

1 business in Cupertino.³ The parties dispute who has what rights to develop disputed Georgia Tech
2 60 GHz wireless technology.

3 On May 8, 2012, GTRC entered into an exclusive worldwide license agreement with
4 Centric with the understanding that “Centric would have the right to commercialize, market and
5 sell the 60 GHz Technology.”⁴ Centric claims it then executed a letter of intent (“LOI”) for the
6 purchase of 119,000 chips incorporating the wireless technology for \$15-20 million.⁵ The buyer’s
7 interest was conditioned on Centric’s ability to generate chips quickly – that’s where the trouble
8 began. In particular, the buyer’s LOI required Centric to meet several “time sensitive” milestones.⁶
9 To meet those milestones, Centric asked GTRC for a demonstration prototype or, in the alternative,
10 sought readily available chips incorporating the technology from a French foundry (“the
11 foundry”).⁷ Centric alleges that, in violation of its obligations, GTRC stood in the way of both of
12 its efforts. In particular, Centric alleges that the foundry denied its request and claimed “it could
13 not fulfill the order using the 60 GHz Technology because of restrictions by GTRC.”⁸
14

15
16 Centric then filed this suit. Centric raises four claims in the operative complaint: (Count 1)
17 breach of contract, (Count 2) tortious interference with prospective economic advantage, (Count 3)
18 negligent interference with contractual or business relations, and (Count 6) declaratory relief.⁹
19
20

21
22 ³ See *id.* at ¶ 5.

23 ⁴ See *id.* at ¶ 10.

24 ⁵ See *id.* at ¶ 20. At this point in the litigation Centric has not disclosed the buyer’s identity.

25 ⁶ *Id.* at ¶ 21.

26 ⁷ *Id.* at ¶ 19.

27 ⁸ *Id.* at ¶ 22.

28 ⁹ See Docket No. 32 at 9-11. Count 6 appears to be numbered to reflect the claims Centric no longer asserts.

II. LEGAL STANDARDS

1 Under Fed. R. Civ. P. 12(b)(7), an action may be dismissed for failure to join a required
 2 party under Fed. R. Civ. P. 19. “To determine whether Rule 19 requires the joinder of additional
 3 parties, the court may consider evidence outside the pleadings.”¹⁰ Determining whether to dismiss
 4 an action under Rule 19 is a three-step process.¹¹ “First, the court must determine whether a
 5 nonparty should be joined under Rule 19(a).”¹² If a nonparty meets the requirements of Rule 19(a),
 6 “the second stage is for the court to determine whether it is feasible to order that the absentee be
 7 joined.”¹³ “Finally, if joinder is not feasible, the court must determine at the third stage whether
 8 the case can proceed without the absentee’ or whether the action must be dismissed.”¹⁴ The case
 9 cannot proceed if the party is one who “not only [has] an interest in the controversy, but [has] an
 10 interest of such a nature that a final decree cannot be made without either affecting that interest, or
 11 leaving the controversy in such a condition that its final termination may be wholly inconsistent
 12 with equity and good conscience.”¹⁵

III. DISCUSSION

16 At the heart of GTRC’s motion is its argument that this case should not proceed without
 17 Georgia Tech and the Attorney General of the State of Georgia (“the State of Georgia Entities”).
 18 As sketched above, a “motion to dismiss based on Rule 19 requires the court to engage in ‘three

19
 20 ¹⁰ *McShan v. Sherrill*, 283 F.2d 462, 464 (9th Cir. 1960); *see also Davis Cos. v. Emerald Casino, Inc.*, 268 F.3d 477, 480 n.4 (7th Cir. 2001) (“In ruling on a dismissal for lack of joinder of an indispensable party, a court may go outside the pleadings and look to extrinsic evidence.”) (citations omitted).

21
 22
 23 ¹¹ *See EEOC v. Peabody W. Coal Co.*, 610 F.3d 1070, 1078 (9th Cir. 2010) (“*Peabody III*”) (citing *EEOC v. Peabody W. Coal. Co.*, 410 F.3d 774, 779 (9th Cir. 2005) (“*Peabody II*”).

24
 25 ¹² *Id.* (quoting *Peabody II*, 410 F.3d at 779). Note that previously courts used the term “necessary” to describe such persons, *Peabody II*, 410 F.3d at 779, but Rule 19(a) now refers to whether a party is “required.”

26 ¹³ *Id.*

27 ¹⁴ *Peabody III*, 610 F.3d at 1078 (quoting *Peabody II*, 400 F.3d at 779)

28 ¹⁵ *Id.* (quoting *Shields v. Barrow*, 58 U.S. 130, 139 (1855)).

1 successive inquiries': (1) whether the absent party is 'necessary'; (2) whether it is 'feasible' to join
 2 the absent, necessary party; and (3) whether the absent party is 'indispensable.'"¹⁶ The Court
 3 discusses each inquiry in turn.

4 **A. Necessary Party**

5 In relevant part, Rule 19(a)(1) provides that:

6 [a] person who is subject to service of process and whose joinder will not deprive the
 7 court of subject-matter jurisdiction must be joined as a party if:

8 (A) in that person's absence, the court cannot accord complete relief among existing
 9 parties; or

10 (B) that person claims an interest relating to the subject of the action and is so
 11 situated that disposing of the action in the person's absence may:

12 (i) as a practical matter impair or impede the person's ability to protect the
 13 interest; or

14 (ii) leave an existing party subject to a substantial risk of incurring double,
 15 multiple, or otherwise inconsistent obligations because of the interest.¹⁷

16 A nonparty who satisfies Rule 19(a) is deemed "necessary" in the sense that such person's joinder
 17 is "desirable in the interests of just adjudication."¹⁸ The court "must determine whether the absent
 18 party has a legally protected interest in the suit," and if so, whether "that interest will be impaired
 19 or impeded by the suit."¹⁹ There "is no precise formula for determining whether a particular

20
 21
 22
 23
 24 ¹⁶ *A10 Networks, Inc. v. Brocade Commc'ns Sys., Inc.*, Case No. 5:11-cv-05493-LHK,
 2012 WL 1932878, at *8 (N.D. Cal. May 29, 2012) (citing *Peabody II*, 610 F.3d at 1078).

25 ¹⁷ Fed. R. Civ. P. 19(a).

26 ¹⁸ *EEOC v. Peabody W. Coal Co.*, 400 F.3d 774, 779 (9th Cir. 2005) ("*Peabody I*") (internal
 27 quotation marks and citations omitted).

28 ¹⁹ *Makah Indian Tribe v. Verity*, 910 F.2d 555, 558 (9th Cir. 1990).

1 nonparty should be joined under Rule 19(a).”²⁰ “The determination is heavily influenced by the
2 facts and circumstances of each case.”²¹

3 GTRC is adamant that Centric is improperly using this litigation to indirectly exert pressure
4 on both State of Georgia Entities.²² GTRC takes particular issue with the declaratory relief count
5 brought by Centric in its Complaint.²³ GTRC suggests that the declaratory relief count attempts to
6 obtain from the State of Georgia Entities that which it could not obtain directly: existing physical
7 items incorporating the 60 MHz technology. GTRC insists it does not possess or have an
8 obligation or ability to deliver those physical items and that only the State of Georgia Entities have
9 the necessary possession, access, and control to those materials. GTRC therefore concludes that
10 the equitable relief that Centric seeks cannot be properly adjudicated without the participation of
11 the State of Georgia Entities.
12

13 Centric sees it differently. It says its complaint does not seek the existing materials, but
14 merely asks the court to address GTRC’s tortuous interference with its business opportunities. The
15 complaint seeks damages for the breach of its licensing agreement and the interference with its
16 development of the technology. The complaint is not directed toward replevin of existing
17 materials; Centric merely wants damages for GTRC’s refusal to permit commercialization of the
18 technology in violation of the license agreement. Further, Centric wants GTRC to authorize the
19 foundry to produce chips incorporating the technology.
20

21 The court notes that Centric’s position is somewhat ambiguous as to whether it
22
23

24 _____
25 ²⁰ *Peabody II*, 610 F.3d at 1081 (internal quotations and citations omitted).

26 ²¹ *Id.*

27 ²² Centric does not dispute whether those entities possess state immunity in federal court under the
Eleventh Amendment.

28 ²³ *See* Docket No. 32 at ¶¶ 41-43.

1 prospectively seeks existing physical materials in this litigation.²⁴ The court further notes the
 2 parties' dispute whether or not GTRC controls the foundry's production of chips incorporating the
 3 licensed technology. GTRC argues that Centric "misinterprets GEDC's bylaws" and points out
 4 that "GTRC is not a member, manager, or director of GEDC."²⁵ While it concedes that it provides
 5 some "administration services" to GEDC,²⁶ GTRC nevertheless contends GEDC is a part of
 6 Georgia Tech and thus Georgia Tech is necessary to the resolution of Centric's claims because it
 7 cannot commit the foundry to a production run.²⁷

8
 9 The court first addresses whether Centric is now seeking, or may prospectively seek, the
 10 existing chips incorporating the technology. In short, whatever the ambiguities in its complaint,
 11 the court will hold Centric to its representations. Its papers, specifically its opposition to the
 12 motion to dismiss, at one point states unequivocally that it "does not seek ownership of the 2010
 13 Property" through the present suit.²⁸ The court accepts Centric's representation and will not permit
 14 it to prospectively seek existing physical materials incorporating the technology in this litigation.

15
 16 With that backdrop, the court turns to whether GTRC controls GEDC such that it controls
 17 whether the foundry will produce the licensed materials. Taking the allegations in Plaintiffs'
 18 complaint as true for the purposes of this motion, the court must accept their point that GEDC is
 19 controlled by GTRC. Therefore, GTRC appears to have had the power, in its own right, to control

20
 21 ²⁴ Compare Docket No. 44 at 13 ("Here, the *core* allegations of the FAC do not concern ownership
 22 rights to the 2010 Property to which the Georgia Entities claim an interest.") (emphasis added),
 23 with Docket No. 44 at 10 ("Centric does not seek ownership of the 2010 Property through the
 present suit (GTRC having denied their ownership); rather, it seeks damages for GTRC's refusal to
 permit commercialization: the frustration of the Centric License Agreement and the interference
 with third party agreements, economic advantage and business relations.").

24 ²⁵ Docket No. 47 at 7.

25 ²⁶ *Id.*

26 ²⁷ GTRC also urges that the Attorney General is necessary as well, because the Attorney General
 27 has an "evidentiary interest" in the existing chips and any related intellectual property that could be
 used to create new chips to support an "ongoing criminal investigation." See Docket No. 42 at 3.

28 ²⁸ See *supra* note 24.

1 whether or not the foundry was willing to produce chips for Centric.

2 Because this dispute does not concern existing materials in the possession of the State of
3 Georgia Entities, the likelihood of inconsistent, duplicative litigation is low. Moreover, the State of
4 Georgia Entities' interests are not seriously implicated by this litigation. On balance, the court
5 finds that the State of Georgia Entities are not necessary parties to this litigation under Rule 19.

6 **B. Joinder of the State of Georgia Entities is Not Feasible**

7 Even though the court finds that the State of Georgia Entities are not necessary, for
8 purposes of completeness the court next considers the other two Rule 19 factors.

9
10 If the absent nonparty is a "necessary" party under Rule 19(a), the second step requires the
11 court to determine whether it is feasible to order that the absent nonparty be joined.²⁹ Here, the
12 State of Georgia Entities possess immunity under the Eleventh Amendment and have not consented
13 to suit in this jurisdiction. Absent a waiver, which has not been tendered, the court therefore
14 cannot order the State of Georgia Entities joined.³⁰

15 **C. Indispensability of the Parties**

16 Finally, if joinder is not feasible, the Court must proceed to the third step, determining
17 under Rule 19(b) "whether, in equity and good conscience, the action should proceed among the
18 existing parties or should be dismissed."³¹ In conducting its Rule 19(b) analysis, the Court must
19 consider the following factors:
20

21 (1) the extent to which a judgment rendered in the person's absence might prejudice
22 that person or the existing parties;

23 (2) the extent to which any prejudice could be lessened or avoided by:

24 (A) protective provisions in the judgment;

25
26 ²⁹ See *Peabody II*, 610 F.3d at 1078.

27 ³⁰ See *Peabody III*, 610 F.3d at 1078; *A123 Sys., Inc. v. Hydro-Quebec*, 626 F.3d 1213, 1220
(Fed. Cir. 2010) ("Absent a waiver, [the University of Texas] cannot be joined.").

28 ³¹ Fed. R. Civ. P. 19(b).

(B) shaping the relief;

(C) or other measures;

(3) whether a judgment rendered in the person's absence would be adequate; and

(4) whether the plaintiff would have an adequate remedy if the action were dismissed for nonjoinder.³²

1. First Factor

As discussed above, the absence of the State of Georgia Entities is not likely to prejudice their interests, because this litigation is not focused on existing physical materials incorporating the licensed technology in their possession.

2. Second Factor

A decision by this court precluding Centric from seeking existing physical materials is one way the court can shape relief to reduce potential prejudice faced by the State of Georgia Entities. By taking such action the court has limited potential prejudice to the State of Georgia Entities.

3. Third Factor

A judgment in the absence of the State of Georgia Entities would be adequate, because only a contract dispute is at issue in the current litigation. Thus, money damages are appropriate. Centric's complaint does not adequately seek equitable relief in its prayer therefore any remedy from this court is likely to be financial in nature.

4. Fourth Factor

Whether Centric would have an adequate remedy if this litigation were dismissed turns on whether Centric could sue the State of Georgia Entities in Georgia state court. GTRC's papers suggest that all of the parties would be subject to a Georgia state court's jurisdiction, but the Georgia state constitution appears to bar litigation of this nature against the State of Georgia Entities in Georgia state court even though the Eleventh Amendment does not apply to state court


³² *Id.*

1 proceedings.³³ Thus, the court finds that Centric would not have an “adequate” alternative remedy
2 if this litigation were dismissed.

3 In sum, the court finds that it can equitably adjudicate this dispute. GTRC’s motion is
4 DENIED.

5 **IT IS SO ORDERED.**

6
7 Dated: September 24, 2013

8 
9 _____
10 PAUL S. GREWAL
11 United States Magistrate Judge

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
United States District Court
For the Northern District of California

³³ See Ga. Code Ann. § 20-3-36 (West 1976) (the doctrine of sovereign immunity applies to the board of regents); *But see* Ga. Const. art. I, § 2, ¶ IX, (c) (“The state’s defense of sovereign immunity is hereby waived as to any action ex contractu for the breach of any written contract now existing or hereafter entered into by the state or its departments and agencies.”)