

"exclusive licensee," R&R at 14, of the patents at issue in the instant lawsuit, see id.; 2) that it lacked prudential standing to bring this lawsuit, see id. at 14-21; and 3) that Emissive should be ordered to file a motion pursuant to Fed. R. Civ. P. 21 to add Mr. Galli as a party plaintiff,¹ see id. at 23.

NovaTac filed the instant Motion for Reconsideration on April 16, 2010, see Docket, requesting that the Court reconsider its R&R "in light of new evidence produced subsequent to the hearing on NovaTac's Motion to Dismiss for Lack of Standing," Motion. The new evidence is a license agreement (the "Nite Ize License")² between Emissive and its principal, Mr. Galli, and Nite Ize, Inc. ("Nite Ize"), which the Court ordered produced in its March 22, 2010, order. See Order Re Motions Heard March 22, 2010 (Doc. #91) at 3.

Emissive filed its objection to the Motion for

¹ Emissive filed a motion on April 16, 2010, to add Mr. Galli as a plaintiff. See Plaintiff Emissive Energy Corporation's Motion to Add Robert D. Galli as a Plaintiff (Doc. #99).

² Both parties attached a copy of the Nite Ize License to their respective memoranda. See Defendant NovaTac, Inc.'s Memorandum of Law in Support of Its Motion for Reconsideration of the April 9, 2010_[,] Report and Recommendation to Deny NovaTac's Motion to Dismiss for Lack of Standing ("NovaTac's Mem."), Exhibit ("Ex.") A (License and Intellectual Property Acquisition Agreement ("Nite Ize License")); Memorandum of Law in Support of Plaintiff Emissive Energy Corporation's Objection to NovaTac's Motion for Reconsideration of the April 9, 2010_[,] Report and Recommendation ("Emissive's Mem."), Ex. 1 (Nite Ize License). However, because these copies were made from a document which had been faxed, the Court requested at the May 25, 2010, hearing that Emissive's counsel submit a photocopy made from an original of the Nite Ize License. Counsel did so, and the Court has designated the copy submitted as a court exhibit.

Reconsideration on May 7, 2010.³ See Docket. A hearing was held on May 25, 2010. Thereafter, the Motion was taken under advisement.

II. Law

A motion for reconsideration is extraordinary remedy which should be used sparingly. See Palmer v. Champion Mortgage, 465 F.3d 24, 30 (1st Cir. 2006) (citing Charles Alan Wright et al., Federal Practice and Procedure § 2810.1 (2d ed. 1995)). Unless the court has misapprehended some material fact or point of law, such motion is normally not a promising vehicle for revisiting a party's case and rearguing theories previously advanced and rejected. Id. To obtain relief, the movant must demonstrate either that newly discovered evidence (not previously available) has come to light or that the rendering court committed a manifest error of law. Id.; see also Ruiz Rivera v. Pfizer Pharm., LLC, 521 F.3d 76, 81-82 (1st Cir. 2008) ("A court appropriately may grant a motion for reconsideration 'where the movant shows a manifest error of law or newly discovered evidence.'" (quoting Kansky v. Coca-Cola Bottling Co. of New England, 492 F.3d 54, 60 (1st Cir. 2007))); cf. Bennett v. Saint-

³ Emissive had filed on May 3, 2010, a related motion seeking permission to file its objection to the Motion for Reconsideration under seal. See Plaintiff Emissive Energy Corporation's Motion to Seal Its Objection to Defendant NovaTac, Inc.'s Motion for Reconsideration of the April 9, 2010, Report and Recommendation to Deny Its Motion to Dismiss for Lack of Standing (Doc. #106).

Gobain Corp., 507 F.3d 23, 34 (1st Cir. 2007) (“Of course, newly discovered evidence sometimes may constitute a valid basis for a successful motion for reconsideration. But evidence known to a party and deliberately withheld for tactical reasons cannot plausibly be counted as newly discovered.”) (internal citations omitted).

III. Discussion

A. Timeliness

Emissive argues that “NovaTac had the Nite Ize [License] for weeks before the Court issued its R & R,” Memorandum of Law in Support of Plaintiff Emissive Energy Corporation’s Objection to NovaTac’s Motion for Reconsideration of the April 9, 2010_[,,] Report and Recommendation (“Emissive’s Mem.”) at 11, and that NovaTac could have presented the Motion earlier if had exercised due diligence, see id. Accordingly, Emissive contends that the Motion should be denied as untimely. See id. at 11-13 (citing, *inter alia*, United States v. Allen, 573 F.3d 42, 53 (1st Cir. 2009) (“A court will deny a motion for reconsideration based on the ‘new evidence’ exception if that evidence ‘in the exercise of due diligence[] could have been presented earlier.’”) (alteration in original)); see also Ito v. Brighton/Shaw, Inc., No. 06 CV 01135 AWI DLB, 2008 WL 2339557, at *2-3 (E.D. Cal. June 4, 2008) (denying motion for reconsideration where defendant “obtained the evidence almost three weeks before the Court issued

its decision on the summary judgment motion ... but failed to alert the Court during that entire time"); Motorola, Inc. v. J.B. Rodgers Mech. Contractors, Inc., 215 F.R.D. 581, 586 (D. Ariz. 2003) (denying motion for reconsideration of a discovery ruling where "[p]laintiffs have not shown material differences in fact or law that were not and could not have been presented to the [c]ourt prior to its decision") (second alteration in original).

The Nite Ize License was produced to NovaTac on March 25, 2010, two days after the hearing on NovaTac's Motion to Dismiss. The Court issued its R&R on April 9, 2010. NovaTac filed its Motion for Reconsideration on April 16, 2010, twenty-two days after receiving a copy of the Nite Ize License. While the Court rejects Emissive's assertion that "to obtain reconsideration, NovaTac must show ... that [it] did not have the Nite Ize [License] before the R & R entered,"⁴ Emissive's Mem. at 11, the Court has some qualms about the length of time NovaTac waited before filing the Motion. Ultimately, however, the following circumstances tip the scales in NovaTac's favor.

First, the reason that NovaTac did not have the Nite Ize License prior to filing its Motion to Dismiss (and also prior to the March 23, 2010, hearing) is that Emissive failed to produce

⁴ Establishing such a rule would mean that even if a party had no reasonable opportunity to act upon the newly discovered evidence (e.g., where the evidence is received a day or two before the Court issues its decision), the party could not obtain relief based on such evidence.

it voluntarily in discovery. The Nite Ize License was within the scope of NovaTac's document requests which had been served on April 14, 2009. See Defendant NovaTac, Inc.'s Reply Brief in Support of Its Motion for Reconsideration of the April 9, 2010_[,,] Report and Recommendation to Deny NovaTac's Motion to Dismiss for Lack of Standing ("NovaTac's Reply") at 3 n.1 (quoting document request number 45). Accordingly, Emissive should have produced it shortly after its execution on January 7, 2010. However, Emissive did not do so and resisted NovaTac's efforts to obtain information about the Nite Ize License during the February 4, 2010, deposition of Alan Jacobs. See Defendant NovaTac, Inc.'s Memorandum of Law in Support of Its Motion for Reconsideration of the April 9, 2010_[,,] Report and Recommendation to Deny NovaTac's Motion to Dismiss for Lack of Standing ("NovaTac's Mem.") at 2 (citing Ex. B (excerpts of deposition)). Thus, NovaTac's complaint that it "was forced to move this Court to compel production of the Nite Ize License after Emissive repeatedly refused to produce it or even to disclose its contents in the context of a deposition," NovaTac's Reply at 3 (footnote omitted), is supported by the record. Emissive, therefore, bears responsibility for NovaTac not having the "new evidence" at the time NovaTac filed its Motion to Dismiss and also at the time of the March 23, 2010, hearing.

Second, the nature of the new evidence is not such that its

significance immediately jumps out at the reader. To the contrary, the Nite Ize License is not easily digested. It is by no means equivalent to a deposition transcript or a much shorter document wherein a significant fact, bearing upon the motion which the Court has under advisement, leaps off the page. Moreover, the copy of the Nite Ize License which Emissive provided to NovaTac is a photocopy of a fax. While still legible, the size and quality of the print is such that speed of comprehension is reduced. Thus, in determining whether NovaTac acted with reasonable diligence the Court takes into consideration that NovaTac required some time to read and analyze the Nite Ize License.

Third, NovaTac represents that it "was actively preparing a motion [] for leave to supplement the record at the time the R&R issued" NovaTac's Reply at 3 n.3. In support of this statement NovaTac notes that its "counsel ... ordered the transcript of the oral argument on the motion to dismiss even before the R&R issued." Id.; see also Docket Entry for 4/8/10. This is sufficient to persuade the Court that NovaTac did not, as Emissive charges, "adopt[] a 'wait and see'^[5] approach, biding

⁵ The detrimental effect of the "wait and see" approach was discussed in Ito v. Brighton/Shaw, Inc., No. 06 CV 01135 AWI DLB, 2008 WL 2339557 (E.D. Cal. June 4, 2008):

Allowing a party with new evidence to "wait and see" how a court rules before submitting the evidence in a motion for reconsideration is contrary to the purpose behind Rule 60(b) and Local Rule 78 230(k) because it grants the party multiple

its time to see how the Court resolved its Motion to Dismiss.”
Emissive’s Mem. at 12.

Fourth, the Court also accepts NovaTac’s representation that some time was consumed researching the appropriate way to proceed in light of the fact that its objection to the R&R relied upon new evidence. See NovaTac’s Mem. at 1 n.1 (explaining decision to file a motion for reconsideration rather than an objection to the R&R). There appears to be no clear procedural roadmap to guide a party’s action in such circumstances.

Fifth, the new evidence bears directly on Emissive’s standing to maintain this lawsuit, and “[i]t is well settled that questions of standing can be raised at any time” Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 583 F.3d 832, 841 (Fed. Cir. 2009); accord Pandrol USA, LP v. Airboss Ry. Prods., Inc., 320 F.3d 1354, 1367 (Fed. Cir. 2003) (“It is well-established that any party, and even the court *sua sponte*, can raise the issue of standing for the first time at any stage of the litigation, including on appeal.”); see also Mentor H/S, Inc. v. Med. Device Alliance, Inc., 240 F.3d 1016, 1018 (Fed. Cir. 2001) (stating that “the issue of whether an exclusive

“bites at the apple.” It is against the policy of this Court because it wastes judicial resources. Accordingly, courts are traditionally unyielding in requiring that a party show good reason for the failure to take appropriate action sooner, and [defendant’s] explanation is insufficient. 11 Wright, Miller & Kane, Federal Practice and Procedure: Civil 2d § 2857.

Id. at *2.

licensee has sufficient rights in a patent to bring suit in its own name is jurisdictional and, therefore, is not waived by a party's failure to raise the issue in the district court"). Thus, denying the instant Motion on grounds on timeliness would accomplish little. NovaTac could simply file a new motion to dismiss, arguing that, in light of the January 7, 2010, Nite Ize License, Emissive is no longer an exclusive licensee and lacks standing to maintain this lawsuit. The Court sees nothing to be gained by pushing the substantive issue raised by the Motion for Reconsideration down the road for later resolution.

Thus, for the forgoing reasons the Court rejects Emissive's argument that the Motion should be denied as untimely.

B. The Nite Ize License

NovaTac argues that the Nite Ize License provides further support for its contention that Emissive lacks standing to bring this patent infringement lawsuit. See NovaTac's Mem. at 1. It argues first that the Nite Ize License demonstrates that Emissive is not an exclusive licensee to the asserted patents. Id. at 3-6. Alternatively, it argues that even if Emissive had an exclusive license with less than all substantial rights, the Nite Ize License destroyed its standing to bring this suit. Id. at 6-8.

1. Is Emissive an Exclusive Licensee?

A patent licensee is an exclusive licensee only if the

patentee has promised, expressly or impliedly, that "others shall be excluded from practicing [the invention] within the field" covered by the license. DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc., 469 F.3d 1005, 1025 (Fed. Cir. 2006) (quoting Textile Prods. v. Mead Corp., 134 F.3d 1481, 1484 (Fed. Cir. 1998)); see also Rite-Hite Corp. v. Kelley Co., Inc., 56 F.3d 1538, 1552 (Fed. Cir. 1995) ("To be an exclusive licensee for standing purposes, a party must have received, not only the right to practice the invention within a given territory, but also the patentee's express or implied promise that others shall be excluded from practicing the invention within that territory as well.").

As previously noted, this Court determined in its R&R that Emissive is an "exclusive licensee" of the patents at issue. See Background section I. supra at 1-2; see also R&R at 9-14. NovaTac, relying upon the definitions of "Inventions" and "Product" which appear in the Nite Ize License, asserts that Mr. Galli and Emissive granted Nite Ize exclusive rights to the "Inventions" which include the patents-in-suit. See NovaTac's Mem. at 5-6. NovaTac argues that because Mr. Galli is a licensor in the Nite Ize License, "the license to the asserted patents granted by Galli is flatly inconsistent with any assertion that Galli promised to refrain from licensing the asserted patents to parties other than Emissive." Id. at 5. Thus, NovaTac contends

that the Nite Ize License is consistent with Mr. Galli's broad reservation of rights in the Patent License Agreement with Emissive ("the Emissive License"), including the reservation of the right to license others. Id.

Emissive, relying on other provisions in the Nite Ize License, maintains that "[n]either Emissive nor Mr. Galli granted Nite Ize an 'exclusive license' to use the patents-in-suit." Emissive's Mem. at 7. Accusing NovaTac of deliberately misreading the Nite Ize License, see id., Emissive contends that "the Nite Ize [License] conveys only a non-exclusive license for the patents-in-suit and does not affect Emissive's standing," id. at 9. Emissive further contends that it, not Mr. Galli, sublicensed the patents-in-suit. Id. In support of this contention it cites a declaration from Mr. Galli in which he states that "[i]t was not my intent, nor did I retain the right to sub-license the Patents." Id., Ex. 4 (Declaration of Robert Galli in Support of Plaintiff's Objection to Defendant's Motion for Reconsideration of the April 9, 2010, Report and Recommendation ("Galli Decl.)) ¶ 2.

Mr. Galli's statement that he did not retain the right to sub-license the patents-in-suit is directly at odds with the Court's earlier finding that he retained such right. See R&R at 15-16. That finding was based on the Court's analysis of the provisions of the Emissive License. See id. The Court is not

persuaded by the Galli Decl. that its earlier analysis was incorrect. While it may have not been the intent of Mr. Galli and Emissive that he retain the right to sublicense, see Galli Decl. ¶ 2, that is what the Emissive License provides, see R&R at 15-16. Thus, the Court cannot accept Emissive's contention that it, and not Mr. Galli, sublicensed the patents-in-suit to Nite Ize without changing the language of the Emissive License. Cf. DePuy Spine, Inc., 469 F.3d at 1025 (instructing that courts should "ascertain the intent of the parties to the license as manifested by the terms of their agreement and examining the substance of the grant").

NovaTac argues that the fact that Mr. Galli licensed the patents-in-suit to Nite Ize is fatal to Emissive's argument that the license between Mr. Galli and Emissive is exclusive because an exclusive license necessitates a promise to exclude others from practicing the patented invention. See NovaTac's Reply at 6 (citing, *inter alia*, DePuy Spine, Inc., 469 F.3d at 1025) ("Because patent rights are rights to 'exclude others,' a licensee is an exclusive licensee only if the patentee has promised, expressly or impliedly, that 'others shall be excluded from practicing the invention' within the field covered by the license."). While NovaTac's argument is not illogical, the fact that Emissive joined in the Nite Ize License somewhat diminishes the force of this argument. This is not a situation where Mr.

Galli licensed the patents-in-suit to a third party without consent or involvement by Emissive. Accordingly, the Court declines to rest its finding that Emissive is not an exclusive licensee solely on this circumstance. The Court, therefore, proceeds to consider NovaTac's alternative argument.

2. Did the Nite Ize License Divest Emissive of Its Standing?

NovaTac argues that the Nite Ize License granted sufficient rights to Nite Ize to make it an exclusive licensee, see NovaTac's Reply at 7, and that it is axiomatic that two exclusive licensees cannot coexist, see id. In support of its argument, NovaTac cites the provisions of the Nite Ize License which are discussed below.

The Nite Ize License generally provides Nite Ize, *inter alia*, with rights to "Inventions," in order "to make, make for others, have made, use, sell, offer for sale, import, and otherwise distribute Product ... anywhere in the world" Nite Ize License at 1. The Nite Ize License defines "Inventions" to include the asserted patents which are listed in Exhibit A2 of the Nite Ize License:

a. "Inventions" means the technology described **in any EEC and/or Galli patent having one or more valid claim that covers any Product, including but not limited to those listed in Exhibits A1 and A2**, and embodied in the Products themselves ... provided, however, that any described technology related to "vented flashlight housings" or "vented heatsinks" is excluded from this

definition of "inventions."

Nite Ize License § 1.a. (bold added).

The Nite Ize License also provides a specific definition for "Product" in § 1.c.:

c. **"Product" means any product manufactured by or for Nite Ize during the term of this Agreement bearing the Inova Trademarks and/or containing the specific form factors shown in the drawings and designs attached to and described in any of the patent applications mentioned in section 1.a.,** and/or covered by a claim in any of the patent applications or any issued and non-expired United States patent mentioned in section 1.a., including but not limited to those shown in Exhibit C, and including without limitation any products which Nite Ize may release under the Inova Brand trademark. Covered Product shall not include any product: manufactured by or for Nite Ize prior to the effective date of this Agreement; or, covered by a patent or patent application currently licensed or owned, or subsequently licensed or acquired, by Nite Ize that does not contain the Inova Trademarks, the specific form factors, and/or any other intellectual property described herein, or any of the Retained Lines products, including, without limitation, EEC's Inforce and Radiant lines.

Id. § 1.c. (bold added).

Based on these definitions, NovaTac contends that Mr. Galli and Emissive granted Nite Ize exclusive rights to the "Inventions," which include the patents-in-suit. In support of this contention, NovaTac points to the Grant of License which provides in part:

2. Grant of License. EEC and Galli hereby grant to Nite Ize a world-wide, exclusive License, to practice, make or have made, sell and distribute Product, with exclusive right to the Inventions, Know-How, and the Trademarks during the term of this Agreement, except as specified herein.

Id. § 2.

NovaTac further argues that among the exclusive rights which Nite Ize received was “the right to enforce the patents specified in Section 1.a,” NovaTac’s Mem. at 6 (quoting Nite Ize License § 15), and that “the patents specified in Section 1.a_[.] include the asserted patents,” id. at 6 n.3. The last sentence of § 15 supports this argument:

Each Party will have the right to enforce the patents specified in Section 1.a. and that relate solely to the Inova Brand Products, although neither Party will have any express enforcement obligation.

Nite Ize Licence § 15.

In addition, NovaTac points to § 16, which it contends “emphasizes the exclusive nature of the rights granted to Nite Ize” NovaTac’s Mem. at 6. Section 16 states:

16. Exclusivity. EEC and its directors, officers, employees, agents and representatives, including, without limitation, Galli, no longer have the right to solicit, encourage or entertain discussion with, or proposals from, or enter into negotiations with, or furnish any nonpublic information to any other person or entity regarding the Inventions, Trademarks, Products, License or the Power Source Agreement. **The exclusive rights of Nite Ize in the Inventions, Trademarks, and the Product shall terminate only upon termination of this Agreement pursuant to Section 14.**

Nite Ize License § 16 (bold added).

NovaTac acknowledges that the “Grant of License” provided in § 2 “includes a limited carve-out of rights retained by Emissive and Galli regarding the asserted patents ...,” NovaTac’s Mem. at

7, but maintains that "these retained rights are not sufficient to confer standing to Emissive or Galli," id.

Notwithstanding the foregoing, the Parties understand and agree that throughout the term of the License, EEC and/or Galli shall retain the right to use the Inventions (including those items designated in Exhibit A2), Know-How and Trademarks to design, manufacture, produce, distribute and sell certain Inova Brand products and products that are not part of the Inova Brand, as specified herein.

Nite Ize License § 2. NovaTac argues that "[t]he carve-out includes neither the right to further license the asserted patents, nor the right to maintain lawsuits under the asserted patents, each of which are essential to any party maintaining a patent infringement suit." NovaTac's Mem. at 7. NovaTac further argues that because Emissive has transferred its exclusive rights to Nite Ize, Emissive is no longer an exclusive licensee, but instead is merely a bare licensee to the asserted patents. Id.

As a bare licensee, Emissive lacks standing to maintain this suit, or to even remain part of this lawsuit. Because neither Galli nor Emissive continue to have rights in the asserted patents sufficient to confer standing, and because they have granted away the right to enforce the asserted patents, the addition of Galli to this lawsuit does not cure the lack of standing, as NovaTac continues to face the prospect to additional lawsuits from other parties based on the same patents.

Id. (citation omitted).

In summary, NovaTac contends that "the Nite Ize License provides Nite Ize 'world-wide exclusive' rights to the Inventions, including the right to enforce those patents," id. at 8, and that "[i]t is axiomatic that there cannot be two exclusive

licensees," id. Therefore, in NovaTac's view, the coexistence of the Emissive License and the Nite Ize License precludes Emissive from any longer claiming that it is an exclusive licensee to the asserted patents and neither Emissive nor Galli can continue to maintain the present lawsuit. See id.

As previously noted, see Discussion section III.B.1. supra at 11, Emissive's interpretation of the Nite Ize License is diametrically opposite of NovaTac's. Emissive contends that the Nite Ize License "grants to Nite Ize a 'non-exclusive... license in and to [certain] Inventions... including, but not limited to, the [patents-in-suit] relating to the so-called "heat sink" technology' in conjunction with Emissive's sale of its Inova® brand consumer flashlight line of products ('Inova Products')." Emissive's Mem. at 1 (quoting § 11 of the Nite Ize License) (footnote and bold omitted). Emissive states that it "executed the [License] with Nite Ize for the sale of Emissive's Inova Products which are its consumer line of flashlights." See id. at 2. Contemporaneously, Emissive entered into a companion agreement with Power Source Industries, Inc. ("Power Source"), pursuant to which Power Source acquired the manufacturing know-how and tooling associated with the Inova Products. See id. at 3. Emissive further states that the purpose of the Nite Ize and Power Source agreements was to implement its recent business decision to sell its consumer products line and to focus

primarily on developing products for the military and law enforcement markets. Id. (citing the Galli Decl.).

According to Emissive, the Nite Ize License addresses two groups of patents: "(1) patented technology that is solely used for Inova Products, which are subject to an interim exclusive license and later assignment to Nite Ize [citing the Nite Ize License, Ex. A1]; and (2) patented technology that is used in both retained Emissive products and Inova Products; these patents are subject to a non-exclusive license and are not being assigned, [citing Nite Ize License, Ex. A2]." Emissive's Mem. at 3. Emissive states that since the first group of patents is exploited exclusively within the Inova Product Line which is the subject of the Nite Ize License, those patents are denominated as "Royalty Bearing Patents Being Assigned." Id. Emissive further asserts that: "[i]n contrast, since Emissive reserves the right to exploit the second group of patents in its existing product line, those patents are unambiguously subject to a 'non-exclusive' license[,]" id., citing the following language of § 11:

From the Effective Date of this Agreement, [Emissive] and Galli shall grant Nite Ize a perpetual, **non-exclusive**, worldwide, fully paid up, royalty free, license in and to the Inventions that is necessary for the production and manufacturing of the Product, **but that is not included in the License or Exhibit A1 [], including, but not limited to, the Inventions identified in Exhibit A2 relating to the so-called 'heat sinc' (sic) technology**

Emissive's Mem. at 3 (quoting Nite Ize License § 11) (bold and

alterations in original). This second group of patents, Emissive states, are defined as “Non-exclusive Non-Royalty Bearing Patents Not Being Assigned.” Id. (quoting Nite Ize License, Ex. A2) (bold omitted).

Emissive also asserts that the Nite Ize License provides “that Emissive expressly retains ‘inventions, including patent applications, patents and related intellectual property ... in the design manufacture and development of lighting systems other than the Inova Brands products” Id. at 4 (quoting Nite Ize License at 1) (alterations in original). Emissive additionally notes that the Nite Ize License refers to patented technology used in both Inova Products and other Emissive products as “Retained Brands.” Id. (quoting Nite Ize License at 1.).

As further support for its interpretation, Emissive cites language in §§ 2 and 15 of the Nite Ize License. See id. at 7. Section 2 includes the statement that: “[T]he parties understand and agree that throughout the term of the License, [Emissive] and/or Galli shall retain the right to use the Inventions (including those items designated in Exhibit A2” Id. (quoting Nite Ize License § 2) (alterations in original) (bold and underlining omitted). The last sentence of ¶ 15 states: “Each Party will have the right to enforce the patents specified in Section [1.a.] and that relate solely to the Inova Brand Products

....” Id. (quoting Nite Ize License § 15) (bold omitted).⁶

In truth, the Nite Ize License is contradictory, unclear, and confusing. Between the two competing interpretations urged by the parties upon the Court, Emissive’s conflicts to a greater degree with the actual language of the Nite Ize License and requires more selective reading than does NovaTac’s.

By way of example, the first provision which Emissive cites in support of its claim that the agreement grants a non-exclusive license to Nite Ize is § 11. See Emissive’s Mem. at 1, 7 (citing Nite Ize License § 11). Section 11 is located on the eighth page of what essentially is an eleven page agreement (exclusive of exhibits), and the subject of § 11 is “Paid-Up License.” Nite Ize License § 11. To get to this point in the document, the Court must first pass over the “Definitions,” id. § 1, and “Grant of License,” id. § 2, sections of the License, both of which tend to support NovaTac’s interpretation more than Emissive’s. Certainly, the “Grant of License” section is the section where

⁶ Emissive also claims that the Nite Ize License provides that:

Emissive retains “inventions, including patent applications, patents and related intellectual property ... [used] in the design, manufacture and development of lighting systems **other than the Inova Brand** (collectively, the ‘Retained Brands’) (id., at p. 1 (emphasis added))_[.]

Emissive’s Mem. at 7 (alterations in original). The Nite Ize License, however, does not use the word “retains” (at least not in the paragraph Emissive cites). Thus, this claim falls more in the category of what Emissive wishes the Nite Ize License stated as opposed to what it actually states.

one would normally expect to find the full statement of what rights are being licensed. In contrast, the heading "Paid-Up License" strongly suggests that § 11 only addressed those rights as to which a paid-up license is being granted - not the entire group of rights which are encompassed by the Nite Ize License.

Similarly, Emissive relies to a significant degree for its interpretation on language which appears only in Exhibit A2 ("Non-Exclusive Non-Royalty Bearing Patents Not Being Assigned") and not in the body of the Nite Ize License. The Court declines to rely upon language, which appears only in an attached exhibit, as a basis for ignoring or contradicting other provisions which appear in the body of the Nite Ize License.

While the Court acknowledges that there are some provisions in the Nite Ize License which seemingly are inconsistent with NovaTac's claim that the document grants Nite Ize an exclusive license in the patents-in-suit, the Court finds it far more difficult to accept Emissive's interpretation of the Nite Ize License. Indeed, the Court is unable to do so without ignoring or disregarding the plain language found in the "Definitions" and "Grant of License" Sections. See *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1340 n.7 (1st Cir. 2007) ("[I]n determining whether a party holds the exclusionary rights, we determine the substance of the rights conferred on that party, not to the characterization of those rights as exclusive licenses or

otherwise.”).

The Court is unpersuaded that the Galli Decl. can rectify the problem posed by the Nite Ize License. Mr. Galli’s interpretation of the Nite Ize License is not binding on third parties, and it does not provide a basis for the Court to ignore or disregard language which clearly conflicts with his interpretation.

In the R&R, the Court found that although Emissive lacked prudential standing, see R&R at 21, it should be permitted to join Mr. Galli because it “appears that such joinder will ‘cure[] a technical jurisdictional defect and will not prejudice the defendant[],’” id. at 22 (quoting Mentor H/S, Inc. v. Med. Device Alliance, Inc., 244 F.3d 1365, 1373 (Fed. Cir. 2001)).

Emissive’s and Mr. Galli’s execution of the Nite Ize License has introduced a new element of uncertainty into these proceedings which affects the Court’s earlier determination that NovaTac will not be prejudiced by allowing the action to continue. See id.

Emissive argues that NovaTac would not be subject to liability from Nite Ize as a result of the Nite Ize License. See Emissive’s Mem. at 10. However, Emissive bases this contention initially on Emissive’s premise that the Nite Ize License “only granted a non-exclusive right to use the patents-in-suit solely

in connection with Inova Brand products ...,“ id.,⁷ and the Court has already determined that it cannot accept this premise without ignoring key provisions of the document.

Emissive’s alternative argument is that even if the Court finds that Nite Ize was granted a right to enforce the patents-in-suit, because the Nite Ize License provides that “Each Party will have the right to enforce the patents ...,“ Nite Ize License § 15, Emissive and/or Mr. Galli have not transferred all substantial rights to Nite Ize, Emissive’s Mem. at 11. Therefore, Nite Ize would not be able to sue NovaTac on its own.

⁷ Emissive argues that:

[T]he right to enforce cited by NovaTac applies only to ‘patents [] specified in section 1.a[.] that relate **solely** to the Inova Brand Products. ([Nite Ize License] at ¶ 15 (emphasis added).) These patents are listed on Exhibit A1 to the Nite Ize Agreement and do not include the patents in suit. (See id., at Exhibit A1.) Accordingly, contrary to the argument in NovaTac’s Motion for Reconsideration, the Agreement does not confer a right to enforce the patents in suit.

Emissive’s Mem. at 10 (second alteration and bold in original) (footnote omitted). However, as NovaTac validly notes:

there is no indication in the Nite Ize License that the phrase “relate solely to Inova Brand Products” does not include the patents in suit, or is limited to the patents specified in Exhibit A1. There is no evidentiary basis for any such conclusion. Indeed, an objective reading of the title to Exhibit A, which includes both A1 and A2, suggests exactly the opposite.

NovaTac’s Reply at 11.

See Abbott Labs. v. Diamedix Corp., 47 F.3d 1128, 1132 (Fed. Cir. 1995) (identifying “a right to bring suit on the patents if [licensee] declined to do so” as being among “[t]hose retained rights ... sufficient to make a patent owner who grants an exclusive license a necessary party to an infringement action brought by the licensee”). While Emissive’s reasoning is valid, this argument only serves to highlight the inconsistent provisions of the Nite Ize License. Immediately after stating that “[e]ach party will have the rights to enforce the patents specified in Section 1.a. and that relate solely to the Inova Brand products ...,” Nite Ize License § 15, it proclaims that “EEC and ... Galli₍₁₎ no longer have the right to ... enter into negotiations with, or furnish any nonpublic information to any other person or entity regarding the Inventions ...,” id. ¶ 16. It is difficult to see how Emissive and/or Galli could pursue an enforcement action under such restrictions.

In short, the execution of the Nite Ize License has cast such doubt on the standing of Emissive to maintain this action that the Court is unable find that Emissive has met its burden in this regard even if Mr. Galli were joined as a party plaintiff. See Ortho Pharm. Corp. v. Genetics Inst., Inc., 52 F.3d 1026, 1032-33 (Fed. Cir. 1995) (“The burden of demonstrating standing falls to [the plaintiff], as “[i]t is well established ... that before a federal court can consider the merits of a legal claim,

the person seeking to invoke the jurisdiction of the court must establish the requisite standing to sue.”) (second and third alterations in original).

IV. Summary and Conclusion

In summary, the action of Mr. Galli in granting a license to Nite Ize for the patents-in-suit is inconsistent with the assertion that he promised in the Emissive License to refrain from licensing the asserted patents to parties other than Emissive. The execution of the Nite Ize License also casts such doubt on the standing of Emissive to maintain this action that the Court is unable to find that Emissive has met its burden in this regard even if Mr. Galli were joined as a party plaintiff. Accordingly, the Motion for Reconsideration is GRANTED.

The Court will issue an Amended Report and Recommendation, recommending that NovaTac’s Motion to Dismiss be granted for the reasons stated in this Memorandum and Order.

So ordered.

ENTER:

/s/ David L. Martin
DAVID L. MARTIN
United States Magistrate Judge
June 11, 2010