

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

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PROMEGA CORPORATION,

Plaintiff,

and

MAX-PLANCK-GESELLSCHAFT zur  
FORDERUNG der WISSENSCHAFTEN E.V.,

Involuntary Plaintiff,

v.

LIFE TECHNOLOGIES CORPORATION,  
INVITROGEN IP HOLDINGS, INC. and  
APPLIED BIOSYSTEMS, INC.,

Defendants.

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OPINION AND ORDER

10-cv-281-bbc

The parties have filed approximately two dozen briefs on the two questions that are now before the court: (1) whether Max-Planck-Gesellschaft zur Forderung der Wissenschaften E.V. has been named properly as an involuntary plaintiff with respect to plaintiff's claims for patent infringement of U.S. Patent No. Re 37,984; and (2) whether the parties should be compelled to arbitrate claims arising out of a 1996 license agreement. I

conclude that Max-Planck was properly named as an involuntary plaintiff and that the motion to compel arbitration filed by defendant Invitrogen IP Holdings must be granted. Despite plaintiff's exhaustive efforts to convince the court otherwise, the arbitration clause clearly applies to the parties' disputes regarding the 1996 agreement and plaintiff has failed to provide a persuasive reason why the clause should not be enforced.

## OPINION

### A. Involuntary Plaintiff

Max-Planck is the owner of the '984 patent; plaintiff Promeg Corporation is the exclusive licensee. Under these circumstances, Max-Planck must be a party to the lawsuit if plaintiff wishes to assert claims against defendants for infringement of that patent. Alfred E. Mann Foundation for Scientific Research v. Cochlear Corp., 604 F.3d 1354, 1359 (Fed. Cir. 2010). (Plaintiff does not suggest that Max-Planck has transferred to plaintiff "all substantial rights" to the patent, making joinder unnecessary. Id.)

In an order dated November 10, 2010, I granted the motion of defendants Life Technologies Corporation, Invitrogen IP Holdings, Inc. and Applied BioSystems, Inc. to dismiss the complaint as to plaintiff's claims under the '984 patent for plaintiff's failure to show it had properly joined Max-Planck as an involuntary plaintiff under Fed. R. Civ. P. 19. In particular, plaintiff failed to show that Max-Planck had refused to join the lawsuit or that

it was outside the court's jurisdiction, both of which are Rule 19 requirements for joining a party as an involuntary plaintiff. 7 Charles Alan Wright, Arthur R. Miller and Mary Kay Kane, Federal Practice and Procedure § 1606, at 73 (3d ed. 2001) ("A party may be made an involuntary plaintiff only if the person is beyond the jurisdiction of the court, and is notified of the action, but refuses to join."); Murray v. Mississippi Farm Bureau Casualty Insurance Co., 251 F.R.D. 361, 364 (W.D. Wis. 2008) ("Traditionally, a 'proper case' is one in which the involuntary plaintiff is outside the court's jurisdiction and is under some obligation to join the plaintiff's lawsuit but has refused to do so."). However, I gave plaintiff leave to make another attempt to join Max-Planck properly.

In response to the order, plaintiff says that it has informed Max-Planck of the lawsuit three times and the corporation has expressed no interest in joining the suit. In response to the last communication, a representative of Max-Planck stated unequivocally that the company was "not willing to voluntarily participate as a plaintiff with Promega in the patent infringement litigation on the '984 patent against Life Technologies, Applied Biosystems, LLC and Invitrogen IP Holdings, Inc." Dimond Decl., dkt. #125, exh. 1. With respect to the issue of personal jurisdiction, plaintiff says that Max-Planck is a German corporation without any Wisconsin offices or significant Wisconsin contacts. Defendants do not point to any evidence to the contrary. Accordingly, I conclude that Max-Planck has been properly named as an involuntary plaintiff and that plaintiff has standing to assert claims under the

'984 patent.

### B. Arbitration

Defendants seek to compel plaintiff to arbitrate claims arising out of a 1996 agreement between plaintiff and Research Genetics, Inc. in which Research Genetics gave plaintiff an exclusive license to grant sublicenses to practice several patents in exchange for a royalty. The claims subject to the arbitration demand include plaintiff's claims for a declaratory judgment regarding the royalties it owes under the 1996 agreement (claims 11, 13-14); its claim for breach of the 1996 contract and breach of the duty of good faith and fair dealing (claims 15-16); and its claims for declaratory judgments for various defenses to defendants' claims under the 1996 agreement (claims 17 and 21-25).

The 1996 agreement includes the following provision: "All controversies or disputes arising out of or relating to this Agreement, or relating to the breach thereof, shall be resolved by arbitration conducted in Chicago, Illinois, in accordance with the procedure set forth in Appendix E." Dimond Decl., dkt. #5, exh. F, § 22.1. The parties agree that the threshold question whether a claim is subject to arbitration is decided by the court rather than the arbitrator. John Wiley & Sons, Inc. v. Livingston, 376 U.S. 543, 547 (1964) ("Whether or not [a] company [is] bound to arbitrate, as well as what issues it must arbitrate, is a matter to be determined by the court on the basis of the contract entered into by the parties.").

In an order dated August 9, 2010, dkt. #47, I denied defendants' first motion to compel arbitration on the ground that the demand was made by defendant Life Technologies, which defendants conceded was not the current assignee of the agreement. Defendants brought a renewed motion to compel arbitration after making an arbitration demand in defendant IP Holdings's name, which defendants argue *is* the current assignee of the 1996 agreement. In response, plaintiff advanced a litany of arguments against arbitration. In an order dated November 10, 2010, I stated that

[t]he merit of many of these arguments is questionable, but I conclude that plaintiff is entitled to obtain limited discovery on the questions whether defendant IP Holdings is in fact the current assignee of the 1996 agreement and whether IP Holdings maintains its legal existence. Although the current record suggests that the answer to both of these questions is "yes," some doubt remains because defendants did not disclose many of the documents on which they now rely until after briefing began on the current motions.

Dkt. #90, at 6. Accordingly, I directed the parties to supplement their materials with information directed to answering "these two narrow questions." Id. I anticipated that any new information submitted by the parties would be limited to showing whether the documents defendants cited were valid and accurate. Id. In addition, I stated that "I will consider plaintiff's other arguments for denying or staying arbitration in the order addressing the parties' renewed motions." Id. at 7.

Although plaintiff submitted a 39-page supplemental brief in response to the November 10 order (and three follow-up briefs), plaintiff has not undermined the validity

or the accuracy of defendants' documents. In particular, plaintiff does not challenge any of the following:

- in 1996, plaintiff entered into a valid license agreement with Research Genetics in which the parties agreed to arbitrate disputes arising out of the agreement;
- that agreement allowed Research Genetics to assign its rights under the agreement to another entity, so long as plaintiff consented to the assignment;
- in 2001, plaintiff consented to Research Genetics' assignment of its rights to Invitrogen Corporation;
- in 2003, plaintiff consented to Invitrogen Corporation's assignment of its rights to defendant IP Holdings;
- IP Holdings has not been dissolved and remains a Delaware corporation "in good standing";
- plaintiff has not consented to any further assignments.

These facts are sufficient to show that defendant IP Holdings still exists and is the current assignee of the 1996 agreement.

Despite these undisputed facts, plaintiff argues that defendant IP Holdings has no right to invoke the arbitration clause. Much of plaintiff's supplemental briefs is devoted to showing that IP Holdings is "inactive" as a corporation and that it is really just a puppet of defendant Life Technologies, its parent company. However, plaintiff never explains the relevance of its argument. In particular, plaintiff cites no authority for the proposition that a corporation cannot assert rights under a contract unless it has offices and employees or if

all of its actions are directed by a parent company.

Plaintiff cites various cases for the general proposition that courts should not elevate corporate “form over substance.” E.g., American Needle, Inc. v. National Football League, 130 S. Ct. 2201, 2209 (2010) (parties may engage in “concerted action” in violation of § 1 of the Sherman Act even if they are not “legally distinct” entities); Gregory v. Helvering, 293 U.S. 465, 468-469 (1935) (concluding that defendant did not bring about a “reorganization” under 26 U.S.C. § 2112(g) through transfer of assets because transfer was not made pursuant to plan of either business); United Airlines, Inc. v. HSBC Bank USA, N.A., 416 F.3d 609, 612 (7th Cir. 2005) (courts will look at substance rather than form of document to determine whether it is a “lease” under 11 U.S.C. § 365); Cook Inc. v. Boston Scientific Corp., 333 F.3d 737, 742-43 (7th Cir. 2003) (concluding that plaintiff violated anti-assignment provision of license agreement by entering into contract with third party under which plaintiff sold licensed drug and then third party sold drug back to plaintiff after making modifications to it). These cases may stand for the principle that parties may not avoid violations of contracts or statutes through technical interpretations, but that principle has nothing to do with this case. IP Holdings is not trying to make an end run around a contractual provision; plaintiff is. In none of the cited cases did the court suggest that a corporation must engage in a particular quantum of independent activity before it is entitled to invoke an arbitration clause or any other provision in a contract to which it is a party.

Plaintiff's reliance on such inapposite cases is telling.

Alternatively, plaintiff argues that defendant IP Holdings is no longer the actual assignee because IP Holdings assigned its rights to Life Technologies. It is true that IP Holdings intended to assign its rights to Life Technologies, dkt. #80-2, but, as plaintiff argued in response to Life Technologies' motion to compel arbitration, that assignment could not take place without plaintiff's consent, which plaintiff never gave. Plaintiff cannot have it both ways. It cannot deny IP Holdings the right to invoke the arbitration clause because IP Holdings assigned its rights to Life Technologies and also deny Life Technologies the right to invoke the arbitration clause because IP Holdings did not obtain plaintiff's consent for the assignment. Plaintiff's view seems to be that if a party makes an unsuccessful attempt to assign its rights to a contract, then the contract is voided altogether. Not surprisingly, plaintiff cites no authority for this proposition. The bottom line is that IP Holdings remains the current assignee because plaintiff has not consented to another assignment.

Plaintiff raised numerous arguments in its previous briefs in opposition to arbitration, but these require little discussion. The plain meaning of the term "controversies and disputes" used in the arbitration clause is broad and does not exclude the parties' claims about the proper interpretation of the royalty provisions. Plaintiff's only argument for a more limited meaning relies on the subjective intent of plaintiff's vice-president, which cannot trump the words the parties chose. Uniek, Inc. v. Dollar General Corp., 500 F. Supp.

2d 1158, 1166 (W.D. Wis. 2007) (“Plaintiff’s countless citations to the subjective intentions of various individuals does not help its case because contracts cannot be modified through telepathy; it is the parties’ intent as manifested by their conduct that controls, not their secret thoughts.”) (citing Metropolitan Ventures, LLC v. GEA Associates, 2006 WI 71, ¶ 24, 291 Wis. 2d 393, 717 N.W.2d 58, and Skycom Corp. v. Telstar Corp., 813 F.2d 810, 814 (7th Cir. 1987)).

For the same reason, it does not matter whether plaintiff would have entered into the 1996 agreement if it had known that a later assignee would become a subsidiary of one of its arch rivals, Life Technologies. It is undisputed that plaintiff approved the assignment to IP Holdings. This was before defendant Life Technologies acquired IP Holdings, but if plaintiff was concerned about the possibility of doing business with one of its competitors, it could have put in more restrictions regarding assignments. Plaintiff does not point to any provision in the agreement suggesting that an assignment may be voided after the fact if the assignee becomes a subsidiary of a company plaintiff does not like.

The arbitration provision is mandatory once invoked. It states that all disputes relating to the 1996 agreement “shall be resolved by arbitration.” Swatek v. County of Dane, 192 Wis. 2d 47, 58-59, 531 N.W.2d 45, 49 (1995) (use of word “shall” is presumed to be mandatory). Plaintiff points to § 15.3 of the 1996 agreement, which states that “either Research Genetics or Promega may invoke the arbitration provision of paragraph 22.0.”

However, this simply means that either party may compel the other to arbitrate in the event of a dispute and that the parties may agree to waive the arbitration clause. The contract does not say that one party may refuse to submit to arbitration once the other party has exercised its option to invoke the clause.

Plaintiff has not shown that the arbitrator will be unable to resolve the parties' claims arising out of the 1996 agreement without interpreting a non-arbitrable 2006 agreement between plaintiff and the company now known as defendant Applied Biosystems. The parties' claims revolve around the question of the proper interpretation of § 9.4 of the 1996 agreement, which sets forth the royalty calculation when plaintiff "exercises its rights to sublicense third parties." The 2006 license agreement is one of multiple sublicenses at issue, but defendants say that the only issue the arbitrator will have to resolve related to these sublicenses is the amount of sales made under each one. Although plaintiff raises many questions about the 2006 agreement in its brief, it fails to make a connection between those questions and the issues the arbitrator will have to decide. Because the subject of the 1996 agreement relates to sales under sublicenses, the arbitration clause would be meaningless if it could not be invoked in any instance in which a dispute involved one of those sublicenses.

Defendant IP Holdings did not waive its right to arbitrate. All the cases plaintiff cites in favor of its waiver argument frame the question as whether the party "has acted inconsistently with the right to arbitrate," St. Mary's Medical Center of Evansville, Inc. v.

Disco Aluminum Products Co., Inc., 969 F.2d 585, 588 (7th Cir. 1992), such as by going to court. Plaintiff's argument is not that IP Holdings first chose court or another forum over arbitration; it is that IP Holdings waited too long to assert its rights. That is a substantive defense that plaintiff can raise before the arbitrator.

The 1996 agreement does not reserve all "equitable" matters for a court to resolve. Plaintiff cites § 22.2 of the agreement, which states that "[t]he arbitrators shall not have the authority, power or right to alter, change, amend, modify, add or subtract from any provision of this Agreement or to award punitive damages" and § 23.4, which states that, "[s]hould any provision of this Agreement be held invalid, illegal or unenforceable, by a court of competent jurisdiction, such provision shall be considered void. All other provisions, rights and obligations shall continue without regard to such provision." Plaintiff interprets these provisions to mean that "[t]he parties contemplated by this language that a Court . . . may consider all manner of other issues, equitable and otherwise." Plt.'s Br., dkt. #62, at 25.

Plaintiff's interpretation has no support in the language of the contract. Section 22.2 says nothing about reserving any power to the courts, let alone all equitable matters. This is made clear by the remainder of the same section, which gives the arbitrator power "to issue mandatory orders and restraining orders in connection with the arbitration." Although § 22.2 does limit the arbitrator's authority, plaintiff identifies no reason to believe that the provision is a reservation of rights to litigate in court rather than simply a limitation on the

relief available to the parties for contract disputes. The agreement says that the arbitrator shall “resolve” the disputes; it would make no sense for the dispute to be carved into multiple pieces to be resolved in part by the arbitrator and in part by the court.

Section 23.4 does not help plaintiff either. The point of § 23.4 is to preserve the contract as a whole if one provision is invalidated; it does not strip the arbitrator of any authority. That is, it does not prohibit the arbitrator from considering any of the defenses plaintiff wishes to raise in this court, such as laches and duress. Although the provision seems to rest on an assumption that the court has the power to invalidate provisions, this means at most that the agreement has carved out for the court a slightly larger role than required by law. Janiga v. Questar Capital Corp., 615 F.3d 735, 737-38 (7th Cir. 2010) (“The Supreme Court has said that the responsibility to determine the validity of the contract as a whole is assigned to the arbitrator, while specific challenges to an arbitration clause normally remain with the court.”). However, this is a red herring because plaintiff does not argue that any provision in the agreement is invalid other than the arbitration clause.

Plaintiff’s remaining arguments are undeveloped, unpersuasive and unsupported by relevant authority. Plaintiff is a sophisticated business that made an agreement with defendant IP Holdings to arbitrate disputes arising out of the 1996 agreement. It is time to honor that agreement.

I am granting the motion to compel arbitration and granting summary judgment to defendants as to claims 12 and 22 of plaintiff's amended complaint, in which plaintiff seeks declarations that the claims arising under the 1996 agreement are not arbitrable. In addition, I am granting summary judgment to defendants as to those aspects of claims 21 and 23-25 in which plaintiff challenges the enforceability of the arbitration clause. I am dismissing without prejudice the remainder of claims 21 and 23-25 as well as claims 11 and 13-17 of plaintiff's amended complaint so that they may be resolved by the arbitrator. Defendants acknowledge that claims one and five of their answer and counterclaim should be dismissed without prejudice as well because they relate to the 1996 agreement.

In the event that the court grants the motion to compel arbitration, plaintiff asks for a judgment under Fed. R Civ. P. 54(b) with respect to the arbitration claims; defendants do not object. Because those claims "are legally distinct and involve different facts" from the other claims in the lawsuit, Marseilles Hydro Power, LLC v. Marseilles Land and Water Co., 518 F.3d 459 (7th Cir. 2008), and I see no reason for delaying entry of judgment as to those claims, I will grant this request.

#### ORDER

IT IS ORDERED that

1. Plaintiff Promega Corporation's motion for leave to file a second amended

complaint to add Max-Planck-Gesellschaft zur Forderung der Wissenschaften E.V. as an involuntary plaintiff, dkt. #101, is GRANTED; plaintiff's unopposed motion for leave to file a sur-reply in support of its motion for leave to file a second amended complaint, dkt. #125, is GRANTED.

2. Defendant Invitrogen IP Holdings, Inc.'s motion to compel arbitration, dkt. #117, is GRANTED, and plaintiff's motion "to deny arbitration, stay arbitration or, in the alternative, conduct an evidentiary hearing," dkt. #110, is DENIED.

3. Summary judgment is GRANTED to defendant IP Holdings as to as to claims 12 and 22 of plaintiff's amended complaint and as to those aspects of claims 21 and 23-25 in which plaintiff challenges the enforceability of the arbitration clause.

4. Plaintiff and defendant IP Holdings are COMPELLED to submit for arbitration claims 11, 13-17 of plaintiff's amended complaint, those aspects of claims 21 and 23-25 not challenging the enforceability of the arbitration clause and claims 1 and 5 of defendant IP Holdings's answer and counterclaim. These claims are DISMISSED WITHOUT PREJUDICE.

5. Pursuant to Fed. R. Civ. P. 54(b), the clerk of court is directed to enter final judgment in favor of defendant IP Holdings as to the claims listed in paragraphs 3 and 4 of this order. I make the express determination that there is no just reason for delaying entry of final judgment as to these claims.

Entered this 16th day of February, 2011.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge