



THE CLERK: 66 C 567, University of Illinois Foundation vs. Blonder-Tongue Laboratories, et al, decision on defendants' motion to dismiss complaint and their alternative motion for summary judgment.

THE COURT: Good morning, gentlemen. Thank you for coming in.

Apparently this is an action for patent infringement brought by the patent holder. The defendants have moved to dismiss the complaint for failure to join an indispensable party, or, in the alternative, for a summary judgment in their favor on this issue.

The defendants' supporting brief of May 31, 1966, contains a statement of facts which the plaintiff agrees in its opposing brief of June 10, 1966, may be taken as true for the purpose of deciding this motion. These facts are that the patent here involved is of the invention of a Log Periodic Antenna; that the plaintiff has granted to the JFD Electronics Corporation an exclusive license under this patent in the field of receiving antennas for television and FM broadcasting stations;

that the allegedly infringing device complained of in this suit operates in the field covered by the license held by JFK. The defendants contend that JFD is therefore an indispensable party to this suit.

It has been the rule since the case of *Waterman vs. Mackenzie*, 138 U.S. 252, 1891, -it is good to see a date, Mr. Allen, that doesn't include me -- that the only transfers passing title to a patent patentee conveying (1) the whole patent, comprising the exclusive right to make, use, or vend the invention throughout the United States; (2) an undivided part or share of that exclusive right; or (3) the exclusive right to practice the invention throughout a specified part of the United States. The transfer of an interest short of one of these is a mere license, giving the licensee no title in the patent.

The interest held by the JFD Electronics Corporation is not sufficient to constitute it a *Waterman* assignee, - that is, an owner of an undivided share of the patent owned by the plaintiff.

It has been granted only the exclusive right to practice the invention in a limited commercial field, and that is not within the definition of title-holders set out in *Waterman, Etherington vs. Hardee*, 290 F.2d 28, Fifth Circuit, 1961; *Fauber vs. United States*, 37 F.Supp. 415, 435, Court of Claims, 1941. JFD is, therefore, under the language of *Waterman* a licensee.

The law as set out in the recent cases is clear on the point that mere licensees are not indispensable parties to an infringement suit brought by the patent owner. *Meese vs. Eaton Mfg. Co.*, 35 F.R.D. 162, Northern District of Ohio, 1964; *Kurtzon vs. Sterling Industries, Inc.*, 228 F.Supp. 696, Eastern District of Pennsylvania, 1964; *E. W. Bliss Co. vs. Cold Metal Process Company*, 174 F.Supp. 99, Northern District of Ohio, 1959.

The narrower question urged by the defendants is whether a mere licensee, whose grant is exclusive, ought to be treated differently than non-exclusive licensees in cases where an alleged infringement of the patent has occurred in the field covered by the license.

In this regard it should be noted

that JFD is not to be the exclusive practitioner of the invention covered by the patent. It is instead to be the exclusive user in a limited field. The exclusiveness of its grant, however, gives it no greater interest in protecting against infringements in the licensed area than that of a non-exclusive licensee who is nevertheless the sole licensee of a patent, yet the latter is not indispensable to an infringement action. *Comptograph Co. vs. Universal Accountant Machine Co.*, 142 F. 539, Northern District of Illinois, 1906.

The Court is aware that there are cases which indicate in dicta that an exclusive licensee, whose interest is not that of a patent owner, might be an indispensable party to an infringement action by the patent owner if the licensee's interest is within the area of the alleged infringement. For example, *P. R. Mallory & Co. vs. Automotive Mfrs' Outlet*, 45 F.2d 810, Southern District of New York, 1930. The more recent cases are contrary to this position, however,

particularly Holliday vs. Long Mfg. Co., 18 F.R.D. 45, Eastern District of New York, 1955. The exclusive license there involved was different in scope from that held by JFD. More importantly, however, it was like JFD's in that it transferred an exclusive right under the patent which did not attain the proportions of a Waterman assignment. Acknowledging that there has been a difference of opinion on the issue, the Holliday decision states that:

"The sounder rule is that an exclusive licensee who falls outside the definition of an assignee in Waterman vs. MacKenzie is not an indispensable party plaintiff in an infringement suit brought by the patent owner." 18 F.R.D. at 48.

See also E. W. Bliss Co. vs. Gold Metal Products Company, to which I have previously referred; Zenith Radio Corp. vs. Radio Corp. of America, 121 F.Supp. 803, District of Delaware, 1954.

The case of Bengar vs. Laros, 24 F.R.D. 450 is not dispositive here for that court assumed

arguendo that an exclusive licensee might be indispensable and did not actually decide the issue.

I do not mean to assert that the interest held by JFD or by any patent licensee is not of the sort which could come within the definition of an indispensable party as developed in other areas of substantive law. The cases in the patent realm have developed as an exception to the general rules regarding indispensable parties. And it is not surprising to find rules peculiar to patent law under the Federal Rules of Civil Procedure. It is well established that although they are real parties in interest, patent licensees are excepted from the operation of Federal Rule 17, and infringement actions may not be prosecuted in their name alone. 3 Moore, Federal Practice, Paragraph 17.11, at pages 1362-63. A primary reason for these exceptions rests in the statutory framework of the patent system, which provides the remedy of suits for infringement by the patentee. 35 U.S.C., Section 281 and Section 100. A rule which would prevent a patentee from prosecuting an infringement action unless he joined a mere licensee like

JFD on the ground that it was an indispensable party would be at odds with the remedy created by Section 281. See Holliday vs. Long Mfg. Co., 18 F.R.D. at 48-49; compare Etherington vs. Hardee, 290 F.2d at 29.

Moreover, on the facts of this case as they seem to be from the pleadings, I am not persuaded that any prejudice to the parties is occasioned by denying the defendants' motion. JFD could apply for leave to intervene in this suit if it thought that that was required to protect its interest, - I say they could apply for leave; I do not pass on their right to intervene. It does not appear from the record that such application for intervention has been presented. See Cold Metal Process Co. vs. Aluminum Company of America, 200 F.Supp. 407, 442-443, Eastern District of Tennessee, 1961.

This action is being prosecuted with the knowledge and consent of JFD. See affidavit of JFD's vice-president, attached to the plaintiff's



brief, stating that this action was initiated by the plaintiff at the request of JFD.

As noted in the Holliday case, 18 F.R.D. at 49, an exclusive licensee is in effect a party when an infringement action is prosecuted with its consent and knowledge, and the Supreme Court has expressed doubt that that licensee would be permitted to bring a subsequent action against the same defendant for the same infringement. *Birdsell vs. Shaliol*, 112 U.S. 485, 487, 1884.

The defendants briefly urge in their supporting memorandum that JFD is a conditionally necessary party and should be joined as such. However, nothing presented to the court illustrates that the conditions required by Federal Rule 19 for proceeding thereunder are operative in this case.

I must observe that although the arguments raised in the briefs of this motion dealt with cases under the prior Rule 19, amendments to the Federal Rules became effective on July 1,

1956, and Rule 19 was substantially changed

I have ruled that patent licensees stand or stood as exceptions to the general rules regarding the indispensability of parties under the previous language of Rule 19. The wording of the new amendment, however, makes the definition of "indispensability" a part of the Federal rules for the first time. Rule 19(a) now refers to "persons to be joined if feasible," and a licensee like JFD does not fall within the classes of persons there described. JFD is not a party in whose absence "complete relief cannot be accorded among those already parties," nor is it a party claiming "an interest relating to the subject of the action and which is so situated that the disposition of the action in his absence may (1) as a practical matter impair or impede its ability to protect that interest, or (2) leave any of the persons already parties subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations by reason of his claimed interest."

That is clear from my earlier remarks. It becomes obvious from scanning the amended

Rule 19(b) that only those persons defined in 19(a) can be indispensable, and as JFD is not such an entity as is there described, it cannot be found to be indispensable under the new Rule.

Mr. Clerk, the motion of the defendants to dismiss the complaint for failure to join an indispensable party, and their alternative motion for a summary judgment on that issue, are denied.

The defendants are ordered to file a responsive pleading to the complaint, or, I should say, an answer to the complaint -- I don't know which one of you represents -- is it you, Mr. Allen?

MR. ALLEN: I represent the defendant, your Honor.

THE COURT: How long?

MR. ALLEN: 20 days?

THE COURT: 20 days to the defendants to file an answer.

MR. ALLEN: Thank you, your Honor.

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

UNIVERSITY OF ILLINOIS FOUNDATION, )

Plaintiff, )

vs. )


No. 66 C 567

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

Defendants. )

C E R T I F I C A T E

I hereby certify that the above and fore-  
going transcript, pages 1 to 11, is a full, true  
and accurate transcription of my original shorthand  
notes taken on the hearing of the above-entitled  
cause on the 12th day of August, 1966.

  
Dorothy L. Brackenbury,  
Official Court Reporter,  
United States District Court,  
Northern District of Illinois.

Dated: August 13, 1966.