





### **A. The Technology**

The Asserted Patents relate to asphalt paving compositions and methods using “warm mix” paving compositions. (Id. ¶ 2.) Warm mix paving compositions are “produced, laid down, and compacted at significantly lower temperatures than hot mix paving compositions.” (Id.)

The Asserted Patents are divided into two groups: (1) the “Asserted Warm Mix Patents,” which consists of the ‘725 Patent, the ‘466 Patent, the ‘652 Patent, and the ‘646 Patent; and (2) the “Asserted Hot Mix/Warm Laid Patents,” which consists of the ‘581 Patent and the ‘446 Patent. (Id. ¶¶ 19, 42.)

The Asserted Warm Mix Patents generally relate to asphalt paving compositions and methods involving asphalt containing a lubricating additive, produced at a warm mix temperature. (Id. ¶¶ 20–23). The Asserted Hot Mix/Warm Laid Patents generally relate to an asphalt paving process where bituminous paving materials are prepared near or above hot mix temperatures but paved and compacted at lower temperatures. (Id. ¶¶ 38, 41–42.)

### **B. Procedural Background**

#### *i. The Agreement*

On January 1, 2008, Plaintiffs entered into an agreement granting an exclusive license to the Asserted Patents (the “Agreement”) to MeadWestvaco Corporation (“MeadWestvaco” or “Licensee”). (Id. ¶ 47; ECF No. 51-1.) MeadWestvaco later assigned its rights and obligations under the Agreement to Ingevity Corporation (“Ingevity”). (ECF No. 30 at PageID 639; ECF No. 51-2.)

The Agreement, among other things, addressed: (1) license grants and commercialization, including exclusivity, terms of the license, sublicensing, and Plaintiffs’ reserved rights; (2) royalties; and (3) patent litigation. (ECF No. 51-1 at PageID 929, 931, 935.)

*ii. Motion to Dismiss for Lack of Constitutional Standing*

Defendants filed their First Amended Answer on May 28, 2024. (ECF No. 30.) In their Second Affirmative Defense, Defendants asserted “the Agreement effectively conferred away the hallmarks of patent ownership, including all substantial rights in the Asserted Patents, leaving [Plaintiffs] as bare licensees without standing to sue for infringement of the Asserted Patents.” (Id. at PageID 640.)

Defendants filed the instant Motion on June 20, 2024, arguing Plaintiffs have no exclusionary rights under the Agreement, and thus cannot satisfy the injury-in-fact requirement for constitutional standing. (ECF No. 50 at PageID 911.) To support their argument, Defendants state each right given to Plaintiffs under the Agreement is a usage right, not an exclusionary right. (See ECF No. 50 at PageID 912, 915.) Defendants’ Motion only concerns the issue of constitutional standing under Article III; it does not address statutory standing. (See ECF No. 67 at PageID 1142 (“constitutional standing . . . [is] the only question presented in the [Motion to Dismiss]”).)

Plaintiffs counter they have maintained their exclusionary rights in the Agreement and have thus suffered an injury-in-fact from Defendants’ alleged infringement. (See ECF No. 63 at PageID 1093–94.)

## **II. LEGAL STANDARD**

### **A. Constitutional Standing in General**

“[T]he core component of standing is an essential and unchanging part of the case-or-controversy requirement of Article III.” Lujan v. Defs. of Wildlife, 504 U.S. 555, 560 (1992). “To establish standing, a plaintiff must demonstrate that he suffered an injury-in-fact, that the injury is traceable to the conduct complained of, and that the injury is redress-able [sic] by a

favorable decision.” Shukh v. Seagate Tech., LLC, 803 F.3d 659, 663 (Fed. Cir. 2015). “The alleged harm must be concrete and particularized.” Id. (citing Lujan, 504 U.S. at 560). “The plaintiff, as the party invoking federal jurisdiction, bears the burden of establishing [constitutional standing].” Spokeo, Inc. v. Robins, 578 U.S. 330, 338 (2016).

### **B. Constitutional Standing in Patent Actions**

In a patent infringement action, “[t]he party holding the exclusionary rights to the patent suffers legal injury in fact under the statute.” Morrow v. Microsoft Corp., 499 F.3d 1332, 1339 (Fed. Cir. 2007). “Thus, the touchstone of constitutional standing in a patent infringement suit is whether a party can establish that it has an exclusionary right in a patent that, if violated by another, would cause the party holding the exclusionary right to suffer legal injury.” WiAV Sols. LLC v. Motorola, Inc., 631 F.3d 1257, 1265 (Fed. Cir. 2010).

An “exclusionary right” stems from “the legal right to exclude others from making, using, selling, or offering to sell the patented invention in the United States, or importing the invention.” See Morrow, 499 F.3d at 1339 (citing 35 U.S.C. §§ 154, 271); see also Deere & Co. v. Kinze Mfg., Inc., 683 F. Supp. 3d 904, 918 (S.D. Iowa 2023) (“Morrow described the ‘exclusionary rights’ bestowed by a patent as ‘the legal right[s] to exclude others from making, using, selling, or offering to sell the patented invention in the United States, or importing the invention.’”); Uniloc USA, Inc. v. Motorola Mobility, LLC, No. CV 17-1658-CFC, 2020 WL 7771219, at \*5 (D. Del. 2020), aff’d 52 F.4th 1340 (Fed. Cir. 2022) (“at its core, the right to exclude is the legal right to prevent others from practicing the asserted patent”).<sup>1</sup>

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<sup>1</sup> The Federal Circuit has not given a definitive list as to what exclusionary rights do and do not entail. See Uniloc, 2020 WL 7771219, at \*5 n.2 (“The parties did not cite and I have not found a Federal Circuit case that defines what the ‘exclusionary rights’ are.”). Some courts, including the District of Delaware, in deciding whether a plaintiff has an exclusionary right to confer constitutional standing, have declined to take an expansive view of exclusionary rights. See,

### III. ANALYSIS

Plaintiffs, as the patent owners, have “exclusionary rights as a baseline matter unless it has transferred all exclusionary rights away.” Intell. Tech LLC v. Zebra Techs. Corp., 101 F.4th 807, 816 (Fed. Cir. 2024). Plaintiffs state their alleged exclusionary rights include:

1. The right to exclude others from practicing the patents.
2. The right to practice the subject matter in the Asserted Patents for research and development purposes.
3. The right to use products purchased from Licensee.
4. The right to sublicense rights to corporate affiliates.
5. The right to dictate the terms and conditions under which one may practice the Asserted Patents if authorized.
6. The right to receive royalties from any authorized use of the patented technology.
7. The right to bring and participate in the control of a lawsuit brought to prohibit any authorized use.
8. The right to collect damages resulting from any litigation.

(ECF No. 63 at PageID 1095 – 96 (citing the Agreement ¶¶ 2.1, 2.3, 2.4, 5.1, 5.2, and 9.3).)<sup>2</sup>

The Court addresses each of the rights from these paragraphs in turn.<sup>3</sup> As explained below, Defendants’ arguments prevail, as none of Plaintiffs’ alleged exclusionary rights establish constitutional standing. See infra Sections III.A–F.

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e.g., Deere, 683 F. Supp. 3d at 918–19 (finding neither “the right to license or sublicense is itself an exclusionary right, nor does the possession of a right to license or sublicense imply, in itself, the possession of an exclusionary right”); Uniloc, 2020 WL 7771219, at \*5 (finding “the mere right to license or sublicense a patent is an exclusionary right sufficient to confer Article III standing”); Anglefix, LLC v. Wright Med. Tech., Inc., No. 2:13-CV-02407-JPM-tmp, 2016 WL 3566275, at \*5 (W.D. Tenn. June 27, 2016) (McCalla, J.) (“Exclusionary rights under the Patent Act include the right to prevent others from practicing the invention.”). The Court sees no reason to depart from this same approach and declines to take an expansive view of what an exclusionary right may be. Indeed, an exclusionary right solely defined as “the legal right to exclude others from making, using, selling, or offering to sell the patented invention in the United States, or importing the invention” tracks with both Federal Circuit precedent and the language of the Patent Act. See Morrow, 499 F.3d at 1339 (citing 35 U.S.C. §§ 154, 271).

<sup>2</sup> While Plaintiff did not cite the Agreement ¶ 3.4 in its Brief in Opposition (ECF No. 63 at PageID 1095–96), Plaintiff listed the “right[] to . . . receive royalties” to support its claim of exclusionary rights. (Id.) The portion of the Agreement which addresses royalties is Article III, with ¶ 3.4 addressing Minimum Royalties. (ECF No. 51-1 at PageID 933.)

**A. Licensing and Rights Reserved Under the Agreement ¶¶ 2.1, 2.4 (Rights 1–4)**

Plaintiffs allege they retain exclusionary rights under the Agreement ¶¶ 2.1 and 2.4, specifically:

1. The right to exclude others from practicing the patents under the Agreement ¶ 2.1.
2. The right to practice the subject matter in the Asserted Patents for research and development purposes under the Agreement ¶ 2.4.
3. The right to use products purchased from Licensee under the Agreement ¶ 2.4.
4. The right to sublicense rights to corporate affiliates under the Agreement ¶ 2.4.

(ECF No. 63 at PageID 1095–96.)

The Agreement ¶ 2.1 grants Licensee “a royalty-bearing, worldwide license under the Licensed Technology to manufacture, have manufactured, import, use, sell, offer to sell and otherwise commercialize Licensed Products. Th[e] license shall be exclusive [except for the reservations in ¶ 2.4].” (ECF No. 51-1 at PageID 929.)

The Agreement ¶ 2.4 allows Plaintiffs to:

reserve a royalty-free, worldwide license under the Licensed Technology, with the right to sublicense only their respective Affiliates, to: a) manufacture, have manufactured, import and use Licensed Products and asphalt paving mixtures containing Licensed Products for research and development purposes, and b) manufacture, have manufactured, import, use, sell and offer to sell asphalt paving mixtures containing Licensed Products purchased from MeadWestvaco.”

(Id.)

While Plaintiffs argue their reserved rights are exclusionary rights which confer standing, (ECF No. 63 at PageID 1095), Defendants dispute this, stating these rights are usage rights, not exclusionary rights. (ECF No. 50 at PageID 912–13.)

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<sup>3</sup> In terms of contract interpretation, the Agreement is governed by Wisconsin law. (ECF No. 51-1 at PageID 939 (“This Agreement will be construed, governed, interpreted and applied in accordance with the laws of the State of Wisconsin.”).) “Where the terms of a contract are clear and unambiguous,” Wisconsin law requires that the contract be construed “according to its literal terms.” Tufail v. Midwest Hospitality, LLC, 833 N.W.2d 586, 592 (Wis. 2013). While the canons of contract interpretation in Wisconsin are designed to “give effect to the parties’ intentions,” a “court construes contracts ‘as they are written.’” Id. (citations omitted).

Here, Defendants make the stronger argument. Plaintiffs' rights under the Agreement ¶¶ 2.1 and 2.4 are not exclusionary rights. An "exclusionary right" establishing constitutional standing stems from "the legal right to exclude others from making, using, selling, or offering to sell the patented invention in the United States, or importing the invention." See Morrow, 499 F.3d at 1339 (citing 35 U.S.C. §§ 154, 271); see also Deere, 683 F. Supp. 3d at 918.

An exclusive license for Licensee to commercialize the products under the Agreement ¶ 2.1 is not a right for Plaintiffs to exclude others. Cf. Morrow, 499 F.3d at 1342. Plaintiffs' alleged right is insufficient to establish a right to exclude others from practicing the patents here. It is more arguable that Plaintiffs would have the exclusionary rights needed for standing if they, as Licensors, had not granted Licensee MeadWestvaco an exclusive license, (ECF No. 51-1 at PageID 926, 929). See id. ("Parties that hold the exclusionary rights are often identified as exclusive licensees, because the grant of an exclusive license to make, use, or sell the patented invention carries with it the right to prevent others from practicing the invention.").

Similarly, Plaintiffs' reserved rights under the Agreement ¶ 2.4 are not exclusionary rights. Neither the ability to use the Licensed Products for research and development purposes under ¶ 2.4(a) nor the ability to use Licensed Products purchased from Licensee under ¶ 2.4(b) are exclusionary, as they do not give Plaintiffs the right to exclude others from practicing the invention. Cf. Morrow, 499 F.3d at 1342. Rather, Plaintiff has retained usage rights. Furthermore, the right to sublicense only to Plaintiffs' affiliates under the specific parameters of the Agreement ¶ 2.4 does not demonstrate an exclusionary right, as Plaintiffs cannot exclude others via this right. See id. Thus, Plaintiffs rights under the Agreement ¶¶ 2.1 and 2.4 do not confer constitutional standing. Id.



**B. Dictating the Terms and Conditions to Practice Under the Agreement ¶ 2.3 (Right 5)**

Plaintiffs assert that their ability to review the terms and conditions of sublicensing from licensees, which they deem “the right to dictate the terms and conditions under which one may practice the Asserted Patents,” is an exclusionary right which confers standing. (ECF No. 63 at PageID 1099.) The Agreement ¶ 2.3 allows for Licensee to sublicense its rights “provided that it first provides the terms and conditions of any such sublicense to [Plaintiffs] for their prior review and approval, which approval shall not be unreasonably withheld.” (ECF No. 51-1 at PageID 929.) Any “[s]ales made by a sublicensee shall be reported and royalty paid to [Plaintiffs] as if [Licensee] had made such sale.” (*Id.*) Defendants counter this ability is not an exclusionary right. (ECF No. 50 at PageID 914.)

Defendants’ argument prevails. Plaintiffs’ alleged ability to “dictate the terms and conditions” under the Agreement ¶ 2.3 is not an exclusionary right. (ECF No. 50-1 at PageID 929.) First, reviewing terms and conditions of sublicenses does not involve exclusion of others in making, selling, or offering to sell the patented products. *Cf. Deere*, 683 F. Supp. 3d at 922 (finding the right to “inspect and examine” products made by the licensee or sublicensees that exploit the patents at issue was not an exclusionary right which conferred standing). Second, because Plaintiffs’ approval cannot be “unreasonably withheld,” (ECF No. 51-1 at PageID 929), there is no “‘significant[] restrict[ion of] the scope’ of the exclusive licensee’s rights” such that Plaintiffs can claim to have an exclusionary right that confers constitutional standing. *See Nat’l Pasteurized Eggs, Inc. v. Michael Foods, Inc.*, No. 10-cv-646-WMC, 2012 WL 12996200, at \*9 (W.D. Wisc. May 18, 2012).

**C. Receiving Royalties From Any Authorized Usage of the Patented Technology Under the Agreement ¶ 3.4 (Right 6)**

Plaintiffs point to their ability to “receive royalties from any authorized usage of the patented technology” as an exclusionary right that confers constitutional standing. (ECF No. 63 at PageID 1096.) Article 3 of the Agreement governs royalties. (ECF No. 51-1 at PageID 931–34.) The Agreement ¶ 3.1 governs earned royalty calculations (subject to the provisions in the Agreement ¶¶ 3.2 and 3.3), while the Agreement ¶ 3.4 governs minimum royalty payments. The Court considers the Agreement ¶ 3.4 to be the most relevant to Plaintiffs’ argument and its analysis, given that it provides that Plaintiffs receive royalties from the license. See supra n.2.<sup>4</sup>

Here, Plaintiffs cite no authority stating the ability to receive royalties is part of “the legal right to exclude others from making, using, selling, or offering to sell the patented invention in the United States, or importing the invention.” See Morrow, 499 F.3d at 1339. Indeed, the ability to receive royalties has nothing to do with the making, using, selling, offering to sell, or importing of the patented invention. See id. Thus, it cannot confer constitutional standing.

Plaintiffs also use their ability to receive royalties to attempt to distinguish Defendants’ caselaw. (See ECF No. 63 at PageID 1102–03.) The crux of the Court’s analysis, however, is whether Plaintiffs had any exclusionary rights which confer constitutional standing. See Mann,

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<sup>4</sup> Paragraph 3.4 of the Agreement (ECF No. 51-1) provides in part as follows:

In order to maintain exclusivity under the license in Paragraph 2.1, Licensee shall pay Licensors minimum annual royalties in the following amounts:

| Calendar Year                              | Minimum Annual Royalty |
|--|------------------------|
| 1/1/2008 through 12/31/2008                | None                   |
| 1/1/2009 through 12/31/2009                | None                   |
| 1/1/2010 through 12/31/2010                | \$200,000              |
| 1/1/2011 through 12/31/2011                | \$300,000              |
| 1/1/2012 through 12/31/2012                | \$400,000              |
| 1/1/2013 through 12/31/2013 and thereafter | \$500,000              |

499 F.3d at 1339. Thus, because Plaintiffs' ability to receive royalties does not confer constitutional standing, their argument against Defendants' caselaw is unavailing.

**D. Bringing or Participating in the Control of a Lawsuit Brought to Prohibit Any Unauthorized Use Under the Agreement ¶¶ 5.1 and 5.2 (Right 7)**

Plaintiffs allege the ability to bring or participate in a lawsuit against potential infringers is an exclusionary right which grants them standing. (ECF No. 63 at PageID 1096.) The Agreement ¶ 5.1 provides, in relevant part:

If any unlicensed third party shall manufacture, use, sell or offer to sell a product or perform a method covered by one or more claims of the Patent Rights in any country in which there exists an actionable right against that third party under the Patent Rights, then the Parties shall mutually determine whether to pursue such infringement. . . . The Parties will jointly cooperate to control the conduct of the legal action and will render one another reasonable assistance in prosecuting such action, without charge for the time of their respective personnel.

(ECF No. 51-1 at PageID 935.)

The Agreement ¶ 5.2 provides, in relevant part:

If either Party does not desire to initiate a legal action under Paragraph 5.1, and if permitted by the laws of the country in question, the non-initiating Party may provide to the other Party (the "Prosecuting Party") such rights as are necessary for the Prosecuting Party to attempt to enforce all or a portion of the Patent Rights against one or more of the unlicensed third parties. . . . The non-initiating Party shall render reasonable assistance to the Prosecuting Party in so enforcing the Patent Rights.

(Id. at PageID 935–36.) Defendants counter these enforcement rights are not exclusionary rights that confer standing. (ECF No. 50 at PageID 916.)

On this point, Defendants' argument prevails. In Morrow, the Federal Circuit found the "right to sue for infringement" to be "separated" from "exclusionary rights," which confer standing. See 499 F.3d at 1342. Plaintiffs' situation is similar to the trustees in Morrow, whose right to exclude was "contractually separated" from the right to sue. Id. Plaintiffs here "suffer[] no legal injury in fact to the[ir] patent[s'] exclusionary rights," see id., as the right to participate

in litigation is separate from the exclusionary rights granted to Licensee under the Agreement ¶ 2.1.

Indeed, at least one United States District Court has found a licensor's "rights associated with the initiation or control of patent infringement litigation do not constitute exclusionary rights." Deere, 683 F. Supp. 3d at 920–21. Like the licensor in Deere, any exclusionary rights Plaintiffs may have are separate from their right to sue. See id. Here, this section of the Agreement only pertains to infringement of patent rights and prosecution of said infringement. (See ECF No. 51-1 at PageID 935.) These rights are not exclusionary, as they do not involve the exclusive right to make, use, or sell the inventions. See Morrow, 499 F.3d at 1341 ("[a party's] control with respect to infringement litigation does not lead to the conclusion that [the party] suffers injury in fact from infringement"). Thus, the ability to bring or participate in infringement litigation is not an exclusionary right which confers on Plaintiffs constitutional standing. See Deere, 683 F. Supp. 3d at 920–21.

Even if the ability to participate in or conduct litigation is considered an exclusionary right, Plaintiffs' rights under these paragraphs do not demonstrate the ability to exclude. Specifically, under the Agreement ¶ 5.2, the non-initiating party is not required to provide the necessary rights to enforce the Asserted Patents. (See ECF No. 51-1 at PageID 935 ("the non-initiating Party may provide to the other Party such rights as are necessary for the Prosecuting Party to attempt to enforce all or a portion of the Patent Rights").) If Plaintiffs initiate a patent infringement action independent of Licensee—as they have here—Licensee is not required to provide to Plaintiffs its exclusive right to "manufacture, have manufactured, import, use, sell, offer to sell[, or] otherwise commercialize," (id. at PageID 929), the Asserted Patents. (See id. at PageID 935.) Because any of Plaintiffs' exclusionary rights would depend on Licensee's, they

do not exist on their own; the Agreement ¶ 5.2 does not confer constitutional standing. Cf. Morrow, 499 F.3d at 1342.

Furthermore, Plaintiffs' argument under Mann is unavailing. In their Response, Plaintiffs cite Mann to argue the Court's decision to grant constitutional standing should hinge on the sufficiency of a list of rights retained by Plaintiffs, with the most important right involving "the nature and scope of any right to sue purportedly retained by the licensor." (ECF No. 63 at PageID 1097 (citing 604 F.3d at 1362).) This argument is pertinent to Plaintiffs' substantial rights in the Asserted Patents. See Mann, 604 F.3d at 1356 (determining the plaintiff was the owner of the patents because it retrained substantial rights in the patents). However, "whether a party possesses all substantial rights in a patent does not implicate standing or subject-matter jurisdiction." Lone Star Silicon Innova. LLC v. Nanya Tech. Corp., 925 F.3d 1225, 1235–36 (Fed. Cir. 2019).

While the Federal Circuit itself has "often treated 'statutory standing,' i.e. whether a party can sue under a statute such as § 281, as jurisdictional," it has cautioned "so-called 'statutory standing' defects do not implicate a court's subject-matter jurisdiction." Lone Star, 925 F.3d at 1235. The Court must analyze constitutional standing and statutory standing under separate standards. See Anglefix, LLC, 2016 WL 3566275, at \*4–6 (analyzing constitutional standing under an "exclusionary rights" standard and statutory standing separately under an "all substantial rights" standard, citing Mann only in the statutory standing analysis). Thus, Plaintiffs' Mann argument is unavailing for constitutional standing purposes.<sup>5</sup>

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<sup>5</sup> Plaintiffs cite Mann for eight other considerations for determining whether they have exclusionary rights. None are availing for the same reason—Mann does not concern constitutional standing. See Lone Star, 925 F.3d at 1235.

**E. Collecting Damages Resulting From Any Litigation Under the Agreement ¶¶ 5.1 and 5.2 (Right 8)**

The Agreement ¶¶ 5.1 and 5.2 also address Plaintiffs' ability to collect damages resulting from litigation of patent infringement. (See ECF No. 51 at PageID 935.) If Plaintiffs and Licensee agree to pursue infringement litigation, they split the damages evenly; however, if only one party pursues an infringement action, the pursuing party keeps the entirety of the damages. (Id.)

Just as the right to bring or participate in an infringement suit is not an exclusionary right which confers standing, neither is the ability to collect damages on said infringement suits. (See supra Section III.D; see also Deere, 683 F. Supp. 3d at 920 (finding no exclusionary right for constitutional standing purposes in a right to enforcement where the licensor and licensee share damages).) Thus, Plaintiffs' ability to collect damages does not confer on them constitutional standing.

**F. Termination of the Agreement Under the Agreement ¶ 9.3**

Plaintiffs cite the Agreement ¶ 9.3 as demonstrating an exclusionary right. (ECF No. 63 at PageID 1096.) The Agreement ¶ 9.3 addresses Default. (ECF No. 51-1 at PageID 938.) It allows either party to terminate the Agreement upon material breach, provided the defaulting party has written notice of the termination and three months to cure it. (Id.)

Here, the Agreement ¶ 9.3 does not confer an exclusionary right to Plaintiffs. First, Plaintiffs' argument regarding this portion of the Agreement is in the context of a Mann analysis. (ECF No. 63 at PageID 1092.) As stated previously, Mann is unavailing because it analyzes statutory, not constitutional, standing. (See supra Section III.D.) Second, Plaintiffs' ability to terminate the Agreement is not an exclusionary right, especially given this ability to terminate is not exclusive to Plaintiffs. Cf. Deere, 683 F. Supp. 3d at 925 (finding termination rights did not

grant an exclusionary interest). Thus, the Agreement ¶ 9.3 does not confer on Plaintiffs constitutional standing.

#### IV. CONCLUSION

For the reasons set forth above, Defendants' Motion is **GRANTED**. Because Plaintiffs do not have standing under Article III to bring suit, the action is hereby **DISMISSED WITHOUT PREJUDICE**.

**SO ORDERED**, this 25th day of November, 2024.

/s/ Jon P. McCalla

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JON P. MCCALLA

UNITED STATES DISTRICT COURT JUDGE