

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

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EXTREME NETWORKS, INC.,

Plaintiff,

v.

ENTERASYS NETWORKS, INC.,

Defendant.

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OPINION and ORDER

07-cv-229-bbc

A jury found that various products sold by plaintiff Extreme Networks, Inc. did not infringe defendant Enterasys Network, Inc.'s U.S. Patent No. 5,195,181 and that the patent was not anticipated or made obvious by prior art. Dkt. #743. (Extreme's claims for patent infringement against Enterasys were resolved in a previous trial and are no longer in dispute, with one exception discussed below.) Judgment was entered on November 10, 2011. Dkt. #753.

Both sides have filed a number of motions regarding the jury's decision:

- Extreme's motion to dismiss Enterasys's counterclaims for lack of standing, dkt. #762;
- Enterasys's motion for judgment as a matter of law with respect to infringement, dkt. #774;
- Extreme's motion for judgment as a matter of law with respect to the issue of marking, dkt. #775;

- Extreme’s motion for a new trial on invalidity, dkt. #778;
- Extreme’s motion to reconsider a ruling that Extreme waived its defense related to indefiniteness of the ‘181 patent, dkt. #765;
- Extreme’s motion for attorney fees, dkt. #759.

In addition, Enterasys has filed a motion to continue the stay of the permanent injunction I entered regarding Enterasys’s infringement of three of Extreme’s patents. Dkt. #756.

For the reasons discussed below, I am denying each of these motions. In addition, I am directing the clerk of court to unseal all of the trial transcripts. Although Extreme filed a “notice of intent to request redaction” of some of those transcripts, dkt. #753, it never filed a request or gave any reasons justifying redaction.

## OPINION

### A. Extreme’s Motion to Dismiss for Lack of Standing

More than four years after this case was filed, Extreme filed a motion on the eve of trial “to dismiss under Fed. R. Civ. P. 12(b)(1) for lack of standing and subject matter jurisdiction and for an award of sanctions.” Dkt. #713. Because of the last minute nature of the motion, I took it under advisement for determination after trial. In its renewed motion, Extreme argues that Enterasys lacks standing to sue on the ‘181 patent because it does not possess all substantial rights to the patent. Extreme does not deny that Enterasys is the current assignee of the patent, but Extreme says that Enterasys granted creditors the right to prohibit assignments of the ‘181 patent as part of a security agreement and that the creditors “have an immediate and fully vested right to the” ‘181 patent because Enterasys

is in default. Thus, Extreme argues, Enterasys was required to join the creditors as plaintiffs before it could sue under the '181 patent.

It may be that Extreme waived this issue by waiting so long to raise it. Extreme insists in its brief that “standing is a jurisdictional issue, [so] it cannot be waived,” Extreme Br., dkt. #763, at 3, but the cases it cites for this proposition are about standing to sue under the Constitution. Lewis v. Casey, 518 U.S. 343, 349 (1996); National Organization for Women, Inc. v. Scheidler, 510 U.S. 249, 255 (1994). The rule of standing regarding patent ownership is “prudential rather than constitutional in nature.” Prima Tek II, L.L.C. v. A-Roo Co., 222 F.3d 1372, 1377-78 (Fed. Cir. 2000). See also A123 Systems, Inc. v. Hydro-Quebec, 626 F.3d 1213, 1217 (Fed. Cir. 2010); International Gamco, Inc. v. Multimedia Games, Inc., 504 F.3d 1273, 1276 (Fed Cir. 2007); Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc., 248 F.3d 1333, 1348 (Fed Cir. 2001). The Court of Appeals for the Seventh Circuit and other federal appellate courts have stated repeatedly that issues of prudential standing may be waived. RK Co. v. See, 622 F.3d 846, 851-52 (7th Cir. 2010) (“Prudential standing issues are subject to waiver.”); In re Ray, 597 F.3d 871, 875 (7th Cir. 2010) (“[N]onconstitutional or prudential lack of standing may be waived by a party that fails to timely raise the issue.”) See also Board of Mississippi Levee Com'rs v. EPA, 674 F.3d 409, 417-18 (5th Cir. 2012) (“Unlike constitutional standing, prudential standing arguments may be waived.”); The Wilderness Society v. Kane County, Utah, 632 F.3d 1162, 1168 (10th Cir. 2011) (“[P]rudential standing is not a jurisdictional limitation and may be waived.”); Board of Natural Resources v. Brown, 992

F.2d 937, 946 (9th Cir.1993) (prudential standing "can be deemed waived if not raised").

The Court of Appeals for the Federal Circuit may have taken a different approach in Mentor H/S, Inc. v. Medical Device Alliance, Inc., 240 F.3d 1016, 1018 (Fed. Cir. 2001), but it is not clear whether the court held that it is impossible to waive an issue of prudential standing or simply whether a court is entitled to exercise its discretion to consider an issue that is waived. The latter interpretation may be the better one in light of Stolt-Nielsen S.A. v. AnimalFeeds International Corp., 130 S. Ct. 1758, 1767 n.1 (2010), in which the Court declined on waiver grounds to consider an argument about a prudential limitation on jurisdiction, but left open the question whether it had the discretion to decide a similar waived issue in another case. See also Craig v. Boren, 429 U.S. 190, 193 (1976) (defendant waived challenge to third party standing by failing to raise it in lower courts). To the extent that Mentor conflicts with Stolt-Nielsen, it is the Supreme Court I must follow.

Extreme blames Enterasys for the delay in raising the standing issue, stating that Enterasys failed to produce relevant documents during discovery. Enterasys denies this, saying that it disclosed the security interest in 2007 and that Extreme did not ask for more information. Extreme does not respond to this point in its reply brief. In any event, if Extreme believed that any information it received from Enterasys in 2007 was insufficient to prove Enterasys's standing to sue, it should have raised the issue then. Extreme has no excuse for remaining silent during the two years that the case initially proceeded in this court, the 20 months that the case proceeded in front of the court of appeals or the nine months after the remand and before the second trial.

Even if I assume that Extreme did not waive the issue, its arguments on the merits are not persuasive. Extreme cites no case in which the court held that the patent owner cannot sue unless it joins any creditor with a security interest in that patent. Extreme cites Sicom Systems, Ltd. v. Agilent Technologies, Inc., 427 F.3d 971 (Fed. Cir. 2005), and Propat International Corp. v. Rpost, Inc., 473 F.3d 1187 (Fed. Cir. 2007), for the proposition that “a party who does not have the right to freely assign its interest in a patent does not have ‘all substantial rights’ and thus does not have independent standing to sue for infringement of the patent,” Extreme Br., dkt. #763, at 14, but neither of those cases actually supports this statement. Both Sicom and Propat raised the question whether a *licensee* had independent standing to sue when the owner of the patent retained various rights, including the right to veto assignments. Neither case suggests that an owner must join any party that holds a security interest in the patent.

In its reply brief, Extreme cites Alfred E. Mann Foundation For Scientific Research v. Cochlear Corp., 604 F.3d 1354, 1362-63 (Fed. Cir. 2010), for the proposition that “an owner and title holder faces the same test as a licensee: even the patent owner may lack independent standing if it does not hold *all* substantial rights.” Extreme Br., dkt. #809, at 4. Again, this is simply wrong. In that case, the court concluded that an owner did *not* lose the right to sue because it had transferred some but not all rights to the patent to an exclusive licensee. The court stated, if “the licensor did not transfer ‘all substantial rights’ to the exclusive licensee, . . . the licensor remains the owner of the patent and retains the right to sue for infringement.” Id. at 1354. The court did not consider the circumstances

under which the owner must join other parties, but it cited Aspex Eyewear, Inc. v. Miracle Optics, Inc., 434 F.3d 1336 (Fed. Cir. 2006), and Independent Wireless Telephone Co. v. Radio Corp., 269 U.S. 459 (1926), for the proposition that an owner may need to join an exclusive licensee under some circumstances. Of course, Enterasys's creditors are not exclusive licensees. In fact, it is undisputed that Enterasys did not transfer any rights to its creditors. Because Extreme has failed to cite any authority with facts even remotely similar to those in this case, I decline to find that Enterasys lacks independent standing to sue because of a security agreement requiring Enterasys to obtain approval from creditors before reassigning the patent.

Alternatively, Extreme devotes many pages in both of its opening and reply briefs to arguing that Enterasys defaulted on its security agreement by failing to disclose in writing the existence of this and other lawsuits related to the '181 patent and that Enterasys's creditors now have the right to take possession of the patent because of that default. I need not resolve the question whether Enterasys has defaulted because it is undisputed that Enterasys still retains legal title to the '181 patent and no creditor has tried to take possession of it. Under the agreement Extreme cites, the creditor "*may*, by written notice to" Enterasys take possession of the patent if Enterasys defaults. Dkt. #764, exh. D., at 15 (emphasis added). If Enterasys's creditors see no reason to question its rights to the '181 patent, I see no reason to do so either. Extreme cites Sky Technologies LLC v. SAP AG, 576 F.3d 1374, 1380 (Fed. Cir. 2009), for the proposition that transfer of patent ownership can occur by operation of law, but that case involved a statute that made a transfer

automatic under certain circumstances. Because Extreme cites no similar law in this case and the security agreement itself requires the creditors to give notice to Enterasys before a transfer may take place, I conclude that Enterasys remains the owner of the '181 patent and has independent standing to sue.

B. Enterasys's Motion for Judgment as a Matter of Law

The jury rejected Enterasys's claims that various accused products infringed claim 1 of the '181 patent. Enterasys seeks to overturn that finding in its renewed motion for judgment as a matter of law under Fed. R. Civ. P. 50(b). As an initial matter, Extreme argues that Enterasys waived the arguments in its Rule 50(b) motion by failing to include them in a motion under Rule 50(a) before the end of the trial. Because I conclude that Enterasys has failed to show that it is entitled to judgment as a matter of law, I need not consider the waiver issue.

To prevail on its motion, Enterasys must meet a "heavy burden." Riemer v. Illinois Dept. of Transportation, 148 F.3d 800, 805 (7th Cir. 1998). See also Schandelmeier-Bartels v. Chicago Park District, 634 F.3d 372, 376 (7th Cir. 2011) (referring to Rule 50 standard as "stringent"). In particular, it must show as a matter of law that no reasonable jury could find it failed to prove by a preponderance of the evidence that the accused products meet each element of claim 1. Marcus & Millichap Investment Services of Chicago, Inc. v. Sekulovski, 639 F.3d 301, 311 (7th Cir. 2011); Winters v. Fru-Con Inc., 498 F.3d 734, 745-46 (7th Cir. 2007).

In this case, the jury was presented with conflicting expert testimony on the question whether the accused products included the limitation in claim 1 for a “message receiving processor adapted to receive messages from the computer network.” The jury was entitled to reject the view of Enterasys’s expert (Kevin Jeffay) in favor of Extreme’s expert (Nathaniel Davis) and the court is bound by its determination. The credibility of witnesses is not something a court can evaluate when deciding a Rule 50 motion. Hicks v. Forest Preserve District of Cook County, Illinois, 677 F.3d 781, 788-89 (7th Cir. 2012). In its reply brief, Enterasys offers various reasons why it believes the jury should have rejected Davis’s testimony, but I may not set aside a verdict simply because a witness’s testimony includes inconsistencies or because other evidence contradicts that testimony. Thomas v. Cook County Sheriff’s Dept., 588 F.3d 445 (7th Cir. 2009). Enterasys had an opportunity to cross examine Extreme’s expert to point out any weaknesses. The cross examination was thorough but it did not persuade the jury to reject Davis’s testimony.

In addition to Davis’s testimony, the jury may have considered inconsistencies in Jeffay’s testimony as well as Enterasys’s failure to support its infringement contentions with any testing. Although Enterasys may be correct that the law does not require testing to prove infringement, the jury was entitled to consider the absence of testing as one factor in finding that Enterasys failed to meet its burden of proof. Accordingly, Enterasys’s motion for judgment as a matter of law will be denied.



C. Extreme's Motion for Judgment as a Matter of Law on the Issue of Marking

At trial Extreme argued that Enterasys's damages should be limited because it failed to mark its products as required by 35 U.S.C. § 287. However, the jury never reached the question of damages because it found in Extreme's favor on infringement. Because I am upholding the jury's verdict, this motion is moot.

D. Extreme's Motion for a New Trial on Validity and Motion for Reconsideration

The jury found that Extreme failed to prove by clear and convincing evidence that claim 1 of the '181 patent was anticipated or obvious in light of prior art. Extreme seeks a new trial on invalidity, arguing that the jury's finding was against the weight of the evidence. In addition, Extreme has filed a motion to reconsider a previous ruling that it waived its invalidity defense related to indefiniteness of the '181 patent. Dkt. #765.

Because the jury found in favor of Extreme with respect to infringement and I have upheld the jury's verdict, any issues regarding invalidity are moot. Extreme does not suggest that there is any threat that Enterasys will sue Extreme again for infringement of claim 1 of the '181 patent, so holding a new trial on invalidity would serve no legitimate purpose and would be a waste of judicial resources. Cf. Phonometrics, Inc. v. Northern Telecom Inc., 133 F.3d 1459, 1468 (Fed. Cir. 1998) (district court has discretion to decline to decide invalidity issues when non-infringement is clear and invalidity is not plainly evident).

#### E. Extreme's Motion for Attorney Fees

For the second time, Extreme seeks attorney fees under 35 U.S.C. § 285, which allows an award of attorney fees in “exceptional” cases. I denied Extreme’s first motion even though it prevailed at trial on its own claims and obtained a dismissal of Enterasys’s counterclaims. Dkt. #436. I concluded that

[t]here was nothing ‘exceptional’ about this case, at least nothing that would warrant an award of attorney fees to plaintiff. Both sides were equally tenacious. Although plaintiff may have carried the day in most respects, this does not mean automatically that defendant’s positions had no merit. Plaintiff points to a number of arguments made by defendant that were criticized by the court, but if this were enough to justify fees under § 285, plaintiff would be in little better position than defendant. Plaintiff advanced several of its own indefensible positions throughout the case, such as its argument that it was entitled to assert new claims at any point in the litigation.

Similarly, plaintiff accuses defendant of engaging in “gamesmanship” in discovery and the rest of the case, but its memory is highly selective. Plaintiff engaged in many of the same practices of which it now accuses defendant. For example, plaintiff refused to agree to a dismissal with prejudice of one of defendant’s counterclaims unless defendant agreed to release plaintiff from liability not just with respect to plaintiff’s current products but to all products it might manufacture in the future. Plaintiff has never attempted to justify this refusal as being grounded in a reasonable interpretation of the law.

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In short, this case was hardly a model for smooth, respectful and intelligent litigation. But the fault for the case’s problems cannot be laid on defendant’s door step alone. Both sides should have learned from this case how not to litigate a patent lawsuit in the future.

Dkt. #436 at 11-13.

Extreme’s renewed motion is no stronger now than its first one. After all, the court of appeals reversed this court’s dismissal of the counterclaims for the ‘181 patent, so Extreme

is in no position to argue that those counterclaims lacked merit. Further, Extreme's motion to dismiss for lack of standing shows that Extreme has continued after the remand to advance its own dubious arguments that have wasted the parties' and the court's time. Extreme is in no position to claim the role of the innocent victim to Enterasys's cruel injustice.

Extreme raises two new arguments, but neither is persuasive. First, Extreme says that it is entitled to fees because Enterasys withdrew a number of claims just before trial. However, that is a common practice that occurs in many patent cases, including in Extreme's own case against Enterasys in 2008. In the absence of any showing that Enterasys originally included the other claims for the sole purpose of increasing Extreme's expenses, I cannot conclude that Enterasys should be sanctioned for attempting to streamline the case.

Second, Extreme points to discovery abuse by Enterasys after the remand, namely, Enterasys's production of more than 75,000 pages of documents just before trial. However, I have already sanctioned Enterasys for the late production in several ways, dkt. #650; awarding attorney fees on top of those sanctions would be a windfall for Extreme, particularly because Extreme does not identify any concrete way it was harmed at trial. For example, Extreme does not suggest that any of the documents could have helped its invalidity defenses, the only issues on which it lost at trial. In fact, one of the sanctions for the late production was to allow Extreme's expert to offer an untimely opinion on invalidity that I had excluded previously. Dkt. #569. Thus, in at least one way, Extreme received an unexpected boost as a result of the late production.

In any event, Extreme fails to cite any cases with similar facts in which a court concluded that an award of fees under § 285 was appropriate. Extreme should have known better than to make a second attempt.

F. Enterasys's Motion to Continue Stay of Permanent Injunction

In 2008, a jury found that Enterasys's Matrix X router infringes claims 21 and 29 of Extreme's U.S. Patent No. 6,104,700, Enterasys's Matrix X, X-Pedition 8000 and X-Pedition 8600 routers infringe claim 15 of Extreme's U.S. Patent No. 6,678,248 and Enterasys's Matrix X, X-Pedition 8000 and X-Pedition 8600 routers infringe claim 5 Extreme's U.S. Patent No. 6,859,438. Dkt. #401. Later I permanently enjoined Enterasys from selling those products, but stayed the injunction pending appeal. Dkt. ## 490 and 492. After the court of appeals affirmed the judgment with respect to Extreme's claims of infringement, I continued the stay because Enterasys had initiated re-examination proceedings before the Patent and Trademark Office in which Enterasys was challenging the validity of the '700, '248 and '438 patents. Dkt. #526.

The parties have reported that the patent office has completed re-examination proceedings with respect to the '700 and '248 patents and it has rejected Enterasys's challenges to those patents. Dkt. #758, exhs. 1 and 2. Enterasys asks for a continuance of the stay because the patent office has not issued a decision as to the '438 patent, but I agree with Extreme that a stay is no longer appropriate. The three products covered by the permanent injunction are the Matrix X, X-Pedition 8000 and X-Pedition 8600 and each of

those products infringes the '700 patent or the '248 patent or both. Thus, even if the patent office invalidates claim 5 of the '438 patent, it would not change the scope of the permanent injunction.

## ORDER

IT IS ORDERED that

1. Plaintiff Extreme Networks, Inc.'s motion to dismiss defendant Enterasys Networks, Inc.'s counterclaims for lack of standing, dkt. #762, is DENIED.
2. Enterasys's motion for judgment as a matter of law with respect to infringement, dkt. #774, is DENIED.
3. Extreme's motion for judgment as a matter of law with respect to the issue of marking, dkt. #775, is DENIED as moot.
4. Extreme's motion for a new trial on invalidity, dkt. #778, is DENIED as moot.
5. Extreme's motion to reconsider a ruling that Extreme waived its defense related to indefiniteness of the '181 patent, dkt. #765, is DENIED as moot.
6. Extreme's motion for attorney fees, dkt. #759, is DENIED.
7. Enterasys's motion to continue the stay of the permanent injunction, dkt. #756, is DENIED.

8. The clerk of court is direct to unseal all the trial transcripts in this case: dkt. ##720, 721, 722, 723, 729, 730, 731, 735, 736, 737, 738, 740, 745, 747, 750 and 751.

Entered this 11th day of July, 2012.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge