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

UNIVERSITY OF ILLINOIS FOUNDATION, Plaintiff,	)	
v.	)	CIVIL ACTION NO. 66 C 567
BLONDER-TONGUE LABORATORIES, INC. and ALLIED RADIO CORPORATION, Defendants.	)	

PLAINTIFF'S ANSWERING BRIEF OPPOSING MOTION OF DEFENDANT BLONDER-TONGUE LABORATORIES, INC. TO DISMISS

This brief is in opposition to the motion by defendant Blonder-Tongue Laboratories, Inc. to dismiss this action on the ground that plaintiff has failed to join an exclusive licensee (JFD Electronics Corporation) under the patent as an indispensable party to the action.

The facts as stated in Blonder-Tongue's brief can be accepted as correct for purposes of the motion pending before the Court. 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. Non-exclusive licenses under the patent are available from the Foundation for all other fields.

The Law Applicable to Exclusive Licenses as Indispensable Parties

Blonder-Tongue's brief lays much emphasis on the decision of the Supreme Court in Waterman v. Mackenzie, 138 U.S. 352 (1891), which is, of course hornbook law concerning title to a patent.

The Waterman case holds that one who obtains from a patentee all of the rights in a patent, or an undivided share in the rights of the whole patent, including all three of the exclusive rights to make, to use, and to sell the patented invention for the entire term of the patent throughout the United States or a specified part thereof, is the owner of the patent and has the title thereto, regardless of whether he obtains his rights by assignment, by license, or otherwise. With so much of Blonder-Tongue's position we do not disagree. JFD's rights under the patent, however, are limited to certain fields only, so that 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.

The Court in the Waterman case held that one who does not fall into one of these three categories is not an assignee who has title to the patent:

> "Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent, and no right to sue at law in his own name for an infringement." (Page 255)

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 territory, is to be considered an assignee.

A close review of the cases cited by Blonder-Tongue establishes only that the law is at best uncertain on whether an exclusive licensee, who is not an assignee under any of the standards set forth in the Waterman case, is an indispensable party. 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. The closest case on the facts which we have found (Benger v. Laros, 24 F.R.D. 450, D.C.E.D. Pa., 1959), involving an exclusive licensee in a limited field, found the question "extremely close" (page 454) and did not decide it.

An extensive yet concise review of the law applicable to this field in its several ramifications is set forth in Holliday v. Long Manufacturing Company, 18 F.R.D. 45 (D.C.E.D. N. C., 1955). There the Court recognized that there exists a difference of opinion as to whether or not an exclusive licensee should be considered a party having such an interest

in the litigation that it would be inequitable to proceed to a decision without him. It is of interest that the only case from the Seventh Circuit on this point holds that an exclusive licensee is not an indispensable party (Comptograph Co. v. Universal Account Machine Co., 142 F. 539, C.C., reversed on other grounds, 146 F. 981, 7 Cir.). The Court, in the Holliday case, held that an exclusive licensee who is not an assignee under the Waterman case is not an indispensable party. The argument, raised in this case by Blonder-Tongue, that such a licensee should be considered indispensable because of the possibility that he might bring a second action against the accused infringer was met by the Court as follows:

> "If suit is brought by the exclusive licensee in the name of the patentee, or by the patentee with the exclusive licensee's consent and concurrence, the exclusive licensee is in effect a party, and the Supreme Court has expressed doubt that after judgment he would be permitted to bring a new suit against the same defendant for the same infringement. Birdsell v. Shaliol, 112 U.S. 485, 487, 5 S.Ct. 244, 28 L.Ed. 768."
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> "In short, the right of action for infringement is given by statute to the owner of the monopoly, and an infringement suit brought by him may, without joinder of his exclusive licensee, proceed to final judgment, consistent with equity and good conscience. The motion to dismiss for failure to join an indispensable party is denied."

JFD Is Not an Indispensable Party

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 JFD. Attached hereto is the affidavit of Edward Finkel, the Vice President of JFD and the person who was most active on behalf of JFD in negotiating the license with the University of Illinois Foundation, together with pertinent excerpts from the license agreement under which JFD was granted an exclusive license under the patent in suit in certain specified fields. The specific circumstances under which JFD can institute an action for infringement of the patent in its licensed fields are also set forth (Paragraph 14). JFD, under the license agreement, has the right to sue for infringement only in the event that the Foundation does not sue after requested to do so by JFD. Such a request was made in this case, as averred in Mr. Finkel's affidavit, and the present suit is a result of this request. Accordingly, the contract gives JFD no right to institute any independent action against Blonder-Tongue. Moreover, the present suit was clearly brought with JFD's "consent and concurrence," so that JFD would be bound by any decision rendered herein.

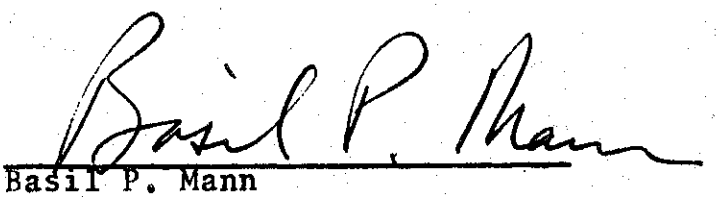
Conclusion

In the present case, therefore, there is no reason, whether of law or equity, to consider JFD an indispensable party. JFD does not hold all of the rights under the patent either throughout the United States or in any subdivision thereof nor does it hold an undivided interest in all of these rights which would make it an assignee under the Waterman decision. Furthermore, JFD would be bound, as indicated in the Holliday case, by any decision rendered in this action and would thereafter be foreclosed from instituting an additional suit against Blonder-Tongue arising from any of the actions accused as infringements in this case. This conclusion is further strengthened by the license agreement which gives JFD no right to sue on its own behalf in a situation such as the present one.

Defendant Blonder-Tongue's motion to dismiss should, accordingly, be denied.

Respectfully submitted,

MERRIAM, MARSHALL, SHAPIRO & KLOSE

By: 

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ACKNOWLEDGMENT OF SERVICE

Receipt of two copies of the foregoing "Plaintiff's Answering Brief Opposing Motion of Defendant Blonder-Tongue Laboratories, Inc. to Dismiss" and Affidavit of Edward Finkel is hereby acknowledged this _____ day of June, 1966.

Attorney for Defendants