary patent assignment agreements, Intellectual Ventures lacks standing to enforce the patents and cannot proceed with its complaint at the ITC. *EPROM,* Comm'n Op. at 14; 19 C.F.R. § 210.12.

This initial determination is being issued with a confidential designation, and pursuant to Ground Rule 1.10, each party shall submit to the Administrative Law Judge a statement as to whether or not it seeks to have any portion of this initial determination deleted from the public version within seven (7) days. *See* 19 C.F.R. § 210.5(f). A party seeking to have a portion of the initial determination deleted from the public version thereof must attach to its submission a copy of the initial determination with red brackets indicating the portion(s) asserted to contain confidential business information.[14] The parties' submissions under this subsection need not be filed with the Commission Secretary but shall be submitted by paper copy to the Administrative Law Judge and by e-mail to the Administrative Law Judge's attorney advisor.

SO ORDERED.

Dee Lord
Administrative Law Judge

[14] Redactions should be limited to avoid depriving the public of the basis for understanding the result and reasoning underlying the decision. Parties who submit excessive redactions may be required to provide an additional written statement, supported by declarations from individuals with personal knowledge, justifying each proposed redaction and specifically explaining why the information sought to be redacted meets the definition for confidential business information set forth in Commission Rule 201.6(a). 19 C.F.R. § 201.6(a).

CERTAIN THERMOPLASTIC-ENCAPSULATED ELECTRIC MOTORS, COMPONENTS THEREOF, AND PRODUCTS AND VEHICLES CONTAINNG SAME

Inv. No. 337-TA-1052

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **ORDER** has been served by hand upon the Commission Investigative Attorney, **Lisa Murray, Esq.**, and the following parties as indicated, on 8/11/2017

Lisa R. Barton, Secretary
U.S. International Trade Commission
500 E Street, SW, Room 112
Washington, DC 20436

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