REDACTED - PUBLIC VERSION

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

W.L. GORE & ASSOCIATES, INC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	C.A. No. 11-515 (LPS) (CJB)
	)	
C.R. BARD, INC. and BARD PERIPHERAL VASCULAR, INC.,	)	REDACTED - PUBLIC VERSION
	)	
Defendants.	)	

DEFENDANT BARD'S OPENING BRIEF IN SUPPORT OF
ITS MOTION TO DISMISS FOR LACK OF SUBJECT MATTER JURISDICTION

OF COUNSEL:

Steven Cherny
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, NY 10022
(212) 446-4800

Edward C. Donovan
KIRKLAND & ELLIS LLP
655 Fifteenth Street, NW
Washington, DC 20005
(202) 879-5000

John L. Strand
WOLF, GREENFIELD & SACKS, P.C.
600 Atlantic Avenue
Boston, MA 02210
(617) 646-8000

MORRIS, NICHOLS, ARSHT & TUNNELL LLP
Jack B. Blumenfeld (#1014)
Michael J. Flynn (#5333)
1201 North Market Street
P.O. Box 1347
Wilmington, DE 19899
(302) 658-9200
jblumenfeld@mnat.com
mflynn@mnat.com

Attorneys for Defendants C.R. Bard, Inc. and Bard Peripheral Vascular, Inc.

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REDACTED - PUBLIC VERSION

TABLE OF CONTENTS

Page

I. NATURE AND STAGE OF THE PROCEEDINGS 1

II. INTRODUCTION AND SUMMARY OF ARGUMENT 1

III. STATEMENT OF FACTS 2

A. W.L. Gore Created GEH To Hold Patents And Made Itself A Non-Exclusive Licensee To Avoid Taxes 2

B. Gore's Knowledge Of Its Standing Problem 6

C. Gore's Positions In This Litigation 7

IV. LEGAL STANDARD 10

V. ARGUMENT 12

A. W.L. Gore Lacked Standing Prior To January 30, 2012 13

B. Gore Enterprise Holdings Was Not Entitled To Lost Profits 15

C. W.L. Gore Cannot Claim Lost Profits Based On A Theory that GEH Was Acting for Its Benefit Or Was Somehow Injured By W.L. Gore's Lost Sales 16

D. W.L. Gore Apparently Has No Standing On Or After January 30, 2012 Either 17

E. Gore's Argument That Bard's Motion is "Untimely" Is Baseless 18

VI. CONCLUSION 20

TABLE OF AUTHORITIES

Page(s)

Cases

Abbott Point of Care Inc. v. Epocal, Inc.,
666 F.3d 1299 (Fed. Cir. 2012).....18

Acme Royalty Co. v. Director of Revenue,
96 S.W.3d 72 (Mo. 2002) (en banc).....5

Already, LLC v. Nike, Inc.,
133 S. Ct. 721 (2013).....11

In Re ANC Rental Corp.,
280 B. R. 808 (D. Del. 2002).....11

Arbaugh v. Y&H Corp.,
546 U.S. 500 (2006).....10, 11

Bryant v. Way,
2011 WL 2163606 (Del. Sup. Ct. Apr. 20, 2011).....17

Euclid Chem. Co. v. Vector Corrosion Techs., Inc.,
561 F.3d 1340 (Fed. Cir. 2009).....18

Fieldturf, Inc. v. Sw. Recreational Indus., Inc.,
357 F.3d 1266 (Fed. Cir. 2004).....10

Ford Motor Co. v. United States,
635 F.3d 550 (Fed. Cir. 2011).....11

FW/PBS, Inc. v. City of Dallas,
493 U.S. 215 (2004).....19

Gore Enter. Holdings, Inc. v. Comptroller of Treasury,
437 Md. 492, 87 A.3d 1263 (Md. 2014).....6, 15

Grace v. American Cent. Ins. Co.,
109 U.S. 278 (1883).....11

Grain Processing Corp. v. American Maize-Products Co.,
185 F.3d 1341 (Fed. Cir. 1999).....12

In re ANC Rental Corp.,
280 B. R. 808 (D. Del. 2002).....11

Kontrick v. Ryan,
540 U.S. 443 (2004) 10

Mansfield, C. & L.M.R. Co. v. Swan,
111 U.S. 379 (1884) 11

Mars, Inc. v. Coin Acceptors, Inc.,
527 F.3d 1359 (Fed. Cir. 2008) 11

Memorylink Corp. v. Motorola Solutions, Inc.,
773 F.3d 1266 (Fed. Cir. 2014) 18

Nat'l Org. for Women, Inc. v. Scheidler,
510 U.S. 249 (1994) 19

Ortho Pharm. Corp. v. Genetics Inst., Inc.,
52 F.3d 1026 (Fed. Cir. 1995) 11

Pandrol, USA, LP v. Airboss Ry. Prods., Inc.,
320 F.3d 1354 (Fed. Cir. 2003) 11

Pfizer Inc. v. Elan Pharm. Research Corp.,
812 F. Supp. 1352 (D. Del. 1993) 11

Poly-America, L.P. v. GSE Lining Tech., Inc.,
383 F.3d 1303 (Fed. Cir. 2004) 12, 15, 16

Rite-Hite Corp. v. Kelley Co.,
56 F.3d 1538 (Fed. Cir. 1995) (en banc) 11, 12, 15

SBRMCOA, LLC v. Bayside Resort, Inc.,
707 F.3d 267 (3d Cir. 2013) 14

Sicom Sys. Ltd. v. Agilent Tech., Inc.,
427 F.3d 971 (Fed. Cir. 2005) 10, 11

Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.,
620 F.3d 1305 (Fed. Cir. 2010) 11

Steel Co. v. Citizens for a Better Env't,
523 U.S. 83 (1998) 19

United States v. Hays,
515 U.S. 737 (1995) 19

W.L. Gore & Associates, Inc. v. Comptroller of Treasury,
2010 WL 5927989 (Md. T.C. Nov. 10, 2010) 3, 5, 16, 17

Warsaw Orthopedic, Inc. v. Nuvasive, Inc.,
778 F.3d 1365 (Fed. Cir. 2015)..... 12, 15, 16

Statutes

35 U.S.C. § 261.....18

35 U.S.C. § 286.....13

Rules

Fed. R. Civ. P. 12(b)(1)..... 1, 10, 20

Fed. R. Civ. P. 12(b)(3).....12

Fed. R. Civ. P. 12(h)(3)..... 1, 10, 12, 20

Fed. R. Civ. P. 30(b)(6).....6

I. NATURE AND STAGE OF THE PROCEEDINGS

W.L. Gore & Associates, Inc. ("W.L. Gore") and Gore Enterprise Holdings, Inc. ("GEH") (together "Gore") initiated this action accusing C.R. Bard ("Bard") of infringing U.S. Patent No. 5,735,892 ("the '892 patent") on June 10, 2011. D.I. 1. Subsequently, GEH was dismissed as a party. D.I. 64. Trial is scheduled to begin December 7, 2015. Bard now moves pursuant to Federal Rules of Civil Procedure 12(b)(1) and 12(h)(3) to dismiss W.L. Gore's claim for lost profits damages prior to January 30, 2012 because as a matter of law W.L. Gore lacked standing prior to that date and GEH could not recover lost profits. In addition, W.L. Gore—the only plaintiff remaining in this case—has not demonstrated that it can carry its burden of proving standing even after January 30, 2012.

II. INTRODUCTION AND SUMMARY OF ARGUMENT

It is undisputed that, at the time GEH and W.L. Gore filed suit on June 10, 2011 (and for at least 6 years prior), GEH owned the '892 patent. Thus, W.L. Gore could only have standing to sue, and seek damages, if it had been the exclusive licensee of the '892 patent. Bard recently obtained documents from other actions in which Gore was a party that neither GEH nor W.L. Gore produced in this action that show conclusively that W.L. Gore has *never* been an exclusive licensee of the '892 patent. Indeed, contrary to the positions that W.L. Gore takes in this action, GEH and W.L. Gore repeatedly told tax authorities and other courts that W.L. Gore was *not* an exclusive licensee. For example, in this action Gore and its expert say "'[W.L.] Gore[] was the sole and exclusive licensee of the patents-in-suit.'" But Gore and its other economics expert, Dr. David Teece, told the Maryland Tax Court "[t]he license is no longer exclusive, and GEH has entered into a number of license agreements with other entities." Gore told the Missouri Supreme Court the same: "[a]ctually, the license was exclusive through 1989, and nonexclusive thereafter."

As a nonexclusive licensee, W.L. Gore had no standing to assert the '892 patent or to seek any damages. The only party with standing was GEH, a non-practicing entity that W.L. Gore created to shelter it from tax liabilities. Yet GEH had no lost profits, and cannot seek any other party's purportedly lost profits as a matter of law. Thus, W.L. Gore's claim for lost profits for the period when the '892 patent was owned by GEH should be dismissed because W.L. Gore had no standing to seek damages at all and GEH could only seek a reasonable royalty.

W.L. Gore's standing on January 30, 2012 and afterwards is also very unclear. GEH purported to assign the '892 patent to W. L. Gore on January 30, 2012. But the only evidence supporting that assignment is a one-page document stating that the patent is assigned to W.L. Gore. If that assignment were valid, W.L. Gore potentially could seek lost profits for the short time in which it owned the '892 patent before that patent expired in April 2015. But patent assignments are generally governed by state contract law, which requires *consideration* to form a binding contract. The January 30, 2012 document identifies no consideration that W.L. Gore provided in exchange for GEH's patent—indeed, it is not even signed by W.L. Gore. Nor has W.L. Gore identified any consideration during discovery, despite having the burden of proving it has standing. Absent consideration, the assignment is not valid and W.L. Gore's infringement claim should be dismissed in its entirety.

III. STATEMENT OF FACTS

A. W.L. Gore Created GEH To Hold Patents And Made Itself A Non-Exclusive Licensee To Avoid Taxes

In 1983, W.L. Gore formed GEH and "contributed all of its patents . . . to [GEH] in exchange for all of [GEH's] stock," Ex. 1 (WLG-11-515_00259672-752) (Br. of Appellant, *Gore Enterprise Holdings, Inc. v. Director of Revenue*, No. SC84226 (Mo. Filed May 6, 2002)) at 687, in an effort to avoid certain state taxes. [redacted]

[redacted]

Gore used its licensing structure to gain tax advantages in certain states. To that end, GEH and W.L. Gore repeatedly represented to state tax authorities and state courts that any rights under the 1983 License Agreement have been non-exclusive since 1989. By licensing its patents from a wholly-owned subsidiary, W.L. Gore believed it had found a way to take a tax deduction for royalty payments it made to GEH and the interest payments on "loans" W.L. Gore received from GEH—loans that immediately returned any royalty payments to W.L. Gore. *See W.L. Gore & Assocs., Inc. v. Comptroller of Treasury*, 2010 WL 5927989, at *5 (Md. T.C. Nov.

10, 2010). In so doing, Gore also asserted that the royalties paid by W.L. Gore to GEH were not taxable income in certain states. *See, e.g.*, Ex. 13 (Br. of Appellees at *1, *Comptroller of Treasury v. Gore Enter. Holdings, Inc.*, 2012 WL 5382028, Appeal Nos. 01696, 01697 (Md. Ct. Spec. App. Filed Aug. 15, 2012)).

W.L. Gore and GEH maintained and benefited from this tax structure for well over a decade. Then the audits began. In 1999, the Missouri Director of Revenue denied the deduction for royalty and interest payments, assessing over $62,000 in back taxes against GEH for the years 1993-1995. Ex. 10 (Missouri Administrative Hearing Commission Findings of Fact) ¶ 35. Gore challenged that finding, based in part on its argument that the GEH license to W.L. Gore was non-exclusive, and thus that GEH was independent of W.L. Gore. For example, John S. ("Iain") Campbell, GEH's President and W.L. Gore's general counsel and in-house patent lawyer at the time, testified before the Missouri Administrative Hearing Commission that the 1983 License Agreement "bec[a]me a nonexclusive license for the life of the patents," and that in fact GEH had licensed other parties. Ex. 11, (Missouri Administrative Hearing Commission Trial Tr.) at 109:25-111:1 ("Q. So instead of an exclusive license during the tax period we had nonexclusive licenses? A. ***That's right***."). Campbell explained "[i]f it was an exclusive license, we would not have been able to license other people." *Id.* at 110:18-19. Based on GEH's argument and sworn testimony, in 2002, the Missouri Administrative Hearing Commission ***found*** that the 1983 License Agreement "***was not renewed or terminated and thus became a non-exclusive license for the life of the patents***, including the periods at issue in this case." Ex. 10 (Missouri Administrative Hearing Commission Findings of Fact) ¶ 10.

Although the Missouri Commission upheld the assessment, GEH successfully petitioned the Missouri Supreme Court to reverse. GEH again argued that the tax assessment should be

vacated because GEH's business was separate from that of W.L. Gore and thus GEH did not exist solely to benefit W.L. Gore. Ex. 1 (WLG-11-515_00259672-752) at 729-31. [redacted] *see also* Ex. 1 (WLG-11-515_259672) at 90 (same). The Missouri Supreme Court agreed and held that GEH conducted no business in Missouri, and that the royalty payments W.L. Gore paid to GEH are exempt from Missouri taxation. *Acme Royalty Co. v. Director of Revenue*, 96 S.W.3d 72, 75 (Mo. 2002) (en banc).

Four years later, in 2006, Maryland looked into similar tax positions taken by GEH and W.L. Gore and found them to be improper. The Maryland Comptroller assessed more than $26 million in back taxes, interest, and penalties against GEH for the years 1983-2003, plus additional back taxes, interest, and penalties against other Gore-related entities. *See W.L. Gore & Associates*, 2010 WL 5927989, at *1; *see also* Ex. 9 (Br. of Appellant at *7, *Comptroller of Treasury v. Gore Enter. Holdings, Inc.*, 2012 WL 4122950, Appeal Nos. 01696, 01697 (Md. Ct. Spec. App. Filed Jun. 15, 2012)). GEH again appealed, making the same arguments it made in Missouri, distancing itself from the business operations of W.L. Gore, and characterizing its business operations as entirely independent. *See W.L. Gore & Associates*, 2010 WL 5927989, at *2-3 (GEH argued it is a "separate business entit[y] that "exercise[s] independent business judgment in making decisions" and "independent operations"). On October 15, 2008, Gore's Iain Campbell again testified that W.L. Gore's license "became nonexclusive…[i]n 1989" and that W.L. Gore did not have an exclusive license from GEH. Ex. 14 (Trial Tr. at 108:11-16, *W.L. Gore & Associates, Inc. v. Comptroller of Treasury*, Nos. 07-IN-OO-0084, 07-IN-OO-

0085, 07-IN-OO-0086 (Md. T.C. Oct. 15, 2008)) ("Q. Currently does W.L. Gore and Associates have an exclusive license from GEH? A. No."). The Maryland Court of Appeals ultimately upheld the Comptroller's tax assessment. *Gore Enter. Holdings, Inc. v. Comptroller of Treasury*, 437 Md. 492, 87 A.3d 1263 (2014) at *5.

Gore has presented no facts suggesting that W.L. Gore's non-exclusive license to the '892 patent changed prior to the purported January 31, 2012 assignment.

B. Gore's Knowledge Of Its Standing Problem

The '892 patent issued on April 7, 1998, to W.L. Gore. D.I. 96, Ex. A ('892 Patent); *see also* DTX-54 at 4991-92 (inventor assignments to W.L. Gore). Consistent with the 1983 License Agreement, on August 25, 1999, W.L. Gore assigned the '892 Patent to GEH in an agreement that specifically recited the exchange of consideration. Ex. 15 (WLG-11-515_00257838-47) at 38, 43, 47. Under the 1983 License Agreement, W.L. Gore became a non-exclusive licensee. *See* Ex. 2, 1983 License Agreement ¶¶ 1, 5. In 2010, GEH and W.L. Gore sued another manufacturer of stent-graft products, Medtronic, alleging infringement of another patent from the same family as the '892 patent. In that case, Gore did not produce the 1983 License Agreement until over a year after it filed its suit, despite months of inquiry by Medtronic. Ex. 17 (WLG-11-515_00259753-61) at 54. Then, on January 5, 2012, Medtronic deposed Ace Baty as a Gore Rule 30(b)(6) witness on issues related to the ownership and licensing of the patent-in-suit, including whether W.L. Gore was an exclusive or non-exclusive licensee. Ex. 18 (Baty Dep.).

[redacted]

[redacted]

Six days later, on January 11, 2012, Medtronic moved to dismiss W.L. Gore from that case for lack of standing, asserting that W.L. Gore was a non-exclusive licensee to the patent at issue. Ex. 17 (WLG-11-515_00259753-761) at 53. In opposition, W.L. Gore "dispute[d]" Medtronic's characterization of W.L. Gore as a non-exclusive licensee. Ex. 19 (WLG-11-515_00259781-94) at 88. But W.L. Gore argued that the motion would become moot because GEH was in the process of transferring ownership of the entire patent portfolio back to W.L. Gore, including the patent-at-issue. *Id.* (stating that "the past status of W.L. Gore as a licensee—exclusive or not—is immaterial to the decision here"). W.L. Gore also represented that "[w]ith respect to damages, ***Gore is not seeking lost profits in this matter***," and the transfer of ownership would have no effect on the damages issues in that case. *Id.* at 91; *see also id.* at 87-88. Carol White, an attorney with W.L. Gore, subsequently filed a declaration stating that GEH was being dissolved as part of a "corporate restructuring" plan for unspecified "business reasons . . . unrelated to the ongoing litigation with Medtronic." Ex. 20 (WLG-11-515_00259991-3 at 3.)

C. Gore's Positions In This Litigation

W.L. Gore and GEH initiated this case while their litigation with Medtronic was ongoing. The June 10, 2011 complaint stated that "Gore Enterprise Holdings, Inc. is the owner of all right, title and interest in the '892 patent, including the right to sue, enforce, and recover all damages, past and future, for all infringements." D.I. 1 at 2. It did not characterize W.L. Gore as an exclusive or non-exclusive licensee, but rather as simply a "licensee" "with rights to practice the '892 patent." *Id.* When W.L. Gore and GEH filed their first amended complaint on August 19, 2011, they repeated the same allegations about GEH's ownership and W.L. Gore's "licensee" status. D.I. 11 at 3.

W.L. Gore asserts that on January 30, 2012, GEH assigned all of its patents, including the '892 Patent, to W.L. Gore. D.I. 64 ¶ 15. On October 19, 2012, nearly nine months after GEH had purportedly assigned the '892 patent to W.L. Gore, W.L. Gore filed a second amended complaint against Bard in this action, naming W.L. Gore as the sole plaintiff and dismissing GEH. D.I. 64. In that amended complaint, W.L. Gore alleged that it "is the owner of all right, title, and interest in the '892 . . . patent[], including the right to sue, enforce, and recover all damages, past and future, for all infringements." D.I. 64 at ¶ 14. As to GEH and W.L. Gore's prior rights, W.L. Gore once again stated that prior to the 2012 assignment it was merely "the licensee."

One of Bard's interrogatories sought a detailed description of, among other things, "*all* licensing discussions or negotiations pertaining to the '892 patent and related patents, whether or not a license was concluded," as well as all related documents and persons with knowledge of such discussions. Ex. 21, Bard's Interr. No. 4. [redacted]

[redacted]

And Gore did not produce many of the court pleadings or transcripts from the Missouri and Maryland tax cases in which it represented that: (i) W.L. Gore was a non-exclusive licensee after 1989, (ii) GEH was not a mere passive, non-operational entity existing solely to support its parent entity, and (iii) "the business arrangements and royalty payments between Gore, Inc. and GEH were consistent with arm's length transactions between independent parties and thus are no different than any other transaction between Gore, Inc. and a third party." Ex. 24 (Br. of Petitioners at *16, *Gore Enterprise Holdings, Inc. v. Comptroller of the Treasury*, 2013 WL 4397802, No. 36 (Md. Filed June 25, 2013)); *see also* Ex. 25 (Reply Br. of Petitioners, *Gore Enterprise Holdings, Inc. v. Comptroller of the Treasury*, 2013 WL 7113309, No. 36 (Md. Filed Sept. 30, 2013)); Ex. 12 (Reply Br. of Appellant at *27, *Gore Enterprise Holdings, Inc. v. Director of Revenue*, No. 84226 (Mo. Filed Aug. 16, 2002)). Gore also did not produce unredacted versions of the briefing on Medtronic's motion to dismiss for lack of standing. Incredibly, among the documents Gore withheld was the sworn testimony of GEH's president, Iain Campbell that the 1983 License Agreement had not been renewed and that W.L. Gore is a mere non-exclusive licensee. Bard only learned of these unproduced documents through its own investigation.

Gore's responses to discovery requests on the issue of damages were also less than forthcoming. In response to Bard's January 11, 2012 damages interrogatories, Gore stated only that it "is entitled to 'damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention' by Bard." Ex. 22, W.L. Gore's 1st

Supp. Resp. to Interr. No. 9 (DTX-243). Not until the end of fact discovery, which closed December 20, 2013, did W.L. Gore unveil its lost profits contentions. Ex. 22, W.L. Gore's 2nd Supp. Resp. to Interr. No. 9 (DTX-243). Even then, W.L. Gore did not disclose the complete basis for its lost profits contentions until January 24, 2014, after Bard challenged the sufficiency of W.L. Gore's December 2013 disclosure. Ex. 22, W.L. Gore's Fourth Supp. Resp. to Interr. No. 9 (DTX-243). As a result, Bard never had the opportunity to seek fact discovery testing those contentions.

[redacted]

IV. LEGAL STANDARD

Standing. "Standing to sue is a threshold requirement in every federal action." *Sicom Sys. Ltd. v. Agilent Tech., Inc.*, 427 F.3d 971, 975-76 (Fed. Cir. 2005). "The objection that a federal court lacks subject-matter jurisdiction, *see* Fed. R. Civ. P. 12(b)(1), may be raised by a party, or by a court on its own initiative, at any stage in the litigation." *Arbaugh v. Y&H Corp.*, 546 U.S. 500, 506 (2006) (citing Fed. R. Civ. P. 12(h)(3)); *see also Kontrick v. Ryan*, 540 U.S. 443, 455 (2004); *Fieldturf, Inc. v. Sw. Recreational Indus., Inc.*, 357 F.3d 1266, 1268 (Fed. Cir.

2004). And because it is jurisdictional, standing is "not subject to waiver." *Pandrol, USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1367 (Fed. Cir. 2003); *In Re ANC Rental Corp.*, 280 B. R. 808, 815 (D. Del. 2002) ("[S]tanding is a jurisdictional requirement. Thus it is never waived, and can be asserted at any stage in the litigation."). "As the Supreme Court has stated, unlike substantive elements of a claim, issues implicating subject matter jurisdiction 'can never be forfeited or waived.'" *Ford Motor Co. v. United States*, 635 F.3d 550, 556 (Fed. Cir. 2011) (citing *Arbaugh*, 546 U.S. at 514 (2006)). Gore has the burden of proving facts demonstrating that it is a proper party to invoke judicial resolution of the dispute. *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721, 726 (2013); *Sicom Sys.*, 427 F.3d at 975-76; *see also Pfizer Inc. v. Elan Pharm. Research Corp.*, 812 F. Supp. 1352, 1356 (D. Del. 1993). Those facts cannot be "inferred argumentatively from averments in the pleadings," *Grace v. American Cent. Ins. Co.*, 109 U.S. 278, 284 (1883), but rather "must affirmatively appear in the record," *Mansfield, C. & L.M.R. Co. v. Swan*, 111 U.S. 379, 382 (1884).

"It is well-settled that '[o]nly a patent owner or an exclusive licensee can have constitutional standing to bring an infringement suit; a non-exclusive licensee does not.'" *Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1317 (Fed. Cir. 2010) (quoting *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1367 (Fed. Cir. 2008)). "A holder of such a nonexclusive license suffers no legal injury from infringement and, thus, has no standing to bring suit or even join in a suit with the patentee." *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1031 (Fed. Cir. 1995). "[E]conomic injury alone does not provide standing to sue under the patent statute." *Id.* And an agreement granting the "right to practice the invention within a given territory" is not an exclusive license. *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1552 (Fed. Cir. 1995) (en banc).

Lost Profits. "To recover lost profits, the patent owner must show 'causation in fact,' establishing that 'but for' the infringement, he would have made additional profits." *Grain Processing Corp. v. American Maize-Products Co.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999). "Whether lost profits are legally compensable in a particular situation is a question of law[.]" *Poly-America*, 383 F.3d at 1311.

"To be entitled to lost profits, [the Federal Circuit] ha[s] long recognized that the lost profits must come from the lost sales of a product or service the patentee itself was selling." *Warsaw Orthopedic, Inc. v. Nuvasive, Inc.*, 778 F.3d 1365, 1376 (Fed. Cir. 2015) Petition for Cert. filed sub nom. Medtronic Sofamor Danek USA, Inc., et al. V. Nuvasive, Inc. (U.S. July 20, 2015) (No. 15-85). *Poly-America*, 383 F.3d at 1311 ("[I]n order to claim damages consisting of lost profits," "the patentee needs to have been selling some item, the profits of which have been lost due to infringing sales."); *Rite–Hite*, 56 F.3d at 1548 ("Normally, if the patentee is not selling a product, by definition there can be no lost profits."). A patent holder or exclusive licensee may only recover its own lost profits, it cannot recover lost profits due to sales of products made by a non-exclusive licensee. *Warsaw*, 778 F.3d at 1375 ("Under our case law a patentee may not claim, as its own damages, the lost profits of a related company."); *Poly-America*, 383 F.3d at 1311; *see also Novozymes A/S v. Genencor Int'l*, Inc., 474 F. Supp. 2d 592, 604 (D. Del. 2007).

V. ARGUMENT

This Court should dismiss under Rules 12(b)(3) and 12(h)(3) W.L. Gore's claim to lost profits prior to January 30, 2012 because, as forcefully argued by Gore based on the testimony of corporate officers and experts, there was no exclusive license between GEH and W.L. Gore in that time frame, and GEH as a holding company could only legally recover a reasonable royalty. However, the Court should go further and dismiss the case altogether because the alleged

assignment from GEH to W.L. Gore—the only remaining plaintiff—on January 30, 2012 is defective for lack of consideration. As such, title to the '892 patent did not transfer in January 2012, W.L. Gore lacks standing, and this case should be dismissed for want of a proper plaintiff.

A. W.L. Gore Lacked Standing Prior To January 30, 2012

For W.L. Gore to establish that it had standing to sue for any damages at all under the '892 patent prior to the January 30, 2012 purported assignment, it must show that it was the owner or exclusive licensee to that patent before January 30, 2012. Ex. 2 (DTX-983) at 12.[1] The evidence, however, establishes the opposite. W.L. Gore was merely a non-exclusive licensee between 1989 and 2012, with bare rights to practice the '892 patent, exactly as GEH represented successfully to the Missouri courts to avoid tax liability, and again to the Maryland courts years later.

That W.L. Gore was a non-exclusive licensee prior to January 30, 2012, is clear from the evidence and Gore's discovery responses. [redacted]

[1] Based on when this suit was originally filed, W.L. Gore seeks to reach back to June 10, 2005 for damages. *See* 35 U.S.C. § 286 ("no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action"). To do so, however, it must have had standing for the entire period.

[redacted]

Indeed, Gore should not be permitted to now present evidence that it was an exclusive licensee during any of the relevant period prior to January 30, 2015 because that would contradict Gore's previous statements to other courts and in other litigation, including in the Missouri tax proceedings where it successfully argued that W.L. Gore was ***not*** an exclusive licensee. *See, e.g.*, *SBRMCOA, LLC v. Bayside Resort, Inc.*, 707 F.3d 267, 274-75 (3d Cir. 2013). Gore repeatedly argued—and offered sworn testimony from corporate officers—that the 1983 License was not renewed, Ex. 11, (Missouri Administrative Hearing Commission Trial Tr.) at 109:25-110:14; Ex. 10 (Missouri Administrative Hearing Commission Findings of Fact) ¶ 10, that after 1989 W.L. Gore's license was only "nonexclusive," Ex. 14 (Trial Tr. at 108:11-16, *W.L. Gore & Associates, Inc. v. Comptroller of Treasury*, Nos. 07-IN-OO-0084, 07-IN-OO-0085, 07-IN-OO-0086 (Md. T.C. Oct. 15, 2008)); Ex. 12 (Reply Br. of Appellant at *27, *Gore Enterprise Holdings, Inc. v. Director of Revenue*, No. 84226 (Mo. Filed Aug. 16, 2002)), and that it necessarily must be nonexclusive because GEH had licensed other parties, Ex. 11, (Missouri Administrative Hearing Commission Trial Tr.) at 110:12-19. Then, when W.L. Gore's standing to sue was challenged in the Medtronic case, although Gore said it "disputed" the point

its actions told a different story: it purported to transfer GEH's rights to W.L. Gore, expressly agreed not to seek lost profits damages, and ultimately dissolved GEH entirely. Only now, when it seeks to collect patent damages rather than avoid taxes, does W.L. Gore contend ***without any factual support*** that it was "a sole and exclusive licensee" during the relevant period. But that contention from Gore's damages expert, Ms. Stamm, is unsupported by any facts.[2]

At bottom, W.L. Gore cannot prove that it was anything more than a non-exclusive licensee prior to January 30, 2012. As such, W.L. Gore lacked standing to sue prior to January 30, 2012, and cannot claim damages for itself (lost profits or otherwise) from allegedly infringing acts that occurred prior to January 30, 2012. *See Warsaw*, 778 F.3d at 1376.

B. Gore Enterprise Holdings Was Not Entitled To Lost Profits

W.L. Gore purports to have acquired rights to the '892 patent from GEH on January 30, 2012. However, even if W.L. Gore now stands in the shoes of GEH for damages prior to January 30, 2012, it is only entitled to seek what GEH could have sought. As a holding company that sold no products, GEH had no claim to lost profits. [redacted] As the Maryland Court put it, "GEH does not create, invent or make anything." *Gore Enter. Holdings, Inc. v. Comptroller of Treasury*, 437 Md. 492, 516, 87 A.3d 1263, 1276 (2014). GEH was thus ineligible for lost profits as a matter of law. *Poly-America*, 383 F.3d at 1311; *Rite–Hite*, 56 F.3d at 1548. And W.L. Gore cannot recover lost profits prior to January 30, 2012 based on GEH's

2 [redacted]

claims.

C. W.L. Gore Cannot Claim Lost Profits Based On A Theory that GEH Was Acting for Its Benefit Or Was Somehow Injured By W.L. Gore's Lost Sales

Consistent with this motion to dismiss, Bard has served a motion *in limine* to preclude evidence of lost profits damages. [redacted] That is not a basis for an award of lost profits. An entity cannot recover the lost profits of another entity that has non-exclusive rights, even if they are in the same corporate family. *Warsaw*, 778 F.3d at 1375; *Poly-America*, 383 F.3d at 1311; *Novozymes A/S v. Genencor Int'l*, Inc., 474 F. Supp. 2d 592, 604 (D. Del. 2007). GEH and W.L. Gore "may not enjoy the advantages of their separate corporate structure and, at the same time, avoid the consequential limitations of that structure—in this case, the inability of the patent holder to claim the lost profits of its non-exclusive licensee." *Poly-America*, 383 F.3d at 1311. For tax reasons, W.L. Gore arranged itself and GEH as separate corporate entities in a way that suited the goals and purposes of each, and W.L. Gore must "take the benefits with the burdens." *Id.*

In any event, Gore's theory that "GEH was operating to the benefit of W.L. Gore" is the opposite of what GEH successfully argued to the Missouri tax authorities and courts, and repeated in tax litigation in Maryland. For example, Gore argued to the Missouri Supreme Court "***[GEH] acted in its own, not [W.L.] Gore's interests.***" Ex. 1 (WLG-11-515_00259672-752) at 730 (emphasis added).

> [GEH] licensed its patents to other, unrelated entities including Donaldson, a direct competitor of Gore …Additionally, [GEH] frequently decided to abandon patents or to refrain from enforcing or renewing patents, ***even though that conduct was not in the best interest of its licensees (including Gore)***.

Id. (emphasis added). In its brief to the Maryland Court of Appeals, GEH argued that it was independent of W.L. Gore because it had "over 90% of [its] millions of dollars in expenses paid to third parties; with numerous third-party licensing, purchasing, sales, and donation transactions; ***and with arm's length dealing with the parent [W.L. Gore]***." Ex. 24 (Br. of Petitioners at *32, *Gore Enterprise Holdings, Inc. v. Comptroller of the Treasury*, 2013 WL 4397802, No. 36 (Md. Filed June 25, 2013).) Gore further argued: "Equally unsound is the Tax Court's holding that GEH … [is] not [a] separate business entitit[y] because [it] 'depend[s]' on Gore, Inc. to earn income." *Id.* at *37. Gore's theory is thus both factually and legally unsupported.

D. W.L. Gore Apparently Has No Standing On Or After January 30, 2012 Either

W.L. Gore also continues to lack standing because there is no evidence the January 30, 2012 document on which it relies to assert ownership of the '892 patent was an adequate assignment under Delaware law. According to W.L. Gore, it became the owner of the '892 patent "[o]n January 30, 2012," when GEH allegedly "assigned all right, title and interest in the '892 … patent[] to W.L. Gore & Associates, Inc." D.I. 64 ¶¶ 14-15. [redacted] There is also no evidence in the record that would fill in the gap. [redacted]

Delaware law requires more than what appears on the face of the alleged assignment document. An assignment, like any other legally enforceable agreement, is only valid if "the parties exchange[d] legal consideration." *Bryant v. Way*, 2011 WL 2163606, at *4 (Del. Sup. Ct. May 25, 2011). And Delaware law governs an alleged assignment between two Delaware corporations that was entered into in Delaware. Ex. 29, (WLG-11-515_00259999). Federal law requires that a patent assignment be in writing, 35 U.S.C. § 261, but the legal sufficiency of a purported assignment is otherwise a question of state law. *Euclid Chem. Co. v. Vector Corrosion Techs., Inc.*, 561 F.3d 1340, 1342-4Medtronic Sofamor Danek USA, Inc., et al. V. Nuvasive, Inc. (U.S. July 20, 2015) (No. 15-85)3 (Fed. Cir. 2009); *see also Memorylink Corp. v. Motorola Solutions, Inc.*, 773 F.3d 1266, 1270 (Fed. Cir. 2014) (reviewing validity of patent assignment under Illinois state law).

E. Gore's Argument That Bard's Motion is "Untimely" Is Baseless

In its opposition to Bard's motion in limine to preclude lost profits, W.L. Gore argues that Bard's challenge to its standing is "untimely" and that its standing problems are waived because Bard's damages expert somehow "admi[tted]" to Gore's standing. Ex. 28 (Gore's Response to Bard's Motion In Limine No. 1) at 1. There is no basis for this argument. It—yet again—contradicts the law and representations Gore has made to other courts. It also ignores the steps Gore has taken to prevent Bard from discovering its lack of standing.

First, as Gore has argued to the Federal Circuit in **other** litigation, "[t]he plaintiffs have the burden [even] on appeal to 'show necessary ownership rights to support standing to sue.'" Ex. 30 (Br. of Appellant at 20, *Bard Peripheral Vascular, Inc. v. W.L. Gore & Associates, Inc.*, Appeal No. 2014-1114 (Fed. Cir. Filed Dec. 11, 2013) (quoting *Abbott Point of Care Inc. v. Epocal, Inc.*, 666 F.3d 1299, 1302 (Fed. Cir. 2012)). Second, as Gore also argued, standing challenges cannot be waived: "The question of standing is not subject to waiver . . . . The

Supreme Court itself has considered standing arguments raised for the first time at the Supreme Court." *Id.* at 21-22 (citing *United States v. Hays*, 515 U.S. 737, 742 (1995); *Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 95 (1998); *FW/PBS, Inc. v. City of Dallas*, 493 U.S. 215, 230 (2004); *Nat'l Org. for Women, Inc. v. Scheidler*, 510 U.S. 249, 255 (1994)).

The crux of Gore's "untimeliness" argument is that Bard did not "prob[e] further" when [redacted] Ex. 28 (Gore's Response to Bard's Motion In Limine No. 1) at 1. *But Gore withheld documents and testimony of its other designees saying just the opposite.* Gore cannot fault Bard for not earlier determining through Gore's own documents that Gore selectively did not produce that Gore's statements were contrary to what it had told other courts. Not that Bard could possibly waive a standing challenge anyway, [redacted] That much is of course true pursuant to the Agreement's express terms. [redacted]

Gore alone is at fault for dragging out this litigation and the parties' lost profits disputes. Gore did not reveal its lost profits contentions until the end of discovery, *after* the 30(b)(6) deposition in which it criticizes Bard for not "prob[ing] further." Even now Gore continues take opposite positions in different fora to try to keep its claims alive. [redacted]

[redacted] But when Gore was asked before the Maryland Administrative Hearing Commission "Was this agreement renewed?" Gore answered "No." Ex. 11 (Missouri Administrative Hearing Commission Trial Tr.) at 109:25-110:6. [redacted] but Gore told the Missouri Supreme Court that "[a]ctually, the license was exclusive through 1989, and nonexclusive thereafter." Ex. 12 (Reply Br. of Appellant at *27, *Gore Enterprise Holdings, Inc. v. Director of Revenue*, 2002 WL 32946541, No. SC84226 (Mo. Filed Aug. 16, 2002)) at 688. Gore argues "[t]here is nothing in the record to suggest Gore's license would ever have permitted GEH to license Gore's direct competitor," after it argued to the Missouri Administrative Hearings Commission that GEH "licensed its patents to The Donaldson Company ('Donaldson') even though Donaldson was a direct competitor of Gore." Ex. 1 (Br. of Appellant at *17, *Gore Enterprise Holdings, Inc. v. Director of Revenue*, 2002 WL 32946539, No. SC84226 (Mo. Filed May 6, 2002)). That license is in the record—Gore cites it. Gore should not be heard to complain that its efforts to keep the facts hidden were successful until now. This action should be dismissed.

VI. CONCLUSION

Bard respectfully requests that the case be dismissed under Rules 12(b)(1) and 12(h)(3) for plaintiff's lack of standing. At a minimum, the Court should dismiss W.L. Gore's claim for lost profits prior to January 30, 2012.

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MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Michael J. Flynn

Jack B. Blumenfeld (#1014)
Michael J. Flynn (#5333)
1201 North Market Street
P.O. Box 1347
Wilmington, DE 19899
(302) 658-9200
jblumenfeld@mnat.com
mflynn@mnat.com

Attorneys for Defendants C.R. Bard, Inc. and Bard Peripheral Vascular, Inc.

OF COUNSEL:

Steven Cherny
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, NY 10022
(212) 446-4800

Edward C. Donovan
KIRKLAND & ELLIS LLP
655 Fifteenth Street, NW
Washington, DC 20005
(202) 879-5000

John L. Strand
WOLF, GREENFIELD & SACKS, P.C.
600 Atlantic Avenue
Boston, MA 02210
(617) 646-8000

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