

**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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**REPLY TO BRIEF IN OPPOSITION TO  
PETITION FOR A WRIT OF CERTIORARI**

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October 24, 2012

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## TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES.....	ii
REPLY BRIEF FOR PETITIONERS .....	1
I. Petitioners Did Not Waive or Forfeit Anything. ....	3
II. The Facts and All Reasonable Inferences Must Be Assumed in Petitioners’ Favor. ....	7
III. Respondents Ignore the Substantial Reasons Why <i>FilmTec’s</i> “Automatic Assignment” Rule is Both Wrong and Pernicious. ....	10
IV. There Are No Alternate Grounds That Save the Lower Court’s Rulings from Review.....	12
CONCLUSION .....	13
<b>Reply Appendix</b>	
June 15, 2012 Order of Federal Circuit on Motions .....	1ra

## TABLE OF AUTHORITIES

### Cases

<i>Bd. of Trs. of the Leland Stanford Jr. Univ. v. Roche Molecular Sys. Inc.</i> , 131 S. Ct. 2188 (2011), <i>aff'g</i> , 583 F.3d 832 (Fed. Cir. 2009).....	1, 3, 4
<i>Brosseau v. Haugen</i> , 543 U.S. 194 (2004).....	9
<i>Crawford v. Metro. Gov't of Nashville &amp; Davidson County</i> , 555 U.S. 271 (2009) .....	9
<i>Curtis Publishing Co. v. Butts</i> , 388 U.S. 130 (1967).....	6
<i>FilmTec Corp. v. Allied-Signal, Inc.</i> , 939 F.2d 1568 (Fed. Cir. 1991) .....	<i>passim</i>
<i>Gayler v. Wilder</i> , 51 U.S. 477 (1850) .....	11
<i>Hormel v. Helvering</i> , 312 U.S. 552 (1941) .....	6
<i>Johnson v. Zerbst</i> , 304 U.S. 458 (1938) .....	6
<i>Lyons v. Lancer Ins. Co.</i> , 681 F.3d 50 (2d Cir. 2012).....	9
<i>Morales v. Quintel Entm't, Inc.</i> , 249 F.3d 115 (2d Cir. 2001) .....	9
<i>Rosenblatt v. Baer</i> , 383 U.S. 75 (1966) .....	6
<i>Shukh v. Seagate Tech., LLC</i> , 2011 U.S. Dist. LEXIS 120219 (D. Minn. 2011) .....	4

<i>Shukh v. Seagate Tech., LLC</i> , 2011 U.S. Dist. LEXIS 77898 (D. Minn. 2011) .....	4
<i>Standard Industries, Inc. v. Tigrett Industries, Inc.</i> , 397 U.S. 586 (1970).....	6
<i>Storey v. Cello Holdings, L.L.C.</i> , 347 F.3d 370 (2d Cir. 2003) .....	5
<i>Uebersee Finanz-Korp. v. McGrath</i> , 343 U.S. 205 (1952).....	6
<i>Wachovia Bank, Nat. Ass'n v. VCG Special Opportunities Master Fund, Ltd.</i> , 661 F.3d 164 (2d Cir. 2011) .....	9
<i>White v. Maryland</i> , 373 U.S. 59 (1963) .....	6
 <b>Statutes</b>	
Bayh-Dole Act, 35 U.S.C. §§ 200-212 .....	11

## REPLY BRIEF FOR PETITIONERS

Respondents' Opposition is meritless.

First, Respondents wrongly argue that Petitioners waived their attack on *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991), by failing to advance it in the District Court.

In fact, this argument could not have been made in the District Court because *Stanford University* was not decided until nearly two months after the District Court ruled. Therefore the views expressed in Justice Breyer's dissent were not part of the law at the time the District Court acted. Even then, raising the matter in the District Court would have been futile because Justice Breyer's views were only tentative and could not have altered the District Court's ruling. Thus, it would have arguably been sanctionable misconduct for Petitioners to advance that argument in the District Court. And, in fact, in the Federal Circuit, Respondents unsuccessfully sought sanctions against Petitioners, claiming that Petitioner's attack on *FilmTec* was frivolous.

Thus, Respondents argue that Petitioners waived review of an issue that Respondents urged in the court below was sanctionably frivolous and should not have been made in the first place. That argument is ridiculous on its face as shown by Respondents' failure to even hint at it in this Court.

Petitioners vigorously raised the argument in the Federal Circuit—the first Court where it could be advanced and the first that could do something about it. Therefore, no waiver occurred.

Moreover, Petitioners did make extensive equitable arguments to the District Court that are sufficient to preserve the issue.<sup>1</sup>

Second, apparently trying to balance the equities that weigh heavily in Petitioners' favor, Respondents quibble with the facts by arguing unpersuasively that Ms. Baker, the inventor, acknowledged IBM's ownership before her employment ended. But those thin factual arguments ignore that this is a review of a grant of summary judgment against Petitioners, and that the facts and all reasonable inferences must be assumed in their favor. Therefore, it must be assumed as true that Ms. Baker repeatedly and openly asserted that she, not IBM, owned the patents and intended to patent it, and that IBM was fully aware of her claims and intentions.

In any event, Respondents cannot contest the central facts that Ms. Baker was the inventor, that she spent enormous sums, time and effort patenting and attempting to commercialize the PUI, and that for many years IBM did nothing to contest her ownership and assert its own rights.

Most importantly, Respondents do not even pretend to defend *FilmTec*'s unwise and unexplained "automatic assignment" rule. Instead, they simply ignore the criticisms of the rule stated in Justice

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<sup>1</sup> Respondents also make the odd assertion that Petitioners "no longer dispute" that the invention and patents fall within the Employment Agreement. See, e.g., Opp., at pp. 2, 16. That assertion completely misses the point: even if they fall within the Agreement (which Petitioners vigorously disputed below), IBM should not be awarded title because the *FilmTec* "automatic assignment" rule is wrong.

Breyer's dissent in *Stanford University*, Pet., at pp. 23-24, and ignore as well the vast weight of the law in closely analogous areas that there cannot be an immediate assignment of non-existent personal property. *Id.*, at pp. 24-29. They also gloss over the serious policy questions presented. *Id.*, at pp. 29-31, 32-36.

Finally, Respondents incorrectly assert that alternate grounds support the lower courts' rulings because IBM can secure an order to require Ms. Baker to transfer title to it. Opp., at pp. 19-20. This is nonsense. Ms. Baker is not and never was a party to this case and cannot be required to do anything. In any event, as the District Court held, she transferred her interests to Petitioners so she has nothing left to transfer.

#### **I. Petitioners Did Not Waive or Forfeit Anything.**

Beginning with their reformulation of the Question Presented, Respondents repeatedly assert that Petitioners waived or forfeited their attack on *FilmTec* because they raised it for the first time in the Federal Circuit. Opp., at pp. i, 13, 14, & esp. 15-17.

This is a peculiar argument because Petitioners could not have raised this argument before the District Court ruled since it was not part of the law until nearly two months later when its rationale was first announced by Justice Breyer in his dissent, joined by Justice Ginsburg, and by Justice Sotomayor's concurrence in *Bd. of Trs. of the Leland Stanford Jr. Univ. v. Roche Molecular Sys. Inc.*, 131 S. Ct. 2188, 2203 (June 6, 2011) (Breyer, J.

dissenting) (hereafter “*Stanford University*”), *aff’g*, 583 F.3d 832 (Fed. Cir. 2009).

Even then, because the criticisms of *FilmTec* were only tentative, *id.*, at 2204, they did not work a change in the law, so there was nothing that the District Court could have done to reconsider its ruling. *FilmTec* remained in full force and effect, reaffirmed by the Federal Circuit in the ruling that the Supreme Court affirmed in *Stanford University*.

That was precisely the holding in two separate rulings of another District Court to which the issue was presented in a case that was still pending when *Stanford University* was decided. *Shukh v. Seagate Tech., LLC*, 2011 U.S. Dist. LEXIS 77898, at \*3 (D. Minn. July 18, 2011) (“Whether *FilmTec* will eventually be overturned or modified is immaterial to Shukh’s claims: the law remains that ‘[i]f the contract expressly grants rights in future inventions, no further act is required once an invention comes into being, and the transfer of title occurs by operation of law’ ... This Court has no authority to create a new rule of law based on a dissent in a Supreme Court decision ....”); *Shukh v. Seagate Tech., LLC*, 2011 U.S. Dist. LEXIS 120219, at \*9 (D. Minn. Oct. 18, 2011) (denying interlocutory appeal of adverse *FilmTec* ruling because “the Federal Circuit’s line of cases following *FilmTec* remain controlling law on which there is no substantial ground for difference of opinion”).

So Respondents’ assertions that Petitioners should have raised the matter in the District Court ring hollow because such an argument by Petitioners would have been contrary to “controlling law on which there was no substantial ground of a



difference of opinion.” As a result, had Petitioners raised this argument before the District Court, Respondents would have claimed such arguments were sanctionable misconduct. *See Storey v. Cello Holdings, L.L.C.*, 347 F.3d 370, 391 (2d Cir. 2003) (legal argument justifies sanctions if it is “patently contrary to existing law”).

This concern was not at all fanciful because in fact, Respondents – IBM, NBA, MLB, *et al.* – did file a Motion in the Federal Circuit seeking an award of fees and costs against the small start-up IP firm Picture Patents and its counsel, for their appeal on precisely those grounds. (Motion of IBM, Aeropostale, *et al.*, for Fees and Costs for a Frivolous Appeal, Docket No. 43, filed May 14, 2012 (Fed. Cir.)). Blithely dismissing the dissent in *Stanford University*, Respondents strenuously argued that Petitioners’ arguments, indeed, their case as a whole, were sanctionably frivolous, in part because it was contrary to the *FilmTec* line of cases which, they said, was fully supported by precedent of this Court. Respondents’ Opposition does not describe that Motion, nor the Federal Circuit’s one sentence denial a month later, the latter of which is reproduced in the Appendix to this Reply. (Reply App. 1ra.)

Indeed, Respondents’ cynical argument is tantamount to a permanent blocking move against this Court’s review of *FilmTec*. In Respondents’ view, on the one hand, *FilmTec*’s “automatic assignment” rule is so well settled that any party who attacks it in a district court commits sanctionable misconduct, while on the other hand, a party’s failure to attack it in the district court constitutes a waiver on appeal. Respondents’ assertion that Petitioners should have

advanced this argument in the District Court is worse than disingenuous.

In any event, it has long been the rule in this Court that a party does not waive an argument not advanced in the lower court in the unusual situation where it is based on a subsequent change in the law. This is because a waiver is “an intentional relinquishment or abandonment of a known right or privilege,” see *Johnson v. Zerbst*, 304 U.S. 458, 464 (1938), something that cannot be when the law changes after a ruling has been made. Thus, this Court has allowed parties to raise issues for the first time on appeal when there has been a significant change in the law since the lower court proceedings, both in criminal cases, *White v. Maryland*, 373 U.S. 59 (1963), and civil cases. *Curtis Publishing Co. v. Butts*, 388 U.S. 130, 142-145 (opinion of Harlan, J.), 172 n.1 (separate opinion of Brennan, J.) (1967); *Rosenblatt v. Baer*, 383 U.S. 75 (1966); *Uebersee Finanz-Korp. v. McGrath*, 343 U.S. 205, 213 (1952); *Hormel v. Helvering*, 312 U.S. 552, 556-557 (1941).

In deciding whether such new arguments can be considered, three factors are usually determinative. *Standard Industries, Inc. v. Tigrett Industries, Inc.*, 397 U.S. 586, 587-588 (1970) (Black, J., dissenting). First, “whether there has been a material change in the law; second, whether assertion of the issue earlier would have been futile; and third, whether an important public interest is served by allowing consideration of the issue.” Obviously, all three criteria are present here: this important issue of patent law is presented by the albeit tentative suggestions by three Justices of this Court of a needed change in the law that would have

been completely futile, indeed dangerous, for Petitioners to raise in the District Court.

Moreover, even with these limitations, Petitioners made extensive equitable arguments in the District Court that were considered and rejected in another context. (App. 34a-48a.) These equitable assertions were sufficient to preserve the issue now that the *FilmTec* rule is subject to a realistic impending change.

Furthermore, Respondents do not dispute that Petitioners vigorously raised this issue before the Federal Circuit, as part of their Opening Brief, and then exclusively as part of their Petition for Rehearing *En Banc*. See Pet., at pp. 17, 42. (App. 50a.)

The issue was fully preserved and may be properly considered by this Court.

## **II. The Facts and All Reasonable Inferences Must Be Assumed in Petitioners' Favor.**

Respondents do not deny the central facts:

- Ms. Baker was employed by IBM in October 1990 as a part-time temporary hourly employee as part of IBM's College Work/Study Program.
- Her Employment Agreement said that she "hereby assign[ed]" to IBM inventions she conceived during her employment.
- At the time, the PUI invention did not exist.
- *FilmTec*, decided six months after the Agreement, changed the law without explanation.
- About a year after being employed, Ms. Baker created the invention on her own time over a holiday.

- She was the sole inventor.
- When attempting to interest IBM in the invention, she repeatedly asserted she owned it.
- She repeatedly informed IBM that she would patent it on her own if need be.
- When she left IBM in 1993, her supervisor circulated a memo acknowledging her (Ms. Baker's) assertion of ownership.
- For at least 16 years, IBM did nothing to claim the ownership it now says has been uncontested since 1991.
- Ms. Baker then spent those years, over \$200,000, and 5,700 hours patenting and commercializing the invention.
- She obtained three U.S. Patents and several international patent applications and patents.
- She transferred her ownership interests to Petitioners.
- The District Court ruled that the invention was covered by the Employment Agreement.
- The District Court held that "IBM owned the Patents *ab initio* and Baker had no interest to assign to Intellinet or Picture Patents." (App. 30a.)
- If the application of *FilmTec* was in error, at least Intellinet holds legal title to the invention and patents.
- If the application of *FilmTec* was in error, then at best, all IBM holds are some equitable rights.
- IBM never sought to enforce its supposed right to have Ms. Baker assign the invention and patents,

and cannot now do so because she no longer holds title and is not a party to this case.

Respondents try to counter-balance these facts and the resulting equities by arguing unpersuasively that Ms. Baker impliedly acknowledged IBM's ownership before her employment ended.

But none of those facts appear anywhere in the District Court's Opinion and none had anything to do with the rulings against Respondents. They are therefore completely irrelevant to the issues presented.

More importantly, this is a review of a grant of summary judgment against Petitioners. What facts IBM does contest, and all reasonable inferences must be assumed in Petitioners' favor. *Crawford v. Metro. Gov't of Nashville & Davidson County*, 555 U.S. 271, 274 (2009); *Brosseau v. Haugen*, 543 U.S. 194, 195, n.2 (2004) (per curiam).<sup>2</sup>

Therefore, any disputes of material fact must be taken in Petitioners' favor.

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<sup>2</sup> Where, as here, cross motions for summary judgment are made, each party's motion must be assessed on its own merits. *Morales v. Quintel Entm't, Inc.*, 249 F.3d 115, 121 (2d Cir. 2001). The evidence is viewed most favorably to the party opposing the motion, *Wachovia Bank, Nat. Ass'n v. VCG Special Opportunities Master Fund, Ltd.*, 661 F.3d 164, 171 (2d Cir. 2011), and all reasonable inferences are drawn against the moving party." *Lyons v. Lancer Ins. Co.*, 681 F.3d 50, 57 (2d Cir. 2012).

### **III. Respondents Ignore the Substantial Reasons Why *FilmTec*'s "Automatic Assignment" Rule is Both Wrong and Pernicious.**

Most fundamental to Respondents' deficient Opposition is their failure to explain any legitimate basis for the *FilmTec* "automatic assignment" rule.

They begin that exercise of omission by restating the Question Presented in such a way as to exclude the issue of *FilmTec*'s validity. The second sentence of their reformulated Question Presented posits that Ms. Baker's Employment Agreement "assigned to IBM any inventions conceived or made during her employment . . . ." Opp., at p. i. But that is precisely the issue presented to this Court for consideration: whether *FilmTec*'s rule of "automatic assignment" of a non-existent invention is proper.

Moreover, contrary to Respondents' blithe suggestion to the contrary, Opp., at p. 21, this case presents important issues of federal law and patent ownership that have recurred in several important Federal Circuit cases involving several important patents, Pet., at p. 18, and that potentially affect thousands if not tens of thousands of patents, including many funded by federal research funds. Pet., at pp. 29-31. The Question Presented is not limited merely to the interpretation of private contracts, but implicates important issues of patent policy that necessarily affect national patent law.

Under the incarnation of *FilmTec* here, with the "hereby assign" contract language, a long-lost employer swoops in and divests an inventor or assignees of ownership to the detriment of licensees, lenders and other interested parties who might have

commercialized and practiced the patent. Contrariwise, as in *Stanford University*, a University or business which carefully perfected title and patented and practiced the invention, loses these important interests to an intervening transferee because the original employment agreement used the nearly identical words “will assign.” That scenario has the added public importance of divesting the Government of its Bayh-Dole Act ownership rights arising from its financing of the research from which the invention was born. 35 U.S.C. §§ 200-212.

The third negative consequence of *FilmTec* is reflected in the line of Federal Circuit cases holding that “hereby assign” contractual language divests an inventor of standing to seek correction of his or her omission as an inventor from the patent. These matters were all discussed in ardent detail in the Petition, but are simply ignored by Respondents. Pet., at pp. 32-24.

Respondents also ignore the serious inconsistency between the *FilmTec* rule and long-established rules of title and ownership of Equity, Pet., 24-29. Especially weak is their attempt to assert that this Court’s early patent decisions allow the assignment of ownership of an unconceived, non-existent invention. Opp., at pp. 6-27. In fact, *Gayler v. Wilder*, 51 U.S. (17 Wall.) 477, 493 (1850), explicitly limits the “inchoate right” to “the discoverer of a new and useful improvement.” *Ipso facto*, *Gayler* and its progeny are limited to existing inventions.

Finally, Respondents’ assertion that in early 2010 IBM cleared up title to the patents-in-suit on the U.S. Patent and Trademark Offices assignment

record database makes Professor Chisum's point about the endangerment to the reliance interests of patent owners. Pet., at pp. 34, 36. IBM's afterthought does not remedy the non-disclosure of its secret claim to ownership (so secret IBM itself did not even know about it) in the 17 years intervening between the 1991 PUI invention and IBM's 2010 USPTO recordation.

Respondents' arguments strongly reinforce the reasons why this Court's intervention is required.

#### **IV. There Are No Alternate Grounds That Save the Lower Court's Rulings from Review.**

Finally, Respondents incorrectly assert that alternate grounds support the lower courts' rulings that IBM, not Petitioners, own the invention and patents. They assert that, even now, Petitioners could not obtain title from Ms. Baker because she is still obligated to transfer title to IBM. Opp., at pp. 19-20.

That argument is completely wrong. First, Ms. Baker is not a party to this case and never was, so IBM could not and did not seek any such transfer from her.

Most importantly, as the District Court alternatively ruled, if the *FilmTec* "automatic transfer" rule does not apply, Ms. Baker transferred her interests either to Intellinet or Picture Patents. This means two things: first, she has nothing now to transfer back to IBM. Second, if *FilmTec* is overruled and the lower courts reversed, then one or the other of Petitioners hold title to the invention and patents contrary to the District Court's conclusion that



IBM owned the Patents *ab initio* and Baker had no interest to assign to Intellinet or Picture Patents. (App. 30a.)

For these and other reasons explained below, Respondents' Opposition should be rejected.

### CONCLUSION

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

October 24, 2012

Respectfully submitted,  
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**CORRECTED: JUNE 19, 2012**

NOTE: This order is nonprecedential.

**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, L.P.,  
MAJOR LEAGUE BASEBALL PROPERTIES, INC.,  
NBA MEDIA VENTURES, LLC, NBA  
PROPERTIES, INC., NATIONAL BASKETBALL  
ASSOCIATION, and THE CHARLOTTE RUSSE,  
INC.,

Defendants-Appellees,

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and

GSI COMMERCE SOLUTIONS, INC. and GSI  
COMMERCE, INC.,

Defendants/Counterclaimants-  
Appellees,

and

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.

ON MOTION

Before PROST, MAYER, and WALLACH, Circuit  
Judges.

ORDER

Appellants Picture Patents, LLC and Intellinet,  
Inc. move to withdraw Thomas J. Parker, Michael S.  
Connor, and David M. Alban of Alston & Bird as  
counsel of record. Appellees oppose. Appellants reply.  
Appellants also submit a revised motion for a change  
in designation of principal counsel.

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Appellees Aeropostale, Inc. et al., move for fees and costs. Appellants oppose. Appellees reply.

Upon consideration thereof,

IT IS ORDERED THAT:

1) Appellants' motion to withdraw Thomas J. Parker, Michael S. Connor, and David M. Alban of Alston & Bird is granted.

2) Appellants' motion to change designation of principal counsel is granted. Constantine John Gekas is substituted as principal attorney.

3) Appellees' motion for fees and costs is denied.

FOR THE COURT

June 15, 2012  
Date

/s/ Jan Horbaly /LB  
Jan Horbaly  
Clerk

cc: Thomas J. Parker, Esq.  
Constantine Gekas, Esq.  
Nathan K. Cummings, Esq.  
Mark J. Abate

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