

No.

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**IN THE SUPREME COURT OF THE  
UNITED STATES**

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PICTURE PATENTS, LLC, and INTELLINET, INC.,  
*Petitioners,*

v.

AEROPOSTALE, INC., DICK'S SPORTING GOODS,  
INC., MLB ADVANCED MEDIA, L.P., MAJOR  
LEAGUE BASEBALL PROPERTIES, INC., NBA  
MEDIA VENTURES, LLC, NBA PROPERTIES,  
INC., NATIONAL BASKETBALL ASSOCIATION,  
THE CHARLOTTE RUSSE, INC., GSI COMMERCE  
SOLUTIONS, INC., GSI COMMERCE, INC., and  
INTERNATIONAL BUSINESS MACHINES  
CORPORATION,

*Respondents.*

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**On Petition for Writ of Certiorari to the United  
States Court of Appeals for the Federal Circuit**

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**PETITION FOR A WRIT OF CERTIORARI**

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### QUESTION PRESENTED

In *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991), the Federal Circuit ruled without explanation that an agreement for the assignment of inventions that uses the words “hereby assign” effects a present assignment of future inventions even though those inventions have not been conceived and do not exist at the time the agreement is signed.

The question presented is whether *FilmTec*’s “automatic assignment” rule should be overruled given the doubts about its validity expressed by three Justices of the United States Supreme Court in *Bd. of Trustees of the Leland Stanford Jr. University v. Roche Molecular Sys., Inc.*, 131 S. Ct. 2188, 2199 & 2203 (2011), and in light of the reservation of that issue by the Court’s Opinion therein. *Id.* at 2194, n.2.

**RULE 29.6 STATEMENT**

Petitioner Picture Patents, LLC, is a Delaware limited liability company. All its members are individuals, not publicly held companies.

Petitioner Intellinet, Inc. is a privately held New York Corporation and no parent or publicly held company owns any of its stock.

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## OPINIONS BELOW

There is no opinion by the Federal Circuit. Its April 13, 2012 order of summary affirmance is reported at 469 Fed. Appx. 912. (App. 1a.) Its July 26, 2012 rehearing denial is not reported. (App. 50a.)

The District Court's April 15, 2011 Opinion and Order is reported at 788 F. Supp. 2d 127. (App. 14a.)

## JURISDICTION

The district court had jurisdiction under 28 U.S.C. § 1338(a). It entered Final Judgment on July 25, 2011. (App. 4a.)

The court of appeals had jurisdiction over Petitioners' appeal under 28 U.S.C. § 1295(a)(1). On April 13, 2012, the court of appeals summarily affirmed without opinion. (App. 1a.) On July 26, 2012, it denied Petitioners' Petition for Rehearing *en banc*. (App. 50a.)

This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

## CONSTITUTIONAL AND STATUTORY PROVISIONS AT ISSUE

Article I, Section 8 of the United States Constitution gives Congress the power

“To promote the Progress of Science and  
useful Arts, by securing for limited  
Times to . . . Inventors the exclusive  
Right to their respective . . . Discoveries  
. . . .”

35 U.S.C. § 261, Ownership; assignment.

Subject to the provisions of this title, patents shall have the attributes of personal property.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. . . .

## STATEMENT

### A. Introduction.

This case involves the ownership of three U.S. Patents and international patents and applications involving pictorial user interfaces for accessing information in an electronic file system.<sup>1</sup> (R.170, Rule 56.1 Stmt. ¶¶ 3-7.)

These inventions make computer systems more accessible by using pictures. The innovation was a novel pictorial user interface that utilized data structures to link files to pictures and regions within pictures. (*Id.*)

The inventor was Michelle Baker, the organizer of Petitioners Picture Patents, LLC

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<sup>1</sup> The U.S. Patents are: (1) No. 6,278,455, entitled “Pictorial Interface for Accessing Information in an Electronic File System” (“the ‘455 Patent”); (2) No. 5,715,416, entitled “User Definable Pictorial Interface for Accessing Information in an Electronic File System” (“the ‘416 Patent”), and No. 6,002,401, entitled “User Definable Pictorial Interface for Accessing Information in an Electronic File System” (“the ‘401 Patent”). (collectively, “the Patents”). (R. 170, Exs 2, 4 & 6 to Ravi Decl.)

(“Picture Patents”) and Intellinet, Inc. (“Intellinet”). (*Id.* ¶¶ 23-28.)

*The Inventor’s Part-Time Employment at IBM* – In 1990, Ms. Baker was a doctoral student at Columbia University. (*Id.* ¶ 11.)

In October 1990, IBM offered her short-term part-time employment in its College Work/Study Program. Accepting this offer to help support her family, she became a temporary hourly employee, paid hourly up to thirty hours per week during school. She had no rights under any benefits plans, and was not paid for holidays. (*Id.* ¶ 13.)

Her temporary employment began on November 7, 1990 and ended on June 11, 1993. (*Id.* ¶¶ 13, 51.)

She was assigned to IBM’s Software Performance Analysis Group which developed tools for software analysis and evaluated software code to improve code performance. (*Id.* ¶ 18.)

#### **B. The Employment Agreement.**

On her first day, Ms. Baker signed an “Agreement Regarding Confidential Information and Intellectual Property” (“Employment Agreement”) containing the following provisions:

4. I ***hereby assign*** to IBM my entire right, title and interest in any idea, invention, design of a useful article (whether the design is ornamental or otherwise), computer program and related documentation, and other work of authorship (all hereinafter called “Developments”), hereafter made or conceived solely or jointly by me, or

created wholly or in part by me, whether or not such Developments are patentable, copyrightable or susceptible to other forms of protection, and [*sic*] the Developments: (a) relate to the actual or anticipated business or research or development of IBM or its subsidiaries, or (b) are suggested by or result from any task assigned to me or work performed by me for or on behalf of IBM or its subsidiaries. . . .

(App. 18a-19a; R.170, Rule 56.1 Stmt. ¶ 14.)  
(emphasis added).

The Employment Agreement included a clause allowing inventors to exclude particular inventions. Ms. Baker inserted “Columbia University” in the section excluding inventions that could not be assigned to IBM, because she understood that, as a Columbia University graduate student, all her inventions not arising out of her work at IBM belonged to her. (R.170, Rule 56.1 Stmt. ¶ 15.)

### **C. The Invention of the PUI.**

During the summer of 1990 while at Columbia but before she went to IBM, Ms. Baker first considered the problem of how to make computer systems more accessible by using pictures. She had observed that although young children could become adept at using video games, it was difficult for them to use a computer because existing systems required the computer user to read text in order to access the content of computer files. Knowing that children readily recognize pictures and would be able to click on those pictures to open associated files, over the next year she thought about how pictures might be

the basis of a user interface for file access in computer systems. (*Id.* ¶ 11.)

In November 1991, more than a year after signing the Employment Agreement, and while driving to her father's home in South Carolina for the unpaid Thanksgiving holiday, she finally conceived the solution, namely, a means of using background pictures with separately stored, easily accessible links to files that could be updated and changed by ordinary computer users. Her conception was to create a "pictorial user interface" ("PUI") by which parents could configure a computer so that children could easily gain access to underlying files merely by selecting pictures or portions of pictures. Her novel PUI used a table-like structure to store picture and region definitions and to link those regions to a file. Thus, any image could be divided into arbitrary sub-regions and linked to files. File associations could be easily changed, because the data structure could be stored separate from the programs' execution or run-time environment. (*Id.* ¶ 12.)

#### **D. Ms. Baker's Efforts to Joint Venture with IBM.**

After conceiving the PUI, Ms. Baker hoped that IBM would work with her to commercialize her invention. She hoped to negotiate a deal whereby IBM would assist her in patenting and commercializing her invention in exchange for some rights in the invention. (*Id.* ¶ 20.)

Therefore, after returning from her unpaid Thanksgiving holiday break, Ms. Baker prepared a presentation of her invention. (*Id.* ¶ 20.) Ms. Baker asserted in the district court that she did so on her



own time using primarily her own resources. The district court found that “[s]he refined the PUI during work hours, using IBM’s office equipment, as well as resources including IBM’s research library, databases, and confidential documents.” (App. 20a-21a.)

In January 1992, she presented her invention at an IBM Education Roundtable meeting to various IBM officials and employees, including Dr. David Grossman, Senior Manager of IBM’s Research Division. (*Id.* ¶ 20.) Recognizing that the PUI invention was patentable, Dr. Grossman suggested that Ms. Baker complete an IBM Invention Disclosure Form and prepare some draft patent claims. She informed him that the invention was hers, not IBM’s. Dr. Grossman acknowledged that the invention was hers, but advised her that completing the Invention Disclosure Form would facilitate her efforts to negotiate a deal with IBM to assist her in patenting and commercializing her invention in exchange for some rights to commercialize it. Dr. Grossman told her that IBM would not evaluate her PUI invention without it being formally presented on an Invention Disclosure Form. (*Id.* ¶ 21.)

Ms. Baker followed Dr. Grossman’s advice and described her invention on an unsigned IBM Disclosure Form. She provided copies of that unsigned Disclosure to several important IBM officials, including Dr. John T. Richards, a Senior Manager of IBM Research; Julie Landstein, the Manager of Contracts and Business Development of IBM Research; Maureen Sorbo, Manager, Business Development for IBM Research; and Daniel McCurdy, Director, Business Development and

Market Strategy, IBM Research. Her purpose in doing so was to generate interest in IBM in her invention. (*Id.* ¶ 22.)

In 1992, Ms. Baker established Intellinet to develop and commercialize the PUI, among other things. Intellinet sought patent protection for the PUI and “funding from government and corporate sources to help support research, product development and commercialization.” (*Id.* ¶¶ 8, 33.)

Because Ms. Baker’s work on her invention was unrelated to her work at IBM, her supervisor, Ms. Seetha Lakshmi, and other supervisors in IBM’s Software Performance Analysis Group were often upset that instead of working on the projects assigned to her, Ms. Baker was meeting with others in IBM management to discuss her PUI. (*Id.* ¶ 53.)

Nevertheless, with the encouragement of Dr. Grossman, and in ongoing efforts to negotiate a deal with IBM to assist her in patenting and commercializing her invention, Ms. Baker contacted high-level IBM managers and in-house patent attorneys. In all her interactions with IBM, she repeatedly asserted that the PUI was her invention, not IBM’s, and that she was “shopping [the invention] around IBM to get IBM interested.” (*Id.* ¶ 29.)

On February 22, 1993, Ms. Baker met several high-ranking IBM officials, including Ms. Landstein, the manager in the Contracts and Business Development Department of IBM Research to whom she had previously sent the unsigned Patent Disclosure, to discuss establishing a joint venture agreement between IBM and Intellinet. Other attendees included Fred Newman, a lawyer

representing Intellinet, Ronald Frank, an IBM researcher, and David Silverman and Dwight Renfrew, at least one of whom was an IBM attorney. All attendees knew prior to this meeting that Mr. Newman, the attorney representing Intellinet, was protecting Intellinet's legal interests in the PUI. (*Id.* ¶ 33.)

During the meeting, Ms. Baker presented her invention and described Intellinet. She informed the attendees that she had invented PUI and owned it from its conception. She also presented a sketch of a business plan she had prepared. The attendees discussed the nature of a proposed joint venture. (*Id.* ¶ 34.)

After the meeting, Ms. Baker continued to contact Ms. Landstein and others at IBM to attempt to finalize the proposed joint venture between IBM and Intellinet. During all those interactions, Ms. Baker clearly asserted that the intended joint venture relationship was between IBM and Intellinet, because Intellinet, through Ms. Baker, owned the PUI invention, not IBM. (*Id.* ¶ 35.)

Similarly, in April or May 1993, Ms. Baker met with Maureen Sorbo, Ms. Landstein's supervisor and a Manager in IBM Research's Business Development Department, and subsequently with Daniel McCurdy, Ms. Sorbo's supervisor and the Director of that Department. (*Id.* ¶¶ 40-41.)

During the meeting with Mr. McCurdy, Ms. Baker presented her PUI invention, along with a proposed project plan, schedule and cost estimates. Mr. McCurdy expressed his interest in negotiating a deal with Ms. Baker for IBM's use of her invention. Ms. Baker and Mr. McCurdy discussed the

intellectual property rights to the PUI invention, and she stated that it was her invention because she had conceived of it on her own time, outside the scope of her part-time, student employment with IBM. They also discussed certain financial arrangements she proposed. (*Id.* ¶ 42.)

Ms. Baker also told Mr. McCurdy and others that if they did not reach an agreement, she would look elsewhere. (*Id.* ¶ 45.)

Ms. Baker also informed IBM's Patent Operations Group of her invention and that she had described it in detail in an IBM Invention Disclosure Form as suggested by Dr. Grossman. She also repeatedly asserted that she, and subsequently her company Intellinet, owned the PUI. The record also shows that IBM's attorneys were aware of Ms. Baker's invention disclosure and ownership claims. For example, in the Spring of 1993, Ms. Baker communicated with Louis Percello, one of IBM's in-house patent attorneys, and informed him personally of the invention disclosure form and her claim of ownership. (*Id.* ¶ 30.)

Ms. Baker also had at least one additional telephone conversation with Mr. Percello during May or early June 1993 during which he requested that she provide him with a signed Invention Disclosure. She refused, and instead informed him that the invention was hers, and that she would not provide a signed Invention Disclosure until she had a deal with IBM. (*Id.* ¶ 48.)

Thus, the record is clear that in all her discussions and negotiations with IBM management and attorneys, Ms. Baker unequivocally, openly and repeatedly asserted her ownership of the invention,

because she had conceived of it on her own initiative and time, outside the scope of her employment with IBM. (*Id.* ¶ 44.)

**E. Ms. Baker’s Departure from IBM.**

The district court noted but did not resolve the parties’ dispute as to the reason for the June 1993 termination of Ms. Baker’s employment at IBM, noting that Ms. Baker contended she was fired for putting in too much time trying to promote the PUI within IBM, while IBM contended her departure was by mutual agreement. (App. 21a n.1.)

The district court also did not resolve the dispute about whether Ms. Baker “communicated to IBM that she believed that she owned the Invention, and that she intended to file a patent application for it.” (App. 21a.) There is, however, an uncontested IBM record of the substantial disagreement over who owned the PUI—an exit memo from her supervisor purporting to contest Ms. Baker’s assertions of ownership. (*Id.* ¶ 57.)

From all the events leading up to Ms. Baker’s departure, however, her repeated assertions of ownership, and her repeatedly stated desire to patent and commercialize her invention, it is impossible that IBM—*the one and only* IBM—did not understand that Ms. Baker claimed ownership of the invention and intended to patent it herself.

Nevertheless, the District Court flipped the responsibility for IBM’s inaction during this long period of years, by ruling that Ms. Baker began to patent and develop the invention only 15 months after IBM disputed her claim of ownership in the exit memo, and that her expense and trouble over the next fifteen years were “the result of [her] own

willful decision to proceed in the face of IBM's clear assertion of its ownership rights, rather than the product of IBM's neglect or omission.” (App. 45a-46a.)

In any event, there is no evidence to show that IBM undertook any steps to patent the invention under 35 U.S.C. § 118 (1988) and the accompanying United States Patent and Trademark Office (“PTO”) Rule of the Manual of Patent Examination Procedure (“MPEP”) that permitted a putative assignee to apply for a patent when the inventor refused to sign the application. MPEP § 1.47. 37 C.F.R. § 1.47 (1993).<sup>2</sup> Moreover, IBM likely could not have applied for a patent because it never obtained from Ms. Baker a formal assignment of title that the MPEP required for an assignee to prosecute a patent application.<sup>3</sup> See 37 C.F.R. § 3.73(b)(1)(i) (1993). IBM offered no evidence of any kind to show that before April 2009, when it was brought into this case, it undertook any action to enforce its supposed right of assignment contained in the Employment Agreement.

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<sup>2</sup> Although the MPEP “‘does not have the force of law or the force of the rules of Title 37 of the Code of Federal Regulations,’ MPEP Foreword (8th ed., rev. 7, Aug. 2008), it ‘is made available to the public and . . . describe[s] procedures on which the public can rely.’” *In re Skvorecz*, 580 F.3d 1262, 1268 n.3 (Fed. Cir. 2009) (quoting *Patlex v. Mossinghoff*, 758 F.2d 594, 606 (Fed. Cir. 1985)).

<sup>3</sup> The Leahy-Smith America Invents Act, enacted on September 16, 2011, has slightly amended Section 118 by eliminating an inventor’s refusal as a precondition for an assignee to prosecute a patent application. Pub. L. No. 112-29, 125 Stat. 284 § 4(a)(1) (2011).

**F. The U.S. and International Patents and Patent Applications.**

In fact, after leaving IBM, Ms. Baker caused a series of applications to be filed relating to her PUI invention.

The earliest such application, Application No. 08/316,518 (“the ‘518 application”), was filed in the PTO on September 30, 1994. The ‘518 application issued as the ‘416 patent on February 3, 1998. (*Id.* ¶ 1.)

On January 6, 1998, Ms. Baker filed Application No. 09/003,553 (“the ‘553 application”), as a continuation of the ‘518 application. The ‘553 application issued as the ‘401 patent on December 14, 1999. (*Id.*)

On December 13, 1999, she filed Application No. 09/459,934 (“the ‘934 application”), which was a continuation of the ‘553 application. The ‘934 application issued as the ‘455 patent on August 21, 2001. (*Id.*)

In addition to her U.S. applications, on September 29, 1995, Ms. Baker filed an international patent application corresponding to the ‘518 patent application under the Patent Cooperation Treaty. Int’l Pub. No. WO 96/10782 (“PCT Application”). The PCT Application published on April 11, 1996. (*Id.* ¶ 2.)

From the PCT Application, several corresponding foreign patents and patent applications issued in the following countries: Australia, Canada, Denmark, European Union, Germany, and Japan. (*Id.* ¶ 2.)

### **G. Petitioners Intellinet and Picture Patents.**

As noted above, in 1992, while she was still employed at IBM, Ms. Baker founded Intellinet, to develop and commercialize her inventions, including the PUI. Since 1992, Intellinet had at least an equitable interest in her PUI because it paid the costs and fees associated with the preparation and prosecution of the '455 patent family. (*Id.* ¶ 8.)

But the record shows that Intellinet's interest was not formalized until a December 4, 2003 Assignment from Ms. Baker to Intellinet concerning the '455 patent family. (*Id.*)

In May 2006, Ms. Baker founded Picture Patents. On May 9, 2006, she, Intellinet and Picture Patents executed an Assignment and Assumption of Debt Agreement, in which the '455 patent family was supposed to have been assigned from Intellinet to Picture Patents in exchange for Picture Patents' assumption of the debt that had been incurred by Intellinet for the prosecution costs and fees relating to the '455 patent family. (*Id.* ¶ 9.)

Therefore, it has been Petitioners' and Ms. Baker's contention throughout this case that since May 9, 2006, Picture Patents has owned all rights, title and interest in the '455 patent family. But the District Court ruled that the 2006 agreements failed to effect a transfer from Intellinet to Picture Patents and that therefore Picture Patents never received any ownership interest. If that ruling is correct, however, and if title did not lie with Picture Patents, it resided with Petitioner Intellinet, contrary to the District Court's Declaratory Judgment ruling.

It is uncontested that other than the October 1990 Employment Agreement signed by Ms. Baker a



full year before the PUI came into existence, neither she, Intellinet, nor Picture Patents executed any assignment or other document transferring title to IBM.

**H. IBM's Failure to Act and Knowing Acquiescence.**

The record also shows that IBM has very firm policies about protecting its intellectual property. Yet, no one from IBM took any affirmative steps when Ms. Baker informed them repeatedly that the PUI was her invention and that she wanted to enter into a joint venture between Intellinet and IBM to commercialize the invention. And no one acted when Ms. Baker clearly suggested that she would patent and commercialize the PUI on her own if she could not reach a deal with IBM. (*Id.* ¶ 59.)

In sum, IBM did nothing to assert its ownership for at least eighteen years.

**I. Ms. Baker's and Petitioners' Investment in the PUI Patents and Their Value.**

Intellinet has spent approximately \$53,583 on these patents in the form of filing fees, maintenance fees, and attorney's fees. (*Id.* ¶ 8.)

Picture Patents has paid approximately \$164,311.00 in securing and maintaining patent protection for the PUI and for other related expenses. (*Id.* ¶ 10.)

Over the eighteen or more years after her departure in June 1993 from her part-time temporary employment at IBM, Ms. Baker has also spent an enormous amount of her time and effort—over 5,700 hours—prosecuting patent applications for and maintaining the PUI patents, attempting to

commercialize these inventions and patents, and protecting her inventions from infringers. (*Id.* ¶ 10.)

She also prosecuted several other patent infringement actions to protect her patents, filed in the Southern District of New York and Eastern District of Virginia. (*See, e.g.*, R. 127.)

The record does not disclose the value of the patents, but it should be noted that because this case is an infringement action against several substantial and well-known businesses that have allegedly infringed the patents, it can reasonably be inferred that they must have substantial commercial value.

#### **J. This Litigation.**

On June 11, 2007, Petitioner Picture Patents filed this action against Respondent Aeropostale, Inc. for infringement of the ‘455 Patent. (R. 1.) By subsequent Amended Complaints, Picture Patents added the remaining Respondents—Dick’s Sporting Goods, Inc., MLB Advanced Media, L.P., Major League Baseball Properties, Inc., NBA Media Ventures, LLC, NBA Properties, Inc., National Basketball Association, The Charlotte Russe, Inc., GSI Commerce Solutions, Inc., GSI Commerce, Inc.—and others, also alleging infringement of the ‘455 Patent. (R. 21.)

The defendants moved to dismiss for lack of standing, arguing principally that the patents were owned by Respondent IBM rather than Picture Patents. Picture Patents then filed its Fourth Amended Complaint adding IBM as a declaratory judgment defendant and seeking a declaratory judgment that Picture Patents, not IBM, owned the U.S. Patents, as well as the foreign patents and patent applications. (R. 133.) IBM answered and

asserted seven counterclaims, including requests for declaratory judgment that it owned the patents and applications. (R. 136.) It later added Petitioner Intellinet as a counterclaim defendant on the declaratory judgment claims. (R. 162.)

Picture Patents and IBM cross-moved for partial summary judgment on the opposing declaratory judgment claims regarding ownership. (App. 24a.)

On April 15, 2011, the District Court issued an Opinion and Order that dismissed the Fourth Amended Complaint and declared that IBM owned the three U.S. patents by operation of the “automatic assignment” rule of *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991), which had been decided six months after Ms. Baker signed the Employment Agreement. (App. 27a-30a.) The District Court granted summary judgment on IBM’s Declaratory Judgment Counterclaims against both Picture Patents and Intellinet, ruling that because the Employment Agreement covered the PUI invention and automatically transferred ownership to IBM, “IBM owned the Patents *ab initio* and Baker had no interest to assign to Intellinet or Picture Patents.” (App. 30a.)

The District Court also ruled alternatively that Picture Patents did not have any ownership interest in the patents because Ms. Baker had transferred all her interests to Intellinet in 2003, and that her purported transfer of ownership to Picture Patents in 2006 in fact transferred nothing. (App. 31a-33a.) But that conclusion did not touch the District Court’s Counterclaim ruling against Intellinet that because of the *FilmTec* rule, Intellinet

never received an ownership interest in the patents because Ms. Baker's Employment Agreement had assigned all her interest to IBM in 1990.

On July 25, 2011, the District Court entered the Final Judgment (App. 4a), pursuant in part to a Consent Judgment (App. 8a) between the parties, that also applied the April 15, 2011 ruling on the U.S. Patents to the international patents and applications.

After Petitioners' timely appeal, the Federal Circuit summarily affirmed (App. 1a), and then denied rehearing and rehearing *en banc*. (App. 49a.)

This Petition followed.

### **REASONS FOR GRANTING THE PETITION**

Petitioners respectfully submit that the District Court's conclusions, summarily affirmed by the Federal Circuit, were erroneous because the basis of the District Court's decision—the "automatic assignment" rule of *FilmTec*—is contrary to well-established patent law and ancient but still vibrant rules of Equity, defies common sense and plain English, and degrades the purpose of the Constitution's Patent Clause and the important policies underlying patent law.

Because that ruling was wrong, either Picture Patents or Intellinet holds at least legal title and other equitable rights to the PUI invention and patents. Thus, when these ownership interests are added to the substantial equities in their favor, it was error to award ownership to IBM.

**I. The Default Rule of Patent Ownership Is That All Rights in an Invention Belong to the Inventor, Even When the Inventor is Employed by Another.**

“Since 1790, the patent law has operated on the premise that rights in an invention belong to the inventor. . . . Although much in intellectual property law has changed in the 220 years since the first Patent Act, the basic idea that inventors have the right to patent their inventions has not. . . . [This Court’s] precedents confirm the general rule that rights in an invention belong to the inventor.” *Bd. of Trs. of the Leland Stanford Jr. Univ. v. Roche Molecular Sys. Inc.*, 131 S. Ct. 2188, 2192, 2194-95 (2011) (hereafter “*Stanford University*”), *aff’g*, 583 F.3d 832 (Fed. Cir. 2009).

The Federal Circuit has stated the matter as follows: “It is a bedrock tenet of patent law that ‘an invention presumptively belongs to its creator,’” that is, the inventor. *Israel Bio-Engineering Project v. Amgen Inc.*, 475 F.3d 1256, 1263 (Fed. Cir. 2007) (quoting *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403, 406 (Fed. Cir. 1996)).

This is so even if the inventor works as an employee for someone else and invents something during his term of employment. *Hapgood v. Hewitt*, 119 U.S. 226 (1886); *Dalzell v. Dueber Watch Case Mfg. Co.*, 149 U.S. 315, 320 (1893). “[D]ue to the peculiar nature of the act of invention,” the courts have been reluctant “to imply or infer an agreement by the employee to assign his patent.” *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188 (1933). In this situation, all the employer gets is a non-transferable “shop right” to practice the

invention, *Dubilier Condenser*, 289 U.S. at 196, and the employee/patentee remains free to license or assign the patent to others including competitors of the employer.

If the facts of this case stopped there, Ms. Baker would have unquestionably owned the invention and patents from the outset even though she was employed by IBM at the time the invention was conceived.

But this case involves the construction of a contract—the Employment Agreement—by which Ms. Baker has been held to have assigned the invention to IBM. As also noted in *Stanford University*, “[i]t is equally well established that an inventor can assign his rights in an invention to a third party.” *Stanford University*, 131 S. Ct. at 2195 (quoting *Dubilier Condenser Corp.*, 289 U.S. at 187 (“A patent is property and title to it can pass only by assignment”) and 8 Chisum on Patents § 22.01, at 22-2 (2011) (“The inventor . . . [may] transfer ownership interests by written assignment to anyone”).)

And, reflecting long-standing common law, Section 261 of the Patent Act, 35 U.S.C. § 261, provides that “[s]ubject to the provisions of [the Patent Act], patents shall have the attributes of personal property,”<sup>4</sup> and that “[a]pplications for

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<sup>4</sup> The description of patents as “personal property” was first inserted in the United States statutes in the Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. ch. 590, 792, 810 (1952). The Revision Notes of the Senate Report state that this provision “is new but is declaratory only.” S. Rep. No. 82-1979 at 27 (1952), *reprinted in* 1952 U.S.C.C.A.N. 2394, 2420. Declaratory of the common law (footnote continued on next page . . . )

patent, patents, or any interest therein, shall be assignable in law by an instrument in writing.”

Thus, based on the “automatic assignment” rule of *FilmTec*, because Ms. Baker’s Employment Agreement purportedly assigned her yet-to-exist non-existent invention to IBM, IBM has successfully divested her of her default ownership with hardly any judicial consideration of, or even reference to, her long assertions of ownership and extraordinary efforts to patent, develop, practice and commercialize the invention.

Therefore, this case falls within the interstices of these doctrines raising the question of whether the law will recognize the immediate transfer of ownership of an invention before the invention is conceived and comes into actual existence.<sup>5</sup>

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( . . . footnote continued from prior page)  
no doubt. Cf. *Taylor v. Crain*, 224 F.2d 237, 240-41 (3d Cir. 1955) (a right of common law nature further embodied in statutory terms exists as an enforceable right exclusive of the statute declaratory of it). See also, 1A Norman J. Singer and J.D. Shamble Singer, *Sutherland on Statutory Construction* §§ 26:1 - 26:7 (7th ed. 2009).

<sup>5</sup> An additional wrinkle is the mix of choice of law rules applicable to patent ownership questions. Obviously the default rule of *Hapgood* and *Dalzell*, a federal rule over 100 years old, applies when there is no contract between the inventor and employer. But the Federal Circuit has held that when there is a contract, “the question of who owns the patent rights and on what terms typically is a question exclusively for state courts.” *Jim Arnold Corp. v. Hydrotech Sys.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997); see also *MyMail, Ltd. v. Am. Online, Inc.*, 476 F.3d 1372, 1376 (Fed. Cir. 2007).

(footnote continued on next page . . . )

The only sensible answer must be no.

**II. Under the *FilmTec* “automatic assignment” Rule, Title to an Invention Passes Before the Invention is Conceived and Comes Into Existence.**

Applying *FilmTec*, the District Court held that because the Employment Agreement used the words “hereby assign,” it effected a present assignment of future inventions even though those inventions had not been conceived and did not exist at the time the Agreement was signed. (App. 27a-30a.) Thus, ruled the District Court, under *FilmTec*, that assignment of future non-existent inventions automatically transferred legal title to the PUI invention to IBM from the moment it came into being, even though

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( . . . footnote continued from prior page)

However, the Federal Circuit has engrafted an important exception onto that rule that applies here, holding that the question of whether contractual language effects a present assignment of patent rights, or an agreement to assign rights in the future, is resolved by Federal Circuit law. *DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1290 (Fed. Cir. 2008). *See also Bd. of Trustees of the Leland Stanford Jr. Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832 (Fed. Cir. 2009), *aff'd*, 131 S. Ct. 2188 (2011).

Although one Judge of the Federal Circuit has criticized this rule, *DDB Techs.*, 517 F.3d at 1296-97 (Newman, J., dissenting), it is well-established as Federal Circuit doctrine.

The parties and the District Court accepted the principle that *FilmTec* is a rule of federal law. (App. 28a.)



that creation occurred more than a year after the Employment Agreement was signed.

*FilmTec* was decided eight months after Ms. Baker signed the Employment Agreement. Since then, it has been repeatedly reaffirmed by the Federal Circuit, always without explanation, but with an odd twist. On the one hand, as in *FilmTec*, the Federal Circuit has repeatedly ruled that employee/inventors whose agreements used the phrase “hereby assign” automatically conveyed legal title to a non-existent invention once it comes into existence. *See, e.g., DDB Techs.*, 517 F.3d at 1290; *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1253 (Fed. Cir. 2000). *See also Stanford University*, 583 F.3d at 841. This is the rule that the District Court followed here.

But, on the other hand, the Federal Circuit has also ruled that the slightly different contractual language “will assign” or “hereby agree to assign” connotes only an intention to make a future assignment, does *not* automatically transfer ownership at the time of the agreement, and requires a future act of transfer when the invention comes into existence. Thus, for example, in *IpVenture, Inc. v. Prostar Computer, Inc.*, 503 F.3d 1324, 1327 (Fed. Cir. 2007) the Federal Circuit interpreted the contractual language “agree to assign” to mean merely “an agreement to assign” in the future requiring a subsequent written instrument. Similarly, *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1580-81 (Fed. Cir. 1991), held that “will be assigned” language does not create “a present assignment of an expectant interest.”

Thus, the *FilmTec* rule purports to discern a metaphysical difference between assignment language of “I hereby assign,” on the one hand, and “I will assign,” on the other. *FilmTec* and its odd progeny hold that the former connotes a present assignment, whereas the latter connotes only a promise to assign in the future. Thus, an inventor who uses the former “I hereby assign” terminology is divested of all ownership and has nothing further to convey, but the inventor who merely agrees that he or she “will assign” transfers nothing.

This strange dichotomy makes no sense.

### **III. *FilmTec*’s “Automatic Assignment” Rule Was Recently Questioned by Three Justices of this Court.**

*FilmTec* has been thrown into substantial question by the Dissent and Concurrence in *Stanford University*, 131 S. Ct. at 2199 & 2203.

As the Dissent by Justice Breyer, joined by Justice Ginsburg, noted, when *FilmTec* was decided in 1991, the “automatic assignment” rule it announced seemed contrary to the long-standing rules of title then in existence. 131 S. Ct. at 2203. The Dissent noted that in adopting the “automatic assignment” rule, *FilmTec* “provided no explanation for what seems a significant change in the law.” The Dissent also noted that by pinning this new rule of title to “slight linguistic differences in the contractual language,” *Id.* at 2202-03, *FilmTec*’s rule seems to make “too much of too little,” and therefore “remains a technical drafting trap for the unwary.” *Id.* Thus, the Dissent tentatively concluded, it seems much more preferable to treat contracts of

assignments, such as that at issue in this case, as “creating merely equitable rights.” *Id.*

Justice Sotomayor’s Concurrence briefly expressed the same concerns. *Id.* at 2199.

Moreover, because the Opinion of the Court expressly reserved decision on that important question. 131 S. Ct. at 2194, n.2, both the Dissent and Concurrence noted that reconsideration of *FilmTec* could be properly presented in a future case. *Id.* at 2199 & 2204-05.

This is that case.

#### **IV. *FilmTec*’s “Automatic Assignment” Rule Is Contrary to Long-Standing Rules of Equity and Law.**

This “automatic assignment” rule, never explained by *FilmTec* or any subsequent decision, is substantially contrary to common sense, plain English, traditional rules of Equity, and modern-day contract law.

As Justice Breyer noted, the *FilmTec* rule is troubling because it massively inflates the importance of trivial differences in contractual assignment language which, in substance, are identical in purpose and meaning. Indeed, both variants in fact state the *intention* to assign in the future an invention that does not exist at the time those phrases are used, and that may perhaps come into existence at a later time. The obvious fact that the invention does not exist at the time of the assignment must mean that both phrases—“hereby assign” and “will assign”—denote merely the intention to transfer a future, non-existent invention when it is created and comes into existence, and not

a present assignment of a non-existent invention as *FilmTec* holds.

This common sense, plain English construction has been reflected in Equity and Law for more than a century and a half.

First, before *FilmTec*, it had long been held that a present assignment of future inventions conveyed merely equitable rights, not legal title. *Stanford University*, 131 S. Ct. at 2203 (Breyer, J. dissenting) (citing G. Curtis, *A Treatise on the Law of Patents for Useful Inventions* § 170, p. 155 (3d ed. 1867)).

Second, *FilmTec* is contrary to early patent decisions of this Court which, under the predecessor to Section 261, held that when a party acquires “an inchoate right to [a patent], and the power to make that right perfect and absolute at his pleasure, the assignment of his whole interest, whether executed before or after the patent issued” falls within the statute. *Gayler v. Wilder*, 51 U.S. (17 Wall.) 477, 493 (1850) (interpreting assignment language of Section 11 of the Patent Act of 1836, Act of July 4, 1836, ch. 357, § 11, 5 Stat. 121). *See also Railroad Co. v. Trimble*, 77 U.S. (10 Wall.) 367 (1870) (assignment of patent extension); *Nicolson Pavement Co. v. Jenkins*, 81 U.S. (14 Wall.) 452 (1872) (assignment of reissued patent).

Thus, *Gayler* recognized that an assignment of a patent must be preceded by and based upon a prior “inchoate right” and “the power to make that right perfect.” *Gayler*, 51 U.S. at 493. But *Gayler* and its progeny are based on the necessary precondition that the invention for which the future patent right is sought, actually exists. This is the case because one

cannot apply for a patent on an as yet non-existent invention. This precondition has always been fundamental in Equity and the law of personal property.

Indeed, the great commentators on Equity Jurisprudence deemed it “elementary” that a contract for the sale of a chattel that a seller did not own did not pass legal title to the buyer without some new act by the seller after the property was acquired. 3 Pomeroy on Equity Jurisprudence § 1287, at 3094 & § 1288, at 3098-99 (4th ed. 1918). The assignment of personal property to be acquired at a future time was held to operate only as an equitable assignment, vesting only equitable ownership in the purchaser when the property was acquired by the vendor. This ownership right was fully protected by the equity courts upon suit by the equitable assignee. *Id.*

In truth, although a sale . . . of property to be acquired in the future does not operate as an immediate alienation at law, it operates as an equitable assignment of the *present possibility*, which changes into an assignment of the *equitable ownership* as soon as the property is acquired by the vendor. *Id.*, pp. 3103-04. (emphasis in original).

No less an authority than Justice Joseph Story unequivocally announced the same principle as the rule. 2 Joseph Story, *Equity Jurisprudence*, § 1040, p. 407 (6th ed. 1853). Until property comes into existence, the assignee “has nothing but the contingency, which is a very different thing from the right immediately to recover and enjoy the property.”

*Id.*, § 1040b, p. 411. “It is not an interest in property; but a mere right under the contract . . . for in the contemplation of Equity, it amounts, not to an assignment of a present interest, but only to a contract to assign when the interest becomes vested.” *Id.*

Fourth, modern contract law and the law of personal property have applied the same principle that a present assignment of personal property operates merely as a contract to assign. In order to effect transfer of personal property, the property to be transferred must have an actual or potential existence at the time of transfer. And in order to perfect the transfer, affirmative action is required once the capacity to transfer has arisen. *Stathos v. Murphy*, 276 N.Y.S.2d 727, 730 (App. Div. 1966), *aff’d*, 19 N.Y.2d 883 (1967). *See also Ingersoll-Rand Co. v. Ciavatta*, 110 N.J. 609, 624, 542 A.2d 879, 886 (1988) (involves post-employment inventions but discusses development and scholarly treatment of doctrine).

*Corbin on Contracts* is to the same effect: “Courts recognize assignments of interests that do not exist [that are but] mere expectancies and therefore take effect as ‘equitable assignments’ when the right assigned comes into existence.” 9 John E. Murray, Jr., *Corbin on Contracts* (rev. ed. 2007).

This principle is reflected in Section 2-105(2) of the UCC of New York, where the events in this case occurred:

Goods must be both existing and identified before any interest in them can pass. Goods which are not both existing and identified are “future”

goods. A purported present sale of future goods or of any interest therein operates as a contract to sell. N.Y. U. Comm. Code § 2-105(2) (emphasis added).

Citing that UCC section, *Williston on Contracts* teaches that “a present assignment in gross of a patent and all future patents on improvements on the device operates as a contract to assign such future patents.” 6 Richard A. Lord, *Williston on Contracts* § 13:17, at 755 (4th ed. 2006).

Because Patent Law has long treated patents and all interests therein as having the attributes of personal property, a rule now enshrined in 35 U.S.C. § 261, these rules should have continuing and controlling force here.

Finally, as noted by Justice Breyer, *Stanford University*, 131 S. Ct. at 2203, not only did *FilmTec* fail to explain its seemingly significant change in the law, the Federal Circuit has never explained it. This is especially troubling because at least one other decision of that court significantly undermines *FilmTec*’s “automatic assignment” rule. Quoting the same Treatise by George Curtis that Justice Breyer cited in his Dissent in *Stanford University*, the Federal Circuit’s decision in *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d at 1581, stated as follows:

Although an agreement to assign in the future inventions not yet developed may vest the promisee with equitable rights in those inventions once made, such an agreement does not by itself vest legal title to patents on the inventions in the promisee: “The *legal* title to an

invention can pass to another only by a conveyance which operates upon the thing invented after it has become capable of being made the subject of an application for a patent.” G. Curtis, *A Treatise on the Law of Patents* § 170 (4th ed. 1873) (emphasis in original) (indentation altered).”

*Arachnid* and *FilmTec* cannot be reconciled. Not only is *FilmTec* contrary to long-standing rules of Equity and Law, it directly conflicts with another decision of the Federal Circuit.<sup>6</sup>

Petitioners respectfully submit that this Court must step in and reconsider *FilmTec*’s ill-advised rule.

**V. *FilmTec*’s “Automatic Assignment” Rule is Likely to Have a Substantial Deleterious Effect on a Vast Number of Inventions and Patents.**

Patent Office statistics show that of the 224,505 utility patents granted in 2011, only 22,123 (9.85%) were issued to individual inventors at the

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<sup>6</sup> This intracircuit conflict is an additional ground for review by certiorari because the conflict occurs within the circuit most frequently confronted with this issue, *Maggio v. Zeitz*, 333 U.S. 56, 59-60 (1948), and because the question presented by this intracircuit conflict is one of importance. *John Hancock Mut. Ins. Co. v. Bartels*, 308 U.S. 180, 181 (1939). See also *Dickinson v. Petroleum Conversion Corp.*, 338 U.S. 507, 508 (1950) (certiorari proper where intracircuit conflict involves important question).



time of grant; the rest were granted to organizations.<sup>7</sup> Indeed, it is generally accepted that “the great majority of contemporary inventors create new technologies while serving as employees, usually of large corporate entities.” Roger Schechter & John Thomas, *Principles of Patent Law* 378 (2d ed. 2004); see also *Ingersoll-Rand Co. v. Ciavatta*, 110 N.J. 609, 624, 542 A.2d 879, 886 (1988). Thus, rules of construction of invention assignment agreements between inventors and their employers reach far beyond the confines of this case.

As a result of this important reality, there are likely many time-bombs buried in the files of many large Universities and businesses some of whose original faculty or employee assignment agreements used the “hereby assign” terminology, and others whose agreements said “will assign.”

On the one hand, as in this case, there are likely a large number of inventors who spent years and great expense patenting, developing, and commercializing inventions they rightly believed to be theirs based on the default rule of ownership, only to be abruptly divested of that ownership by a prior employer which had long ago eschewed any claim to the invention and now valuable patents (as IBM did

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<sup>7</sup> Compare: U.S. Patent and Trademark Office Patent Technology Monitoring Team Statistical Reports – *Patent Counts By Class By Year – Independent Inventors*, [www.uspto.gov/web/offices/ac/ido/oeip/taf/cbcbby\\_in.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cbcbby_in.htm) with *Table of Annual U.S. Patent Activity Since 1790* [www.uspto.gov/web/offices/ac/ido/oeip/taf/h\\_counts.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm) (both last visited Aug. 29, 2012).

here), but which suddenly decided to claim the invention based on contractual language “hereby assign” in a long-stale employment agreement.

Or, on the other hand, as in *Stanford University*, because the original agreement said “will assign,” organizations that have expended substantial resources patenting protection faculty or employee inventions face the realistic risk of divestiture of those patents, or even whole patent portfolios, because the faculty/inventors or employee/inventors were free to assign the invention and patents to someone else, accidentally, or worse, intentionally.<sup>8</sup>

This is an intolerable situation.

#### **VI. The Equities Clearly Favor Picture Patents’ Ownership Claim.**

Under a proper construction of the assignment language of Ms. Baker’s Employment Agreement, all IBM received was at most an equitable right, one that should have been balanced against her legal title and her much more compelling equitable rights to ownership. The courts below erred by not considering those equities before ruling that IBM owned the patents and Petitioners did not.

Perhaps most egregious are the facts that Ms. Baker and her companies spent more than \$200,000

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<sup>8</sup> The Court’s questioning during the oral argument of *Stanford University* explored the possibility of using these slight differences in contract language to evade the requirements of the Bayh-Dole Act, 35 U.S.C. §§ 200-212, and deny the government title to federally-funded inventions. Transcript of Feb. 28, 2011 Oral Argument at 37-43, *Stanford University* (No. 09-1159).

securing and maintaining patent protection for her PUI invention. (R. 170, Rule 56.1 Stmt. ¶¶ 8, 10.) She invested over 5,700 hours, nearly three working years of her life, over an eighteen year period to prosecute and maintain the patents, and to develop companies to practice and commercialize the invention. (*Id.*) Coupled with these equities is IBM's virtually complete failure to claim any rights to the invention for the many years after it knew that Ms. Baker claimed the invention as her own.

Given these facts, the District Court's rote transfer of title to IBM eighteen years after Ms. Baker left IBM is startlingly unjust and inequitable.

From these and other compelling equities, it is clear that the *FilmTec* rule is wrong and must be overruled.

If all IBM received from the Employment Agreement is equitable rights, Ms. Baker's assignments of legal title to one or both Petitioners actually conveyed a real interest, contrary to the District Court's declaratory judgment ruling on IBM's Counterclaim that neither of Petitioners ever received title which was automatically vested in IBM.

## **VII. *FilmTec*'s "Automatic Assignment" Rule is Substantially Contrary to the Policies Underlying Patent Law.**

As noted above, *supra* at page 18, *Dubilier Condenser*, 289 U.S. at 188, teaches that the courts have been reluctant "to imply or infer an agreement by the employee to assign his patent."

But *FilmTec*'s anti-inventor "automatic assignment" rule does not reflect that reluctance at

all, and instead guillotines an inventor's rights out of existence by failing to consider competing equities based on events occurring after the execution of the assignment agreement.

*FilmTec* haunts in three guises. First, as in this case, after the inventor spent years of time and great expense patenting and attempting to commercialize her invention, her long-past, part-time employer ripped ownership of the invention and patents from her merely because the original phrase in the employment agreement said "hereby assign."

Second and conversely, as in *Stanford University*, wherein the original contract used the phrase "agree to assign," the inventor was free to transfer the invention and patents to a third party divesting the University of title even though it had obtained a formal assignment from the inventor after the invention was conceived, recorded that assignment with the PTO, and spent years patenting and commercializing the invention. *Stanford University*, 131 S. Ct. at 2192.

*FilmTec's* third ghost is equally as frightening. It completely divests inventors of important rights guaranteed them by the Patent Act, especially by Section 256 for the correction of inventorship. The Federal Circuit is developing a body of law to the effect that an inventor who by the use of the phrase "hereby assign" has transferred his inventions to an employer retains no interest of any kind in the invention and patent, and therefore does not have Article III standing to sue for the correction of inventorship under Section 256. See, e.g., *Larson v. Correct Craft, Inc.*, 569 F.3d 1319 (Fed. Cir. 2009); *Jim Arnold*, 109 F.3d at 1571-72.

This third spectre is not fanciful at all, but is reflected in recent Section 256 cases applying the *FilmTec* rule to deny an inventor the right to correct his omission from a patent. 35 U.S.C. § 256. *Shukh v. Seagate Tech., LLC*, 2011 U.S. Dist. LEXIS 33924 (D. Minn. Mar. 30, 2011); *see also Shukh v. Seagate Tech., LLC*, 2011 U.S. Dist. LEXIS 120219 (D. Minn. Oct. 18, 2011) (denying interlocutory appeal).

It is difficult to conjure up a more anti-inventor rule that is so starkly destructive of the purposes of the Patent Clause of the Constitution and implementing laws. After all, the central purpose of American Patent Law is to protect an inventor's rights. "[T]he primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is 'to promote the progress of science and useful arts.'" *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917). The Patent Clause grants Congress the power to grant patents to inventors. U.S. Const., Art. 1, Sec. 8. Patents must always be issued in the inventors' names, and with some exceptions that do not pertain here, the inventor must swear an oath that he or she is the inventor. *See* 35 U.S.C. §§ 111, 115, and 116.

Professor Chisum has criticized "the Federal Circuit's excessively technical application of the standing requirement," and noted that "[t]here is little justification for the Federal Circuit's application of its own law to upset ownership interests traditionally and appropriately grounded in general legal principles of contract, property and employment law." 8-22 Chisum on Patents § 22.03[1][k][v], p. 22-89 (2012).

The correct rule, which Petitioners will urge the Court to adopt, is that an agreement purporting to assign ownership of an invention that does not yet exist conveys only equitable rights, not legal title, which must be conveyed by an additional act once the invention comes into existence if the equities justify that subsequent transfer. This will allow the courts of equity to balance competing claims of ownership based on the facts and equities that occur both before and after the invention is created.

Requiring putative assignees to take such affirmative steps to perfect legal title will not interfere with the rights of employers to their employees' inventions. Once an invention comes into existence, employers merely need obtain a formal assignment from the employee. This is nothing new. In fact, Rule 3.73(b)(1)(i) of the PTO's MPEP, 37 C.F.R. § 3.73(b)(1)(i), requires any patent applicant to establish the right to prosecute the patent application by submitting sufficient documentary proof of ownership including "[d]ocumentary evidence of a chain of title from the original owner to the assignee (*e.g.*, copy of an executed assignment)." *See* 35 U.S.C. § 118. *But see also* footnote 2, *supra*, at page 11, regarding the slight change to Section 118 by the Leahy-Smith America Invests Act.

Furthermore, *FilmTec's* failure to insist on such a formal assignment makes the assignment and title records of the PTO completely worthless. *See* MPEP, 37 C.F.R. Ch. 300, §§ 301-24, entitled "Ownership and Assignment" (setting forth requirements for recordation of assignment). How many patents and patent assignments are recorded at the PTO which are subject to an ancient and

surprise claim of ownership by a former employer because an agreement buried in its files says “hereby assign.” Conversely, how many universities or employers think that they own patents, and have recorded their ownership documents at the PTO, when in fact their original agreements contain the “will assign” language and the inventor has transferred it on to someone else who will be ultimately held to be the owner? Probably thousands in each instance.

Either factual situation completely destroys the effective notice the PTO’s assignment records are intended to provide. As Professor Chisum has noted, this “uncertainty endangers the reliance interests of patent owners.” 8-22 Chisum, *supra*, § 22.03[1][k][v] at p. 22-89. As a matter of common sense and experience, it must also threaten the interests of innocent third parties, such as patent licensees, lenders, and other lien holders.

This is seriously unwise as a matter of patent policy which should be flexible enough to be able to balance competing claims of ownership based on the realities and the equities, not a rote application of an unwise rule.

#### **VIII. This Case is a Suitable Vehicle for Review of the *FilmTec* “Automatic Assignment” Rule.**

Review of this case is appropriate even though there is no opinion by the Federal Circuit.

First, the issue presented is an important one.

Second, the facts clearly frame the issue presented.

Third, the district court's opinion contains a sufficient explication and application of the *FilmTec* "automatic assignment" rule that Petitioners attack. (App. 27a-30a.)

Fourth, by a Petition for Rehearing *En Banc*, Petitioners gave the full Federal Circuit the opportunity to reconsider *FilmTec* in view of the criticisms by the Dissent and Concurrence in *Stanford University*, but without explanation the panel below and the full Federal Circuit declined that invitation. (App. 50a.)

Fifth, the *FilmTec* rule is firmly established as Federal Circuit precedent and, as pointed out above, *supra*, at page 22, has been repeatedly reaffirmed by that Court, each time without the explanation that Justice Breyer's Dissent in *Stanford University* noted was missing when *FilmTec* was first announced in 1991.

Sixth, because appellate jurisdiction in patent cases is exclusively vested in the Federal Circuit, it is almost certain that no other courts of appeals will have the occasion to consider this issue. Indeed, as far as Petitioners have been able to determine, no other court of appeals has ever substantively considered the *FilmTec* rule.

Seventh, on its face, *FilmTec* conflicts with another Federal Circuit decision, a conflict that Court has yet to reconcile. *Arachnid*, 939 F.2d at 1581. See footnote 6, *supra* at page 29.

All these factors strongly militate in favor of review.



**CONCLUSION**

For the foregoing reasons, Petitioners respectfully request that the Petition for Writ of Certiorari be granted.

September 17, 2012.

Respectfully submitted,  
Constantine John Gekas  
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*Attorneys for Petitioners*



NOTE: This disposition is nonprecedential.

**United States Court of Appeals  
for the Federal Circuit**

**PICTURE PATENTS, LLC,**  
*Plaintiff/ Counterclaim Defendant-Appellant,*  
and  
**INTELLINET, INC.,**  
*Counterclaim Defendant-Appellant,*

v.

**AEROPOSTALE, INC., DICK'S SPORTING  
GOODS,  
INC., MLB ADVANCED MEDIA, L.P.,  
MAJOR LEAGUE BASEBALL PROPERTIES,  
INC.,  
NBA MEDIA VENTURES, LLC, NBA  
PROPERTIES,  
INC., NATIONAL BASKETBALL  
ASSOCIATION,  
and THE CHARLOTTE RUSSE, INC.,**  
*Defendants-Appellees,*  
and  
**GSI COMMERCE SOLUTIONS, INC. and GSI  
COMMERCE, INC.,**  
*Defendants/ Counter claimants-Appellees,*  
and

**INTERNATIONAL BUSINESS MACHINES  
CORPORATION,**

*Defendant/ Counter claimant-Appellee.*

2011-1558

Appeal from the United States District Court for the Southern District of New York in No. 07-CV-5567, Judge John G. Koeltl.

**JUDGMENT**

THOMAS J. PARKER, Alston & Bird, of New York, New York argued for plaintiff/counterclaim defendant-appellant Picture Patents, LLC. and counterclaim defendant-appellant Intellinet, Inc. With him on the brief were MICHAEL S. CONNOR and DAVID M. ALBAN, of Charlotte, North Carolina.

NATHAN K. CUMMINGS, Cooley LLP, of Reston Virginia, argued for defendants-appellees Aeropostale, Inc, et al and defendants/counterclaimants-appellees GSI Commerce, et al. With him on the brief were LORI MASON; and JANET L. CULLUM, of New York, New York

MARK J. ABATE, Godwin Procter LLP, of New York, New York, argued for defendant/counterclaimant-appellee International Business Machines Corporation. With him on the brief were CALVIN E. WINGFIELD, JR.; and WILLIAM F. SHEEHAN, of Washington, DC.

THIS CAUSE having been heard and considered,

3a

it is ORDERED and ADJUDGED:

PER CURIAM (PROST, MAYER, and  
WALLACH, *Circuit Judges*).

**AFFIRMED. See Fed. Cir. R. 36.**

ENTERED BY ORDER OF THE COURT

April 13, 2012

Date

/s/ Jan Horbaly

Jan Horbaly  
Clerk

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

---

PICTURE PATENTS, LLC,

Plaintiff,

Filed: July 25, 2011

-against-

AEROPOSTALE, INC., ET AL.,

Defendants,

- and -

07 CIVIL 5567 (JGK)

~~{PROPOSED}~~ FINAL JUDGMENT

INTERNATIONAL BUSINESS  
MACHINES CORPORATION,

Defendant/Counterclaimant,

-against-

v.

PICTURE PATENTS, LLC and  
INTELLINET,

Counterclaim Defendants.

---

The Infringement Defendants having moved to  
dismiss Picture Patents' claims; Picture Patents and

IBM having cross-moved for partial summary judgment on the claims for declaratory judgment of ownership of U.S. patents and foreign and international patents and patent applications, and the matter having come before the Honorable John G. Koeltl, United States District Judge, and the Court, on April 1, 2011, having rendered its Opinion and Order denying Picture Patents' motion for summary judgment, granting the Infringement Defendants' motion to dismiss, granting IBM's motion for summary judgment of ownership of the U.S. patents, denying IBM's motion for summary judgment of ownership of the foreign and international patents and patent applications without prejudice to renewal, and dismissing the Fourth Amended Complaint with prejudice, and on ~~June —, 2011~~ July 6, 2011, the Court having entered a Consent Judgment submitted by Picture Patents and IBM as to IBM's ownership of the foreign and international patents and patent applications, it is,

**ORDERED ADJUDGED AND DECREED:** That for the reasons stated in the Court's Opinion and Order dated April 1, 2011 and the Consent Judgment dated ~~June —, 2011~~ July 6, 2011,

1. Picture Patents' motion for summary judgment of ownership of the U.S. foreign and international patents and patent applications in suit is denied;

2. The Infringement Defendants' motion to dismiss is granted;

3. The Fourth Amended Complaint is dismissed with prejudice;

4. IBM's motion for summary judgment of ownership of the U.S. foreign and international patents and patent applications in suit is granted;

5. IBM owned and owns U.S. Patent Nos. 5,715,416; 6,002,401 and 6,278,455 and any other corresponding or related patents or patent applications (e.g. reissues, divisionals, continuations, continuations-in-part, substitutes, renewals and extensions);

6. IBM owned and owns Australian Patent No. 199537645. Canadian Patent No. 2202880. Denmark Patent No. 69535524, French Patent No. 793824. European Patent No. 793824, German Patent No. 69535524, Great Britain Patent No. 0793824, Japanese Patent Publication No. 10507020, Patent Cooperation Treaty International Publication No. WO 96/10782 and any other corresponding or related patents or patent applications (e.g. reissues, divisionals, continuations, continuations-in-part, substitutes, renewals and extensions); and

7. IBM's claims for conversion, unjust enrichment and recent contract are dismissed without prejudice.

Dated: New York, New York

7/ 6, 2011



7a

s/ Hon. John G. Koeltl  
U.S.D.J.

8a

UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF NEW  
YORK

---

Picture Patents, LLC,

Plaintiff,

Civil Case No. 07CV5567 (JGK)  
v. (HBP)

Aeropostale, Inc., et al. Filed: July 25, 2011

Defendants,

and

International Business Machines Corporation,

Declaratory Judgment  
Defendant/Counterclaimant,

v.

Picture Patents, LLC and Intellinet,  
Inc.,

Counterclaim Defendants.

---

**CONSENT JUDGMENT**

IBM Corporation, Picture Patents, LLC (“Picture Patents”) and Intellinet, Inc. (“Intellinet”) hereby stipulate and consent to entry of partial judgment in this action, including the findings of fact and conclusions of law set forth herein, as follows:

The Court hereby ORDERS, ADJUDGES AND DECREES:

1. This Court has jurisdiction over the subject matter of this action and has personal jurisdiction over the parties.
2. In an April 1, 2011 Opinion and Order, this Court granted IBM’s motion for summary judgment that IBM owned and owns United States Patent Nos. 5,715,416 (“the ‘416 patent”), 6,002,401 (“the ‘401 patent”) and 6,278,455 (“the ‘455 patent”) (collectively, “the U.S. Patents”). The public version of the Opinion and Order issued on April 18, 2011. Dk. 190.
3. In that same Opinion and Order, this Court denied without prejudice IBM’s motion for summary judgment that IBM owned a number of foreign and international patents and patent applications because of insufficient evidence. This Court granted IBM leave to renew that motion to introduce additional evidence as to the ownership of the foreign and international patents and patent applications.
4. The foreign and international patents and

patent applications at issue are: Australian Patent No. 199537645, Canadian Patent No. 2202880, Denmark Patent No. 69535524, French Patent No. 793824, European Patent No. 793824, German Patent No. 69535524, Great Britain Patent No. 0793824, Japanese Patent Publication No. 10507020, Patent Cooperation Treaty International Publication No. WO 96/10782 and any other corresponding or related patents or patent applications (e.g. reissues, divisionals, continuations, continuations-in-part, substitutes, renewals and extensions) (collectively, “the foreign and international patents and patent applications”).

5. The foreign and international patents and patent applications arise from the same invention as the U.S. Patents. Specifically, each of the foreign and international patents and patent applications: (a) claims priority back to either the U.S. Patent Application Serial No. 08/316,518 (“the ‘518 patent application”), which is the application that led to the ‘416 patent and is the parent patent application to the ‘401 and ‘455 patents, or Patent Cooperation Treaty International Publication No. WO 96/10782, which claims priority to the ‘518 patent application; and (b) is entitled “User Definable Pictorial Interface for Accessing Information in an Electronic File System” – similar to the title of the ‘518 patent application and the ‘416 patent, and the same as the title of the ‘401 patent.

6. Ms. Baker caused the filing of an international patent application corresponding to the ‘518 patent

application and the foreign and international patents and patent applications issued from that international patent application. Likewise, Picture Patents and Intellinet recognized that the foreign and international patents and patent applications are the result of the same invention as the U.S. Patents.

7. Because the foreign and international patents and patent applications arise from the same invention as the U.S. Patents, had IBM renewed its motion for summary judgment that IBM owned the foreign and international patents and patent applications, Picture Patents and Intellinet would have conceded that summary judgment should be granted in view of the Court's April 1, 2011 Opinion and Order granting summary judgment that IBM owned the U.S. Patents. Therefore, for the reasons expressed in the Court's April 1, 2011 Opinion and Order, the Court rules that IBM owned and owns the foreign and international patents and patent applications.

8. If requested by IBM, Picture Patents or Intellinet or any of their respective officers, directors or agents will execute or cause the execution of any documents or take any action reasonably necessary for IBM (at no cost to Picture Patents, Intellinet or Michelle Baker) to effectuate or record its ownership of the foreign and international patents and patent applications.

9. Neither Picture Patents, Intellinet, nor any

their respective officers, directors or agents will dispute the validity or enforceability of the U.S. Patents or the foreign and international patents and patent applications.

10. IBM's counterclaims for unjust enrichment, conversion and breach of contract are dismissed without prejudice.

11. This Court retains jurisdiction over this action including disputes arising out of this Consent Judgment, implementation of this Consent Judgment or actions to enforce or supervise performance under this Consent Judgment.

12. Each Party shall bear its own costs and attorneys fees.

13. Nothing in this Consent Judgment constitutes a waiver or otherwise compromises in any way Picture Patents' and Intellinet's right to appeal any portion of this Court's April, 1, 2011 Opinion and Order and this Consent Judgment. Further, nothing herein constitutes an admission by Picture Patents and Intellinet that IBM owns the U.S., foreign or international patents or patent applications; however, Picture Patents and Intellinet acknowledge that this Court ruled that IBM is the owner of the U.S. patents and the foreign and international patents and patent applications for the reasons expressed in the Court's April 1, 2011 Opinion and Order and this Consent Judgment.

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Dated: 7/6/2011      s/ John G. Koeltl  
Hon. John G. Koeltl  
United States District  
Court Judge

We consent to the form and entry of the foregoing  
Consent Judgment.

s/ Thomas J. Parker  
Thomas J. Parker (TP 7219)  
ALSTON & BIRD LLP  
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*Attorneys for Picture Patents, LLC*  
*and Intellinet, Inc.*

Dated: 6/28/2011

s/ [Illegible]  
Mark J. Abate (MA 2395)  
GOODWIN PROCTER LLP  
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*Attorneys for International Business*  
*Machines Corporation*  
Dated: 7/1/2011

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

X

PICTURE PATENTS, LLC,

Filed: April 25, 2011

Plaintiff,

07 **CIVIL** 5567 (JGK)

-against-

**JUDGMENT**

AEROPOSTALE, INC., ET AL.

Defendants,

- and -

INTERNATIONAL BUSINESS MACHINES  
CORPORATION,

Defendant/Counterclaimant,

-against-

PICTURE PATENTS, LLC and INTELLINET,  
INC.,

Counterclaim Defendants.

X

The Infringement Defendants having moved to dismiss Picture Patents' claims; Picture Patents and IBM having cross-moved for partial summary judgment on the claims for declaratory judgment, and the matter having come before the Honorable John G. Koeltl, United States District Judge, and the



Court, on April 15, 2011, having rendered its Opinion and Order denying Picture Patents' motion for summary judgment, granting the Infringement Defendants' motion to dismiss, granting IBM's motion for summary judgment except that its claim for declaratory judgment as to the ownership of any foreign or international patents and patent applications is denied without prejudice to renewal, and dismissing the Fourth Amended Complaint with prejudice, it is,

**ORDERED, ADJUDGED AND DECREED:**

That for the reasons stated in the Court's Opinion and Order dated April 15, 2011, Picture Patents' motion for summary judgment is denied; the Infringement Defendants' motion to dismiss is granted; IBM's motion for summary judgment is granted except that its claim for declaratory judgment as to the ownership of any foreign or international patents and patent applications is denied without prejudice to renewal; and the Fourth Amended Complaint is dismissed with prejudice.

**Dated:** New York, New York

April 25, 2011

**RUBY J. KRAJICK**

**Clerk of Court**

**BY:**

/s [Illegible]

**Deputy Clerk**

THIS DOCUMENT WAS ENTERED  
ON THE DOCKET ON

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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PICTURE PATENTS, LLC,

Plaintiff,

– against –

07 Civ. 5567 (JGK)  
OPINION AND  
ORDER UNDER  
SEAL

AEROPOSTALE, INC., ET AL.  
Defendants,

– and –

INTERNATIONAL BUSINESS MACHINES  
CORPORATION,  
Defendant/Counterclaimant,

– against –

PICTURE PATENTS, LLC and INTELLINET,  
INC.,

Counterclaim Defendants.

---

JOHN G. KOELTL, District Judge:

This Order concerns the ownership of United States Patents No. 6,278,455 ("the '455 Patent"), No. 5,715,416 ("the '416 Patent"), and No. 6,002,401 ("the '401 Patent"; collectively, "the '455 Patent Family" or

"the Patents"). The plaintiff, Picture Patents, LLC ("Picture Patents"), sued Aeropostale, Inc., Dick's Sporting Goods, Inc., Charlotte Russe, Inc., GSI Commerce Solutions, Inc., the National Basketball Association, NBA Properties, Inc., NBA Media Ventures, LLC, Major League Baseball Properties, Inc., and MLB Advanced Media, L.P. (collectively, "the Infringement Defendants"), along with other parties not relevant to this Order, for patent infringement. The Infringement Defendants moved to dismiss Picture Patents' claims for lack of standing, arguing principally that the patents were owned by International Business Machines Corp. ("IBM") rather than Picture Patents. Picture Patents then filed the Fourth Amended Complaint ("FAC"), which added IBM as a defendant and sought declaratory judgment that Picture Patents owned the '455 Patent. IBM responded by bringing seven counterclaims against Picture Patents, including requests for declaratory judgment that IBM owns each of the patents in the '455 Patent Family. IBM subsequently brought in Intellinet, Inc. ("Intellinet") as a counterclaim defendant on the declaratory judgment claims. Picture Patents and IBM cross-moved for partial summary judgment on the claims for declaratory judgment.

## I.

The following facts are undisputed, unless otherwise noted.

**A.**

Michelle Baker is the founder, managing member, and only voting member of Picture Patents. (Pl.'s Rule 56.1 Stmt. ¶ 9; IBM's Rule 56.1 Stmt. ¶¶ 199-200.) She is also the founder, president, and only officer of Intellinet, Inc. ("Intellinet"). (Pl.'s Rule 56.1 Stmt. ¶ 8; IBM's Rule 56.1 Stmt. ¶¶ 196-97.)

On November 7, 1990, while a doctoral student at Columbia University, Baker began work as a part-time employee at IBM. (Pl.'s Rule 56.1 Stmt. ¶¶ 11-13; IBM's Rule 56.1 Stmt. ¶ 1.) Baker worked in IBM's Software Performance Analysis Group, which "evaluated existing software code to improve code performance." (Pl.'s Rule 56.1 Stmt. ¶ 18.) The day she began working at IBM, Baker signed an "Agreement Regarding Confidential Information and Intellectual Property" ("the IP Agreement"). (Pl.'s Rule 56.1 Stmt. ¶ 14; IBM's Rule 56.1 Stmt. ¶ 2; Corrected Decl. of Calvin Wingfield ("Wingfield Decl.") Ex. 10.) Paragraph 4 of the IP Agreement stated, in pertinent part:

4. I hereby assign to IBM my entire right, title and interest in any idea, invention, design of a useful article (whether the design is ornamental or otherwise), computer program and related documentation, and other work of authorship (all hereinafter called "Developments"), hereafter made or conceived solely or jointly by me, or created wholly or in part by me, whether or not

such Developments are patentable, copyrightable or susceptible to other forms of protection, and [sic] the Developments: (a) relate to the actual or anticipated business or research or development of IBM or its subsidiaries, or (b) are suggested by or result from any task assigned to me or work performed by me for or on behalf of IBM or its subsidiaries. . . .

The above provisions concerning assignment of Developments apply only while I am employed by IBM in an executive, managerial, product or technical planning, technical, research, programming or engineering capacity . . . .

(Wingfield Decl. Ex. 10.) Baker understood that the IP Agreement applied regardless of where or when -- whether at work or after hours -- she created the intellectual property. (*Id.* Ex. 96 ("Baker Dep.") at 369:10-24.)<sup>1</sup>

The IP Agreement allowed Baker to designate

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<sup>1</sup>The plaintiff disputes whether Baker understood the IP Agreement to apply to inventions that were not "directly related to the tasks she was hired to perform," but does not claim that the IP Agreement excluded inventions that were created while on vacation or otherwise not at work or that Baker understood it to contain such an exclusion. (Pl.'s Resp. to IBM's Rule 56.1 Stmt. ¶ 23; Hr'g Tr. Dec. 2, 2010 ("Hr'g Tr."), at 36.)

inventions that were excluded from the scope of the assignment in two ways. First, it provided that Paragraph 4 "[e]xcluded . . . any Developments that [Baker] cannot assign to IBM because of prior agreement with \_\_\_\_\_ which is effective until \_\_\_\_." (Id. Ex. 10) In these blanks, Baker entered "Columbia University" and "graduation," respectively. (Id.) The IP Agreement also allowed Baker to identify any "Developments not assigned by Paragraph 4 in which [she has] any right, title or interest, and which were previously made or conceived solely or jointly by [her], or written wholly or in part by [her], but neither published nor filed in any patent office." (Id.) Baker wrote in "none." (Id.)

In the summer of 1990, prior to receiving an offer to work at IBM, Baker had "considered the problem of how to make computer systems more accessible by using pictures." (Pl.'s Rule 56.1 Stmt. ¶ 11.) She "devised a solution to this problem" "[w]hile driving to her father's home in South Carolina for the Thanksgiving holiday in 1991." (Id. ¶ 12.) Specifically, Baker conceived "a novel pictorial user interface that utilized data structures to link files to pictures and regions within pictures." (Id.) According to Baker, she "completed conception of the invention" during the Thanksgiving holiday break. (Id. at 6.)

Baker discussed the pictorial user interface ("the PUI" or "the Invention") with various IBM employees over the next year and a half. (Id. ¶¶ 20-23, 27-38; IBM's Rule 56.1 Stmt. ¶¶ 75, 94-108, 119-31, 133-39, 147-48.) She refined the PUI during work hours, using IBM's office equipment, as well as resources including

IBM's research library, databases, and confidential documents. (Baker Dep. 218:20-219:21, 227:5-16, 593:12-594:19, 603:20-604:20; Wingfield Decl. Ex. 40, 49, 51-53.) According to Baker, her communications with IBM employees and use of IBM resources were part of an attempt "to negotiate a deal with IBM whereby IBM would assist her in patenting and commercializing her invention." The plaintiff contends that none of the IBM employees with whom she discussed the PUI "contributed to the conception of the invention or its reduction to practice" and that "Ms. Baker's only use of IBM resources relating to her invention was limited to preparing materials for use in presenting and working out a deal with IBM." (Pl.'s Rule 56.1 Stmt. ¶ 20, 28.)

Baker's employment with IBM ended in June 1993. (Pl.'s Rule 56.1 Stmt. ¶ 49.)<sup>2</sup> Baker claims that she communicated to IBM that she believed that she owned the Invention, and that she intended to file a patent application for it. (*Id.* ¶¶ 50-51.) IBM denies that Baker informed IBM that she intended to file a patent application regarding the Invention. (IBM's Resp. to Pl.'s Rule 56.1 Stmt. ¶ 50.) On June 23, 1993, Baker's manager at IBM wrote a memo, with copies to Baker and others, that stated:

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<sup>2</sup> The parties dispute the circumstances of the end of Baker's employment with IBM. Baker claims that she was "terminated because she was spending too much time meeting with IBM managers about her invention" (Pl.'s Rule 56.1 Stmt. ¶ 49), while IBM claims that Baker "left the employ of IBM based on written mutual agreement" (IBM's Resp. to Pl.'s Rule 56.1 Stmt. ¶ 49.).

Baker stated that she assumes IBM is not interested in her invention of "Pictorial User Interface", and is relinquishing all claims on said invention. This memo is to document that her assumptions are wrong and that IBM has not relinquished any claims to said invention or any other inventions and/or copyrightable works made or conceived by her during her employment with IBM.

(Pl.'s Rule 56.1 Stmt. ¶ 52; Decl. of Srilakshmi Ravi ("Ravi Decl.") Ex. 47.)

## **B.**

After she left IBM, Baker continued to develop the PUI and caused three patent applications to be filed between 1994 and 1999. (Pl.'s Rule 56.1 Stmt. ¶¶ 1, 58; Ravi Decl. Ex. 1, 3, 5.) These patent applications resulted in the issuance of the '455 Patent Family. (Pl.'s Rule 56.1 Stmt. ¶ 1; Ravi Decl. Ex. 2, 4, 6.) At some point, Baker also filed foreign and international patent applications based on the Invention. (IBM's Rule 56.1 Stmt. ¶ 6; Baker Dep. 171:23-176:16.)

On December 4, 2003, Baker signed a document ("the Intellinet Assignment") assigning "the entire right, title and interest" in the Patents to Intellinet. (Ravi Decl. Ex. 10.)

On May 9, 2006, Baker signed another document ("the Picture Patents Assignment") identifying Baker



as the assignor and purporting to transfer "the entire right, title and interest" in the Patents to Picture Patents. (Id. Ex. 12.) Intellinet is not mentioned in any way in the Picture Patents Assignment. The Picture Patents Assignment was accompanied by an Assumption of Debt Agreement ("the Debt Agreement") entered into jointly by Picture Patents, Intellinet, and Baker, in which Picture Patents assumed over \$50,000 in debt that Baker owed to Intellinet in exchange for her agreement "to assign her interest in [the Inventions] to [Picture Patents] pursuant to the Assignment Agreement dated May 9, 2006." (Id.) The Debt Agreement stated that Intellinet "consents to the assignment of the PROMISSORY NOTES by [Baker] to [Picture Patents] and acknowledges that [Baker] is hereby released from any and all obligations under the PROMISSORY NOTES." (Id.)

## II.

Picture Patents filed a patent infringement action against the Infringement Defendants on June 11, 2007, alleging that each had infringed the '455 Patent. The Infringement Defendants moved to dismiss the complaint for lack of standing on the ground that the '455 Patent was owned by IBM, rather than Picture Patents.

Picture Patents then filed the FAC, which added a claim for declaratory judgment against IBM as to the ownership of the '455 Patent and as to Baker's sole inventorship of the '455 Patent. IBM responded to the declaratory judgment claim by arguing, among other things, that Picture Patents had failed to state a claim

upon which relief could be granted and that it had failed to provide adequate evidence of ownership. IBM also filed seven counterclaims, seeking declaratory judgment that it owned all three of the patents in the '455 Patent Family and any foreign patents and patent applications corresponding to the Patents or the patent applications that led to their issuance, as well as bringing claims for conversion, unjust enrichment, and breach of contract. IBM subsequently amended its counterclaims to add Intellinet as a defendant on the claims for declaratory judgment.

Picture Patents and IBM cross-moved for summary judgment on their claims for declaratory judgment. Additionally, the Infringement Defendants renewed their motion to dismiss for lack of standing, arguing that either IBM owned the Patents, by virtue of the IP Agreement, or that Intellinet owned them, by virtue of the Intellinet Assignment.<sup>3</sup>

### III.

The motions at issue in this Order concern two sets of questions. The first set comprises two contractual matters: First, did IBM obtain ownership of the Patents by operation of the IP Agreement, or was the Invention outside its scope and thus retained by Baker? Second, assuming that Baker validly owned the Patents that she assigned to Intellinet, did the Picture Patents Assignment effectively assign Intellinet's

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<sup>3</sup> No party moved for summary judgment on IBM's counterclaims for conversion, unjust enrichment, and breach of contract. Those claims are not at issue in this Opinion.

rights to Picture Patents?

If either of these questions is decided against Picture Patents, then Picture Patents lacks standing to sue the Infringement Defendants, as Picture Patents conceded at argument. (Hr'g Tr. Dec. 2, 2010 ("Hr'g Tr.") at 7.) "In general . . . only the owner of a patent has standing to sue for infringement of the patent." Imatec, Ltd. v. Apple Computer, Inc., 81 F. Supp. 2d 471, 481 (S.D.N.Y. 2000); see also Lujan v. Defenders of Wildlife, 504 U.S. 555, 561 (1992), ("The party invoking federal jurisdiction bears the burden of establishing [standing]."). If that is the case, the Court must dismiss the case for lack of jurisdiction. See Imatec, 81 F. Supp. 2d at 480.

The second set of questions concerns IBM's ability to assert its ownership under the IP Agreement, if the Court concludes that the IP Agreement assigned the Invention to IBM. Picture Patents argues that the New York statute of limitations bars IBM from relying on the IP Agreement to interpose an ownership-based defense against its declaratory judgment claims or to bring counterclaims for declaratory judgment. It also argues that IBM cannot avail itself of its rights under the IP Agreement due to the equitable doctrines of laches and equitable estoppel, as well as due to IBM's purported waiver or mutual modification of the IP Agreement.

The Court will deal with each set of questions in turn.

### A.

The standards that apply to a motion to dismiss for

lack of standing are similar to the standards applicable to a motion for summary judgment. In defending a motion to dismiss for lack of subject matter jurisdiction, the plaintiff bears the burden of proving the Court's jurisdiction by a preponderance of the evidence. Makarova v. United States, 201 F.3d 110, 113 (2d Cir. 2000). In considering such a motion, the Court generally must accept the material factual allegations in the complaint as true. See J.S. ex rel. N.S. v. Attica Cent. Sch., 386 F.3d 107, 110 (2d Cir. 2004). The Court does not, however, draw all reasonable inferences in the plaintiff's favor. Id.; see also Graubart v. Jazz Images, Inc., No. 02 Civ. 4645, 2006 WL 1140724, at \*2 (S.D.N.Y. Apr. 27, 2006). Indeed, where jurisdictional facts are disputed, the Court has the power and the obligation to consider matters outside the pleadings, such as affidavits, documents, and testimony, to determine whether jurisdiction exists. See Filetech S.A. v. France Telecom S.A., 157 F.3d 922, 932 (2d Cir. 1998); Kamen v. Am. Tel. & Tel. Co., 791 F.2d 1006, 1011 (2d Cir.1986). In so doing, the Court is guided by that body of decisional law that has developed under Federal Rule of Civil Procedure 56. Kamen, 791 F.2d at 1011; see also S.E.C. v. Rorech, 673 F. Supp. 2d 217, 220-21 (S.D.N.Y. 2009).

In deciding a Rule 56 motion, "the trial court's task . . . is carefully limited to discerning whether there are genuine issues of material fact to be tried, not to deciding them. Its duty, in short, is confined at this point to issue-finding; it does not extend to issue-resolution." Gallo v. Prudential Residential Servs. Ltd. P'ship, 22 F.3d 1219, 1224 (2d Cir. 1994). "The court shall grant summary judgment if the movant shows

that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a); see also Celotex Corp. v. Catrett, 477 U.S. 317, 322-23 (1986). In determining whether summary judgment is appropriate, a court must resolve all ambiguities and draw all reasonable inferences against the moving party. See Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587 (1986). Summary judgment is improper if there is any evidence in the record from any source from which a reasonable inference could be drawn in favor of the non-moving party. See Chambers v. TRM Copy Ctrs. Corp., 43 F.3d 29, 37 (2d Cir. 1994). The non-moving party must produce evidence in the record and "may not rely simply on conclusory statements or on contentions that the affidavits supporting the motion are not credible." Ying Jing Gan v. City of N.Y., 996 F.2d 522, 532 (2d Cir. 1993).

## **B.**

### **1.**

Picture Patents first argues that the IP Agreement did not apply to the Invention and that Baker therefore owned the Invention and the corresponding Patents until she assigned those rights to Intellinet.

The question of who owns a patent "typically is a question exclusively for state courts." Bd. of Trustees of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 583 F.3d 832, 841 (Fed. Cir. 2009), cert. granted, 131 S. Ct. 502 (2010) (No. 09-1159) (internal quotation marks omitted). The parties agree that New

York law applies to the IP Agreement. However, "the question of whether contractual language effects a present assignment of patent rights, or an agreement to assign rights in the future, is resolved by Federal Circuit law." Id.

"The present assignment of a future invention divests the inventor-assignor of ownership of the invention and automatically vests ownership of the invention, when invented, in the assignee." Imatec, 81 F. Supp. 2d at 481; see also FilmTec Corp. v. Allied-Signal, Inc., 939 F.2d 1568, 1573 (Fed. Cir. 1991) (where contract grants rights in any future inventions to assignee, "[o]rdinarily, no further act would be required once an invention came into being" because "the transfer of title would occur by operation of law"). Under Federal Circuit precedent, the words " 'do hereby assign' effect[] a present assignment of . . . future inventions." Roche, 583 F.3d at 842. The assignee of a present assignment of future inventions "immediately gain[s] equitable title" to assigned inventions; "once an invention [comes] into being[,] the transfer of title [occurs] by operation of law." Id. (internal quotation marks omitted).

Paragraph 4 of the IP Agreement reads, in relevant part: "I hereby assign to IBM my entire right, title and interest in any . . . invention . . . hereafter made or conceived solely or jointly by me, or created wholly or in part by me . . . [if] the [invention]: (a) relate[s] to the actual or anticipated business or research or development of IBM or its subsidiaries, or (b) [is] suggested by or result[s] from any task assigned to me or work performed by me for or on behalf of IBM or its

subsidiaries." (Wingfield Decl. Ex. 10.) The words "I hereby assign" indicate a present assignment of a future invention. Roche, 583 F.3d at 842. Therefore, if the Invention fell within the IP Agreement, IBM held title to it from the moment it came into being, id., and Baker had nothing to assign to Intellinet or Picture Patents.

The IP Agreement clearly applies to the Invention and the corresponding Patents. An invention fell within the IP Agreement if it (a) was "made or conceived solely or jointly by" Baker; (b) was made or conceived while she was employed by IBM "in an executive, managerial, product or technical planning, technical, research, programming or engineering capacity"; (c) was not excluded by reason of prior assignment to Columbia University; and (d) was "relate[d] to the actual or anticipated business or research or development of IBM or its subsidiaries" or was "suggested by or result from any task assigned to [Baker] or work performed by [Baker] for or on behalf of IBM or its subsidiaries." (Wingfield Decl. Ex. 10.)

Picture Patents concedes that the first three elements are satisfied. First, it argues at length that Baker "made or conceived" the Invention herself. Second, it acknowledges that Baker was employed by IBM for purposes of the IP Agreement during the Thanksgiving holiday, when she initially conceived of the Invention. (Hr'g Tr. at 36.) Baker herself has testified that she understood the IP Agreement to apply "regardless of when" an invention was conceived (Baker Dep. at 369:19-21), thus including inventions created during a holiday spent away from work. Third,

Picture Patents concedes that Columbia University had no claim to the Invention and that Baker's listing of Columbia on the IP Agreement did not preclude her from assigning the Invention to IBM. (Hr'g Tr. at 33-34.)

The fourth element is also plainly satisfied. While Picture Patents argues at great length in its papers that the Invention was not related to Baker's work at IBM, it does not and cannot seriously contest that the Invention "relate[s] to the actual or anticipated business or research or development of IBM." (See Picture Patents' Opp'n to IBM's Mot. for Summ. Jud. ("Picture Patents Opp'n") 23 ("Picture Patents does not dispute that . . . any invention remotely related to computers may somehow directly or indirectly relate to IBM's business.")) But the IP Agreement, by its plain terms, applies to all such inventions, even if they do not relate to Baker's actual assigned work. Accordingly, there is no factual dispute as to whether the IP Agreement applied to the Invention; it plainly did. Therefore, IBM owned the Patents ab initio and Baker had no interest to assign to Intellinet or Picture Patents.<sup>4</sup>

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<sup>4</sup> Picture Patents argues strenuously that Baker did not understand the IP Agreement to apply to the Invention and that she was the sole inventor of the PUI. Neither of these arguments is relevant. One party's subjective understanding of a contract does not alter its unambiguous terms. See, e.g., W.W.W. Assocs., Inc. v. Giancontieri, 566 N.E.2d 639, 642 (N.Y. 1990) ("[W]hen parties set down their agreement in a clear, complete document, their writing  
(continued...)



## 2.

The fact that IBM owned the Patents would be sufficient to deprive Picture Patents of standing. The Infringement Defendants also argue that Picture Patents lacks standing to sue because, assuming that Baker owned the Invention as against IBM, she assigned all interest in the Patents to Intellinet prior to the Picture Patents Assignment and therefore could not assign them to Picture Patents. Picture Patents concedes that the Intellinet assignment was valid, and that Baker herself had no rights in the Patents to transfer to Picture Patents. (Hr'g Tr. at 85-87.) Cf. FilmTec, 939 F.2d at 1572 (where an assignor previously assigned his patent rights, the assignor "had nothing to give to [the second assignee] and his purported assignment to [the second assignee] is a nullity"). But Picture Patents argues that the Picture Patents Assignment validly assigned the Patents to Picture Patents nonetheless, because it constituted an assignment by Intellinet of Intellinet's interest in the Patents.

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<sup>4</sup>(...continued)

should as a rule be enforced according to its terms. Evidence outside the four corners of the document as to what was really intended but unstated or misstated is generally inadmissible to add to or vary the writing."). Nor is the question of inventorship material to the operation of the present assignment in the IP Agreement. Indeed, the fact that Baker conceived of the Invention brings it squarely within the IP Agreement.

Patent ownership cannot be assigned without a "written instrument documenting the transfer of proprietary rights in the patents." Speedplay, Inc. v. Bebo, Inc., 211 F.3d 1245, 1250 (Fed. Cir. 2000); see also 35 U.S.C. § 261. Accordingly, if the Picture Patents Assignment did not transfer Intellinet's rights in writing to Picture Patents, Picture Patents has no rights in the Patents and no standing to sue.

The parties assert that Delaware law applies to the Picture Patents Assignment, because the Debt Agreement that accompanied the Picture Patents Assignment includes a choice of law provision specifying Delaware law as the governing law. (Ravi Decl. Ex. 12.) Under Delaware law, an unambiguous contract will be construed according to its terms. See Citadel Holding Corp. v. Roven, 603 A.2d 818, 822 (Del. 1992) ("It is an elementary canon of contract construction that the intent of the parties must be ascertained from the language of the contract. Only when there are ambiguities may a court look to collateral circumstances." (internal citations omitted)). Accordingly, if the Picture Patents Assignment is unambiguous, there is no need to look beyond it to expressions of the parties' intent.

The Picture Patents Assignment unambiguously assigns Baker's rights, rather than Intellinet's rights. The assignment itself makes no mention whatsoever of Intellinet, but rather specifies Baker as the "assignor." (Ravi Decl. Ex. 12.) The accompanying Debt Agreement, too, unmistakably states that Baker is assigning her rights, title, and interest in the Patents,

and contains no suggestion whatsoever that Intellinet owns or is transferring any interest in them. Instead, Intellinet's only role in the contract is as a third-party beneficiary agreeing to the assignment of debt owed to it by Baker, and releasing Baker from her obligations on that debt. (*Id.*) Neither the Debt Agreement nor the Picture Patents Assignment is susceptible of any other reading.

Picture Patents proffered a "clarification" signed by Baker, Intellinet, and Picture Patents, as of October 28, 2009, that states that "Intellinet did assign, transfer, and convey to Picture Patents all of the rights, title and interest in and to the Inventions effective May 9, 2006." (Ravi Decl. Ex. 13.) This clarification, however, does not rescue the assignment. Picture Patents acknowledges that the clarification does not alter the Picture Patents Assignment or independently convey Intellinet's rights to Picture Patents. (Hr'g Tr. at 37.) Instead, Picture Patents argues that it proves the intent of the contracting parties. However, if a contract is "clear and unambiguous on its face," the Court cannot "consider parol evidence to interpret it or search for the parties' intent." Pellaton v. Bank of N.Y., 592 A.2d 473, 478 (Del. 1991) (internal quotation marks omitted). Accordingly, the "clarification" cannot contradict the unambiguous terms of the Picture Patents Assignment, which assign only the (nonexistent) rights in the Patents that Baker had subsequent to the Intellinet Assignment.

## 3.

Because Picture Patents has never owned the Patents, it lacks standing to sue the Infringement Defendants for patent infringement. As the Court of Appeals for the Federal Circuit recently made clear, a plaintiff cannot sue if it cannot establish ownership of a patent, even if a statute of limitations would bar the defendant (or some other party) from suing the plaintiff. See Roche, 583 F.3d at 848-49. As discussed above, Baker assigned the Invention later embodied in the '455 Patent to IBM in the IP Agreement, and therefore had nothing to assign to Picture Patents. The statute of limitations cannot cure this defect. Even if that were not so, the Picture Patents Assignment would still have been a nullity and Intellinet, rather than Picture Patents, would be the current owner of the Patents. Accordingly, Picture Patents lacks standing to sue for infringement of the '455 Patent, and its claims against the Infringement Defendants must be dismissed for lack of standing. See Imatec, 81 F. Supp. 2d at 481, 483 n.5.

## C.

Having found that Baker assigned the Invention to IBM in the IP Agreement, the question remains whether IBM can rely on the IP Agreement, and for what purposes. Picture Patents argues that IBM cannot avail itself of its ownership rights under the IP Agreement due to (1) the expiration of the statute of limitations, (2) the equitable doctrines of laches and equitable estoppel, and (3) waiver or mutual modification of the IP Agreement. Picture Patents

maintains that these defects prevent IBM from either defending against Picture Patents' claim for declaratory judgment on the grounds of IBM's ownership or obtaining a declaratory judgment in its favor.

1.

a.

Under New York law, contract claims are generally subject to a six-year statute of limitations. See N.Y. C.P.L.R. § 213(2); Pani v. Empire Blue Cross Blue Shield, 152 F.3d 67, 76 (2d Cir. 1998).<sup>5</sup> IBM does not

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<sup>5</sup> IBM argues that contracts creating an automatic assignment of a property interest are exempt from the six-year statute of limitations and are not subject to any statute of limitations. The sole case that IBM cites for this supposed rule, Yager Pontiac, Inc. v. Fred A. Danker & Sons, Inc., 330 N.Y.S.2d 409 (Sup. 1972), aff'd, 343 N.Y.S.2d 209 (App. Div. 1973), aff'd, 313 N.E.2d 340 (N.Y. 1974), does not support its argument. Yager Pontiac held that a contract granting "a present interest in real property . . . is not governed by the six-year Statute of Limitations." Id. at 415. The operative fact in this holding is clearly that the case concerned a present interest in real property, not that it concerned a contract granting a present interest. Under New York law, claims based on ownership interests in real property are governed by separate statutes of limitations. See, e.g., N.Y. C.P.L.R. § 212(a); N.Y. R.P.A.P.L. § 2001. IBM provides no authority, and the Court is aware of none, for the proposition that the generally applicable six-year statute of limitations for contract actions excludes contracts

(continued...)

dispute, and the Court will assume for the purposes of this motion, that this statute of limitations has expired and that IBM's claim to ownership of the Patents would therefore be barred if the statute of limitations applies. In the posture of this case, however, the statute of limitations does not bar IBM from raising IBM's ownership of the Patents as a defense against Pictures [*sic*] Patents' claims or in counterclaims for declaratory judgment.

The Federal Circuit recently dealt with the applicability of statutes of limitations to defenses and counterclaims in suits concerning patent infringement and ownership in Roche.<sup>6</sup> In that case, Stanford University had sued Roche for infringement of patents assigned to Stanford by a researcher. Roche, 583 F.3d at 838. Prior to the assignment to Stanford, the researcher had assigned the patents to a company later

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<sup>5</sup>(...continued)

granting present interests in personal or intangible property.

<sup>6</sup> In addition to its discussion of statute of limitations issues, Roche concerned the construction of the Bayh-Dole Act, 35 U.S.C. §§ 200 *et seq.* See Roche, 583 F.3d at 844-45. The Supreme Court granted certiorari to consider this portion of the decision in Roche. See 131 S. Ct. 502. A review of the petition for certiorari and the opposition thereto suggests that the Supreme Court's consideration of the case is unlikely to disturb any aspect of Roche that is relevant to the present case, and neither party has suggested that this case should be stayed pending the resolution of Roche.

purchased by Roche; this assignment occurred outside the applicable four-year statute of limitations. Id. at 841-42, 846. Roche asserted its ownership of the patents at issue "as a declaratory judgment counterclaim, an affirmative defense, and a challenge to Stanford's standing to sue for infringement." Id. at 838. As to Roche's declaratory judgment counterclaim and its affirmative defense, the Federal Circuit applied California law to determine whether the relevant statute of limitations applied, and concluded that California law would apply the statute of limitations to bar Roche's declaratory judgment counterclaim but would not apply the statute of limitations to its affirmative defense. Id. at 839-41, 846-48. It also determined that, while Roche could not obtain a judgment of ownership in its favor, Stanford nevertheless lacked standing to sue for patent infringement because it could not carry its burden of establishing ownership, due to the invalidity of the researcher's assignment of the patents to Stanford. Id. at 841-42, 848-49.

Roche thus establishes that state law determines whether statutes of limitations apply to defenses and counterclaims based on patent ownership. See Roche at 839-41, 846-48. Picture Patents argues that Roche is distinguishable as to IBM because Roche was both defending against an infringement claim and asserting its ownership, whereas the Infringement Defendants and IBM are unrelated entities. Picture Patents argues that because IBM (unlike Roche) is solely defending against a declaratory judgment and is not charged with patent infringement, its defenses and

counterclaims for ownership are the equivalent of offensive actions for the purposes of statutes of limitations. However, Picture Patents provides no reason to treat this distinction as one of consequence.

Similarly, Picture Patents argues that Roche spoke only of affirmative defenses, and not other types of defenses; because IBM's claim is in the form of a general denial or a motion to dismiss for failure to state a claim upon which relief may be granted, Picture Patents maintains, it is outside the scope of Roche. As with Picture Patents' previous attempt to distinguish Roche, this reasoning is meritless. Nothing in Roche suggests that one rule governs the pleading of ownership as an affirmative defense to a claim of infringement while another rule governs the pleading of ownership as a defense that the plaintiff failed to state a claim upon which relief can be granted or does not own the patents at issue. Even if such a distinction could be read into Roche, it would be unreasonable to hold that the Court should look to a state's statute of limitations, but not the rules determining when that statute of limitations should apply, in considering whether a defense may be brought.

b.

The question, then, is whether New York law allows a party to assert an otherwise time-barred claim as a defense or counterclaim. New York law provides for the assertion of an otherwise time-barred defense or counterclaim if it "arose from the transactions, occurrences, or series of transactions or occurrences, upon which a claim asserted in the complaint depends,



... to the extent of the demand in the complaint." N.Y. C.P.L.R. § 203(d); see also Bloomfield v. Bloomfield, 764 N.E.2d 950, 952 (N.Y. 2001) ("It is axiomatic that claims and defenses that arise out of the same transaction as a claim asserted in the complaint are not barred by the Statute of Limitations, even though an independent action by the defendant might have been time-barred at the time the action was commenced."). Section 203(d) functions "only as a shield for recoupment purposes, and does not permit the defendant to obtain affirmative relief." DeMille v. DeMille, 774 N.Y.S.2d 156, 158 (App. Div. 2004); see also Int'l Fid. Ins. Co. v. Cnty. of Rockland, 98 F. Supp. 2d 400, 410 n.2 (S.D.N.Y. 2000).

Picture Patents does not dispute that IBM's defenses based on its ownership of the Invention and its declaratory judgment counterclaims "arose from the same transactions, occurrences, or series of transactions or occurrences." (Hr'g Tr. at 26.) Instead, Picture Patents argues that IBM's defenses and counterclaims are barred because § 203(d) is limited to traditional claims of recoupment. (Picture Patents Reply to IBM's Opp'n to Picture Patents' Mot. for Summ. Jud. 1-2.) This argument is drawn from the statement in some cases that "[i]n order to fall within § 203(d), 'the counterclaim must "seek a recovery-back predicated on some act or fact growing out of the matter constituting the cause or ground of the action brought." ' " Estate of Mantle v. Rothgeb, 537 F. Supp. 2d 533, 544 (S.D.N.Y. 2008) (quoting First Fid. Bank N.A. N.J. v. Companhia de Navegacao Maritima Netumar, 637 F. Supp. 1182, 1185 (S.D.N.Y. 1986) (quoting SCM Corp. v. Fisher Park Lane Co., 358 N.E.

2d 1024, 1027 (N.Y. 1976))). This language, however, comes from cases distinguishing true recoupments from set-offs – that is, cases in which it is disputed whether the putative counterclaim truly arises "from the same transactions, occurrences, or series of transactions or occurrences." See, e.g., Mantle, 537 F. Supp. 2d at 544-46; First Fid., 637 F. Supp. at 1184-85; SCM, 358 N.E.2d at 1027. Picture Patents has not provided any authority for recasting this limitation as a requirement that a defense or counterclaim be limited to recoupment, and the Court has found no cases treating it as such. In this case, Picture Patents has sought a declaratory judgment as to the ownership of the patent.

This disposes of Picture Patents' argument that IBM cannot oppose Picture Patents' claim for declaratory judgment based on the IP Agreement. As a defense to Picture Patents' claim, IBM's reliance on its otherwise time-barred claim does no more than negative Picture Patents' claim for relief, and thus does not exceed "the extent of the demand in the complaint." N.Y. C.P.L.R. § 203(d). IBM therefore may assert Baker's lack of ownership under the IP Agreement as a defense to Picture Patents' claim for declaratory judgment. As discussed above, IBM's interpretation of the IP Agreement is correct, and leaves no genuine dispute of material fact as to whether Picture Patents owns the '455 Patent. Therefore, IBM is entitled to summary judgment dismissing Picture Patents' claim for declaratory judgment as to the ownership of the '455 Patent.

That Picture Patents cannot obtain a declaratory

judgment in its favor, however, does not necessarily mean that IBM can obtain a judgment on its counterclaims for declaratory judgment. As Roche demonstrates, a defendant that has a valid defense against a claim of infringement must still be able to bring a counterclaim under the applicable state law in order to obtain a declaratory judgment as to ownership. There is a plausible argument that a declaratory judgment in IBM's favor would constitute "affirmative relief" that is beyond the scope of a § 203(d) counterclaim. See DeMille, 774 N.Y.S.2d at 158. The Court of Appeals for the Second Circuit has held that, at least in cases where the party seeking a declaratory judgment is the "aggressor" in a course of litigation, § 203(d) does not permit use of a time-barred defense to initiate an action for a declaratory judgment. See 118 E. 60th Owners, Inc. v. Bonner Props., Inc., 677 F.2d 200, 204 (2d Cir. 1982). However, the Court of Appeals carefully limited its holding to plaintiffs that are "attempting to employ [§ 203(d)] in other than a defensive fashion," *id.*, leaving open the question of whether otherwise time-barred declaratory judgments are ever permissible as counterclaims under § 203(d).

The discussion of the policy concerns underlying § 203(d) in 118 E. 60th Owners – chiefly, "the prevention of stale litigation and the protection of repose" – strongly suggests that a declaratory judgment counterclaim should be permitted in a case such as this. *Id.* at 203. In 118 E. 60th Owners, the plaintiff had sued on a decade-old contract claim, arguing that it was entitled to a declaratory judgment that the defendant's alleged wrongs afforded it a setoff to and a

defense against hypothetical claims that the defendant might one day bring. Id. at 202. Thus, it was the plaintiff who "haled the defendants into court and disturbed the equilibrium between the parties"; as far as the opinion reveals, the defendant had done nothing to bring the moribund dispute into the judicial system. Id. at 204. In such a situation, plainly, the availability of a declaratory judgment would defeat the purposes of the statute of limitations and encourage stale litigation.

In this case, by contrast, Picture Patents is plainly the "aggressor," and IBM has been haled into court only at Picture Patents' insistence. Picture Patents sued IBM to obtain a declaratory judgment that would aid it in its suit against the Infringement Defendants, waiting to do so until years after the relevant events and the expiration of the applicable statute of limitations. It is thus Picture Patents that seeks "to place a question before a court and then prevent the opposing party from disputing issues lying at the foundation of the claim." 118 E. 60th Owners, 677 F.2d at 203. To bar IBM from asserting a counterclaim to prove ownership where another claimant has already done so "would provide an incentive to delay bringing some claims until a [counterclaim] would be time-barred." Id. at 203.

In this posture, allowing IBM to obtain a declaratory judgment would advance the purposes of New York's statute of limitations. The Court has already held that Picture Patents has no claim to ownership of the Patents, and that IBM obtained title by virtue of the IP Agreement; rejecting IBM's

declaratory judgment counterclaims would needlessly cloud title to the Patents and invite duplicative litigation should IBM seek to enforce any of its rights as owner of the Patents. Declaratory judgment in IBM's favor does not "distur[b] the equilibrium between the parties," *id.* at 204, but merely confirms a legal fact that existed prior to the initiation of the lawsuit.<sup>7</sup> It is thus within the scope of § 203(d).

Accordingly, IBM's counterclaims for ownership of the '455 Patent Family are not time-barred. As previously discussed, IBM obtained title to the Invention by operation of the IP Agreement, and therefore it is entitled to a declaratory judgment regarding the ownership of the resulting Patents.

IBM's counterclaims include not only the '455 Patent but also the '416 and '401 Patents and several foreign or international patents and patent applications. Picture Patents does not argue that IBM's counterclaims should be limited to the '455 Patent or that its claims to any other patents go beyond "the extent of the demand in the complaint." Moreover, the '455 Patent is based on a patent application that was a continuation of the applications that resulted in the issuance of the '416 and '401 Patents (Ravi Decl. Ex. 6 at 1), hence ownership of the '455 Patent necessarily entails ownership of the '416 and '401 Patents.

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<sup>7</sup> It is important to emphasize that IBM's other counterclaims – for conversion, unjust enrichment, and breach of contract – are not at issue in this motion, and that they may be barred under § 203(d) even if IBM's declaratory judgment counterclaims are permitted.

With regard to the foreign and international patents and patent applications, however, there is insufficient evidence in the record to grant summary judgment to IBM at this time. The only description of these patents and patent applications appears to be Baker's deposition testimony. (Baker Dep. 171:23-176:16.) The Court cannot determine from this bare identification of patents that they are within the scope of the Invention assigned in the IP Agreement. Because IBM has failed to proffer facts that establish its entitlement to declaratory judgment regarding the foreign and international patents and patent applications, its motion for summary judgment on that counterclaim is denied with leave to renew.

2.

Picture Patents next argues that IBM's counterclaims for a declaratory judgment of ownership are barred by laches or equitable estoppel. Neither of these arguments is meritorious.

Laches is "an equitable bar, based on a lengthy neglect or omission to assert a right and the resulting prejudice to an adverse party." Saratoga Cnty. Chamber of Commerce, Inc. v. Pataki, 798 N.E.2d 1047, 1055 (N.Y. 2003). "To establish laches, a party must show: (1) conduct by an offending party giving rise to the situation complained of, (2) delay by the complainant in asserting his or her claim for relief despite the opportunity to do so, (3) lack of knowledge or notice on the part of the offending party that the complainant would assert his or her claim for relief, and (4) injury or prejudice to the offending party in the

event that relief is accorded the complainant." Cohen v. Krantz, 643 N.Y.S.2d 612, 614 (App. Div. 1996); accord Newbro v. Freed, 409 F. Supp. 2d 386, 399 (S.D.N.Y. 2006), *aff'd*, No. 06-1722, 2007 WL 642941 (2d Cir. Feb. 27, 2007) (summary order).

Picture Patents has not established that it is entitled to relief based on the doctrine of laches. The delay between Baker's departure from IBM and IBM's filing of a claim for declaratory judgment, without more, is insufficient to require application of laches. See Saratoga Cnty., 798 N.E.2d at 1055 ("The mere lapse of time, without a showing of prejudice, will not sustain a defense of laches.") Picture Patents has shown neither inequitable conduct on IBM's part nor prejudice to its interests. Most importantly, IBM expressed unequivocally to Baker (the founder of both Picture Patents and Intellinet) at the time of her departure that Baker was "wrong" to "assum[e] IBM is not interested in her invention of 'Pictorial User Interface', and is relinquishing all claims on said invention." (Ravi Decl. Ex. 47.) Baker and Picture Patents therefore cannot claim that they lacked "knowledge or notice," Cohen, 643 N.Y.S.2d at 614, that IBM maintained a claim to ownership of the Invention. Picture Patents argues that IBM was required to do more to assert or protect its ownership, but provides no authority for such a requirement. Nor can Picture Patents, Baker, or Intellinet argue that they began incurring expenses only after IBM had allowed its claims to grow stale, given that Baker filed the first patent application based on the Invention just 15 months after IBM notified Baker of its position. (Ravi Decl. Ex. 1 at 1.) Any expenses incurred in the

pursuit of the patent applications or the infringement actions are the result of their own willful decision to proceed in the face of IBM's clear assertion of its ownership rights, rather than the product of IBM's neglect or omission.

Similarly, Picture Patents has not made out a claim of equitable estoppel. "Under New York law, the elements of equitable estoppel are with respect to the party estopped: (1) conduct which amounts to a false representation or concealment of material facts; (2) intention that such conduct will be acted upon by the other party; and (3) knowledge of the real facts." In re Vebeliunas, 332 F.3d 85, 93-94 (2d Cir. 2003). Picture Patents has provided no evidence of "conduct which amounts to a false representation or concealment of material facts" and has therefore failed to raise a genuine dispute as to whether IBM should be estopped from claiming ownership. Picture Patents points to communications between IBM and Baker prior to her termination that, it argues, gave the impression that it accepted Baker's claims of ownership. But the record does not contain any representations by IBM that Baker owned the Invention, and IBM adequately resolved any ambiguity those discussions may have created with its unequivocal assertion of ownership upon Baker's departure.

### 3.

Picture Patents also argues that IBM waived its ownership rights under the IP Agreement or that the parties modified that contract. These arguments fail as well.



Under New York law, "for conduct to amount to a waiver . . . , it 'must not otherwise be compatible with the agreement as written;' rather, 'the conduct of the parties must evidence an indisputable mutual departure from the written agreement.'" Dallas Aerospace, Inc. v. CIS Air Corp., 352 F.3d 775, 783 (2d Cir. 2003) (quoting Rose v. Spa Realty Assocs., 366 N.E.2d 1279, 1283 (1977) (brackets omitted)). Picture Patents argues that IBM waived its claim under the IP Agreement in an email in which an IBM employee explained what could happen if Baker owned the patent and in subsequent conversations about forming a joint venture to develop the PUI. (Picture Patents Opp'n to IBM's Mot. for Summ. Jud. 22-23.) However, the email in question makes clear that the sender was not sure "what [Baker] actually signed" and so could not state who owned the Invention. (Ravi Decl. Ex. 31.) It also points out: "If your invention belongs to IBM, then IBM decides whether or not to file, and you have no rights." (Id.) Nothing in the record suggests that any of IBM's subsequent communications stated or even assumed that Baker owned the Invention; rather, they are entirely consistent with IBM maintaining ownership of the Invention and contemplating working with Baker to develop it. Thus, none of the conduct alleged by Picture Patents is incompatible with the IP Agreement.

Similarly, conduct that is "wholly consistent with" a contract is insufficient to demonstrate modification of that contract. Dallas Aerospace, 352 F.3d at 783. Accordingly, there is no basis for finding the IP Agreement modified to grant Baker ownership over the

Invention.

**D.**

The foregoing discussion disposes of all claims in the current motions save one: Picture Patents' motion for summary judgment on its claim for a declaratory judgment that Baker is the sole inventor of the PUI. To establish an actual controversy giving a court jurisdiction to grant declaratory judgment over inventorship, a plaintiff must aver at least that it holds a recognized interest in a patent that could be adversely affected by another claim of inventorship." Fina Oil Chem. Co. v. Ewen, 123 F.3d 1466, 1471 (Fed. Cir. 1997). Recognized interests include an ownership interest, see id., or "a concrete financial interest in the patent," Chou v. Univ. of Chicago, 254 F.3d 1347, 1359 (Fed. Cir. 2001).

Given the resolution of its other claims, Picture Patents cannot bring this claim. It lacks any ownership interest, as discussed above, and has not identified any other cognizable concrete financial interest in the patent. Cf. Chou, 254 F.3d at 1359 (finding a concrete financial interest where an inventor who had assigned her ownership rights claimed that the assignee was obligated to pay royalties to her as an inventor). Therefore, Picture Patents' claim for a declaratory judgment with respect to inventorship is dismissed.

**CONCLUSION**

Picture Patents' motion for summary judgment is **denied**. The Infringement Defendants' motion to dismiss is granted. IBM's motion for summary

judgment is **granted** except that its claim for declaratory judgment as to the ownership of any foreign or international patents and patent applications is **denied** without prejudice to renewal. The Fourth Amended Complaint is **dismissed with prejudice**.

**SO ORDERED.**

Dated: New York, New York

April 15, 2011

/s John G. Koeltl  
John G. Koeltl  
United States District Judge

50a

**UNITED STATES COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT**

2011-1558

PICTURE PATENTS, LLC,  
Plaintiff/Counterclaim Defendant-Appellant,

and

INTELLINET, INC.,  
Counterclaim Defendant-Appellant,

v.

AEROPOSTALE, INC., DICK'S SPORTING  
GOODS, INC.,  
MLB ADVANCED MEDIA, LP.,  
MAJOR LEAGUE BASEBALL PROPERTIES, INC.,  
NBA MEDIA VENTURES, LLC, NBA  
PROPERTIES, INC., NATIONAL BASKETBALL  
ASSOCIATION,  
and THE CHARLOTTE RUSSE, INC.,  
Defendants-Appellees,

and

GSI COMMERCE SOLUTIONS, INC. and GSI  
COMMERCE, INC.,  
Defendants/Counterclaimants-Appellees,  
and

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INTERNATIONAL BUSINESS MACHINES  
CORPORATION,  
Defendant/Counterclaimant-Appellee.

Appeal from the United States District Court for the  
Southern District of New York in case no.  
07-CV-5567, Judge John G. Koeltl.

ORDER

NOTE: This order is nonprecedential.

**UNITED STATES COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT**

ORDER

Filed: July 26, 2012

A petition for rehearing en banc having been filed by the Appellants, and the matter having first been referred as a petition for rehearing to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

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The mandate of the court will issue on August 2, 2012.

FOR THE COURT

/s/ Jan Horbaly

Jan Horbaly  
Clerk

Dated: 07/26/2012

cc: Constantine John Gekas  
Nathan K. Cummings, Mark J. Abate  
PICTURE PATENTS V AEROPOSTALE, 2011-1558  
(DCT - 07-CV-5567)