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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

MYTEE PRODUCTS, INC.,

vs.

STUDEBAKER ENTERPRISES, INC.;
SKAGIT NORTHWEST HOLDINGS, INC.;
DRI-EAZ PRODUCTS, INC.

Plaintiff,

Defendants.

CASE NO. 11-cv-02519 BEN (DHB)

**ORDER GRANTING DEFENDANTS’
MOTION TO DISMISS FOR LACK
OF SUBJECT MATTER
JURISDICTION**

[Docket No. 5]

Presently before the Court is Defendants Studebaker Enterprises, Inc. (“Studebaker”), Skagit Northwest Holdings, Inc. (“Skagit”), and Dri-Eaz Products, Inc. (“Dri-Eaz”) Motion to Dismiss for Lack of Subject Matter Jurisdiction. (Docket No. 5.) Being fully briefed, the Court finds the Motion suitable for determination on the papers without oral argument, pursuant to Civil Local Rule 7.1.d.1. For the reasons stated below, the Motion is **GRANTED**.

BACKGROUND

Defendants Studebaker and Dri-Eaz were assigned ownership rights in U.S. Patent Nos. 7,007,403 (‘403 patent) and 7,971,369 (‘369 patent), both entitled “Shrouded Floor Drying Fan,” issued on March 7, 2006 and July 5, 2011 respectively. (Decl. of Benjamin R. Seecof Objecting to Evidence Submitted in Reply by Defs. on Mot. to Dismiss for Lack of Subject Matter Jurisdiction, Ex. H.) (“Seecof Evidence Objection”). Skagit is in the business of manufacturing room drying fans such as the Airpath Directed Flow Carpet Drier, believed to be covered by the ‘403 and ‘369 patents.

1 Plaintiff Mytee Products, Inc. (“Mytee”) manufactures, sells, and intends to continue manufacturing
2 and selling a fan with the name Tradewind. On September 16, 2011, counsel for Defendants
3 Studebaker and Skagit sent a letter to Mytee indicating that the Tradewind fan literally infringes the
4 ‘403 and ‘369 patents. The letter also indicated that defendants intended to enforce the patents.

5 On October 31, 2011, Mytee initiated the present action, seeking a declaration of non-
6 infringement and invalidity concerning the ‘403 and ‘369 patents. (Docket No. 1.) Dri-Eaz and
7 Studebaker executed a covenant not to sue Mytee for any claim of patent infringement under the ‘403
8 and ‘369 patents, “as these patents currently read, with respect to any product currently advertised,
9 manufactured, marketed or sold by Mytee, or any product which was advertised, manufactured,
10 marketed or sold by Mytee” prior to November 18, 2011. (Def.’s Mot. to Dismiss for Lack of Subject
11 Matter Jurisdiction, Decl. of Nathaniel E. Durrance Ex. B) (“Covenant”). On January 10, 2012,
12 Defendants Studebaker, Skagit, and Dri-Eaz filed the instant Motion to Dismiss for Lack of Subject
13 Matter Jurisdiction. (Docket No. 5.)

14 DISCUSSION

15 The Declaratory Judgment Act provides that “[i]n a case of actual controversy within its
16 jurisdiction ... any court of the United States ... may declare the rights and other legal relations of any
17 interested party seeking such declaration, whether or not further relief is or could be sought.” 28
18 U.S.C. § 2201(a); *3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1376 (Fed. Cir. 2012); *Tech.*
19 *Licensing Corp. v. Technicolor USA, Inc.*, 800 F. Supp. 2d 1116, 1119-20 (E.D. Cal. 2011). “Whether
20 an actual case or controversy exists so that a district court may entertain an action for a declaratory
21 judgment of non-infringement and/or invalidity is governed by Federal Circuit law.” *3M Co.*, 673 F.3d
22 at 1377 (citing *MedImmune, Inc. v. Centocor, Inc.*, 409 F.3d 1376, 1378 (Fed.Cir. 2005), overruled
23 on other grounds, *MedImmune, Inc. v. Genetech*, 549 U.S. 118, 130-131 (2007)). “A party seeking
24 to base jurisdiction on the Declaratory Judgement Act bears the burden of proving that the facts
25 alleged ‘under all circumstances, show that there is a substantial controversy between the parties
26 having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a
27 declaratory judgment.” *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1343 (Fed. Cir. 2007)
28 (citing *MedImmune, Inc. v. Genetech, Inc.*, 549 U.S. at 126-27). Thus the party claiming subject

1 matter jurisdiction bears the burden “to establish that such jurisdiction existed at the time the claim
2 for declaratory relief was filed and that it has continued since.” *Id.* at 1344.

3 The Federal Circuit, however, has held that “a covenant not to sue for patent infringement
4 divests the trial court of subject matter jurisdiction over claims that the patent is invalid, because the
5 covenant eliminates any case or controversy between the parties.” *Dow Jones & Co., Inc. v. Ablaise*
6 *Ltd.*, 606 F.3d 1338, 1346 (Fed. Cir. 2010) (emphasis added); *see also Benitec*, 495 F.3d at 1345-46.
7 On November 18, 2011, Dri-Eaz and Studebaker executed a covenant-not-to-sue Mytee Products that
8 reads:

9 THIS COVENANT NOT TO SUE is made as of November 18, 2011 by
10 Studebaker Enterprises, Inc. and Dri-Eaz Products, Inc.

11 Studebaker Enterprises, Inc. and Dri-Eaz Products, Inc. covenant not to assert any
12 claim of patent infringement against Mytee Products, Inc. under U.S. Patent No.
13 7,007,403 and U.S. Patent No. 7,971,369, as these patents presently read, with respect
14 to any product currently advertised, manufactured, marketed or sold by Mytee, or any
15 product which was advertised, manufactured, marketed or sold by Mytee prior to the
16 date of this covenant.

17 The covenant was signed by Roy Studebaker, President of Studebaker Enterprises, Inc. and Bill
18 Bruders, CEO of Dri-Eaz Products, Inc. (Covenant). Mytee argues that the Covenant is insufficient
19 because: (1) the covenant was only signed by two of the three defendants; and (2) the covenant does
20 not protect against future infringement. Neither objection is sufficient.

21 The Covenant was signed by the President of Studebaker and the CEO of Dri-Eaz. Mytee
22 argues that this covenant is insufficient because Skagit did not sign it. The inventor assigned
23 ownership rights to Studebaker and Dri-Eaz in a written document (Decl. of Kevin Zeck Ex. B.) that
24 was recorded with the Patent and Trademark Office (“PTO”). (See *cof Evidence Objection.*) The
25 recording of an assignment with the PTO creates a presumption of validity and places the burden to
26 rebut such a showing on one challenging the assignment. *SiRF Tech., Inc. v. Int’l Trade Comm’n*,
27 601 F.3d 1319, 1328 (Fed. Cir. 2010) (applying 37 C.F.R. § 3.54). Mytee has not submitted any
28 specific evidence that rebuts the presumption of validity for the recorded patent assignment. Since
the inventor assigned the patents, Studebaker and Dri-Eaz are the past and present owners of the ‘403
and ‘369 patents. Because Skagit does not own the ‘403 and ‘369 patents, Skagit cannot assert them.
Spine Solutions, Inc. v. Medtronic Sofamor Danek USA, Inc. 620 F.3d 1305, 1317-18 (Fed. Cir. 2010)

1 (holding that parent company lacked standing to sue because subsidiary owned patents-in-suit).
2 Therefore, Skagit was not required to sign the Covenant and no actual controversy exists between it
3 and Plaintiff.

4 Mytee also argues that the Covenant is insufficient because it does not release Mytee from
5 future claims of patent infringement. The language in the Covenant is analogous to the language in
6 *Amana Refrigeration, Inc. v. Quadlux, Inc.*, 172 F.3d 852, 855 (Fed. Cir. 1999). In fact, it is identical
7 to the language discussed in *Amana*. In *Amana*, the Federal Circuit held that the language of the
8 covenant removed any likelihood that the alleged infringer would face suit for past or current products
9 and thereby removed any actual controversy between the parties. *Id.* at 855. Further, the Federal
10 Circuit held that “an actual controversy cannot be based on a fear of litigation over future products”
11 and that the covenant “resolves the controversy.” *Id.* at 855-56 (citing *Super Sack Mfg. Corp. v.*
12 *Chase Packaging Corp.*, 57 F.3d 1054, 1060 (Fed. Cir. 1995)).¹ The Covenant in this case has
13 removed any continuing case or controversy between these parties.

14 In arguing that the Covenant in this case does not release Mytee from future claims of
15 infringement, Mytee relies on *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294 (Fed.
16 Cir. 2009). “Whether a covenant not to sue will divest the trial court of jurisdiction depends on what
17 is covered by the covenant.” *Id.* at 1297. The language in the *Revolution* covenant only applied to
18 products that had been sold prior to the dismissal of the action. It did not protect the alleged infringer
19 from those products once the case was dismissed. By not offering a covenant covering *current*
20 products, the Federal Circuit held that a controversy between the parties still existed. *Id.* at 1300. In
21 contrast, the present Covenant applies to “any product currently advertised, manufactured, marketed
22 or sold by Mytee.” Like the distinguishing cases listed in *Revolution*, the present Covenant will
23 protect Mytee from actions for infringement into the future. *Id.* at 1299-1300.

24 Other facts in *Revolution Eyewear* are also distinguishable from the present action. The patent
25 owner in *Revolution Eyewear* specifically indicated that it would breach the covenant-not-to-sue

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27 ¹While not expressly overruled, the Court notes that the “reasonable apprehension of
28 imminent suit” test under *Amana* has been disapproved in subsequent case law. *See Benitec*, 495
F.3d at 1346 (where the Federal Circuit relied on the framework of *MedImmune* in the analysis of
whether jurisdiction existed and indicated that the holding in *Amana* was not dependent on the
“reasonable apprehension of imminent suit” requirement).

1 should the alleged infringer once again market the infringing products. *Id.* at 1297. Here, the
2 Defendants have given no such indication and have repeatedly attempted to settle the controversy.
3 In fact, the Defendants specifically stated that they “intend to put any alleged controversy to rest.”
4 (Defs.’ Reply at 3 ¶ 22.); *see also Dow Jones & Co.*, 606 F.3d at 1347.

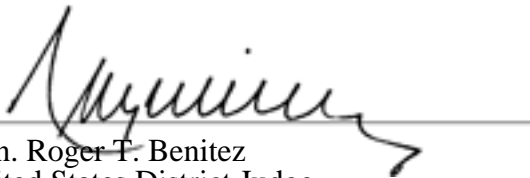
5 Because the Covenant has resolved any actual case or controversy between the parties, and
6 Plaintiff has not alleged sufficient facts showing that the Covenant was not signed by the proper
7 parties, this Court lacks subject matter jurisdiction. Accordingly, Defendants’ Motion to Dismiss for
8 Lack of Subject Matter Jurisdiction is **GRANTED**.

9 **CONCLUSION**

10 For the reasons stated above, the Court **GRANTS** Defendants Studebaker, Skagit, and Dri-
11 Eaz’s Motion to Dismiss for Lack of Subject Matter Jurisdiction.

12 **IT IS SO ORDERED.**

13 DATED: September 25, 2012

14 
15 Hon. Roger T. Benitez
16 United States District Judge

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