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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

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THE UNIVERSITY OF ILLINOIS FOUNDATION,  
Plaintiff,

v.

BLONDER-TONGUE LABORATORIES, INC.  
and  
ALLIED RADIO CORPORATION,  
Defendants.

Civil Action  
No. 66 C 567

MOTION TO DISMISS UNDER THE  
PROVISIONS OF RULE 12(b)

and/or

MOTION FOR SUMMARY JUDGMENT  
UNDER THE PROVISIONS OF RULE 56

DEFENDANTS' REPLY BRIEF IN SUPPORT OF THE MOTION

The Plaintiff's Answering Brief does not dispute the facts stated on page 2 of the defendants' prior brief, but argues that those facts do not require that the plaintiff's exclusive licensee be joined as co-plaintiff; and this notwithstanding that the exclusive license is in the precise field that the defendants are charged with invading, and further notwithstanding that the exclusive licensee is paying royalties to the plaintiff, wherefore the plaintiff and the exclusive licensee are both financially interested in the outcome of this suit. The plaintiff has not explained, however, how, in the absence of joining the exclusive licensee as co-plaintiff, the defendants will be

safeguarded against a further suit by the exclusive licensee, after (or even before) the termination of the present suit.

IF THIS COURT SHOULD CONSENT TO CONSIDER THE PLAINTIFF'S NEWLY INTRODUCED AFFIDAVIT, IT SHOULD AFFORD THE PLAINTIFF AN OPPORTUNITY TO TAKE DEPOSITIONS AND TO CROSS-EXAMINE, PREPARATORY TO A SEPARATE TRIAL UNDER THE PROVISIONS OF RULE 42(b).

The legal arguments of the plaintiff will be discussed presently. It is desired first, however, to make note of the fact that the plaintiff is expecting this Court to accept, as facts, the matters newly introduced by the affidavit accompanying the plaintiff's said Answering Brief.

If this Court should rule that it is proper to consider those newly introduced facts, then the defendants would request that they be afforded an opportunity first to cross-examine and to take depositions. The defendants are not content to be deprived of their right to inspect the complete License Agreement, excerpts only of which accompany the said Plaintiff's Answering Brief, and they are likewise not content to accept the plaintiff's allegation that the remainder of the said License Agreement is "confidential".

The defendants' motion can, however, be decided as a pure question of law, upon the basis merely of the said facts stated on page 2 of the defendants' prior brief, which facts, as before stated, the plaintiff does not dispute. No additional facts are necessary in order to decide that pure question of law.

### THE PLAINTIFF'S LEGAL ARGUMENTS

The plaintiff's arguments are:

First (page 1): "We only would emphasize the fact that JFD's license does not include all of the rights available under the patent, but is limited to certain fields only",

though without disputing the fact that the defendants are being charged with infringing in those very "certain fields only", and

Secondly (page 2), therefore, "JFD does not have the status of an assignee under any of the categories set out in the Waterman case, since JFD is neither (1) the holder of the exclusive right to make, use and sell the whole invention throughout the United States; nor (2) the holder of an undivided part or share of the exclusive right under the whole patent; nor (3) the holder of the exclusive right under the whole patent within a specified part of the United States" (underscoring the plaintiff's).

This second argument is not, however, in accord with the Waterman opinion. Though the quotation from that opinion on page 3 of the defendants' prior brief, does speak of "the whole patent" in connection with the first category,

"the exclusive right to make, use and vend  
the invention throughout the United States",  
it omits the words "the whole patent" in connection with the  
second category,

"2nd, an undivided part or share of that  
exclusive right",

and also in connection with the third category,

"3rd, the exclusive right under the patent  
within and throughout a specified part of  
the United States".

These "2nd" and "3rd" categories decidedly do not involve "the  
whole patent" (underscoring the plaintiff's). In the "2nd" cate-  
gory, only "an undivided part or share of that exclusive right"  
of the whole patent is involved; and, in the "3rd" category,  
that part only of "the whole patent" is involved that is "within  
and throughout a specified part of the United States".

The plaintiff says further (at the top of page 3):

"Furthermore, nowhere in the Waterman case  
does the Court indicate that the owner of  
the exclusive rights within a specified  
field only, as opposed to a specified ter-  
ritory, is to be considered an assignee".

According to the plaintiff, therefore, the "2nd" and "3rd" cate-  
gories are identical.

The Plaintiff's Answering Brief then says (page 3):

"None of the cases cited in Blonder-Tongue's brief clearly holds that, in a situation such as the present one, an exclusive licensee in a limited field is an indispensable (rather than a necessary) party to the litigation" (underscoring supplied).

Apparently, then, the plaintiff admits that the cases cited by the defendant's prior brief do so "hold"; the only objection is that they do not "clearly" so hold.

To pursue this matter further, therefore, would apparently reduce this discussion to a semantic consideration as to what the plaintiff may mean by the adjective "clearly".

#### THE CASES DISCUSSED BY THE PLAINTIFF

In Benger Laboratories Limited v. R.K. Laros Company, Inc., 1959, D.C.E.D. Pa., 24 F.R.D. 450, the defendant Laros moved to dismiss the suit for failure of the plaintiff to join as co-plaintiff an exclusive licensee, Armour and Company, in a limited (the veterinary) field. (The motion included also another allegedly exclusive licensee, Lakeside Laboratories, Inc., in a different (the human) field, as to which something will be said later.) The motion to dismiss, however, was not, as in the present instance, filed promptly, but, on the contrary, after the suit had been pending for a considerable time, during which depositions had been taken in various parts of the country, and the case was almost ready for trial. The Court pointed out that the purpose of the

motion was to protect, not the interests of the exclusive licensee, but, rather the interests of the moving-party defendant, and (page 452)

"F.R.C.P. Rule 12(b) cannot be interpreted to mean that a party with the necessary information to make a motion for joinder of an indispensable party at his disposal can sit back and raise it at any point in the proceedings, when the only effect of the motion under the circumstances would be to protect himself and not the person alleged to be indispensable."

The Court followed Parker Rust-Proof Co. v. Western Union Telegraph Co., 1939, 2 Cir., 105 F.2d 976, which presented a case where an exclusive licensee in a limited field should, under ordinary circumstances, have been joined, "as an indispensable party", but where it was held that, under the circumstances of that particular case, he should not be joined, because of estoppel arising out of inequitable conduct.

Returning to the Benger Laboratories case, the Court distinctly stated that it would have granted the motion of the defendant Laros if, by so doing, it could have done equity, pages 453-454:

"Recognizing the desirability of avoiding a multiplicity of suits based upon the same patent and infringement claims and reaching this decision solely

because of the counteracting factor of an unnecessary delay of a final determination of the matter, due to a lack of diligence on the part of the defendant in presenting its motion, I feel the motion should be granted to the extent that it is possible to insure that it will not cause any further delay in the proceedings.

Armour has been granted the right to make, use and sell the product in question in the veterinary field by Benger. The present position of the record indicates that defendant's allegedly infringing activity is in this field."

This is precisely the situation in the present case also. It was at that point that the Court made the statement, referred to on page 3 of the Plaintiff's Answering Brief, relating to whether the question involving an exclusive license in a limited field is "extremely close". As the plaintiff correctly states, the Court did not decide the question. The Court added, however, page 454:

"Without deciding that question, it is apparent that its interests under the patent are involved in the area concerned in this dispute to such an extent that it would be desirable to have it joined as a party."

The Court stated further, moreover, that it would grant the motion, provided that the defendant would enter into a stipulation of a nature such that further proceedings would not be delayed.

In the present case, since the defendants acted promptly, and did nothing that could be considered to be inequitable, no such stipulation is necessary, and the defendants' motion should be granted without requiring any such stipulation.

It may be of interest that the exclusive licensee, Armour and Company, was actually joined as "an exclusive licensee of Benger in the veterinary field in this country", Benger Laboratories Limited v. R.E. Laros Company and Cutter Laboratories v. Armour and Company, 1962, D.C.E.D. Pa., 209 F. Supp. 639, 640-641, 648, aff. 317 F.2d 455, 456, cert. denied, 375 U.S. 833.

As for Holliday v. Long Manufacturing Company, 1955, D.C.N.C., 18 F.R.D. 45, 46, quoted from on page 4 of the Plaintiff's Answering Brief, the license involved in that case was not exclusive. It was of the type of license that was granted to Lakeside Laboratories, Inc. in the Benger case, before discussed, and which the Court distinctly held, page 454, was not an exclusive license.

On page 48 of the Holliday decision, the Court said that there is a conflict of authority relating to whether an exclusive licensee is an indispensable party in an infringement suit. The Court cited five cases to support this statement as to alleged conflict. One of these five cases, Bakelite Corporation v. Lubrizol Development Corporation, 1940, D.C. Del. 34 F. Supp. 142, 144, is discussed on page 5 of the defendant's prior brief. The Court held:



"In a declaratory judgment suit as to the validity and scope of a patent there is no patent accounting and the reason for the equity rule with respect to the joinder of an exclusive license does not apply".

The remaining four cases involved licenses that, no matter what were the names by which they were called, were not exclusive. In Comptograph Co. v. Universal Accountant Mach. Co., 1906, D.C. Ill., 142 F.2d 539, 545, reversed, on other grounds, 146 F.981, for example, discussed on page 4 of the Plaintiff's Answering Brief, the Court said,

"It was not necessary to join the American Arithmometer Company, sole licensee under the Felt patent, as party complainant herein.... I know of no authority that requires that the owner of a patent must join his licensee as party complainant (underscoring supplied).

A "sole license", however, is not an exclusive license, Western Electric Co., Inc. v. Patent Reproducer Corporation, 1930, 2 Cir., 42 F.2d, 116, 119, Paul E. Hawkinson Co. v. Cornell, 1940, 3 Cir., 112 F.2d, 396, 398, and neither is any other type of bare "license", and these are the only two types of "license" (not "exclusive license") that are referred to in the Comptograph case.

It may be of interest that, despite the fact that the license involved in the Holliday case was not exclusive, the Court, nevertheless, on page 49,

"ordered that the Clerk issue summons to Harrington Manufacturing Company to appear as a party and assert such claims as it may have in the subject matter of the action."

**THE ADDITIONAL ALLEGED FACTS NEWLY ATTEMPTED TO  
BE INTRODUCED  
BY THE PLAINTIFF'S AFFIDAVIT**

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The above has been stated without any consideration of the alleged facts newly attempted to be introduced by the plaintiff's affidavit. In the event that the Court should be inclined to consider these additional facts, however, perhaps it would be safer for the defendant to offer the following comments:

At the top of page 5, the Plaintiff says:

"In the present case, the reason given in the Holliday case for not considering an exclusive licensee to be an indispensable party (i.e., that he is, in fact, bound by a decision involving the licensor) is strengthened by the specific terms of the license granted to J.F.D."

Those specific terms are (paragraph 2, page 4-5):

"2, Licensor hereby grants .... an exclusive non-transferable right and license only in the field ... to make, use or sell.....".

These are the specific terms that are prescribed in the Waterman case as converting the license into an assignment. They are the specific terms involved in every exclusive license. See, for

example, P.R. Mallory & Co., Inc. v. Automotive Mfgs'. Outlet, 1930, D.C.S.D. N.Y., 45 F.2d 810, at page 812, discussed on page 9 of the defendants' prior brief. They are the terms by which, in the Benger case, at page 454, the Court recognized that Armour and Company was an exclusive licensee, and that Lakeside Laboratories, Inc. was not an exclusive licensee.

On page 5, the Plaintiff's Answering Brief concludes with the statement that, by reason of the alleged facts newly introduced into this case by the plaintiff's affidavit,

"J.F.D. would be bound by any decision rendered herein."

In the first place, attention may be invited to the quotation, at the bottom of page 5 and the top of page 6 of the defendants' prior brief, from Bakelite Corporation v. Lubri-Zol Development Corporation, 1940, D.C. Del., 34 F. Supp. 142, 144. Attention may be invited also to the quotation, at the bottom of page 9 of the defendants' prior brief, from P.R. Mallory & Co., Inc. v. Automotive Mfgs.' Outlet, Inc., 1930, D.C. S.D. N.Y., 45 F.2d 810, 813.

There are many cases holding that the rights of patent owners and exclusive licensees are not identical. The exclusive licensees must be made parties in order that their rights, as against defendants, may be adjudicated in the same litigation.

In the second place, the exclusive licensee should be joined, in order to make certain

"that J.F.D. would be bound by any decision rendered herein,"

and not leave it to future speculation as to the degree, if at all, that J.F.D. would be so bound.

It is therefore respectfully submitted that the motion to dismiss should be granted.

Respectfully submitted,

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