

No. 12-339

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IN THE  
**Supreme Court of the United States**

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PICTURE PATENTS LLC, ET AL.,  
*Petitioners,*

v.

AEROPOSTALE, INC., ET AL.,  
*Respondents.*

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

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**BRIEF FOR RESPONDENTS IN OPPOSITION**

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## QUESTION PRESENTED

Petitioners are two business entities formed and controlled by Michelle Baker, a former IBM employee. In consideration for employment at IBM, Baker assigned to IBM any inventions conceived or made during her employment that related to IBM's business, research, or development or derived from her work at IBM. This case involves just such an invention. The district court concluded that Baker had assigned the invention to IBM. In the district court, petitioners did not dispute that *if* the invention fell within Baker's intellectual property agreement with IBM, then the assignment was effective without further action by IBM or Baker. In the court of appeals, petitioners argued for the first time that even if the invention fell within the agreement, Baker nonetheless retained rights in the invention and defeated IBM's ownership by assigning the patents to petitioners. The court of appeals summarily affirmed without opinion.

The question presented is as follows:

Whether the court of appeals erred in affirming the district court's judgment that IBM owned the invention and resulting patents.

**RULE 29.6 STATEMENT**

Respondent International Business Machines Corp. is a publicly held company. It has no parent corporation, and no publicly held company owns 10% or more of its stock.

Respondent Aeropostale, Inc. does not have a parent corporation, and no publicly traded company owns 10% or more of its stock.

Respondent Dick's Sporting Goods, Inc. does not have a parent corporation, and no publicly traded company owns 10% or more of its stock.

Respondent Charlotte Russe, Inc. is wholly owned by Charlotte Russe Holding, Inc., which is not publicly traded.

Respondent GSI Commerce, Inc. is wholly owned by eBay Inc., a publicly held company.

Respondent GSI Commerce Solutions, Inc. is wholly owned by GSI Commerce, Inc., which is wholly owned by eBay Inc., a publicly held company.

Respondents The National Basketball Association, NBA Properties, Inc., and NBA Media Ventures, LLC disclose that: (1) Defendant National Basketball Association is a joint venture of the NBA teams; (2) the NBA teams are shareholders of Defendant NBA Properties, Inc.; and (3) the NBA teams are members of Defendant NBA Media Ventures, LLC. The following public companies are partial owners of one or more of the NBA teams: AT&T Inc., Bank of America Corp., Cablevision Systems Corp., Clear Channel Communications, Inc., Forest City Enterprises, Inc., GAMCO Investors, Inc., International Bancshares Corp., Legg Mason, Inc., Time Warner Inc., Toronto-

Dominion Bank, Valero Energy Corp., and Wachovia Corp.

Respondent MLB Advanced Media, L.P. is a limited partnership whose partners consist of MLB Advanced Media, Inc. and MLB Media Holdings, L.P., and no publicly held company owns 10% or more of the stock of MLB Advanced Media, L.P., MLB Media Holdings, L.P., or MLB Advanced Media, Inc.

Respondent Major League Baseball Properties, Inc. is wholly owned by Major League Baseball Enterprises, Inc., which is not a publicly traded company. No publicly held corporation owns 10% or more of the stock of Major League Baseball Properties, Inc.

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**BRIEF FOR RESPONDENT  
INTERNATIONAL BUSINESS MACHINES  
CORP. IN OPPOSITION**

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**STATEMENT**

Petitioners are business entities formed, owned, and controlled by Michelle Baker, a former IBM employee. This case concerns patents that Baker obtained based on work she did at IBM, using IBM resources. Under the intellectual-property agreement she signed upon joining the company, Baker assigned to IBM any inventions she conceived or made that related to IBM's business, research or development or derived from her work at IBM. The district court accordingly held that IBM owns the patents, and the court of appeals affirmed summarily in an unpublished, one-word disposition.

In this Court, petitioners no longer dispute that the patents at issue in this case fall within the scope of Baker's intellectual-property agreement with IBM. Specifically, petitioners no longer contest that:

- the invention was conceived and made during Baker's employment at IBM;
- Baker conceived and made the invention while she was employed by IBM in a technical, research, programming or engineering capacity;
- the invention related to IBM's business and its research and development;
- the invention was suggested by or resulted from tasks assigned to Baker and work performed by her for IBM; and

- the invention was not excluded from the agreement because of a prior agreement with Columbia University.

Petitioners also no longer allege, as they did below, that laches, equitable estoppel, waiver, modification, or the statute of limitations applies to bar IBM's ownership of the invention. Instead, the only issue petitioners present is an issue raised for the first time on appeal: whether Baker could disregard her assignment to IBM and subsequently assign the patents to business entities within her own sole control. For multiple reasons, the answer is no.

#### **A. Baker's Employment And IP Agreement With IBM**

Ms. Baker was employed in the Computer Science Department at IBM's T. J. Watson Research Center from November 1990 until June 1993. C.A. App. 2564-65, 2575-78, 2090-104. On her first day at IBM, she freely and voluntarily signed an Agreement Regarding Confidential Information and Intellectual Property (the "IP Agreement"). Pet. App. 18a; C.A. App. 2070. In consideration of her employment, Baker assigned to IBM inventions as follows:

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 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. . . .

Pet. App. 18a-19a (alteration in original). The assignment obligation applied while Ms. Baker was employed by IBM in a technical, research, programming or engineering capacity. *Id.* at 19a. When she signed the IP Agreement, Ms. Baker was expressly advised: “[U]nder the agreement, . . . you assign to IBM the rights to any ideas and inventions that you develop if they are in an area of the company’s business. . . . [T]his obligation applies no matter where or when—at work or after hours—such intellectual property is created.” C.A. App. 2407, 2436, 2602-04; *see* Pet. App. 19a.

The IP Agreement provided two ways in which Baker could exclude inventions from its scope. Pet. App. 19a-20a. First, Baker could exclude inventions that she had previously agreed to assign to someone else. Baker was a degree candidate at Columbia University during her employment at IBM, and she incorporated a handwritten reference to that status into the IP Agreement: “Excluded are any Developments that I cannot assign to IBM because of prior agreement with Columbia University which is effective until graduation.” *Id.* at 20a (handwriting underlined). Second, Baker could exclude inventions “in which [she had] any right, title or interest, and which were previously made or conceived solely or

jointly by [her], but neither published nor filed in any Patent Office.” *Id.* The IP Agreement asked her to specify whether she was excluding any such inventions; she wrote in “none.” *Id.*

The IP Agreement also provided that, “[i]n connection with any of the Developments assigned by Paragraph 4,” Baker “w[ould], on IBM’s request, promptly execute a specific assignment of title to IBM, and do anything else reasonably necessary to enable IBM to secure a patent.” C.A. App. 2070 (¶ 5).

### **B. Baker Conceived And Made An Invention Related to IBM’s Business, Research, And Development As Part Of Her Employment**

In November 1991, a year into her employment at IBM, Baker conceived of a graphical user interface invention that is the subject of the patents at issue in this litigation. C.A. App. 2072-73, 2079-80, 2577, 2580-81. At that time, IBM had already dedicated significant resources to research and development directed to graphical user interfaces. For example, in the 1980s and early 1990s, IBM published design guidelines for graphical user interfaces and created a “User Interface Institute” within IBM’s Research Division. *Id.* at 1881-82, 1883-1950, 2669. IBM conducted extensive research and development on the subject of graphical user interfaces, particularly those associating objects, graphic images and pictures with tasks or information stored in the computer. And IBM researchers developed several prototypes and products similar—if not identical—to what petitioners call a “pictorial user interface.” One such prototype from the early 1990s was developed as part of IBM’s “Pluggable Places” project and in-

corporated a graphical user interface having a background image and clickable sub-images linking to stored information. *Id.* at 1881-82, 1952-83, 2007-09, 2557, 2560-61. IBM's work in this area led to commercial software products in the early 1990s, such as IBM's Office Vision, OS/2, and NetVista products, which utilized graphical user interfaces associating objects, graphic images, and pictures with tasks or information stored in the computer (*i.e.* pictorial user interfaces). *Id.* at 1939, 2117, 2121, 2133, 1882, 2179-82, 2183-87. NetVista was developed at IBM's T. J. Watson Research Center (where Baker worked) for use in K-12 education (the application Baker anticipated for her invention). *Id.* at 2154-78, 2673-75. As a result of its extensive investment in this area, IBM holds many patents related to graphical user interfaces. *Id.* at 2059-60. One of IBM's patents, which describes the graphical user interface in the Office Vision product, is actually cited as a reference in a patent at issue in this case. *Id.* at 1882, 2050-52, 682.

Baker reduced her invention to practice (*i.e.* "made" the invention) in June 1992, while she was still employed at IBM. *Id.* at 2079-81, 2588, 2608, 1761-62. Around this time, as part of her job responsibilities, Baker was involved in IBM's research and development efforts relating to graphical user interfaces and K-12 education. *See, e.g., id.* at 2223, 2231, 2582, 2610, 2645.

Baker worked on the graphical user interface invention during IBM work hours, collaborating with IBM colleagues and using IBM resources and equipment. Pet. App. 20a-21a. She solicited and received technical assistance with the invention from IBM

employees. *See, e.g.*, C.A. App. 2257-59, 2631-32, 2319, 2392-94, 2388-91, 2222-23. For example, in January 1992, Baker presented the graphical user interface invention at a meeting of IBM's "Education Roundtable," which she "understood to be an IBM Project." *Id.* at 2610; *see id.* at 2582, 2645, 2719. Dr. David Grossman, a leading IBM researcher and pioneer of 3D animation, attended the meeting and "suggested that the idea be extended to 3 dimensions." *Id.* at 2608-09, 2717-18, 2725-26.

Baker later stated that "work on the 3D animation version" and "extension to 3D is both technically non-trivial and significant," *id.* at 2254-56, and that Dr. Grossman "should really be a co-inventor" because of the "3D ideas [he] had." *Id.* at 2232; *see also id.* at 2609, 2615; 2631-32; 2229; 2254-56. As Baker was "struggling with the 3D version" and had "come up with nothing," she solicited technical assistance from another IBM researcher, Dr. Jessica Hodgins, who specialized in graphics and animation. *Id.* at 2612-14, 2631-32, 2260-62, 2622, 2263-65.

Baker also contacted Bob Mack, another researcher at the T. J. Watson Research Center, because the graphical user interface invention was "potentially right in the center of . . . [his] mission." *Id.* at 2126-27, 2627, 2634-35. She also reviewed work of John Richards, who headed the User Interface Institute, *id.* at 2282-83, 2583, 2624, 2667-69, and contacted another IBM employee who "had been studying [graphical user] interfaces for kids." *Id.* at 2285. In addition, Baker sought technical assistance to implement the invention, including help in writing software necessary to identify the boundaries of an image, *id.* at 2139, 2392-94, 2304, and help regarding

“animated character embedding” and other “technical problems concerning the graphics and animation,” *id.* at 2388-89, 2390-91; *see id.* at 2222-23.

Baker also used IBM resources to develop the invention, *id.* at 2223, including IBM’s Research Division library, *id.* at 2261-62, 2312-13, 2314-16, 2642, 2584; IBM databases available only to IBM employees, *id.* at 2321-22, 2222-23, 2585-86; IBM confidential market studies, *id.* at 2295-96; IBM confidential patent applications, *id.* at 2307, 2640; and other IBM confidential documents, *id.* at 2306-08. Baker also used IBM physical plant and equipment, such as IBM’s computer resources, copiers, email system, office space, and regular mail system. *Id.* at 2585-87, 2222-23, 2324-25.

### **C. Baker Understood That IBM Owned The Invention**

Baker understood that her work on the graphical user interface related to IBM’s business, research, and development, including but not limited to her own work for IBM. Indeed, she described it to her supervisor as work “I have been doing and what I would propose to do for the next contract period,” and to a colleague as “purely an IBM project.” *Id.* at 2228-29, 2331. Another supervisor recognized Baker’s “contribution” as including “work[] on a graphical user interface for operating systems.” *Id.* at 2221. IBM employees informed Baker that IBM owned the invention on numerous occasions. *Id.* at 2727-28, 2661-62, 2698. Accordingly, she prepared an IBM Invention Disclosure form on the invention with the assistance of IBM employees. On the form, she identified the invention as being related to a spe-

cific IBM project (the Education Roundtable Project). *Id.* at 2298. Dr. Grossman and Dr. Hodgins both provided extensive comments on the invention disclosure and suggested additional concepts, and Dr. Grossman prepared patent “claims” covering both 2D and 3D. *Id.* at 2608, 2615-21, 2722-23, 2233, 2241, 2279-81, 2287-88, 2289-93, 2625. Baker recognized IBM’s ownership of the invention in additional ways, labeling documents referring to the invention as “IBM confidential” and recognizing she needed IBM “approval” and “permission” to develop it further. *Id.* at 2336-37, 2338-39, 2223-24, 2318-19.

During the last few months of her employment at IBM, however, Baker sought to gain control over the invention. She took back the copy of the Invention Disclosure form that she had given her supervisor. *Id.* at 2223. Then, in June 1993, shortly before leaving IBM, Baker wrote a memo to her supervisor in which she did not dispute IBM’s ownership of the invention: she stated that she “assume[d] that IBM is not interested in the invention . . . and is *relinquishing* all claims on said invention.” *Id.* at 2355 (emphasis added). Her use of the word “relinquishing” reflected her understanding that IBM owned the invention.

IBM quickly disabused her of any notion that it was relinquishing its rights. *Id.* at 2356-57, 2386-87, 2646. In her exit interview, IBM again reminded her of her obligations under the IP Agreement. *Id.* at 2356-57, 2386-87, 2646. Furthermore, IBM also documented its specific claim to this invention, as follows: “Baker stated [in her memo] 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 invention and/or copyrightable works made or conceived by her during her employment with IBM.” Pet. App. 21a-22a; *see* C.A. App. 2646. This was the final communication between IBM and Baker.

#### **D. Baker Obtains Patents, Forms Business Entities, And Attempts To Transfer The Patents To Her Business Entities**

Baker left IBM in June 1993. She proceeded to obtain three U.S. patents on the invention, as well as several patents in other countries. Pet. App. 21a, 22a. She never told anyone at IBM about the patent applications or the patents themselves. *See* C.A. App. 2592-93, 3721. In fact, she took affirmative steps to prevent IBM from acting on the invention or uncovering her activities. For example, she never signed the Invention Disclosure, knowing that as a result “IBM would not file a patent,” *id.* at 2623-24, 2638, and she never submitted the Invention Disclosure to the IBM IP Law department, knowing that this omission would prevent IBM from tracking the invention in a meaningful way. *Id.* at 2623-24, 2638. Also, she affirmatively misrepresented to IBM employees that the invention was in “the patent process at IBM.” *Id.* at 2347, 2590, 2624, 2636; *see id.* at 2130.

Baker founded and controls both petitioners: Picture Patents, a limited liability company, and Intelinet, a corporation. She is the managing member and only voting member of Picture Patents, and the

president and only officer of Intellinet. Pet. App. 18a.

After obtaining the patents at issue, Baker sought to assign them, first to Intellinet, then to Picture Patents. In December 2003, Baker signed a document purporting to assign her “entire right, title and interest” in the patents to Intellinet. In May 2006, Baker signed another document, this time purporting to transfer her “entire right, title and interest” in the patents to Picture Patents. Pet. App. 22a-23a.

#### **E. Picture Patents Initiates This Litigation, But Its Claim Of Ownership Is Rejected**

1. Picture Patents brought this litigation in federal district court in the Southern District of New York, against respondents Aeropostale, Dick’s Sporting Goods, Charlotte Russe, GSI Commerce Solutions, GSI Commerce, National Basketball Association, NBA Properties, NBA Media Ventures, Major League Baseball Properties, and MLB Advanced Media (the “Infringement Defendants”). Picture Patents claimed that it owned the patents and that the Infringement Defendants had infringed them.

IBM first learned of the patents-in-suit in September 2008, when the Infringement Defendants sought third-party discovery from IBM to obtain Baker’s employment records. Thereafter, Picture Patents brought IBM into the litigation as a defendant by amending its complaint to seek a declaration of ownership. Pet. App. 17a. IBM responded that it owned the patents, and it counterclaimed for a declaration to that effect, naming both petitioners as counterclaim defendants. *Id.*

Petitioners disputed that the invention was covered by the IP Agreement. Specifically, Picture Patents argued that:

- Baker conceived of the invention over a holiday weekend and therefore not during the period of her employment at IBM;
- Baker was a part-time temporary employee and therefore was not employed by IBM in a technical research, programming or engineering capacity;
- the invention did not relate to IBM's business, research, or development;
- the invention was excluded from the agreement by the clause that referenced an agreement with Columbia University; and
- laches, equitable estoppel, waiver, modification, and the New York statute of limitations precluded IBM from asserting ownership.

They did not argue, however, that *if* the IP Agreement covered the invention, either the agreement or the patent laws required IBM to take some additional step to secure rights to the invention. Rather, they agreed that the IP Agreement “contained language that effected a present assignment of future inventions.” C.A. App. 2974 (Pet. Opp. to IBM Mot. for Summ. J. 18).

2. The district court concluded that Picture Patents did not own the patents and therefore lacked standing to sue the Infringement Defendants. The district court gave two alternative grounds for that holding.

*The IP Agreement:* The district court concluded that the IP Agreement “clearly applie[d]” to the invention and patents at issue. Pet. App. 29a. Picture Patents conceded that Baker made or conceived the invention while employed at IBM and that the sole exception in the IP Agreement (for works already assigned to Columbia University) did not apply. *Id.* at 29a-30a. The district court also concluded that the invention “plainly” related to IBM’s business, research, and development; indeed, Picture Patents “cannot seriously contest” that it did not. *Id.* at 30a.

The district court further concluded that “if the Invention fell within the IP Agreement, IBM held title to it from the moment it came into being, and Baker had nothing to assign to Intellinet or Picture Patents.” *Id.* at 29a (citation omitted). As noted above, petitioners did not dispute that point, and the district court agreed that the language of the IP Agreement—“I hereby assign to IBM my entire right, title and interest in any . . . [qualifying] invention . . . hereafter made or conceived solely or jointly by me, or created wholly or in part by me”—effected a present assignment of future inventions. *Id.* at 28a (ellipses in original) (citing *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 583 F.3d 832, 841 (Fed. Cir. 2009), *aff’d*, 131 S. Ct. 2188 (2011); and *FilmTec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568, 1573 (Fed. Cir. 1991)).

*The Intellinet assignment:* The district court further held that even if IBM did not own the patents, Picture Patents would still lack standing to bring an infringement or declaratory-judgment claim, because Baker previously assigned the patents to Intellinet. Picture Patents did not contest that fact, but con-

tended that Intellinet had later passed the rights to Picture Patents; the district court rejected that notion as contrary to the unambiguous language of the documents in question. *Id.* at 31a-34a.

3. The district court then rejected petitioners' equitable and statute-of-limitations objections to IBM's asserting its rights in a declaratory judgment counterclaim. Because there was no such bar, Pet. App. 34a-43a, 44a-48a, and because the IP Agreement was effective to convey the rights in the invention to IBM, the district court held that IBM owned the U.S. patents. *Id.* at 43a. The court reserved judgment on ownership of the foreign patents, *id.* at 44a, but the parties subsequently stipulated to entry of judgment in IBM's favor on those patents as well. *See id.* at 4a-13a.

#### **F. The Court Of Appeals Summarily Affirms**

Petitioners appealed. On appeal, petitioners briefly argued for the first time that the IP Agreement was not effective, standing alone, to transfer Baker's rights in the invention to IBM without requiring any further step. IBM objected that petitioners had forfeited this argument by failing to raise it in the district court, that it was contrary to precedent, and that the judgment could be affirmed on alternative grounds in any event. In reply, petitioners did not respond to the forfeiture point or address the effectiveness of the IP agreement at all.

The court of appeals affirmed summarily, in a one-word order. Pet. App. 1a-3a.

**REASONS FOR DENYING THE WRIT**

The court of appeals was presented with three independently viable grounds for affirming the district court's judgment: (1) the district court correctly interpreted the assignment to IBM; (2) petitioners forfeited any argument to the contrary by failing to raise it in the district court; (3) even if the assignment to IBM were disregarded, the assignment to Intellinet would defeat the subsequent assignment to Picture Patents and thereby defeat Picture Patents' standing. The court of appeals affirmed summarily in a one-word order. There is no reason to think that the court of appeals' disposition of this case would be any different if this Court took up and decided the question petitioners present. Moreover, even if the Court concluded that the assignment to IBM was not effective to transfer ownership of future inventions without some additional step, that decision would not benefit petitioners, because the IP Agreement allows IBM to secure performance of any act necessary to perfect its ownership.

Finally, even if petitioners could show that the question presented affects the outcome of this case, that issue does not warrant review by this Court. The district court did not err in interpreting the contract, and the resolution of this purely private dispute over the assignment of patent rights plainly presents no significant legal issue warranting resolution by this Court. This case does not raise the issue raised by Justice Breyer's dissent in the case on which petitioners place near-total reliance, and even if petitioners' assumption about the basis for the court of appeals' affirmance is correct, that affir-

mance does not conflict with any decision of another court of appeals or of this Court.

**I. This Case Does Not Present The Question Petitioners Emphasize**

As they frame the case before this Court, petitioners no longer dispute that the invention was within the scope of the IP Agreement, or that IBM is entitled to enforce that agreement. The only question they present is whether the IP Agreement actually transferred legal title to the patents to IBM, or whether the agreement instead required some additional step to effectuate the transfer. But answering that question would not materially affect the judgments below. For that reason, this case would not be a proper vehicle even if the question presented were a suitable one.

**A. The Decision Below Rests On Numerous Alternative Grounds**

The court of appeals did not specify the reason or reasons for its summary affirmance, much less rely expressly on its precedent in *FilmTec*. Because the court of appeals' affirmance was supported by at least two grounds other than the direct application of *FilmTec*, there is no basis to conclude that the court of appeals applied *FilmTec* in this case at all, much less that the viability of *FilmTec* would affect the judgment against petitioners.

1. In the district court, petitioners did not dispute that *if* the invention was subject to the IP Agreement, then title to the invention had already passed to IBM. Petitioners devoted no argument whatsoever to when an assignment under the agreement

would take effect. Rather, they agreed that the IP Agreement “contained language that effected a present assignment of future inventions.” C.A. App. 2974 (Pet. Opp. to IBM Mot. for Summ. J. 18). Petitioners’ arguments about the *interpretation* of the IP Agreement were limited to the contentions they have now abandoned: that the invention was not subject to the IP Agreement at all.

In the court of appeals, petitioners for the first time argued briefly (in two paragraphs of their opening brief) that the employment agreement did not by its terms transfer title to IBM. Pet. C.A. Br. 22-24. Respondents pointed out that petitioners had forfeited this issue and that this case was not an appropriate vehicle to reconsider *FilmTec*. IBM C.A. Br. 41-42, 45-46; *see* Infringement Defs.’ C.A. Br. 16. In reply, petitioners did not dispute that they had forfeited the issue; indeed, they did not mention *FilmTec*, “equitable title,” or any of the forfeited arguments at all. And the court of appeals affirmed summarily. Pet. App. 3a.

Petitioners’ forfeiture was a product of their litigating strategy to assert a statute of limitations defense to IBM’s claim of ownership. They argued below that Baker’s breach of the IP Agreement was complete many years before and, thus, that IBM’s claim against them had accrued outside the limitations period. *See* C.A. App. 2974.<sup>1</sup> That argument would have been undermined if petitioners had argued in the district court that the IP Agreement did *not* automatically vest title in IBM.

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<sup>1</sup> The district court rejected petitioners’ statute-of-limitations argument on other grounds. *See* Pet. App. 35a-43a.

Moreover, by failing to raise any question about whether the IP Agreement's assignment provision should be construed as automatically transferring title to future inventions, they deprived respondents of the opportunity to present argument and, if need be, evidence about the proper construction of the contract. Respondents would have argued that the correct interpretation of *this* agreement is to immediately assign covered inventions, making it unnecessary to rely on any across-the-board interpretation of the three-word phrase "I hereby assign." Although the district court did cite *FilmTec* in its opinion, because petitioners forfeited any argument that this agreement should be interpreted differently from the agreement in that case, it was merely a passing reference.

Respondents would also have introduced evidence from the research-and-development sector to explain the reasons why IBM and other businesses in that sector use contracts like the IP Agreement. Robust agreements that ward off future patent disputes like this one give IBM and similar companies an incentive to invest in research and development, and they encourage individual researchers within those enterprises to maintain the culture of unfettered cooperation, collaboration, and cross-fertilization that IBM fosters. Both the company and its people are protected against any one individual seeking to usurp for personal gain ideas that properly belong to the collaborative enterprise.

Petitioners' forfeiture is sufficient standing alone to sustain the judgment on the sole question petitioners present. Petitioners present no reason why,

in light of this forfeiture, the court of appeals' judgment can be seen as resting on *FilmTec* at all.

2. Even if petitioners had preserved the issue, the district court's decision that Picture Patents lacked standing to assert patent infringement rested on alternative grounds unrelated to *FilmTec*. The court of appeals could equally have affirmed on that basis as well.

The district court squarely held that *even if* Baker still had title to the invention in December 2003, she conveyed all her rights to Intellinet at that time. Pet. App. 31a. Picture Patents had conceded in the district court that the assignment to Intellinet was valid, *id.*, and the district court rejected the notion that Intellinet had itself somehow passed title on to Picture Patents. *Id.* at 31a-33a. Therefore, at the time Baker signed her third assignment document, this one to Picture Patents, she had nothing left to convey. *Id.* at 33a.

The district court's ruling on standing was based simply on the fact that Picture Patents did not own the patents; the reason why Picture Patents did not own the patents is immaterial. Either rationale suffices to uphold the district court's standing ruling.

Petitioners contend (Pet. 13, 16-17) that the judgment on IBM's counterclaim against Intellinet rests on whether the IP Agreement is correctly construed as making an immediate assignment. But Intellinet did not bring the infringement action and has never claimed that it owns the patents. *E.g.*, Pet. C.A. Br. 34 (noting that in its answer to IBM's counterclaim, "Intellinet expressly denied that it had any ownership interest in the '455 patent family"). Petitioners

cannot at the eleventh hour turn this into a dispute about Intellinet’s ownership—ownership Intellinet has not even asserted.<sup>2</sup>

### **B. Petitioners Could Not Obtain Title From Baker Even If Baker Retained Some Interest**

Baker is not a named petitioner here; petitioners are two business entities that she controls. For either petitioner to prevail against IBM’s declaratory-judgment claim, therefore, it must show not only that Baker still owned some rights to the patents at the time she attempted to transfer title to one of them, but also that the transfer was effective to defeat IBM’s ownership. Petitioners cannot make that showing.

Even if the IP Agreement did not immediately divest petitioner of any claim to the invention, it unambiguously *did* require petitioner to execute assignment documents if asked to do so. See C.A. App. 2070 (¶ 5) (“In connection with any of the Developments assigned by Paragraph 4: . . . I will, on IBM’s request, promptly execute a specific assignment of title to IBM, and do anything else reasonably necessary to enable IBM to secure a patent . . . therefor.”). As petitioners concede, even if they prevailed on the question presented, IBM would still have “equitable title” to the patents. See Pet. 25-28, 31. To the extent there is anything left to be done to perfect its ownership, IBM remains able to perfect the original assignment by securing an order directing Baker to

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<sup>2</sup> In any event, as discussed below, Intellinet is not a bona fide purchaser for value, and Baker’s purported assignment to a corporation that she owns and controls cannot defeat her previous agreement to assign the patents to IBM. See p. 20, *infra*.

specifically perform her promise. *See, e.g., Conway v. White*, 9 F.2d 863, 866, 872 (2d Cir. 1925) (“agreements to assign any future inventions one may make may . . . be specifically enforced”).

Baker cannot escape from that promise through her subsequent attempts to assign the patents to entities she solely controlled, as petitioners suggest (Pet. 32). For a later assignment to control over an earlier, unperfected one, the later assignment must be a bona fide transfer for value. *See* 35 U.S.C. § 261; *FilmTec*, 939 F.2d at 1573-74. That is not the case here, because Baker knew of IBM’s competing claim to the patents and her knowledge is imputed to both Intellinet and Picture Patents, of which she was the sole member or shareholder. The attempted transfers to petitioners cannot defeat IBM’s claim to the patents under the IP Agreement.

Thus, even if this Court were to grant certiorari, reverse, and hold that Baker retained some legal interest in the patents despite the assignment to IBM, there is no way that petitioners could obtain title to the patents as Baker’s later assignees. As entities created and controlled by Baker, petitioners are well aware of IBM’s claim and can never be bona fide purchasers for value. And IBM has now registered the assignment with the Patent and Trademark Office in accordance with 35 U.S.C. § 261, providing constructive notice to the world and precluding Baker from finding a new, unsuspecting purchaser. *See* U.S. Patent & Trademark Office, *Patent Assignment Abstract of Title*, <http://assignments.uspto.gov/assignments/q?db=pat&qt=pat&pat=5715416> (last visited Oct. 17, 2012). Thus, the question presented lacks any prospective significance to petitioners.

## **II. The Question Presented Does Not Warrant Review**

Even if the outcome of this case truly turned on the question whether the IP Agreement automatically transferred ownership to IBM, that question would not warrant certiorari. The term in question appears in a contract between private parties, which are perfectly capable of contracting around it if they choose to do so. Nor does this case involve the type of issues that arise when the government seeks rights to publicly funded research, despite petitioners' attempts to portray this case as presenting a question of comparable importance.

### **A. Petitioners Challenge Only The Interpretation Of Particular Words In A Private Contract**

This Court sits to resolve important questions of federal law with substantial prospective significance. The question here, which involves only the interpretation of particular words in a contract between private parties, presents no such issue.

The circuit precedent to which petitioners object does not announce any hard-and-fast rule. The court of appeals has not treated *all* assignment contracts as immediately effective—only the contracts at issue in *FilmTec* and other cases involving similar wording.

Petitioners are not now advocating any hard-and-fast rule, either. Although petitioners previously suggested that an assignment contract can *never* be immediately effective, Pet. C.A. Br. 23, they apparently now argue only that the particular wording at issue here is not immediately effective in the factual

circumstances presented. *See* Pet. 35 (asserting that an additional act is required to perfect transfer “if the equities justify that subsequent transfer”). They do not appear to dispute that parties *can* write a contract that will provide for an assignment to take immediate effect once the assignor acquires the interest to be assigned. Rather, their position is that the IP Agreement is not such a contract in these factual circumstances. *See, e.g.*, Pet. 24-25, 33 (disputing only the proper construction of the phrase “I hereby assign”).

That narrow disagreement does not warrant this Court’s review. Indeed, any decision by this Court about the effect of particular words would simply affect whether contracting parties continue to use those words in their contracts. But merely eliminating one possible form of words would neither clarify the law nor settle the expectations of contracting parties. In other words, going forward, a decision by this Court would serve as nothing more than a potential obstacle to be contracted around—and meanwhile, such a decision could unsettle the consistent understanding that contracting parties have given those words for the past 20 years.

### **B. This Case Does Not Implicate The Issues Identified In The *Stanford* Dissent**

Petitioners place primary reliance on Justice Breyer’s dissenting opinion in *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems*, 131 S. Ct. 2188 (2011). That case arose in the particular context of the Bayh-Dole Act,<sup>3</sup> under

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<sup>3</sup> University and Small Business Patent Procedures Act of 1980, 35 U.S.C. § 200 *et seq.*

which federal contractors may retain title to federally funded research under certain conditions, including granting a license and other rights to the federal government. Nothing in *Stanford* suggests that this Court should review the significance of the words “hereby assign” in any or every contract between private parties.

In *Stanford*, the inventor signed two agreements: the first with Stanford (a government contractor), the second with Cetus (predecessor to Roche, the party in this Court). The two agreements read somewhat differently, and the Federal Circuit, citing *FilmTec*, held that the agreement with Stanford involved only a promise to assign, whereas the agreement with Cetus (which used the words “do hereby assign”) involved an automatic assignment. Thus, the Federal Circuit held, the Cetus agreement trumped the Stanford agreement as a matter of interpretation of the two contracts. 583 F.3d at 841-42. The question that brought the case to this Court was whether Stanford’s status as a government contractor under the Bayh-Dole Act prevented the inventor from making the later, immediately effective assignment to Cetus. This Court held that it did not; it did not “pass on the validity of the lower court’s construction of [the two assignment] agreements.” 131 S. Ct. at 2194 n.2.

Justice Breyer dissented, and he offered some “tentative” views about how patent doctrine could better coexist with the policies of the Bayh-Dole Act. *Id.* at 2204; *see id.* at 2202-04. Without briefing on the issue, he expressed the tentative view that the wording of the Stanford and Cetus assignments was sufficiently similar that neither should trump the other,

and their competing claims should be resolved in equity. *Id.* at 2202-03. But he emphasized that these concerns about *FilmTec*'s interpretation of contract language related to the effect of that rule on "the objectives of the Bayh-Dole Act." *Id.* at 2203. Thus, he questioned whether this Court should interpret the Cetus assignment as immediately effective (and the Stanford assignment as not immediately effective) "where the Bayh-Dole Act is at issue." *Id.*<sup>4</sup>

Here, of course, the Bayh-Dole Act is *not* at issue. Indeed, it was Baker, not IBM, whose conduct implicates one of the concerns Justice Breyer voiced: allowing her to circumvent the IP Agreement and assign the patents to entities that she herself controlled would be squarely "contrary to the intention of the parties to the earlier . . . contract," *i.e.*, the IP Agreement. *Stanford*, 131 S. Ct. at 2203 (Breyer, J., dissenting); *see also id.* (noting that "the fact[] that Stanford's contract came first" was one factor giving its claim more weight in equity than Cetus's).

In short, even if the intersection of contract interpretation with the Bayh-Dole Act might warrant review in a future case, as some Justices suggested in *Stanford*, this is not such a case.

### **III. The District Court Correctly Interpreted The IP Agreement**

Petitioners suggest that this Court's review is warranted because the district court's interpretation is

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<sup>4</sup> Justice Sotomayor concurred in the Court's decision but noted that she shared Justice Breyer's concerns about the interpretive principles announced in *FilmTec* "and the application of those principles to agreements that implicate the Bayh-Dole Act." 131 S. Ct. at 2199.

at odds with previous decisions of this Court, or that the court of appeals' summary affirmance conflicts with one of its own precedents. Those contentions lack merit. The cases on which petitioners rely are wholly consistent with the district court's contract interpretation in this case.

1. In *Gayler v. Wilder*, 51 U.S. (10 How.) 477 (1850), this Court held that an inventor could immediately assign an "imperfect and inchoate" interest in an invention that had not yet been patented. The inventor assigned his rights in the invention for valuable consideration in a written agreement; at the time, he had a patent specification but had not yet filed a patent application. *Id.* at 480, 493. The assignment provided: "I have assigned and transferred to E. Wilder . . . the full and exclusive right to [the invention] . . . . And I hereby authorize and request the Commissioner of Patents to issue the said letters patent to the said E. Wilder." *Id.* at 480. That language, the Court held, effected a present assignment of a future interest: the transfer occurred by operation of law once the patent issued and no further act or assignment was required. *Id.* at 493-94. Specifically, the Court stated:

The assignment requests that the patent may issue to the assignee. And there would seem to be no sound reason for defeating the intention of the parties by restraining the assignment to the [assignee], and compelling them to execute another transfer, unless the act of Congress makes it necessary. The court think it does not.

*Id.* at 493. Thus, "the assignment of [the inventor's] whole interest" in an inchoate property right—the

not-yet-patented invention—was “equally” valid “whether executed before or after the patent issued.” *Id.* Once the patent issued, “the legal right to the monopoly and property it created was, by operation of the assignment then on record, vested in [the assignee].” *Id.* at 494. The Court went on to say that requiring an additional assignment after the patent issued would exalt “mere form” over substance. *Id.*

Notably, in *Gayler*, it was a *dissent* that made arguments similar to those petitioners advance here. *See id.* at 505 (Daniel, J., dissenting). Nothing in the Court’s opinion supports the proposition for which petitioners cite it (Pet. 25), *i.e.*, that only a *completed* invention is the sort of “inchoate right” that can be assigned. While the invention in *Gayler* had been made (though not patented), that was not the basis for the Court’s decision. Rather, there was nothing in the Patent Act then—and there is nothing today—to restrain parties from contracting to assign inchoate patent rights, effective immediately upon issuance of the patent. 51 U.S. (10 How.) at 493-494.

Similarly, in *Railroad Co. v. Trimble*, 77 U.S. (10 Wall.) 367 (1870), this Court followed *Gayler* and held that a present assignment (“I have assigned . . . and do hereby assign . . .”) was effective to automatically transfer a subsequent patent extension once that extension was granted. *Id.* at 378-80. The Court reiterated that holding in *Nicolson Pavement Co. v. Jenkins*, 81 U.S. (14 Wall.) 452 (1871), in which it again held that an assignment could automatically transfer a later-issued patent extension once the extension was granted. *Id.* at 456-57.

In none of the cases petitioners cite did this Court purport to set out a uniform rule of federal law that

would preclude contracting parties from agreeing to make an assignment immediately effective in the future. Nor did the Court read the patent laws as precluding such future effect. To the contrary, this Court has given just such future effect to contractual language that is comparable to that at issue here, and it has discerned no legal requirement and, indeed, no reason for the assignment to be perfected again once the patent issues. Accordingly, the cases petitioners cite support both the district court's interpretation of the IP Agreement and the holding in *FilmTec*. The snippets from venerable equity treatises on which petitioners seek to rely cannot substitute for the holdings of this Court.

2. Similarly, petitioners miss the mark with their assertion (Pet. 29) that the court of appeals' decisions in this case and in *FilmTec* "cannot be reconciled" with the court of appeals' decision in *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574 (Fed. Cir. 1991), decided one week after *FilmTec*. The different outcomes in *FilmTec* and *Arachnid* simply turned on different language in the contracts at issue in those cases. As the court explained in *Arachnid*, the contract before it was not "a present assignment of an expectant interest," whereas the contract in *FilmTec* was such a present assignment. *Id.* at 1580-81 (citing *FilmTec*, 939 F.2d at 1572). The contract in *Arachnid* stated that rights to inventions "will be assigned," and the Federal Circuit concluded that the use of the future tense precluded reading the contract to create a present assignment.

In this case, by contrast, Baker stated in the present tense that she "hereby assign[ed]" any invention that she might "hereafter" invent while at IBM.

That formulation unambiguously expresses her intent to convey any and all expectant interests in covered inventions. The district court's interpretation is fully consistent with the text of the IP Agreement and does not conflict with any other decision.

\* \* \* \* \*

Petitioners have now abandoned their claim that Baker was not obligated to assign the invention under the IP Agreement. Before this Court, Petitioners assert an argument they did not preserve: that even if Baker did agree to assign the invention, some unspecified body of contract, patent, or equity law prevented that assignment from being effective. Nothing in the patent laws, this Court's decisions, or the decisions of any other appellate court supports that contention. Even if the argument were properly preserved, the question presented simply does not encompass any issue worthy of this Court's time.

**CONCLUSION**

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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