

IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

KEVIN L. CONLIN and
KATHRYN CONLIN,

Plaintiffs,

v.

SOLARCRAFT, INC.,
DARRELL HAUN, Individually, and
DON HAUN, Individually,

Defendants.

CIVIL ACTION NO. 4:14-cv-01852

JURY TRIAL DEMANDED

DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT

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Defendants Solarcraft, Inc., Darrell Haun, and Don Haun (collectively “Defendants”) hereby move this Court for partial summary judgment that subject matter jurisdiction is lacking for Plaintiffs Kevin L. Conlin’s and Kathryn Conlin’s (collectively “Plaintiffs”) declaratory judgment claims for patent invalidity and unenforceability, and dismissing those claims.

I. INTRODUCTION

This motion presents an issue of pure law—no material facts are in dispute—and partial summary judgment is therefore appropriate. In fact, granting this partial summary judgment at an early stage will streamline the case and place the case in a better position to be resolved without trial. This case is primarily a dispute over inventorship,¹ i.e., who the “proper inventor” is for each of the five patents-in-suit (“Patents-in-Suit”).² Plaintiffs’ declarations for invalidity and unenforceability are sought only “[i]n the alternative.”³ However, litigating invalidity and unenforceability would require substantial resources, by the parties and the Court, both during pretrial discovery and trial itself. By properly dismissing the invalidity and unenforceability defenses⁴ from the case, this Court will preserve judicial resources and be in a position to more efficiently resolve the disputes between the parties.

¹ Plaintiffs state: “This is an action for Declaratory Judgment that the following patents need the listing of the inventor corrected to reflect that Kevin Conlin as (sic) the proper inventor.” Plaintiffs’ Second Amended Complaint (Doc. 23) at ¶1.0.

² The following are the Patents-in-Suit: US 7,750,502; US 7,795,837; US 7,832,253; US 7,843,163; and US 7,880,333.

³ Plaintiffs’ Second Amended Complaint (Doc. 23) at ¶¶ 1.0, 5.5, and 5.6.

⁴ As discussed below, although Plaintiffs have presented their invalidity and unenforceability theories in terms of declaratory judgment actions, the reality is that those theories are statutory *defenses* to patent infringement. 35 U.S.C. § 282(b).

II. NATURE AND STAGE OF THE PROCEEDING

A. Factual Background

Defendant Solarcraft was organized as a Texas corporation on or about March 22, 1994. It engages in the design and manufacture of power products. Initially, Solarcraft was owned by Plaintiffs Kevin Conlin and Kathryn Conlin, both of whom were the sole shareholders and directors.

Darrell Haun joined Solarcraft on or about September 7, 2005. He paid around \$96,000 to Kevin and Kathryn Conlin and in exchange acquired fifty-one percent (51%) of the issued stock of Solarcraft. He was also elected President of Solarcraft, with Kevin Conlin as Vice President and Kathryn Conlin as Secretary and Treasurer. Don Haun later joined Solarcraft as a regular employee. In 2005 the company had approximately six employees, including the Conlins, and now has approximately 50 employees.

After joining Solarcraft, Defendants Darrell Haun and Don Haun began developing products for Solarcraft. They jointly invented a number of different types of specialty power products. Their work later resulted in five patent applications being filed during 2009-2010, on which they were named as joint inventors.⁵ The patents from those applications were awarded by the U.S. Patent and Trademark Office (PTO) in 2010 and 2011. Later, however, Darrell Haun realized that the scope of the patents, the Patents-in-Suit, was narrow, and concluded they had little or no value. Consequently, in 2014-2015, Mr. Haun elected not to pay the maintenance fees on the Patents-in-Suit, and let them expire.

Over the next several years, a number of disagreements arose between Darrell Haun and Plaintiffs. The disagreements eventually culminated into a lawsuit. In February 2009, Darrell

⁵ Since 2010, Solarcraft has received a total of nine patents, but only five of those patents are the subject of this lawsuit. Declaration of Darrell Haun. Kevin Conlin is listed as inventor on one of those patents, i.e., U.S. Patent No. 8,046,961, entitled "Tactical Solar Power System."

Haun and Solarcraft filed a legal action against Defendants in the matter styled *Darrell Haun, et al. v. Kevin Conlin, et al.*, No. 09-DCV-169352, in the 434th Judicial District Court of Fort Bend County, Texas (“State Court Action”). That action is currently stayed.

B. Procedural Background

This case is still in the early stages. This case commenced on July 1, 2014, when Kevin Conlin filed his original complaint against Defendant Solarcraft.⁶ Subsequently, Plaintiff Kevin Conlin filed a first amended complaint, adding Darrell Haun and Don Haun as defendants and Kathryn Conlin as an additional plaintiff.⁷ Later, Plaintiffs filed their second amended complaint, which repeated many of the allegations contained in the earlier complaints.⁸

Plaintiffs seek various declaratory judgment claims relating to the Patents-in-Suit, including claims relating to inventorship, ownership, invalidity, and unenforceability.⁹ Plaintiffs also have brought various state law claims, e.g., malicious prosecution (Count Two at ¶ 5.21); abuse of process (Count Three at ¶ 5.22); tortious interference (Count Four at ¶ 5.23); conversion of patents (Count Five at ¶ 5.24); and breach of fiduciary duty (Count Six at ¶ 6.1).

The parties have taken limited written discovery, including document production and interrogatories. The parties have met their deadlines in the Patent Case Scheduling Order (Doc. 22). Plaintiffs have served preliminary invalidity contentions pursuant to P.R. 3-3 and 3-4, and the parties have filed a joint claim construction and pre-hearing statement pursuant to P.R. 4-3. An evidentiary hearing is scheduled to take place on October 15, 2015, presumably to discuss any *Markman* issues.¹⁰

⁶ Plaintiff Kevin Conlin’s Complaint (Doc. 1).

⁷ Plaintiffs’ First Amended Complaint (Doc. 12).

⁸ Plaintiffs’ Second Amended Complaint (Doc. 23), referred to hereinafter as “Complaint.”

⁹ *Id.* at ¶¶ 1.0 and 5.1-5.7.

¹⁰ Notice of Setting (Doc. 35).

C. Invalidity and Unenforceability Claims

Plaintiffs allege that all the Patents-in-Suit are invalid based on multiple grounds, including lack of novelty or “anticipation” (35 U.S.C. § 102), “obviousness” (35 U.S.C. § 103), non-patentable subject matter (35 U.S.C. § 101), and alleged failure to comply with 35 U.S.C. § 112.¹¹ Plaintiffs also allege that all the Patents-in-Suit are unenforceable based on alleged inequitable conduct of Darrell and Don Haun.¹²

III. STATEMENT OF THE ISSUES

1. An unconditional covenant not to sue a party for patent infringement as to all past, present, and future acts divests a district court of subject matter jurisdiction over patent defenses such as invalidity and unenforceability.¹³ In this case, Defendants have submitted an unconditional covenant not to sue Plaintiffs for patent infringement as to all past, present, and future acts, despite the fact that there has never been a threat or allegation that Plaintiffs have infringed the Patents-in-Suit. Therefore, the first issue is whether the Court should dismiss Plaintiffs’ declaratory judgment claim on the patent defense of invalidity given that there is no case or controversy. A district court’s determination that it lacks subject matter jurisdiction is reviewed *de novo*.¹⁴
2. An unconditional covenant not to sue a party for patent infringement as to all past, present, and future acts divests a district court of subject matter jurisdiction over patent defenses such as invalidity and unenforceability.¹⁵ In this case, Defendants have submitted an unconditional covenant not to sue Plaintiffs for patent infringement as to all past, present, and future acts, despite the fact that there has never been a threat or allegation that Plaintiffs have infringed the Patents-in-Suit. Therefore, the second issue is whether the Court should dismiss Plaintiffs’ declaratory judgment claim on the patent defense of unenforceability given that there is no case or controversy. A district court’s determination that it lacks subject matter jurisdiction is reviewed *de novo*.¹⁶

¹¹ Plaintiffs’ Second Amended Complaint (Doc. 23) at ¶¶ 1.0 and 5.15-5.18.

¹² *Id.* at ¶¶ 1.0, 4.13, 4.15, 4.17, 4.22, 5.8, and 5.14.

¹³ *Dow Jones & Co., Inc. v. Abblaise, Ltd.*, 606 F.3d 1338, 1346-47 (Fed. Cir. 2010).

¹⁴ *Organic Seed Growers and Trade Ass’n v. Monsanto Co.*, 718 F.3d 1350, 1354 (Fed. Cir. 2013)

¹⁵ *Dow Jones*, 606 F.3d at 1346-47.

¹⁶ *Organic Seed*, 718 F.3d at 1354.

IV. STATEMENT OF RELEVANT FACTS

1. Plaintiffs seek a declaratory judgment that each of the Patents-in-Suit is invalid under the U.S. patent laws.¹⁷

2. Plaintiffs also seek a declaratory judgment that each of the Patents-in-Suit is unenforceable.¹⁸

3. Defendant Solarcraft is the record owner of each of the Patents-in-Suit by assignment.¹⁹

4. Defendant Solarcraft has never accused Plaintiffs of infringement of the Patents-in-Suit, or any other patent.²⁰

5. All five of the Patents-in-Suit have expired, and are no longer capable of being infringed.²¹

6. Defendant Solarcraft has executed an unconditional covenant not to sue Plaintiffs for any past, present, or future infringement.²²

V. SUMMARY OF ARGUMENT

At its heart, this is an inventorship case. That is, Plaintiff Kevin Conlin claims to be the inventor and owner of the five Patents-in-Suit instead of Defendants Darrell Haun and Don Haun. However, in the alternative, Plaintiffs have also pled declaratory judgment claims for the patent defenses of invalidity and unenforceability of each of the Patents-in-Suit on multiple grounds. But the law says that Plaintiffs' claims for patent invalidity and unenforceability need

¹⁷ Plaintiffs' Second Amended Complaint (Doc. 23) at ¶¶ 1.0, 5.15-5.18.

¹⁸ *Id.* at ¶¶ 1.0, 4.13-15, 4.17-4.22, and 5.8-5.14.

¹⁹ Declaration of Darrell Haun (**Exhibit 1**) at ¶ 3; *see also* the Assignments of the Patents-in-Suit attached as **Exhibit A** to the Declaration of Darrell Haun (**Exhibit 1**).

²⁰ Declaration of Darrell Haun (**Exhibit 1**) at ¶ 4.

²¹ Declaration of Darrell Haun (**Exhibit 1**) at ¶ 5.

²² Defendant Solarcraft's Covenant Not to Sue (**Exhibit 2**).

not be adjudicated. Because there is no justiciable “case or controversy” under 28 U.S.C. § 2201 there is no subject matter jurisdiction over those claims.

Although there has never been a threat or allegation that Plaintiffs have infringed the Patents-in-Suit,²³ Plaintiffs seek a declaratory judgment on the patent infringement defenses of invalidity and unenforceability.²⁴ In order to confirm that Defendant Solarcraft will never sue Plaintiffs for patent infringement, Defendant Solarcraft submits an unconditional covenant not to sue Plaintiffs for infringement of the Patents-in-Suit for any past, present, or future acts.²⁵ Given that the covenant not to sue extinguishes any possible current or future case or controversy between the parties and divests the Court of subject matter jurisdiction,²⁶ Defendants respectfully requests that the Court grant this Motion for Partial Summary Judgment.

VI. ARGUMENT

A. Legal Standards for Summary Judgment

Summary judgment is proper if the pleadings, discovery materials on file (e.g., depositions, answers to interrogatories, and admissions), and affidavits show that there are no genuine issues about any material fact and that the movant is entitled to judgment as a matter of law.²⁷ Summary judgment is particularly appropriate when the questions to be decided are issues of pure law. It has long been recognized that a “partial” summary judgment serves the purpose of speeding up litigation by eliminating before trial matters wherein there is no genuine issue of material fact.²⁸ Granting this motion will help streamline the case substantially.²⁹

²³ Declaration of Darrell Haun (**Exhibit 1**) at ¶ 4.

²⁴ Plaintiffs’ Second Amended Complaint (Doc. 23) at ¶¶ 1.0 and 5.1-5.7.

²⁵ Defendant Solarcraft’s Covenant Not to Sue (**Exhibit 2**). In fact, the Patents-in-Suit have expired, so there is no possibility of an infringement suit for post-expiration acts. See the PTO’s online Patent Application Information Retrieval files attached as **Exhibit B** to the Declaration of Darrell Haun (**Exhibit 1**).

²⁶ *Dow Jones*, 606 F.3d at 1348.

²⁷ *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986); *see also* FED. R. CIV. P. 56(c).

²⁸ FED. R. CIV. P. 56(a).

²⁹ *Leonard v. Socony-Vacuum Oil Co.*, 130 F.2d 535, 536 (7th Cir. 1942).

B. Legal Standards Regarding Declaratory Judgment Jurisdiction

“It is incumbent on all federal courts to dismiss an action whenever it appears that subject matter jurisdiction is lacking.”³⁰ “A case is properly dismissed for lack of subject matter jurisdiction when the court lacks the statutory or constitutional power to adjudicate the case.”³¹ “The burden of establishing federal jurisdiction rests on the party seeking the federal forum.”³²

In this case, Plaintiffs seek a declaration that the Patents-in-Suit are invalid and unenforceable.³³ The Declaratory Judgment Act, 28 U.S.C. § 2201(a), provides that

In a case of actual controversy within its jurisdiction...any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.

The burden of proof is on the party claiming declaratory judgment jurisdiction, here Plaintiffs, to establish that an Article III case or controversy existed at the time that the claims for declaratory relief were filed and that it has continued since.³⁴

As explained by the Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*, “[b]asically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”³⁵ “In determining whether a justiciable controversy is present, the analysis must be calibrated to the particular facts

³⁰ *Tesco Corp. v. Weatherford Int’l, Inc.*, No. H-08-2531, 2009 WL 497134 at *3 (S.D. Tex. Feb. 26, 2009) (Ellison, J) (quoting *Stockman v. Federal Election Com’n*, 138 F.3d 144, 151 (5th Cir. 1998)).

³¹ *Id.* (citing *Home Builders Ass’n of Mississippi, Inc. v. City of Madison, Miss.*, 143 F.3d 1006, 1010 (5th Cir. 1998)).

³² *Id.* (citing *Stockman*, 138 F.3d at 151).

³³ Plaintiffs’ Second Amended Complaint (Doc. 23) at ¶¶ 1.0 and 5.1-5.7.

³⁴ *Tesco*, 2009 WL 497134 at *4 (citing *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1344 (Fed. Cir. 2007)).

³⁵ *Organic Seed*, 718 F.3d at 1355 (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)) (additional citations omitted).

of each case.”³⁶ “Although there is no bright-line rule applicable to patent cases, we have held that ‘Article III jurisdiction may be met where the patentee takes a position that puts the declaratory judgment plaintiff in the position of either pursuing arguably illegal behavior or abandoning that which he claims a right to do.’”³⁷

According to the Federal Circuit, “standing and ripeness, as well as mootness, serve as ‘helpful guide[s] in applying the all-the-circumstances test’ because ‘satisfying these doctrines represents the absolute constitutional minimum for a justiciable controversy’ under Article III.”³⁸ In this case, Plaintiffs’ declaratory judgment claims on the patent defenses of invalidity and unenforceability are moot because there is no possibility of suing Plaintiffs for infringement of the Patents-in-Suit.

C. The covenant not to sue divests the Court of subject matter jurisdiction over Plaintiffs’ declaratory judgment actions on the patent defenses of invalidity and unenforceability.

Patent unenforceability and invalidity are statutory defenses to charges of infringement.

Section 282(b) of Title 35 of the United States Code states:

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

- (1) Noninfringement, absence of liability for infringement or *unenforceability*.
- (2) *Invalidity* of a patent or any claim in suit on any ground specified in part II as a condition for patentability.
- (3) *Invalidity* of the patent or any claim in suit for failure to comply with—
 - (A) Any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or
 - (B) Any requirement of section 251.

³⁶ *Id.* (quoting *Matthews Int’l Corp. v. Biosafe Eng’g, LLC*, 695 F.3d 1322, 1328 (Fed. Cir. 2012)).

³⁷ *Id.* (quoting *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380-81 (Fed. Cir. 2007)).

³⁸ *Sandoz Inc. v. Amgen Inc.*, 773 F.3d 1274, 1278 (Fed. Cir. 2014) (citations omitted).

35 U.S.C. § 282(b) (emphasis added).

Here, there is no need for Plaintiffs to invoke the defenses of invalidity or unenforceability. Defendants have never accused Plaintiffs of infringing any of the Patents-in-Suit. Furthermore, an unconditional covenant not to sue Plaintiffs has been executed. Therefore, this Court has been divested of any possible subject matter jurisdiction.

In *Dow Jones*, the Federal Circuit evaluated whether a covenant not to sue for infringement was sufficient to divest the district court of subject matter jurisdiction over Dow Jones' suit for declaratory judgment of invalidity.³⁹ The covenant not to sue was unconditional and applied to all past, present, and future acts.⁴⁰ The Federal Circuit revisited its previous decisions holding that covenants not to sue divested the district court of subject matter jurisdiction over patent defenses such as invalidity and unenforceability,⁴¹ and it then held that the district court erred in denying the motion to dismiss explaining that the "covenant therefore extinguished any current or future case or controversy between the parties, and divested the district court of subject matter jurisdiction."⁴²

In *Organic Seed*, the plaintiff brought suit seeking declaratory judgments that the patents-in-suit [were] invalid, unenforceable, and not infringed.⁴³ On appeal, the plaintiff conceded that there had never been a specific allegation of infringement, but plaintiff contended that it was fearful of being sued because others had been sued in similar situations.⁴⁴ The Federal Circuit held that despite the possibility of infringement, Monsanto's representations that it would never

³⁹ *Dow Jones*, 606 F.3d at 1345.

⁴⁰ *Id.*

⁴¹ *Id.* at 1346-47 (discussing *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054 (Fed. Cir. 1995) and *Benitec*, 49 F.3d 1340).

⁴² *Id.* at 1348.

⁴³ *Organic Seed*, 718 F.3d at 1353.

⁴⁴ *Id.* at 1355.

sue entities in the plaintiffs' situation mooted any potential controversy.⁴⁵ These representations were considered as equally effective as a covenant not to sue, and they were binding as a matter of judicial estoppel.⁴⁶ Thus, the district court lacked declaratory judgment jurisdiction.⁴⁷

In this case, despite the fact that Defendant Solarcraft has never made a threat or allegation of patent infringement against Plaintiffs, Plaintiffs seek declaratory judgment on the patent defenses of invalidity and unenforceability.⁴⁸ In order to confirm that Defendant Solarcraft will never sue Plaintiffs for patent infringement, Defendant Solarcraft submits an unconditional covenant not to sue Plaintiffs for infringement of the Patents-in-Suit for any past, present, or future acts.⁴⁹ In fact, the Patents-in-Suit have expired, so there is no possibility of an infringement suit for post-expiration acts anyway.

Defendant Solarcraft's covenant not to sue Plaintiffs is attached as **Exhibit 2**. It is an unconditional covenant not to sue Plaintiffs for infringement of any claims of the Patents-in-Suit for any past, present, or future acts by Plaintiffs.⁵⁰ Therefore, in addition to the fact that there has been no threat or allegation of patent infringement, Defendant Solarcraft's covenant not to sue confirms that there is no, nor shall there ever be, a suit for infringement of the Patents-in-Suit against Plaintiffs.

In addition to the Federal Circuit decisions discussed above, there are several district court decisions that have followed the Federal Circuit's guidance. In *Jacobsen v. Katzer*, 609 F.Supp.2d 925 (N.D. Cal. 2009), the district court held that the declaratory judgment claims on unenforceability, invalidity, and non-infringement were moot because of defendant's disclaimer

⁴⁵ *Id.* at 1357-58.

⁴⁶ *Id.* at 1358.

⁴⁷ *Id.* at 1361.

⁴⁸ Declaration of Darrell Haun (**Exhibit 1**) at ¶ 4.

⁴⁹ Defendant Solarcraft's Covenant Not to Sue (**Exhibit 2**).

⁵⁰ Defendant Solarcraft's Covenant Not to Sue (**Exhibit 2**).

of the patent-in-suit.⁵¹ In *Bern Unlimited, Inc. v. Burton Corp.*, 25 F.Supp.3d 170 (D. Mass. 2014), the district court granted plaintiff's motion to strike the declaratory judgment claims on invalidity and unenforceability because defendants conceded that these claims were mooted by plaintiff's disclaimer of the patent-in-suit.⁵² In *Sony Electronics, Inc. v. Soundview Techs., Inc.*, 359 F.Supp.2d 173 (D. Conn. 2005), the district court held that the final judgment of non-infringement mooted the alleged infringer's interest in the counterclaims.⁵³ Further, since the patents had expired, there was no possibility of further infringement allegations.⁵⁴

Plaintiffs have the burden of proof to establish a continuing case or controversy.⁵⁵ Although there has never been any case or controversy given that Defendant Solarcraft has never threatened or alleged suing Plaintiffs for infringement of the Patents-in-Suit, the covenant not to sue and the expiration of the Patents-in-Suit firmly establish that there is no continuing case or controversy. Thus, there is no jurisdictional basis for seeking declarations on the patent defenses of invalidity and unenforceability.

To the extent there was ever a possibility of a patent infringement claim against Plaintiffs, that possibility has been extinguished. The filing of the covenant not to sue, and the expiration of the Patents-in-Suit, has mooted Plaintiffs' patent declaratory judgment claims of invalidity and unenforceability.

V. CONCLUSION AND PRAYER

Therefore, Defendants ask this Court to dismiss Plaintiffs' patent declaratory judgment claims of invalidity and unenforceability. There is no genuine issue of material fact. Summary judgment should be entered as a matter of law.

⁵¹ *Jacobsen*, 609 F.Supp.2d at 930.

⁵² *Bern*, 25 F.Supp.3d at 180-81.

⁵³ *Sony Electronics*, 359 F.Supp.2d at 176.

⁵⁴ *Id.*

⁵⁵ *Tesco*, 2009 WL 497134 at *4 (citing *Benitec*, 495 F.3d at 1344).

Dated: September 22, 2015

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served this 22nd day of September, 2015 with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ Douglas H. Elliott

Douglas H. Elliott