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Possession Technology Properties Limited, LLC

**UNITED STATES BANKRUPTCY COURT**  
**NORTHERN DISTRICT OF CALIFORNIA**  
**SAN JOSE DIVISION**

In re

TECHNOLOGY PROPERTIES LIMITED,  
LLC,

Debtor.

Case No: 13-51589 SLJ

Chapter 11

Date: December 11, 2014

Time: 1:30 p.m.

Place: Courtroom 3099  
280 South First Street  
San Jose, California

**SUPPLEMENTAL MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT  
OF MOTION TO AUTHORIZE COMPROMISE AND RETURN BY TPL OF '549  
PATENT PORTFOLIO AND ASSIGNMENT TO PORTFOLIO OWNER (11 U.S.C.  
§554(a); FRBP 9019)**

**I. INTRODUCTION**

Debtor and debtor-in-possession Technology Properties Limited, LLC ("TPL") hereby submits this Supplemental Memorandum of Points and Authorities in support of its Supplemental Memorandum Of Points And Authorities In Support Of Motion To Authorize Compromise And Return By TPL Of '549 Patent Portfolio And Assignment To Portfolio Owner (11 U.S.C. §554(a); FRBP 9019). The purpose of this filing is to explain how TPL's proposed relinquishment and assignment of rights in the '549 patent and all related litigation, matched

1 with the waiver of default under the TPL-MCM<sup>1</sup> commercialization agreement for all claims  
2 associated with the delay in prosecuting the appeal and authorization to spend \$50,000, is a  
3 compromise that the Court should approve under FRBP 9019.

## 4 II. SUPPLEMENTAL STATEMENT OF FACTS<sup>2</sup>

5 1. On April 12, 2006, TPL was granted a license to the Memory Control and  
6 Management portfolio (the “CORE Flash Portfolio”), which includes U.S. Patent ‘549 patent.

7 2. The License Agreement is an executory contract under which TPL, as debtor-in-  
8 possession, has duties and obligations to perform with respect to the CORE Flash portfolio. The  
9 License Agreement provides specifically that “TPL shall exert commercially reasonable efforts  
10 to . . . [d]evelop, fund, and implement a global plan to commercialize . . . the MCM Technology,”  
11 which includes the prosecution of the patents in the portfolio.

12 3. For the reasons set forth in the Original MPA,<sup>3</sup> the Committee elected not to  
13 authorize the use of cash collateral to pursue the appeal of the adverse final decision dated  
14 August 6, 2014 of the Patent and Trademark Appeals Board (the “‘549 Appeal”).

15 4. TPL and the Committee both agree that the inability of TPL to pursue the ‘549  
16 Appeal is an act that does not comport with TPL’s obligations under the License Agreement.  
17 The damages for breach of that Agreement would be substantial: the ‘549 patent could generate  
18 as much as \$30 million in gross revenues. MCM’s share of those proceeds would, under the  
19 percentages to which it is entitled under the License Agreement, reach eight figures.  
20

21 5. The resolution described at paragraph 6 of the Original MPA is fair and equitable.  
22 It allowed TPL time to evaluate with outside advisors the advisability of pursuing the appeal  
23

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24 <sup>1</sup> MCM Portfolio LLC (“MCM”).

25 <sup>2</sup> The facts set forth below are intended only to supplement and emphasize statements made in  
26 the Original MPA and not to replace any statements made therein.

27 <sup>3</sup> The Memorandum Of Points And Authorities In Support Of Motion To Authorize  
28 Compromise And Return By TPL Of ‘549 Patent Portfolio And Assignment To Portfolio Owner  
(11 U.S.C. **Error! Main Document Only.** §554(a); FRBP 9019) (the “Original MPA”)

1 while ensuring that it was not immediately in breach of its agreement to pursue the prosecution  
2 of the '549; and it was allowed to evaluate the advisability of the appeal without doing further  
3 damage to the '549 appeal process with unnecessary delay. The cost to do the work necessary to  
4 preserve and pursue the appeal was capped at \$50,000 prior to any decision to prosecute or  
5 abandon it. The compromise permitted the Committee and TPL Board until December 4, 2014,  
6 to determine whether they wished TPL to pursue the appeal. It allowed TPL to reconvey the  
7 '549 patent and all appeal rights as of December 4 without further obligation. Finally, the  
8 \$50,000 is to be applied to claims that MCM has against TPL under the License Agreement for  
9 unpaid sums owed to it.  
10

### 11 III. LEGAL ARGUMENT

#### 12 A. Standard For Approval Of Compromises

13 The bankruptcy court has wide discretion to approve settlements. *Davis v. Jackson (In re*  
14 *Transcontinental Energy Corp.)*, 764 F.2d 1296, 1299 (9th Cir. 1985). That discretion is  
15 tempered by the principle that the settlement must be fair and equitable in the circumstances for  
16 the court to approve it. *Martin v. Kane (In re A & C Properties)*, 784 F.2d 1377, 1381 (9th Cir.  
17 1986), *cert. denied* 107 S.Ct. 189 (1986).

18 In determining the fairness, reasonableness and  
19 adequacy of a proposed settlement, the court must  
20 consider: '(a) the probability of success in the  
21 litigation; (b) the difficulties, if any, to be  
22 encountered in the matter of collection; (c) the  
23 complexity of the litigation involved, and the  
24 expense, inconvenience and delay necessarily  
25 attending it; (d) the paramount interest of creditors  
26 and a proper deference to their reasonable views in  
27 the premises.'

28 *In re A & C Properties*, 784 F.2d at 1381 (quoting *In re Flight Securities Litigation*, 730 F.2d  
1128, 1135 (8th Cir. 1985), *cert. denied* 105 S.Ct. 1169 (1985).

The court's inquiry on settlement is a limited one:

It is sufficient that, after apprising itself of all facts  
necessary for an objective opinion concerning the  
claim's validity, the court determines that either (1)

1 the claim has a 'substantial foundation' and is not  
2 'clearly invalid as a matter of law', or (2) the  
outcome of the claim's litigation is 'doubtful.'

3 *United States v. Alaska National Bank of the North (In re Walsh Construction, Inc.)*, 669 F.2d  
4 1325, 1328 (9th Cir. 1982)(citations omitted). The bankruptcy court need not conduct a "mini-  
5 trial" on the merits of the disputes to be compromised. *Port O'Call Investment Co. v. Blair (In re*  
6 *Blair)*, 538 F.2d 849, 851-52 (9th Cir. 1976). "Ample" consideration of the issues in dispute is  
7 sufficient. *In re A & C Properties*, 784 F.2d at 1381.

8  
9 B. The Proposed Compromise Is Fair And Equitable  
10 Under The Circumstances Of This Case.

11 1. TPL Is At Risk In Litigation.

12 There is no dispute as between TPL or the Committee that TPL's decision not to pursue  
13 the '549 Appeal does not comport with TPL's obligations under the License Agreement.  
14 Liability for the estate exists. Given the large potential risk for the estate and creditors if TPL  
15 can neither perform its obligations under the License Agreement nor convey all right, title and  
16 interest in and to the '549 patent to its owner, TPL respectfully submits that this factor has been  
17 proven.

18 2. Difficulty Of Collection Is Not A Factor.

19 The compromise is of damages for breach of the License Agreement for which TPL is  
20 potentially liable. There is nothing to collection from MCM so this factor is inapplicable.

21 3. Litigation Would Be Unnecessarily Expensive.

22 A suit dealing with breach of the License Agreement could well require a trial. Virtually  
23 everything filed would have to be under seal. The trial would not occur for some months and  
24 could easily exceed \$100,000 in costs. Given the unchallenged liability perceived in this case if  
25 TPL fails either to pursue the appeal or return it to its owner while the appeal can still be  
26 pursued, incurring costs in such a defense would not make economic sense.  
27  
28

1           4.     The Creditors' Committee Supports The Settlement.

2           The Committee supports the proposed settlement.

3  
4                                   IV. CONCLUSION

5           For the reasons set forth above TPL respectfully requests that this Court (1) grant  
6 the Motion and approve the proposed compromise, and (2) issue an order authorizing TPL to  
7 convey all right, title and interest in and to the '549 portfolio to MCM in a form acceptable to  
8 MCM.

9  
10          Dated: December 8, 2014

BINDER & MALTER, LLP

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12  
13                                   By: /s/ Robert G. Harris

Robert G. Harris

14                                   Attorneys for Attorneys for Debtor and Debtor-in-  
15 Possession TECHNOLOGY PROPERTIES  
16 LIMITED LLC  
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280 South First Street  
San Jose, California

**CERTIFICATE OF SERVICE**

I, Natalie D. Gonzalez, declare:

I am employed in the County of Santa Clara, California. I am over the age of eighteen (18) years and not a party to the within entitled cause; my business address is 2775 Park Avenue, Santa Clara, California 95050.

On December 9, 2014, I served a true and correct copy of the following document(s):

**SUPPLEMENTAL MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT  
OF MOTION TO AUTHORIZE COMPROMISE AND RETURN BY TPL OF '549  
PATENT PORTFOLIO AND ASSIGNMENT TO PORTFOLIO OWNER  
(11 U.S.C. §554(A); FRBP 9019)**

via electronic transmission and/or the Court's CM/ECF notification system to the parties  
registered to receive notice as follows:

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Executed on December 9, 2014, at Santa Clara, California. I certify under penalty of  
perjury that the foregoing is true and correct.

/s/ Natalie D. Gonzalez

Natalie D. Gonzalez