

United States District Court  
Northern District of California

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

INTELLISOFT, Ltd,  
Plaintiff,  
v.  
ACER AMERICA CORPORATION, et  
al.,  
Defendants.

Case No. 17-cv-06272-PJH

**ORDER DENYING PLAINTIFF'S  
MOTION TO REMAND**

Re: Dkt. No. 21

Plaintiff Intellisoft, Ltd's ("Intellisoft") motion to remand came on for hearing before this court on January 10, 2018. Plaintiff appeared through its counsel, Andrew Spielberg. Defendants and counterclaimants Acer America Corporation and Acer Inc. (together, "Acer") appeared through their counsel, Matthew Ball. Having read the papers filed by the parties and carefully considered their arguments and the relevant legal authority, and good cause appearing, the court hereby DENIES plaintiff's motion to remand, for the following reasons.

**BACKGROUND**

**A. Procedural Background**

On March 21, 2014, Bruce Bierman and Intellisoft filed this action in the Superior Court of the State of California for the County of Marin. On October 22, 2014, the Marin County Superior Court transferred the case to the County of Santa Clara. In May 2015, Bierman assigned to Intellisoft any and all interest and substantive rights he had to the intellectual property relevant to this case. Dkt. 1-1 ¶ 13. Bierman dismissed himself from the case that same month. On September 25, 2017, Intellisoft filed the operative Fourth

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1 Amended Complaint (the “complaint”).

2 Intellisoft alleges that in the early 1990s Bierman shared with engineers at Acer  
3 America Corporation pursuant to a non-disclosure agreement certain purported trade  
4 secrets related to computer power management. Intellisoft further alleges that in January  
5 1992, Acer used those ideas without Bierman’s knowledge or permission in applying for  
6 and later obtaining U.S. Patent No. 5,410,713, “Power Management System for a  
7 Computer,” (“the ’713 Patent”), as well as three later continuations of that patent  
8 (collectively, the “713 Family of Patents” or the “patents”).

9 The alleged trade secrets relate to a “smart computer power supply” that allows  
10 computer manufacturers to manage and control power in a computer by implementing a  
11 second “smart” standby low power supply coupled to a pushbutton power switch  
12 (eliminating the wall-switch type on/off) and a microprocessor and other components to  
13 control power to the computer’s main switchable power supply. Intellisoft also  
14 purportedly developed software that interacted with this mechanism to provide enhanced  
15 PC wake up and shutdown process and procedures, and the ability to control other  
16 system states. See Dkt. 1-1 ¶ 42.

17 The operative complaint asserts four causes of action for: (1) misappropriation of  
18 trade secrets, (2) intentional misrepresentation and concealment, (3) breach of contract—  
19 non-disclosure agreement, and (4) accounting. The parties agree that causes of action 2  
20 and 4 depend on causes of action 1 and 3.

21 Since its filing in March 2014, the case has been actively litigated, including  
22 multiple motions to dismiss and multiple summary judgment motions. Prior to removal,  
23 the parties had completed fact discovery and expert discovery was nearing completion.  
24 Defendants’ removal and the present motion to remand arise directly from expert  
25 disclosures and depositions that occurred in September and October 2017—  
26 approximately one month before the state court’s November 13, 2017 expert discovery  
27 deadline expired.

28 Trial was set to begin in state court on November 28, 2017.

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1 **B. Expert Discovery Background**

2 On March 8, 2017, Intellisoft served its expert disclosure. As relevant here, the  
3 disclosure described in general terms what plaintiff’s experts would opine upon. As  
4 relevant here, the disclosure stated that Irving Rappaport “may be called to testify on  
5 issues pertaining to liability and damages,” Bob Zeidman “may be called to testify on  
6 issues pertaining to liability and damages,” and Brian Napper “may be called to testify on  
7 damages.” Ex. 5 at 3-4.

8 In late September 2017, defendants received Rappaport’s and Zeidman’s expert  
9 reports. Exs. 7, 9. On October 11 and 20, 2017, defendants deposed Zeidman and  
10 Rappaport, respectively. On October 27, 2017, three days before this case was  
11 removed, defendants received Napper’s expert report. Ex. 14.

12 Between Rappaport’s expert report and deposition, defendants learned for the first  
13 time that Rappaport would testify on inventorship, patentability, and validity. For  
14 example, Rappaport’s expert report states that “Mr. Bierman should have been named as  
15 a co-inventor of the ‘713 patent . . . [and] arguable that Mr. Bierman was the sole inventor  
16 of the ‘713 patent family for all the reasons presented” in the Rappaport’s expert report.  
17 Ex. 7 at 33. Rappaport also opined that the “trade secret and confidential information  
18 described in the ‘713 Family of Patents, were created by Mr. Biermand on behalf of  
19 Intellisoft, Ltd.” Id. at 9. During his deposition, Rappaport confirmed that it was his  
20 opinion that under federal law Bierman should have been named as an inventor and that  
21 he intended to testify to that effect at trial. Ex. 8 at 18:6-19:8. Rappaport also opined on  
22 the ‘713 Family of Patents validity and patentability under federal law. Ex. 7 at 8-9.

23 In Zeidman’s report, Ex. 9, supplemental report (filed October 10, 2017), Ex. 11,  
24 and deposition, Ex. 13, Zeidman compared the purported trade secrets to the ‘713 Family  
25 of Patents and opined that the patents included plaintiff’s trade secrets. See, e.g., Ex. S;  
26 see also generally Exs. 9, 11, 13. Zeidman’s expert reports also attached 28 separate  
27 claim charts, each one analyzing whether an industry standard “read on” the ‘713 Family  
28 of Patents or necessarily used plaintiff’s trade secrets. See, e.g., Ex. 10 and 12. In

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1 performing this analysis, Zeidman construed the scope and meaning of claims within the  
2 '713 Family of Patents. See Id. As relevant here, Zeidman concluded that computers  
3 using the ACPI<sup>1</sup> industry standard necessarily used the '713 Family of Patents. Ex. 10 at  
4 35, Ex. 11 ¶¶ 16; Ex. 12 at 2, Ex. 13 at 332:23-333:9. Accordingly, it is Zeidman's opinion  
5 that computers using the ACPI industry standard incorporate plaintiff's trade secrets.  
6 Ex. 13 at 366:3-6.

7 Lastly, Napper's expert report states that Intellisoft is entitled to royalty damages  
8 based on every Acer ACPI-compliant computer sold since 1997. See, e.g., Ex. 14 ¶¶ 8-  
9 10, 20. Napper's calculation expressly relies on Zeidman's and Rappaport's analysis,  
10 including Zeidman's conclusion that ACPI compliant computers use the '713 Family of  
11 Patents (and, therefore, plaintiff's trade secrets) and Rappaport's inventorship opinion.  
12 Ex. 14 ¶¶ 8-10, 19, 20.

13 **C. Removal Background**

14 On October 30, 2017, in response to these reports and depositions, defendants  
15 filed a cross-complaint in state court naming Bierman and plaintiff. That cross-complaint  
16 sought a declaratory judgment under the Federal Declaratory Judgment Act and 35  
17 U.S.C. § 256 that Bierman should not be a named inventor on any of the patents in the  
18 '713 Family. Ex. 15.<sup>2</sup> However, defendants' cross-complaint did not become operative  
19 because under the California Code of Civil Procedure a party must obtain leave of court  
20 to file a cross-complaint unless the party has not filed an answer or the court has not yet  
21 set a date for trial. Cal. Code of Civ. P. § 428.50. Because defendants had neither  
22 moved nor obtained leave of court, the cross-complaint was deemed "lodged." Ex. D.

23 Also on October 30, 2017, shortly after the cross-complaint was "lodged" with the  
24

25 <sup>1</sup> ACPI is a power management standard developed by a consortium of companies, led  
26 by Microsoft and Intel Corporation. Dkt. No. 20, 5 n.1, First Amended Counterclaim. The  
27 standard was first released in December 1996 and became the industry-wide power  
management standard. Id. Acer began designing computers that complied with the  
ACPI standard after its release in late 1996. Id.

28 <sup>2</sup> As discussed in detail below, § 256 authorizes federal judicial resolution of inventorship  
contests over issued patents. 35 U.S.C. § 256.

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1 state court, defendants removed the case to this court. In their removal papers,  
2 defendants claimed removal was proper under 28 U.S.C. §§ 1338 & 1441 and,  
3 alternatively, proper under 28 U.S.C. § 1454. See Dkt. 1. Defendants claim removal was  
4 proper under § 1441 because under § 1338(a) federal district courts of the United States  
5 have original and exclusive jurisdiction “over any claim for relief arising under any Act of  
6 Congress relating to patents.” 28 U.S.C. § 1338(a). Defendants’ notice of removal  
7 argued that plaintiff’s misappropriation of trade secrets theory arises under an Act of  
8 Congress relating to patents because it necessarily raises the patent issue of  
9 inventorship, which is a claim arising under federal patent law—specifically, 35 U.S.C. §  
10 256. See Dkt. 1 ¶¶ 10-15.

11 Second, defendants claimed removal was proper under § 1454 based on  
12 defendants’ cross-complaint seeking declaratory relief that Bierman was properly not  
13 named as an inventor of the ’713 Family of Patents. Dkt. 1 ¶ 16.

14 The notice of removal also argues that though litigation began over three years  
15 ago, the case was timely removed because the notice of removal was filed 30 days after  
16 receipt of “other paper”—the expert reports—that put defendants on notice that the case  
17 is one that had become removable. 28 U.S.C. § 1446(b)(1), (3) (“[I]f the case stated by  
18 the initial pleading is not removable, a notice of removal may be filed within thirty days  
19 after receipt by the defendant . . . [of] other paper from which it may first be ascertained  
20 that the case is one which is or has become removable.”).

21 On November 20, 2017, after removal, defendants timely filed a First Amended  
22 Counterclaim in this court. Dkt. 20. That counterclaim repeats the inventorship and  
23 declaratory judgment allegations, but also includes numerous allegations based on  
24 plaintiff’s experts’ testimony regarding “other federal patent law issues” plaintiff will  
25 allegedly argue at trial, namely claim construction, infringement, validity, and  
26 patentability. See Dkt. 20 ¶¶ 16-26.

27 Plaintiff filed the present motion to remand on November 27, 2017.

28 **DISCUSSION**

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1 **A. Legal Standard**

2 A defendant may remove a civil action filed in state court if the action could have  
3 originally been filed in federal court. 28 U.S.C. § 1441. Federal courts are courts of  
4 limited jurisdiction, possessing only that power authorized by the Constitution and statute.  
5 Kokkonen v. Guardian Life Ins. Co. of America, 511 U.S. 375, 377 (1994). A plaintiff may  
6 seek to have a case remanded to the state court from which it was removed if the district  
7 court lacks jurisdiction or if there is a defect in the removal procedure. 28 U.S.C.  
8 § 1447(c). The district court must remand the case if it appears before final judgment  
9 that the court lacks subject matter jurisdiction. Id.

10 The removal statutes are construed restrictively, so as to limit removal jurisdiction.  
11 See Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 108-09 (1941). There is a  
12 “strong presumption” against removal jurisdiction. Gaus v. Miles, Inc., 980 F.2d 564, 566  
13 (9th Cir. 1992). This means that the burden of establishing federal jurisdiction for  
14 purposes of removal is on the party seeking removal. Hunter v. Philip Morris USA, 582  
15 F.3d 1039, 1042 (9th Cir. 2009). Doubts as to removability are resolved in favor of  
16 remanding the case to state court. Matheson v. Progressive Specialty Ins. Co., 319 F.3d  
17 1089, 1090 (9th Cir. 2003).

18 Federal courts have original and exclusive jurisdiction in “any civil action arising  
19 under any Act of Congress relating to patents.” 28 U.S.C. § 1338(a). “Under the well-  
20 pleaded complaint rule, . . . whether a claim arises under patent law must be determined  
21 from what necessarily appears in the plaintiff’s statement of his own claim . . . , unaided by  
22 anything alleged in anticipation or avoidance of defenses which it is thought the  
23 defendant may interpose.” Christianson v. Colt Indus. Operating Corp., 486 U.S. 800,  
24 809 (1988).

25 A case can “arise under federal law” in two ways. Gunn v. Minton, 568 U.S. 251,  
26 256-58 (2013). First, “a case arises under federal law when federal law creates the  
27 cause of action asserted.” Id. at 257. This “creation test” “accounts for the vast bulk of  
28 suits that arise under federal law[.]” Id. (citation omitted). Second, even when a claim

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1 “finds its origins in state rather than federal law,” the claim nevertheless arises under  
2 federal law where it “necessarily raise[s] a stated federal issue, actually disputed and  
3 substantial, which a federal forum may entertain without disturbing any congressionally  
4 approved balance of federal and state judicial responsibilities.” Id. at 257-58.

5 Section 1454 of Title 28 provides an independent additional avenue of removal.  
6 That section allows removal of any “civil action in which any party asserts a claim for  
7 relief arising under any Act of Congress relating to patents.” 28 U.S.C. § 1454. This  
8 provision was “intended to provide federal courts . . . with a broader range of jurisdiction;  
9 that is, with jurisdiction over claims arising under the patent laws even when asserted in  
10 counterclaims, rather than in an original complaint.” Vermont v. MPHJ Tech.  
11 Investments, LLC, 803 F.3d 635, 644 (Fed. Cir. 2015) (emphasis in original).

12 Under either removal statute, defendants removal must comply with § 1446(b)(1),  
13 which requires defendants to remove state-court actions to federal court within thirty days  
14 of receiving an initial pleading or other document that reveals a basis for removal. Jordan  
15 v. Nationstar Mortg. LLC, 781 F.3d 1178, 1179 (9th Cir. 2015). However, the Ninth  
16 Circuit has explained that

17 Section 1446(b) is triggered upon the receipt by the  
18 defendants of a paper in the action from which removability  
19 may be ascertained. For obvious reasons, we don't charge  
20 defendants with notice of removability until they've received a  
21 paper that gives them enough information to remove.  
22 Because the focus remains on whether the case 'is or has  
23 become removable,' counsel's clairvoyant sense of what  
24 actions a plaintiff might take plays no role in the analysis.  
25 Under this approach, a defendant is not put to the impossible  
26 choice of subjecting itself to fees and sanctions by filing a  
27 premature (and baseless) notice of removal or losing its right  
28 to remove the case by waiting too long.

Chan Healthcare Grp., PS v. Liberty Mut. Fire Ins. Co., 844 F.3d 1133, 1142 (9th Cir.  
2017) (internal citations and quotation marks omitted).

**B. Analysis**

As explained below, the court holds that under the facts of this case the court has  
subject matter jurisdiction and that defendants' removal was proper under §§ 1338 &

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1 1441 and, alternatively, under § 1454. Accordingly, the court DENIES plaintiff's motion to  
2 remand.

3 The court's holding is based on the specific facts and procedural history of the  
4 case, as well as the theory plaintiff intends to advance at trial. Specifically, the court  
5 understands that plaintiff intends to argue and show at trial that Bierman conceived of  
6 and disclosed to Acer engineers, pursuant to a non-disclosure agreement, many of the  
7 ideas eventually published in Acer's 1992 '713 patent application. In support, Rappaport  
8 and Zeidman will testify to that effect on direct examination. Further, Rappaport, during  
9 his deposition, testified that at trial he planned to testify that under federal patent law  
10 Bierman should have been a named inventor of the '713 Family of Patents.

11 Additionally, in support of plaintiff's theory, Rappaport will also testify, and  
12 Rappaport's expert report states, that the patents met federal law's definition for validity  
13 and patentability. Plaintiff intends to use that opinion as evidence that the publication of  
14 the patent disclosed, for the first time, Bierman's trade secrets.

15 For his part, Zeidman will opine, and his expert report already opines, that the '713  
16 Family of Patents includes and discloses the purported trade secrets. Zeidman also will  
17 and has already opined that Acer's ACPI compliant computers use the '713 Family of  
18 Patents. Zeidman's opinion is based on his interpretation of the ACPI industry standard  
19 and his construction of the '713 Family of Patents.

20 Based on Zeidman's and Rappaport's testimony, Napper will testify that plaintiff is  
21 entitled to royalty-based damages for each ACPI-compliant Acer computer. A 1990  
22 licensing agreement between plaintiff and defendants informs this calculation.

23 The court finds that the above theory, the only one plaintiff has advanced in its  
24 briefing and not disclaimed during the hearing, necessarily raises at least two patent  
25 issues.

26 First, plaintiff's argument that the patents use and disclose plaintiff's trade secrets  
27 necessarily calls into question the named inventors of the '713 Family of Patents. During  
28 the hearing on this motion and throughout the briefing, plaintiff carefully stated that on



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1 direct examination plaintiff's counsel will not ask its experts to discuss whether Bierman  
2 should have been a named inventor under the federal patent laws. Similarly, plaintiff  
3 states that neither it nor Bierman seeks to be named as an inventor of the '713 Family of  
4 Patents. Indeed, if plaintiff planned to do either of the above, then there would be no  
5 question that the case belonged in federal court.

6       However, plaintiff's attestations alone do not remove the question of inventorship.  
7 "Conception is the touchstone of inventorship, the completion of the mental part of the  
8 invention." Burroughs Wellcome Co. v. Barr Laboratories, Inc., 40 F.3d 1223, 1227-28  
9 (Fed. Cir. 1994). Plaintiff's entire theory is based on the argument that the patented  
10 invention contains trade secrets conceived of by Bierman. This necessarily challenges  
11 the propriety of the '713 Family of Patents' named inventors, who Acer argues and,  
12 apparently showed in its patent application, conceived of the '713 Family of Patents. By  
13 the same token, Rappaport's opinion that Bierman created and owns the trade secrets  
14 contained in the '713 Family of Patents necessarily reaches the issue of "who invented or  
15 discovered the subject matter of the invention." 35 U.S.C. § 100(f) (defining inventor).

16       Further, though a defense is not sufficient to create subject matter jurisdiction, if  
17 this case remained in state court, defendants will inevitably argue that under federal law  
18 the inventors were correctly named. Plaintiff's carefully crafted declarations reveal that  
19 on cross-examination, plaintiff will ask Rappaport to opine on who should have been a  
20 named inventor under Title 35. At that point, a fully-fledged inventorship dispute would  
21 be before a state court. Defendants' § 256 counterclaim seeking a declaration on  
22 inventorship recognizes this reality.

23       Second, Zeidman's analysis raises federal patent law issues. Zeidman's analysis  
24 compares the purported trade secret to the '713 Family of Patents. Though plaintiff  
25 asserts otherwise, Zeidman's analysis entails construing claims within and the scope of  
26 the '713 Family of Patents. See, e.g., Ex. S. The same goes for Zeidman's comparison  
27 between the '713 Family of Patents and ACPI. See Ex. 12.

28       On the other hand, the court does not agree that plaintiff's theory necessarily

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1 raises issues of validity and patentability. Plaintiff intends to use Rappaport’s opinion on  
2 the validity of the patents as evidence that the trade secrets were not in the public  
3 domain. Neither validity nor patentability is the exclusive method of proving that  
4 contention. In fact, even if the patent were invalid or the invention not patentable, plaintiff  
5 may still be able to show that the ’713 patent application disclosed the trade secrets at  
6 issue.

7 Similarly, Napper’s damages analysis, despite defendants’ characterization of it as  
8 “patent-like,” does not necessarily raise any patent issue. Plaintiff’s theory that it is  
9 entitled to unjust enrichment damages based on defendants’ disclosure of plaintiff’s trade  
10 secrets and benefit from that disclosure, does not necessarily raise any patent issues.  
11 Plaintiff can attempt to show damages based on defendants’ conduct using any theory it  
12 wishes. That plaintiff chooses to do so using a royalty theory based on a decades old  
13 licensing agreement does not raise a patent issue. See Aronson v. Quick Point Pencil  
14 Co., 440 U.S. 257, 262 (1979); Ex. T ¶ 14.

15 This, however, does not undercut the fact that Napper’s damages analysis  
16 necessarily assumes that Bierman is the sole inventor. Ethicon, Inc. v. U.S. Surgical  
17 Corp., 135 F.3d 1456, 1466 (Fed. Cir. 1998) (holding that joint inventors each have rights  
18 to the entire patent). This underscores that the inventorship issue is not just an alternate  
19 theory that plaintiff might use to show liability and damages. Instead, it is plaintiff’s only  
20 theory of its case.

21 Plaintiff does not convincingly argue otherwise. Though plaintiff implies other  
22 theories might be used, plaintiff never comes close to describing a different theory of  
23 liability that does not necessarily raise at least the inventorship, infringement, and claim  
24 construction issues described above. Plaintiff disavows only that neither plaintiff nor  
25 Bierman “seek to be declared as an inventor as that term is defined in Title 35 of the  
26 United States Code by any tribunal or by the [United States Patent and Trademark Office]  
27 on any patent.” Dkt. 21, Spielberg Decl. at ECF pp. 32-33 (emphasis added); Dkt. 28,  
28 Bierman Decl. at ECF pp. 27-28. Plaintiff’s reply does little better, stating only that on

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1 direct examination plaintiff will not ask its experts to opine on who should have been  
2 named as an inventor under federal patent law. See, e.g., Dkt 28 at 3; see also Dkt. 28,  
3 Spielberger Reply Decl. ¶ 4. As discussed above, this is insufficient to side-step the  
4 inventorship issues in this case. During the hearing on this motion, the court provided  
5 plaintiff numerous chances to disavow the federal patent law inventorship dispute.  
6 Plaintiff declined.

7 Further, neither the briefing nor the declarations assert that plaintiff will not rely at  
8 trial on Zeidman’s interpretation of the trade secrets, ACPI, or the ’713 Family of Patents.  
9 And it appears plaintiff’s theory of the case would fall apart were plaintiff to do so.

10 With the above as a backdrop, the court next determines whether it has subject  
11 matter jurisdiction and whether defendants properly removed the case to this court.

12 **1. Removal Was Proper Under Sections 1338(a) and 1441.**

13 Federal courts have original and exclusive jurisdiction in “any civil action arising  
14 under any Act of Congress relating to patents.” 28 U.S.C. § 1338(a). Here, plaintiff  
15 asserts only state law causes of action. Thus, this court has jurisdiction under § 1338  
16 only if defendants establish each of the elements articulated by the Supreme Court in  
17 Gunn. The case must “present[ ] a patent issue that is ‘(1) necessarily raised, (2) actually  
18 disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting  
19 the federal-state balance approved by Congress.’” Jang v. Boston Sci. Corp., 767 F.3d  
20 1334, 1336 (Fed. Cir. 2014) (quoting Gunn).

21 **a. Patent Issues Are Necessarily Raised.**

22 If a claim “can be supported by alternative and independent theories—one of  
23 which is a state law theory and one of which is a federal law theory—federal question  
24 jurisdiction does not attach because federal law is not a necessary element of the  
25 claim.” Rains v. Criterion Sys., Inc., 80 F.3d 339, 346 (9th Cir. 1996). However, “the  
26 court’s job is not to focus on the prima facie elements of the state cause of action.” Baker  
27 v. Tait, No. 3:16-CV-00236, 2017 WL 2192965, at \*2 (D. Alaska May 18, 2017); see also  
28 Gunn, 568 U.S. at 259 (noting the prima facie elements of a legal malpractice claim

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1 under Texas law, but holding that the plaintiff's particular claim necessarily raised a  
2 federal issue because the court would be required to apply federal patent law to the facts  
3 of the case). Instead, the court must determine if the claim itself, as brought in each  
4 particular case "actually turn[s] on construction of [a] federal law." El Camino Hospital v.  
5 Anthem Blue Cross of Cal., No. 5:14-cv-00662, 2014 WL 4072224, at \*3 (N.D. Cal. Aug.  
6 14, 2014); see also Christianson, 486 U.S. at 810 ("[A] claim supported by alternative  
7 theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent  
8 law is essential to each of those theories.").

9 As described above, the only theory plaintiff has advanced necessarily raises at  
10 least two federal patent law issues. First, plaintiff's theory requires a showing that  
11 Bierman conceived of the ideas in the '713 Family of Patents. This boils down to an  
12 inventorship dispute. Second, Zeidman's analysis amounts to testimony about how the  
13 claims within the '713 Family of Patents should be construed and whether Acer's use of  
14 the ACPI standard necessarily used the '713 Family of Patents. Claim construction is a  
15 federal patent issue. See generally Markman v. Westview Instruments, Inc., 517 U.S.  
16 370, 372 (explaining that the final interpretation on a patent's scope and meaning is  
17 within "the exclusive province of the court[s]"). Moreover, because Zeidman's theory  
18 compares the ACPI standard to the '713 patents, rather than the trade secrets  
19 themselves, it is only applicable if Bierman should have been named as an inventor or  
20 coinventor on the '713 Family of Patents.

21 Plaintiff's repeated assertion that neither plaintiff nor Bierman "seek to be declared  
22 as an inventor as that term is defined in Title 35 of the United States Code", see, e.g.,  
23 Dkt. 21, Spielberg Decl. at ECF 32-33, amounts only to a reiteration that the complaint  
24 does not assert a federal cause of action. That does not address whether plaintiff's state  
25 causes of action raise federal issues—the very point of the Gunn test.

26 Plaintiff also argues that there is no federal issue of inventorship because § 256 is  
27 unavailable to plaintiff or Bierman. Plaintiff's first iteration of this argument claims that  
28 because the trade secrets were misappropriated by defendants' fraudulent conduct, there

1 is no remedy under § 256. That argument relies on an outdated version of § 256.

2 Section 256 as amended states (with deletions struck and additions underlined):

3 (a) Correction.--Whenever through error a person is named in  
4 an issued patent as the inventor, or through error an inventor  
5 is not named in an issued patent ~~and such error arose without~~  
6 ~~any deceptive intention on his part~~, the Director may, on  
7 application of all the parties and assignees, with proof of the  
8 facts and such other requirements as may be imposed, issue  
9 a certificate correcting such error.

10 (b) Patent Valid if Error Corrected.--The error of omitting  
11 inventors or naming persons who are not inventors shall not  
12 invalidate the patent in which such error occurred if it can be  
13 corrected as provided in this section. The court before which  
14 such matter is called in question may order correction of the  
15 patent on notice and hearing of all parties concerned and the  
16 Director shall issue a certificate accordingly.

17 35 U.S.C. § 256. Thus, § 256 covers corrections regardless of deceptive intent  
18 allegations.

19 The other iterations of plaintiff's § 256 argument also fail. Contrary to plaintiff's  
20 assertion, "[n]othing in the statute governing a court's power to correct inventorship . . .  
21 prevents a court from correcting the inventorship of an unenforceable patent." Frank's  
22 Casing Crew & Rental Tools, Inc. v. PMR Techs., Ltd., 292 F.3d 1363, 1377 (Fed. Cir.  
23 2002). The same is true for expired patents. See, e.g., Schreiber v. Eli Lilly & Co., No. 5-  
24 cv-2616, 2007 U.S. Dist. LEXIS 40884, at \*16 (E.D. Penn. Mar. 19, 2007) (discussing  
25 § 256 breadth and holding that § 256 permits correction of inventorship of surrendered  
26 patents); Magnetar Techs. Corp. v. Six Flags Theme Parks Inc., No. 07-127, 2017 U.S.  
27 Dist. LEXIS 121148, at \* 9-10 (D. Del. Aug. 2, 2017) ("Section 256 has no limitations  
28 period, and courts tend to read the statute broadly, erring on the side of providing relief in  
correcting inventorship.").

29 Lastly, relying on Altavion, Inc. v. Konica-Minolta Sys. Lab., Inc., 2008 WL  
30 2020593, at \*6 (N.D. Cal. May 8, 2008), plaintiff argues that though defendants'  
31 fraudulent conduct before the USPTO will be a part of the proceeding, it does not form  
32 plaintiff's exclusive theory and therefore the court does not have jurisdiction. But plaintiff  
33 has not actually articulated an alternate theory that departs from the inventorship dispute

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1 described above. Plaintiff cannot sidestep federal jurisdiction based on the mere  
2 possibility an alternative theory of liability exists but will not actually be pursued. If that  
3 were the case, a plaintiff asserting state law causes of action could always defeat the  
4 Gunn test.

5 Altavion does not persuade the court otherwise. Discussing the Supreme Court’s  
6 decision in Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 811 (1988), the  
7 Altavion court found that on the face of the complaint plaintiff asserted two alternative  
8 theories to support its claim, one of which involved no patent law issues. Altavion, Inc. v.  
9 Konica-Minolta Sys. Lab., Inc., 2008 WL 2020593, at \*\*4-6 (N.D. Cal. May 8, 2008). On  
10 those facts, the Altavion court remanded because an alternative theory of liability  
11 supported plaintiff’s claim. Id.

12 In Christianson, the Court held that “just because an element that is essential to a  
13 particular theory might be governed by federal patent law does not mean that the entire  
14 [ ] claim ‘arises under’ patent law.” Christianson, 486 U.S. at 811. The Court went on to  
15 explain that though the defendant pointed to one theory in the complaint that involved a  
16 substantial question of patent law, the face of the complaint also contained other theories  
17 supporting the antitrust claim that did not depend on resolving patent law issues. Id. at  
18 812-13. Consequently, “the appearance on the complaint’s face of an alternative, non-  
19 patent theory [compelled] the conclusion that the [antitrust] claim [did] not ‘arise under’  
20 patent law.” Id. at 813.

21 Here, on the other hand, after over three years of litigation and on the eve of trial,  
22 plaintiff’s only theory of liability necessarily involves issues that arise under patent law.  
23 Accordingly, the court finds the first Gunn factor satisfied.

24 **b. Patent Issues Are Actually Disputed.**

25 “A federal issue is ‘actually disputed’ where the parties are in disagreement  
26 regarding its potential application or resolution.” Desktop Alert, Inc. v. ATHOC, Inc., No.  
27 215CV8337, 2016 WL 1477029, at \*4 (D.N.J. Feb. 24, 2016) report and recommendation  
28 adopted, No. CV158337, 2016 WL 1450551 (D.N.J. Apr. 13, 2016); see, e.g., Gunn, 568

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1 U.S. at 259 (where parties disagreed on whether a particular exception to the “on-sale  
2 bar” might have operated to save a patent from being declared invalid, the Court found  
3 that federal law was “actually disputed”).

4 Here, the parties dispute whether Bierman conceived of the ideas published in the  
5 ’713 Family of Patents. That is, whether or not plaintiff seeks to alter the named  
6 inventors on the ’713 Family of Patents, the parties dispute whether those patents  
7 correctly fail to name Bierman. This is the central point of dispute in the case.

8 Plaintiff’s argument to the contrary fails. That plaintiff does not seek to have  
9 Bierman declared as an inventor as defined under federal law does not show there is no  
10 dispute. Put another way, plaintiff will surely contest defendants’ counterclaim for a  
11 declaratory judgment stating Bierman should not have been a named inventor on the  
12 patents.<sup>3</sup> During the hearing on this motion, plaintiff’s counsel confirmed that his client  
13 would not stipulate to the same.

14 **c. There Are Substantial Federal Issues.**

15 The Federal Circuit has “held that, for the purposes of section 1338(a) jurisdiction,  
16 at least four issues of federal patent law are substantial enough to satisfy the jurisdiction  
17 test,” including infringement and inventorship issues under 35 U.S.C. §§ 116, 256.  
18 Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318, 1330 (Fed. Cir. 1998)  
19 (collecting cases), overruled on other grounds by Midwest Indus., Inc. v. Karavan  
20 Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999). Plaintiff cites no case law contradicting this  
21 binding authority.

22 **d. “Federal-State Balance” Supports Removal.**

23 The federal courts have a clear interest in regulating inventorship and infringement  
24 issues under federal patent law. See Hunter Douglas, 153 F.3d at 1330; Nippon  
25 Telephone and Telegraph Corp., 414 F.3d 1358, 1363 (Fed. Cir. 2005); American  
26

27 <sup>3</sup> Plaintiff also argues that there is no “operative cross-complaint.” Plaintiff cites no case  
28 law supporting the assertion that a “dispute” under Gunn requires an operative cross-  
complaint.

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1 Cyanamid, 196 F.3d 1366, 1372 (Fed. Cir. 1999). Similarly, Congress’ enactment of the  
2 America Invents Act (the “AIA”) was “intended to provide federal courts . . . with a broader  
3 range of jurisdiction.” Vermont, 803 F.3d at 644. The AIA “expressly removes [patent  
4 law] claims from the ambit of state court jurisdiction.” Id.

5 Plaintiff argues that allowing removal to stand would disrupt the federal-state  
6 balance because state courts have jurisdiction over state law claims even when the state  
7 court has to interpret federal law. Here, however, plaintiff’s theory does not only require  
8 the state court to interpret federal law but also decide the federal patent issues of  
9 inventorship, claim construction, and infringement as they relate to the ‘713 Family of  
10 Patents.

11 **e. Conclusion: Sections 1338 & 1441**

12 At the eve of trial, plaintiff has only advanced one theory of liability and that theory  
13 necessarily raises substantial patent law issues that are within the exclusive province of  
14 the federal courts. Under these facts, the court finds that the four Gunn factors have  
15 been met and therefore it has subject matter jurisdiction under § 1441

16 **2. Removal Was Proper Under § 1454.**

17 “A civil action in which any party asserts a claim for relief arising under any Act of  
18 Congress relating to patents . . . may be removed . . .” 28 U.S.C. § 1454. This provision,  
19 added by the AIA in 2011, was “intended to provide federal courts . . . with a broader  
20 range of jurisdiction; that is, with jurisdiction over claims arising under the patent laws  
21 even when asserted in counterclaims, rather than in an original complaint.” Vermont, 803  
22 F.3d at 644 (emphasis in original). The AIA “expressly removes such claims from the  
23 ambit of state court jurisdiction.” Id. (discussing changes to § 1338).

24 Defendants filed a cross-complaint on October 30, 2017, naming Bierman and  
25 Intellisoft. That cross-complaint alleges that Intellisoft intends to rely on Bierman’s  
26 federal inventorship claim. Ex. 15 ¶¶ 19-20. The cross-complaint further alleges that  
27 there is an actual controversy regarding the inventorship of the ‘713 Family of Patents  
28 and that, if plaintiff is successful, it is possible the patents might be invalidated under



1 § 256 for defect in inventorship. Id. ¶ 20. Under the Federal Declaratory Judgment Act  
2 and § 256, defendants’ cross-complaint seeks a declaratory judgment that Bierman  
3 should not be a named inventor of the ’713 Family of Patents. Id. ¶¶ 15-23.

4 The court finds that defendants’ cross-complaint satisfies § 1454’s requirements.

5 **a. Plaintiff’s Cross-Complaint and Counterclaim Arguments Fail.**

6 Plaintiff argues (i) that defendants admit § 1454 requires the assertion be in a  
7 pleading and (ii) that the cross-complaint was never filed.

8 Defendants did not admit that § 1454 requires the asserted claim be in a pleading.  
9 Defendants first correctly pointed out that § 1454’s plain language only requires a party to  
10 “assert” a claim for relief relating to patents. Whether or not defendants’ cross-complaint  
11 was allowed by the court, there can be little dispute that defendants have asserted a  
12 claim involving patent law.

13 Defendants then, citing Masimo Corp. v. Mindray DS USA, Inc., No. 14-cv-0405,  
14 2015 WL 93759 (D. N.J. Jan 7, 2015), recognized that one court required a pleading to  
15 satisfy § 1454. In Masimo, defendants did not even attempt to file a cross-complaint  
16 before removing and the court held that the notice of removal’s “reference to potential  
17 patent law counterclaims” did not provide jurisdiction. Masimo, 2015 WL 93759, at \*\*3-4  
18 (emphasis added). The court also refused to retain jurisdiction based on asserted federal  
19 claims made “several months” after removal. Id. at \*4.

20 The fact pattern here is far from similar. Defendants have asserted a claim in a  
21 pleading—the cross-complaint—and, within the 21 day period allowed by Rule 15(a), re-  
22 asserted the same claim in an amended counterclaim.

23 Plaintiff next argues there is no jurisdiction under § 1454 because the cross-  
24 complaint is currently “lodged”<sup>4</sup> and not operative because the state court had not yet  
25 allowed defendants to file the cross-complaint. California Code of Civil Procedure  
26

27 <sup>4</sup> Plaintiff misleadingly asserts that under California Rule of Court 2.550(b) “lodged” is  
28 defined as “a record that is temporarily placed or deposited with the court, but not filed.”  
That definition only applies to records sealed or proposed to be sealed by court order.

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1 § 428.50 requires a defendant who has filed an Answer to obtain leave of court before  
2 filing a cross-complaint. In effect, plaintiff argues that in the situation at bar, removal  
3 under § 1454 is only proper if the state court allows defendants' cross-complaint to be  
4 filed and become operative.

5 The court has multiple concerns with this argument. As an initial matter, contrary  
6 to plaintiff's assertion it appears that the cross-complaint was "filed" pursuant to California  
7 law. Tregambo v. Comanche Mill & Mining Co., 57 Cal. 501 (1881) ("A paper in a case is  
8 deemed to be filed when it is delivered to the clerk for that purpose, and the clerk's fees  
9 paid if demanded.").

10 More importantly, plaintiff's rule would allow state courts to decide whether federal  
11 jurisdiction exists and whether a case could be properly removed to federal court.

12 There is no question that the court would have jurisdiction over defendants' § 256  
13 declaratory judgment claim if it were filed in federal court as a separate action. Under  
14 plaintiff's rule, however, the same federal court would not have jurisdiction over that same  
15 § 256 claim filed as a cross-complaint in a state court matter until the state court granted  
16 defendants leave to file the cross-complaint.

17 That result is illogical and contrary to decades of precedent and to § 1454.

18 [A]t the outset it is to be noted that decision turns on the  
19 meaning of the removal statute and not upon the  
20 characterization of the suit or the parties to it by state statutes  
21 or decisions. The removal statute which is nationwide in its  
22 operation, was intended to be uniform in its application,  
23 unaffected by local law definition or characterization of the  
24 subject matter to which it is to be applied. Hence the Act of  
25 Congress must be construed as setting up its own criteria,  
26 irrespective of local law, for determining in what instances  
27 suits are to be removed from the state to the federal courts.

28 Shamrock Oil & Gas Corp., 313 U.S. at 104 (internal citations omitted).

Plaintiff's rule would run directly contrary to Shamrock. By conditioning removal  
on both a state court's rules of civil procedure and a state court's decision to allow the  
filing of a cross-complaint, the rule would allow local law to define the scope and  
applicability of a federal removal statute. Section 1454 allows removal whenever "any

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1 party asserts a claim for relief arising under any act of Congress relating to patents.” 28  
2 U.S.C. § 1454. Nothing in that statute imbues the state court with the power to determine  
3 whether a case may be removed. See also Vermont, 803 F.3d at 644 (interpreting  
4 § 1454 to allow removal of claims “arising under the patent laws even when asserted in  
5 counterclaims”).

6 In addition, though many state courts have a similar rule to California Code of Civil  
7 Procedure § 428.50, not all states require leave of court to file a counterclaim. See, e.g.,  
8 Illinois Code of Civil Procedure, 735 ILCS 5/2-609. Under plaintiff’s proposed rule, the  
9 very same cross-complaint might create federal jurisdiction in one state without any  
10 action by the state court while at the same time having no effect on federal jurisdiction in  
11 another state. Thus, the proposed rule would not only grant the states the power to  
12 determine if and when federal jurisdiction attaches under § 1454, but also imbue only  
13 some state courts with that power. Such a rule hardly promotes the uniform application  
14 of § 1454.

15 The cases plaintiff cites do not persuade the court otherwise. McDonough v. UGL  
16 UNICCO, 766 F. Supp. 2d 544 (E.D. Pa. 2011) (finding that plaintiff’s proposed amended  
17 complaint was not removable until plaintiff’s motion to amend was granted and the  
18 amended complaint became effective); Peaches & Cream LLC v. Robert W. Baird & Co.  
19 Inc., No. 14-CV-6633 JG, 2015 WL 1508746 (E.D.N.Y. Mar. 31, 2015) (holding that  
20 defenses that involve federal issues do not create jurisdiction and not actually addressing  
21 § 1454); Sullivan v. Conway, 157 F.3d 1092, 1094–95 (7th Cir. 1998) (addressing the  
22 issue of whether the 30 day deadline for removal begins when plaintiff’s motion to amend  
23 the complaint is filed); Jackson v. Bluecross & Blueshield of Georgia, Inc., No. 4:08-CV-  
24 49 (CDL), 2008 WL 4862686, at \*2 (M.D. Ga. Nov. 10, 2008) (same).

25 This court’s decision, however, does conflict with Rutgers, The State Univ. v.  
26 BioArray Sols., Ltd., No. CV 16-4183, 2017 WL 1395486, at \*6 (D.N.J. Apr. 18, 2017),  
27 which illustrates exactly the situation this court refuses to create. In that case, though  
28 plaintiff’s complaint asserted only fraud and contract claims, during a deposition plaintiff’s

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1 counsel stated that plaintiff intended to show that the inventor of one patent should have  
2 been a named inventor of a disputed patent. Rutgers, The State Univ. v. BioArray Sols.,  
3 Ltd., No. CV 16-4183, 2017 WL 1395486, at \*2 (D.N.J. Apr. 18, 2017). In response to  
4 this revelation, defendant requested the state court to grant defendant leave to file a  
5 counter claim. Id. at \*3. Before the state court issued an order on that request and  
6 before § 1446’s 30 day deadline expired, defendant removed the case based on § 1454  
7 and § 1338. Id. With respect to defendant’s § 1454 argument, the BioArray court  
8 refused to consider the state court counterclaim because the state court had not yet  
9 granted leave for it to be filed. Id. at \*7. Thus, the Bioarray court allowed the state court  
10 to decide whether the case could be removed to federal court.

11 Lastly, though the court finds it unnecessary to do so in light of the court’s  
12 jurisdiction based on the cross-complaint, the court also finds that the weight of authority  
13 supports defendants’ argument that the First Amended Counterclaim, filed in this court,  
14 independently establishes jurisdiction under § 1454. See, e.g., Sleppin v.  
15 Thinkscan.com, LLC, 55 F. Supp. 3d 366, 378 (E.D.N.Y. 2014) (holding that federal  
16 copyright claims asserted for the first time in a counterclaim could, although did not in  
17 that case, constitute a basis to deny remand); Acorne Productions, LLC v. Tjeknavorian,  
18 33 F. Supp. 3d 175, 182 (E.D.N.Y. 2014) (“If defendants’ counterclaims, which were  
19 asserted after removal, arise under the Copyright Act, this court would have jurisdiction  
20 over the counterclaims, and could exercise supplemental jurisdiction over plaintiffs’  
21 claims.”); Concordia Partners, LLC v. Pick, Case No. 14-cv-09, 2014 WL 4060253, at\*4  
22 (D. Maine Aug. 14, 2014) (rejecting argument that the court could not consider the  
23 defendant’s Copyright Act counterclaim because it was filed after removal reasoning that  
24 such a result would be contrary to the plain language of 28 U.S.C. § 1454 and would  
25 “unduly tend to exalt form over substance”).<sup>5</sup>

26 **b. There Is A Justiciable Basis for Declaratory Relief**

27  
28 <sup>5</sup> Section 1454 also covers copyright claims.

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1 Plaintiff next argues that there is no federal jurisdiction under the Declaratory  
2 Judgment Act because the true character of defendants’ action is to determine who  
3 created the trade secret technology at issue.

4 “The Declaratory Judgment Act provides that, ‘[i]n a case of actual controversy  
5 within its jurisdiction . . . any court of the United States, upon the filing of an appropriate  
6 pleading, may declare the rights and other legal relations of any interested party seeking  
7 such declaration, whether or not further relief is or could be sought.’ ” Danisco U.S. Inc.  
8 v. Novozymes A/S, 744 F.3d 1325, 1329 (Fed.Cir.2014) (quoting 28 U.S.C. § 2201(a)).  
9 “[T]o demonstrate a sufficient controversy for a declaratory judgment claim that satisfies  
10 the requirements of Article III, “the facts alleged, under all the circumstances, [must] show  
11 that there is a substantial controversy, between parties having adverse legal interests, of  
12 sufficient immediacy and reality to warrant the issuance of a declaratory judgment.’ ” Id.  
13 (quoting MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 (2007)).

14 The court finds the present controversy meets that standard. Plaintiff’s state court  
15 cause of action is premised on a showing that the ’713 Family of Patents contain ideas  
16 that were not conceived of by the named inventors of those patents. Plaintiff does not  
17 dispute that Bierman’s purported conception of the technology is central to plaintiff’s  
18 misappropriation theory. Further, if plaintiff succeeds in showing Bierman conceived of  
19 the ideas, any or all of the ’713 Family of Patents might be invalidated for defect in  
20 inventorship under 35 U.S.C. § 256. The court also finds the dispute sufficiently  
21 “immediate” and “real” because if remanded to state court it will likely be litigated within  
22 weeks. Plaintiff’s refusal to stipulate that the ’713 Family of Patents correctly lists the  
23 named inventors, confirms this holding.

24 Plaintiff’s citation to Sleppin v. Thinkscan.com, LLC, 55 F.Supp.3d 366 (E.D. N.Y.  
25 2014), does not persuade the court otherwise. There, defendants’ counterclaim sought a  
26 declaratory judgment as to copyright ownership and infringement. Sleppin, 55 F.Supp.3d  
27 at 370. Regarding the ownership issue, the court found that the “key dispute” between  
28 the parties was whether the parties’ business venture was organized as an

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1 unincorporated partnership or a limited liability company. Id. at 380. With regards to the  
2 alleged infringement issue, the court determined that it actually turned on what fiduciary  
3 duties, if any, defendants owed the venture. Id. Thus, the court determined that it did not  
4 have jurisdiction under § 1454 because the declaratory judgment counterclaim did not  
5 “arise under” the Copyright Act. Id. The opposite is true here.

6 Plaintiff’s citation to Preston v. Nagel, 857 F.3d 1382 (Fed. Cir. 2017), also misses  
7 the mark. There, contrary to plaintiff’s description, the court did not “appl[y] 28 U.S.C. §  
8 1454 and remand[ ] the action back to state court because there was no sufficient  
9 immediacy and reality to warrant the issuance of a declaratory judgment.” Dkt. 28 at  
10 15:1-5. Instead, the court held that it did not have jurisdiction to review the district court’s  
11 remand. See generally Preston v. Nagel, 857 F.3d 1382 (Fed. Cir. 2017).

12 **c. Conclusion: Section 1454**

13 In accordance with the above, the court holds that is has jurisdiction under § 1454  
14 based on defendants’ state court cross-complaint and, in the alternative, defendants’ First  
15 Amended Counterclaim.

16 **3. Removal Was Timely Under § 1446(b)(1).**

17 Section 1446(b)(1) permits defendants to remove state-court actions to federal  
18 court within thirty days of receiving an initial pleading or other document that reveals a  
19 basis for removal. Jordan, 781 F.3d at 1179. “Section 1446(b) is triggered upon the  
20 receipt by the defendants of a paper in the action from which removability may be  
21 ascertained.” Chan, 844 F.3d at 1142 (internal citations and quotation marks omitted).

22 Defendants argue that their receipt of the expert reports on September 28 and 29,  
23 2017, was the first time removability of the case had been ascertained. Defendants also  
24 argue that expert reports constitute “other paper” under § 1446. The court agrees.

25 **a. Other Paper**

26 “The type of document that constitutes an ‘other paper’ for the purposes of the  
27 statute is broad, reflecting courts’ ‘embrasive construction’ of the term.” Rynearson v.  
28 Motricity, Inc., 626 F. Supp. 2d 1093, 1097 (W.D. Wash. 2009) (quoting 14C Charles

1 Alan Wright & Arthur Miller, Federal Practice & Procedure § 3732 n. 26 (collecting  
 2 cases)). While the Ninth Circuit has not conclusively ruled on whether expert reports or  
 3 expert testimony constitute “other papers,” courts and treatises have often interpreted  
 4 “other papers” to include discovery related material. See 32A Am. Jur. 2d Federal Courts  
 5 § 1451 (discovery documents, briefing, and deposition testimony all qualify as “other  
 6 paper”); DeJohn v. AT & T Corp., No. CV 10–07107, 2011 WL 9105, at \*2 (C.D.Cal. Jan.  
 7 3, 2011) (“[A]ll ‘formal discovery,’ including a ‘deposition, interrogatory, or request for  
 8 admission’ meets the definition of ‘other paper . . .’”). Plaintiff’s expert reports fall  
 9 squarely into that category. See also Gibson v. Clean Harbors Envntl. Servs., Inc., 840  
 10 F.3d 515, 522 (8th Cir. 2016) (holding an expert report constituted “other paper”).

11 **b. Within 30 Days**

12 The notice of removal was filed within 30 days of receiving an initial pleading or  
 13 other document that reveals a basis for removal. Defendants received Rappaport’s  
 14 expert report on September 28, 2017. October 30, 2017 is the first non-weekend day  
 15 after the 30-day deadline.

16 Plaintiff does not disagree. Plaintiff, however, argues that removal was untimely  
 17 because in a April 28, 2017 motion in limine, defendants argued that plaintiff’s damages  
 18 claim should be treated as a patent claim. Plaintiff argues that defendants’ window to  
 19 remove the case, therefore, expired 30 days after the motion in limine filing. This  
 20 argument fails.

21 The Ninth Circuit does not “charge defendants with notice of removability until  
 22 they’ve received a paper that gives them enough information to remove. Because the  
 23 focus remains on whether the case ‘is or has become removable,’ counsel’s clairvoyant  
 24 sense of what actions [or arguments] a plaintiff might take plays no role in the analysis.”  
 25 Chan, 844 F.3d at 1142 (internal citations and quotation marks omitted). That is, though  
 26 defendants may have had theories or arguments that plaintiff’s claim raised federal  
 27 issues, those do not create a removable case. Instead, plaintiff’s affirmative  
 28 representations—here, plaintiff’s expert discovery—trigger § 1446’s 30 day deadline.

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**CONCLUSION**

For all the foregoing reasons, defendants have sufficiently demonstrated removability under §§ 1338 & 1441 and separately under § 1454. Therefore, the court DENIES plaintiff's motion to remand.<sup>6</sup>

**IT IS SO ORDERED.**

Dated: January 22, 2018



\_\_\_\_\_  
PHYLLIS J. HAMILTON  
United States District Judge

<sup>6</sup> Though neither party raised the issue, the court also has supplemental jurisdiction over the plaintiff's other causes of action because they all form part of the same case or controversy under Article III of the United States Constitution. 28 U.S.C. § 1367(a).



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United States District Court  
Northern District of California

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

INTELLISOFT, Ltd,  
Plaintiff,  
v.  
ACER AMERICA CORPORATION, et  
al.,  
Defendants.

Case No. 17-cv-06272-PJH

**ORDER DENYING COUNTER-  
DEFENDANTS' MOTION TO DISMISS**

Re: Dkt. No. 48

Before the court is counter-defendants Intellisoft, Ltd and Bruce Bierman's motion to dismiss defendants and counter-plaintiffs Acer America Corp. and Acer Inc.'s (together, "Acer") counterclaim for declaratory relief under the Declaratory Judgment Act. The matter is fully briefed and suitable for decision without oral argument. Having read the parties' papers and carefully considered their arguments and the relevant legal authority, and good cause appearing, the court hereby DENIES counter-defendants' motion as follows.

**BACKGROUND<sup>1</sup>**

On March 21, 2014, Bierman and Intellisoft filed this action in the Superior Court of the State of California for the County of Marin against Acer. Bierman later voluntarily dismissed himself from the case and assigned his interest to Intellisoft. In brief, Intellisoft alleges that Bierman invented certain trade secrets related to computer power

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<sup>1</sup> As the current motion presents similar legal and factual issues, the court assumes the parties' familiarity with the court's prior order on Intellisoft's motion to remand.

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1 management. Fourth Amended Complaint (“4thAC”), ¶¶ 41-65. Intellisoft further alleges  
2 that in the early 1990s, Bierman shared those purported trade secrets with Acer pursuant  
3 to a non-disclosure agreement, that Acer stole those trade secrets, and that Acer  
4 obtained a series of patents (the “713 patents” or the “patents”) based on those trade  
5 secrets without Bierman’s knowledge. Id. ¶¶ 27-65. On September 25, 2015, Intellisoft  
6 filed its fifth pleading, the 4thAC, asserting causes of action for: (1) misappropriation of  
7 trade secrets, (2) intentional misrepresentation and concealment, (3) breach of contract—  
8 non disclosure agreement, and (4) accounting. Id. ¶¶ 70-101.

9 On October 30, 2017, Acer removed the matter to this court after Intellisoft  
10 revealed through last-minute expert discovery that, according to Acer, Intellisoft’s case  
11 rested on patent theories of inventorship, infringement, and infringement-based royalty  
12 damages. Notice of Removal, Dkt. 1. On November 20, 2017, Acer filed an amended  
13 counterclaim against Bierman and Intellisoft seeking a declaratory judgment that Bierman  
14 did not contribute to the invention of the ideas in the ’713 patents and was properly not  
15 named as an inventor of those patents. Dkt. 20 ¶ 7.

16 On January 22, 2018, the court denied Intellisoft’s motion to remand, holding that  
17 the court had federal subject-matter jurisdiction on two independent grounds. See  
18 generally Dkt. 35 (the “Remand Order”). First, Acer’s Declaratory Judgment Act  
19 counterclaim provided a basis for removal under 28 U.S.C. § 1454 and 35 U.S.C. § 256.  
20 Id. at 16-22. Second, jurisdiction existed under §§ 1338 & 1441 because Intellisoft’s  
21 state law claims necessarily raised questions of patent law. Id. at 11-16.

22 Counter-defendants now move to dismiss Acer’s Declaratory Judgment Act  
23 counterclaim because, according to counter-defendants, there is no case or controversy  
24 and because Acer lacks standing as it has not alleged an injury. The court’s Remand  
25 Order specifically addressed the justiciability of Acer’s counterclaim under Medimmune,  
26 Inc. v. Genentech, Inc., 549 U.S. 118, 127 (2007). Id. at 20-22. Nevertheless, counter-  
27 defendants argue that the present motion demands a different result because of two  
28 newly-submitted pieces of evidence: (i) declarations from Bierman and Andrew

1 Spielberg, counter-defendants’ counsel, that contain “covenants not to sue” and (ii) a  
2 declaration from Intellisoft’s expert Irving Rappaport attesting that he will not offer  
3 testimony that Bierman or Intellisoft should have been named as inventors on any of the  
4 ’713 Patents.

5 As discussed below, the court finds that these two “new” facts do not extinguish  
6 the controversy supporting Acer’s declaratory judgment counterclaim.

7 **DISCUSSION**

8 **A. Legal Standard**

9 **1. Rule 12(b)(6)**

10 A motion to dismiss under Rule 12(b)(6) tests for the legal sufficiency of the claims  
11 alleged in the complaint. Ileto v. Glock, 349 F.3d 1191, 1199-1200 (9th Cir. 2003).

12 Under the minimal notice pleading requirements of Federal Rule of Civil Procedure 8,  
13 which requires that a complaint include a “short and plain statement of the claim showing  
14 that the pleader is entitled to relief,” Fed. R. Civ. P. 8(a)(2), a complaint may be  
15 dismissed under Rule 12(b)(6) if the plaintiff fails to state a cognizable legal theory, or  
16 has not alleged sufficient facts to support a cognizable legal theory. Somers v. Apple,  
17 Inc., 729 F.3d 953, 959 (9th Cir. 2013).

18 While the court must accept as true all the factual allegations in the complaint,  
19 legally conclusory statements, not supported by actual factual allegations, need not be  
20 accepted. Ashcroft v. Iqbal, 556 U.S. 662, 678-79 (2009). The complaint must proffer  
21 sufficient facts to state a claim for relief that is plausible on its face. Bell Atlantic Corp. v.  
22 Twombly, 550 U.S. 544, 555, 558-59 (2007).

23 “A claim has facial plausibility when the plaintiff pleads factual content that allows  
24 the court to draw the reasonable inference that the defendant is liable for the misconduct  
25 alleged.” Iqbal, 556 U.S. at 678 (citation omitted). “[W]here the well-pleaded facts do not  
26 permit the court to infer more than the mere possibility of misconduct, the complaint has  
27 alleged—but it has not ‘show[n]’—‘that the pleader is entitled to relief.’ ” Id. at 679.  
28 Where dismissal is warranted, it is generally without prejudice, unless it is clear the

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1 complaint cannot be saved by any amendment. Sparling v. Daou, 411 F.3d 1006, 1013  
2 (9th Cir. 2005).

3 **2. Rule 12(b)(1)**

4 On a motion to dismiss pursuant to Rule 12(b)(1), the applicable standard turns on  
5 the nature of the jurisdictional challenge. A defendant may either challenge jurisdiction  
6 on the face of the complaint or provide extrinsic evidence demonstrating lack of  
7 jurisdiction on the facts of the case. White v. Lee, 227 F.3d 1214, 1242 (9th Cir. 2000).  
8 Where, as here, the party makes a factual challenge, the party “rel[ies] on affidavits or  
9 any other evidence properly before the court to contest the truth of the complaint’s  
10 allegations.” Courthouse News Service v. Planet, 750 F. 3d 776, 780 (9th. Cir. 2014)  
11 (internal quotation marks omitted, alteration in original). “When the defendant raises a  
12 factual attack, the plaintiff must support her jurisdictional allegations with ‘competent  
13 proof,’ under the same evidentiary standard that governs in the summary judgment  
14 context.” Leite v. Crane Co., 749 F.3d 1117, 1121 (9th Cir. 2014) (internal citation  
15 omitted). The burden of establishing that a cause of action lies within the court’s limited  
16 jurisdiction rests upon the party asserting jurisdiction. Kokkonen v. Guardian Life Ins. Co.  
17 of Am., 511 U.S. 375, 377 (1994).

18 The Ninth Circuit has explained:

19 As required by Article III, courts may adjudicate only actual  
20 cases or controversies. U.S. Const. art. III, § 2, cl.1. When  
21 presented with a claim for a declaratory judgment, therefore,  
22 federal courts must take care to ensure the presence of an  
23 actual case or controversy, such that the judgment does not  
24 become an unconstitutional advisory opinion. Absent a true  
25 case or controversy, a complaint solely for declaratory relief  
26 under 28 U.S.C. § 2201 will fail for lack of jurisdiction under  
27 Rule 12(b)(1).

24 Rhoades v. Avon Prod., Inc., 504 F.3d 1151, 1157 (9th Cir. 2007) (citation omitted).

25 The Supreme Court “require[s] that the dispute be ‘definite and concrete, touching  
26 the legal relations of parties having adverse legal interests’; and that it be ‘real and  
27 substantial’ and ‘admi[t] of specific relief through a decree of a conclusive character, as  
28 distinguished from an opinion advising what the law would be upon a hypothetical state of

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1 facts.’ ” Danisco U.S. Inc. v. Novozymes A/S, 744 F.3d 1325, 1330 (Fed. Cir. 2014)  
2 (quoting Medimmune, 549 U.S. at 127). “[T]he question in each case is whether the facts  
3 alleged, under all the circumstances, show that there is a substantial controversy,  
4 between parties having adverse legal interests, of sufficient immediacy and reality to  
5 warrant the issuance of a declaratory judgment.” MedImmune, 549 U.S. at 127.<sup>2</sup>

6 However, the “general rule” applies that “when the question of jurisdiction and the  
7 merits of the action are intertwined, dismissal for lack of subject matter jurisdiction is  
8 improper.” In re Wilshire Courtyard, 729 F.3d 1279, 1284 n.4 (9th Cir. 2013); Leite, 749  
9 F.3d at 1121-22 n.3 (“[A] court must leave the resolution of material factual disputes to  
10 the trier of fact when the issue of subject-matter jurisdiction is intertwined with an element  
11 of the merits of the plaintiff’s claim.” (emphasis added)).

12 **B. Analysis**

13 **1. Counter-Defendants’ Two New Facts Do Not Change The Court’s Prior**  
14 **Justiciability Ruling.**

15 As indicated above, counter-defendants’ motion primarily contends that two new  
16 facts—the covenants not to sue and Rappaport’s declaration—remove any controversy  
17 supporting Acer’s counterclaim. The court rejected a nearly identical argument when it  
18 denied Intellisoft’s motion to remand. See Remand Order at 20-22. (addressing whether  
19 there was an actual controversy for the purposes of the Declaratory Judgment Act).  
20 Regardless of how counter-defendants’ characterize them, the newly submitted facts are  
21 not substantively different from those the court considered in its prior order.

22 **a. Counter-Defendants’ Covenants Not To Sue**

23 In support of this motion, counter-defendants submitted “covenants not to sue”  
24 within the declarations of Bierman and Spielberg. Though the covenants are phrased  
25

26 <sup>2</sup> Counter-defendants argue that court should apply the “reasonable apprehension” test.  
27 That showing is sufficient, but not necessary. Arkema Inc. v. Honeywell Int’l, Inc., 706  
28 F.3d 1351, 1356 n.5 (Fed. Cir. 2013) (“While a declaratory judgment plaintiff is no longer  
required to demonstrate a reasonable apprehension of suit, such a showing remains  
sufficient to establish jurisdiction.” (internal citation omitted)).

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1 in several ways, the substance is the same:

2 I, Bruce Bierman, on behalf of myself as an individual, hereby  
3 unequivocally and unconditionally covenant not to ever sue  
4 Acer America Corporation and/or Acer, Inc. (“Counter-  
5 Plaintiffs”) and/or any affiliate or assignee of Counter-Plaintiffs  
under 35 USC Section 256 or make any claim or assertion in  
any action to be named as an inventor or as a co-inventor of  
United States Patent Numbers 5,410,713 and its Continuation  
Patents: 5,870,613; 5,884,087 and 5,903,765.

6 Bierman Decl. ¶ 3; see also Bierman Decl. ¶ 5 (“waive any interest in being named as an  
7 inventor or co-inventor for” the patents); Bierman Decl. ¶¶ 7-11; Spielberg Decl. ¶ 3-6.

8 By way of comparison, in its motion to remand, Intellisoft argued that no  
9 controversy existed because Bierman and Spielberg attested that neither Bierman nor  
10 Intellisoft would seek to have Bierman “declared as an inventor as that term is defined in  
11 Title 35 of the United States Code by any Tribunal or by the USPO on any patent.”  
12 Dkt. 21, Spielberg Remand Decl. ¶ 6; see also Dkt. 28, Spielberg Remand Reply  
13 Decl. ¶ 4 (similar); Dkt. 28, Bierman Remand Reply Decl. ¶ 4 (similar).

14 The two sets of declarations are substantively the same. Both sets of declarations  
15 confirm that counter-defendants do not seek to have Bierman named as an inventor of  
16 the patents under the federal patent laws. See also Bierman Decl. ¶ 11 (“I hereby  
17 confirm that Intellisoft, Ltd is not seeking to be declared as an inventor or co-inventor per  
18 35 USC Section 256.”). But counter-defendants simultaneously concede that “the source  
19 of the ideas in the 713 Family of Patents is at issue in Intellisoft’s trade secret  
20 misappropriation and breach of contract claims.” Reply at 6. This is the same distinction  
21 the court made and found sufficient and justiciable in its prior order. Counter-defendants’  
22 inclusion of the phrase “covenant not to sue” does not change that analysis.

23 Accordingly, for the same reason the court rejected Intellisoft’s argument in  
24 support of remand, the court rejects counter-defendants’ argument here:

25 The court finds the present controversy meets th[e  
26 Medimmune] standard. [Intellisoft’s] state court cause of  
27 action is premised on a showing that the ‘713 Family of  
28 Patents contain ideas that were not conceived of by the  
named inventors of those patents. [Intellisoft] does not  
dispute that Bierman’s purported conception of the technology  
is central to plaintiff’s misappropriation theory. Further, if

1 [Intellisoft] succeeds in showing Bierman conceived of the  
2 ideas, any or all of the '713 Family of Patents might be  
3 invalidated for defect in inventorship under 35 U.S.C. § 256. . .  
4 . [Intellisoft's] refusal to stipulate that the '713 Family of  
5 Patents correctly lists the named inventors, confirms this  
6 holding.

7 Remand Order at 21.

8 **b. Rappaport's Declaration**

9 The Rappaport declaration is the only other new evidence counter-defendants  
10 submitted. As detailed in the Remand Order, during Rappaport's deposition, he testified  
11 that Bierman should have been named as an inventor of the '713 patents and he planned  
12 on testifying to that effect at trial. Remand Order at 3. Rappaport now attest that he "will  
13 not offer testimony . . . in questioning from anyone in this action that Mr. Bierman (or  
14 Intellisoft, Ltd) should have been named as an inventor or a co-inventor on any of the  
15 subject patents." Rappaport Decl. ¶ 3. And Rappaport will not testify that "Bierman or  
16 Intellisoft, Ltd has a legal inventorship claim under the federal patent laws." Id.

17 Rappaport's revised intention does not change the court's prior analysis. In short,  
18 Rappaport vows that he will not testify that Bierman or Intellisoft should have been a  
19 named inventor, as defined by the federal patent laws, on the '713 patents. Rappaport  
20 could, however, testify at trial that Bierman invented—i.e., conceived of the ideas—in the  
21 '713 patents without specifically referencing "inventor" as defined under the federal patent  
22 laws. The court has already rejected that artful but artificial distinction. Remand Order at  
23 11-15; see also Dkt. 51-1, Ex. A (excerpt of hearing on motion for remand transcript).

24 **2. Counter-Defendants' Covenants Not To Sue Do Not Extinguish The  
25 Controversy.**

26 Counter-defendants next argue that the covenants not to sue require dismissal of  
27 the counterclaim because they extinguish the controversy between the parties. Intellisoft  
28 did not raise this particular argument in its prior motion. Nevertheless, for reasons similar  
to those discussed in the Remand Order, the court holds that counter-defendants'  
covenants do not moot the relevant controversy between the parties.

The Federal Circuit has "held that 'whether a covenant not to sue will divest the

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1 trial court of jurisdiction depends on what is covered by the covenant.” Dow Jones & Co.  
2 v. Ablaise Ltd., 606 F.3d 1338, 1346–47 (Fed. Cir. 2010) (quoting Revolution Eyewear,  
3 Inc. v. Aspex Eyewear, Inc., 556 F.3d 1294, 1297 (Fed. Cir. 2009)). As explained above,  
4 the covenants only disavow actions brought under § 256 or argument asserting that  
5 Bierman or Intellisoft should have been named as an inventor, as defined by the federal  
6 patent laws, on the patents at issue. True, the covenants do not contain any exceptions  
7 or caveats, but the covenants are too narrow to “extinguish[ ] any current or future case  
8 or controversy between the parties, and divest[ ] the [ ] court of subject matter  
9 jurisdiction.” Dow Jones, 606 F.3d at 1348.

10 Justiciability under the Declaratory Judgment Act is broader than counter-  
11 defendants recognize. In Arkema Inc. v. Honeywell Int’l, Inc., 706 F.3d 1351, 1355 (Fed.  
12 Cir. 2013), Honeywell initially accused Arkema of infringing Honeywell’s European patent  
13 rights with respect to a particular product, 1234yf. One year later, Arkema sued  
14 Honeywell in the Eastern District of Pennsylvania seeking declaratory judgment that two  
15 of Honeywell’s patents were invalid and Arkema’s plan to sell 1234yf in the U.S. would  
16 not infringe on those patents. 706 F.3d at 1355. Honeywell subsequently  
17 counterclaimed asserting infringement based on Arkema’s 1234yf offering. Id. While that  
18 litigation was ongoing, the U.S. Patent and Trademark Office (“USPTO”) granted  
19 Honeywell’s application for two related patents and Arkema moved to supplement its  
20 complaint seeking declaratory judgment of non-infringement and invalidity as to those two  
21 related patents because Arkema feared further liability should it proceed to sell 1234yf.  
22 Id. The district court found that there was no justiciable controversy as to those two  
23 patents. Id. at 1355-56. The Federal Circuit reversed. Id. at 1357.

24 The Federal Circuit framed the dispute as “a controversy between Arkema and  
25 Honeywell as to the legal rights in the 1234yf technology.” Id. That, according to the  
26 court, was “a quintessential example of a situation in which declaratory relief [was]  
27 warranted.” Id. The court explained that Arkema “has concrete plans for offering 1234yf”  
28 in the U.S., but if “Honeywell’s view of its patent coverage prevails, then proceeding with



1 its plans would expose Arkema to significant liability.” Id. The Federal Circuit explained  
 2 that “[e]ven under the now-discarded reasonable apprehension test, it was well  
 3 established that a sufficient controversy existed for declaratory judgment jurisdiction  
 4 when the patentee had accused the declaratory judgment plaintiff of misappropriating the  
 5 same technology in a related litigation.” Id. at 1358 (citing Goodyear Tire & Rubber Co.  
 6 v. Releasomers, Inc., 824 F.2d 953, 955 (Fed. Cir. 1987)). “Here, Honeywell has  
 7 accused Arkema of infringing its rights with respect to 1234yf in litigation over [a] closely  
 8 related [ ] patent . . . This creates a sufficient affirmative act on the part of the patentee  
 9 for declaratory judgment purposes.” Id.

10 Goodyear, applying the less lenient “reasonable apprehension” test, reached a  
 11 similar conclusion based on facts similar to those here. Goodyear involved two separate  
 12 suits involving the same technology. 824 F.2d at 954. The state court suit alleged  
 13 misappropriation of certain trade secrets related to the technology. Id. While that case  
 14 was ongoing, the USPTO granted the state court plaintiff two patents “directed to  
 15 essentially the same technology involved in the state trade secret litigation.” Id. State  
 16 court defendant Goodyear subsequently initiated suit in federal court seeking a  
 17 declaratory judgment that the issued patents were invalid, unenforceable, and non-  
 18 infringed. Id. The Federal Circuit reversed the district court’s holding that no “actual  
 19 controversy” existed.

20 Like the Honeywell court, the Goodyear court framed the controversy broadly.  
 21 “[T]he situation here indicates that these parties are themselves currently embroiled in a  
 22 protracted dispute in state court over the commercial technology generally covered by  
 23 the” issued patents. Goodyear, 824 F.2d at 955. The court explained that:

24 The mere fact that the state court action did not specifically  
 25 involve the [issued patents] . . . is immaterial in these  
 26 circumstances. First, those patents did not issue until after  
 27 the state trial judge had granted Goodyear’s motion for  
 28 summary judgment, and thus the patents could not have been  
 at issue in that litigation. Second, though the patents had not  
 issued when the state action was begun, that proceeding  
involves trade secret misappropriation of the same technology  
 covered by the . . . [issued] patents.

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1 Goodyear, 824 F.2d at 955 (emphasis added, citation omitted).

2 In accordance with Honeywell and Goodyear, counter-defendants’ covenants do

3 not extinguish the controversy underlying Acer’s declaratory judgment counterclaim.

4 Counter-defendants’ covenants are designed to moot Acer’s counterclaim while

5 simultaneously allowing Intellisoft to pursue its trade secret claim. A claim that, as

6 explained in the Remand Order, addresses the exact same issue as to the exact same

7 technology. See generally Remand Order. Counter-defendants admit that that

8 controversy exists. Dkt. 53 at 6 (“The source of the ideas in the 713 Family of Patents is

9 at issue . . .”). That Intellisoft chose to address that controversy via a trade secret suit

10 does not prohibit Acer from addressing the same controversy via the Declaratory

11 Judgment Act. See also Teva Pharm. USA, Inc. v. Novartis Pharm. Corp., 482 F.3d

12 1330, 1344–45 (Fed. Cir. 2007) (“[R]elated litigation involving the same technology and

13 the same parties is relevant in determining whether a justiciable declaratory judgment

14 controversy exists on other related patents.”); Vanguard Research, Inc. v. PEAT, Inc.,

15 304 F.3d 1249, 1255 (Fed.Cir. 2002) (justiciable declaratory judgment controversy where

16 defendant had brought trade secret suit against declaratory judgment plaintiff).<sup>3</sup>

17 **3. Whether Acer Has Article III Standing**

18 Counter-defendants next argue that Acer does not have Article III standing

19 because Acer has not alleged an injury. This argument ignores the court’s prior order

20 and the relevant law. The MedImmune test encompasses the Article III injury

21 requirement.

22 [T]here is no bright-line rule for determining whether an action

23 satisfies the case or controversy requirement. To the

24 contrary, the difference between an abstract question and a

‘controversy’ contemplated by the Declaratory Judgment Act

is necessarily one of degree . . . with the basic standard being

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26 <sup>3</sup> For similar reasons, the court rejects counter-defendants’ 35 U.S.C. § 102 argument

27 that no controversy exists because counter-defendants do not have have standing to

28 invalidate the patents. The controversy here is not whether the patent is invalid due to

improperly named inventors, but rather who conceived of the technology in the patents.

The same goes for counter-defendants’ § 286 statute of limitations argument.

whether “the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment . . .”

Prasco, LLC v. Medicis Pharm. Corp., 537 F.3d 1329, 1336 (Fed. Cir. 2008) (quoting Medimmune). If, as is the case here, the declaratory relief plaintiff satisfies that test, then the declaratory relief plaintiff also has standing.<sup>4</sup>

**CONCLUSION**

In accordance with the foregoing, the court DENIES counter-defendants’ motion to dismiss.<sup>5</sup>

**IT IS SO ORDERED.**

Dated: May 29, 2018



\_\_\_\_\_  
PHYLLIS J. HAMILTON  
United States District Judge

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Northern District of California

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<sup>4</sup> Acer has also separately alleged a plausible injury. Acer faces millions of dollars’ worth of liability if Intellisoft succeeds on its trade secret claim. Dkt. 20 ¶ 33. Further, Acer’s past and future attorneys’ fees satisfy Article III’s injury requirement. See Joe Hand Promotions, Inc. v. Cusi, 2013 U.S. Dist. LEXIS 107730, at \*3 (S.D. Cal. July 31, 2013).

<sup>5</sup> Counter-defendants’ request for judicial notice is DENIED as moot.

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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

INTELLISOFT, Ltd,  
Plaintiff,  
v.  
ACER AMERICA CORPORATION, et  
al.,  
Defendants.

Case No. 17-cv-06272-PJH

**ORDER GRANTING MOTION FOR  
SUMMARY JUDGMENT**

Re: Dkt. No. 64

Defendants Acer America Corporation and Acer Inc.’s (“Acer”) motion for summary judgment came on for hearing before this court on October 10, 2018. Plaintiff Intellisoft, Ltd. appeared through its counsel, Alfredo Torrijos, Daniel Balaban, and Andrew Spielberg. Defendants appeared through their counsel, Mathew Ball, Jason Haycock, and Jeffrey Johnson. Having read the papers filed by the parties and carefully considered their arguments and the relevant legal authority, and good cause appearing, the court hereby GRANTS defendants’ motion, for the following reasons.

**BACKGROUND**

**A. Procedural Background<sup>1</sup>**

This court previously summarized the action as follows:

On March 21, 2014, [Bruce] Bierman and Intellisoft filed this action in the Superior Court of the State of California for the County of Marin against [Acer]. Bierman later voluntarily dismissed himself from the case and assigned his interest to

<sup>1</sup> Defendants are reminded that L.R. 3-4(c)(3) requires that “type may not be smaller than 12-point standard font[;]” not 11.5-point.

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Intellisoft. In brief, Intellisoft alleges that Bierman invented certain trade secrets related to computer power management. Fourth Amended Complaint (“4thAC”), ¶¶ 41-65 [Ball Ex. 14]. Intellisoft further alleges that in the early 1990s, Bierman shared those purported trade secrets with Acer pursuant to a non-disclosure agreement, that Acer stole those trade secrets, and that Acer obtained a series of patents (the “713 patents” or the “patents”) based on those trade secrets without Bierman’s knowledge. *Id.* ¶¶ 27-65. On September 25, 2015, Intellisoft filed its fifth pleading, the 4thAC, asserting causes of action for: (1) misappropriation of trade secrets, (2) intentional misrepresentation and concealment, (3) breach of contract—non disclosure agreement, and (4) accounting. *Id.* ¶¶ 70-101.

Dkt. 57 at 1-2. The parties agree that the second and fourth causes of action rise and fall with the first and third causes of action.

On September 28, 2015, plaintiff produced its First Amended Designation of Trade Secrets pursuant to Cal. Civ. P. § 2019.210. Ball Ex. 35

Two years later, and after more than three years of litigation in state court, plaintiff produced three expert reports and defendants subsequently deposed two of those reporting experts. Together, the expert testimony revealed for the first time that plaintiff’s entire theory of liability necessarily depends on plaintiff showing that Bierman, and not Acer’s employees, conceived of the invention claimed by the ‘713 patents. See generally Dkt. 35 (Motion to Remand Order). Based on that new information defendants removed the action to this court and subsequently filed a counterclaim against plaintiff and Bierman seeking a declaratory judgment under the Federal Declaratory Judgment Act and 35 U.S.C. § 256 that Bierman was properly not named as an inventor of the ‘713 Family of Patents. See Dkt. 35 at 4-5 (discussing relevant history). The court subsequently denied Intellisoft’s motion to remand because the court had federal subject-matter jurisdiction based on Acer’s Declaratory Judgment Act counterclaim and under 28 U.S.C. §§ 1338 & 1441 because Intellisoft’s state law claims necessarily raised substantial questions of patent law. See generally id.; Dkt. 57 at 2 (discussing order denying motion to remand).

Now before the court is defendants’ motion for summary judgment. That motion primarily argues that because plaintiff’s theory hinges on plaintiff showing that Bierman

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1 conceived of the invention claimed by the '713 Family of Patents, federal patent law  
2 applies and that plaintiff cannot meet the applicable clear and convincing evidence  
3 standard. Plaintiff disagrees that patent law applies to the inventorship issue and also  
4 reargues that this court lacks jurisdiction. The court has rejected the latter contention on  
5 two prior occasions, see Dkts. 35, 57, and will not address it a third time here. Instead,  
6 the court focuses on what law applies to the inventorship issue and whether plaintiff's  
7 evidence satisfies its burden to survive summary judgment.

8 **B. Acer and Intellisoft/Bierman's Business Relationship**

9 In September 1990, Intellisoft and Acer entered into a non-disclosure agreement.  
10 Ball Ex. 21 (the "NDA"). Defendants argue that the parties entered into the NDA because  
11 Intellisoft was going to alter its off-the-shelf software (henceforth, "Bookmark") for Acer's  
12 use. Plaintiff agrees but also contends that, pursuant to the NDA, Bierman disclosed to  
13 Acer hardware-related trade secrets. While the NDA prohibits generally the  
14 misappropriation of any confidential information, it only specifically references Intellisoft's  
15 software. Id.

16 On January 2, 1992, Acer applied for a patent entitled "Power-Management  
17 System for A Computer," 5,410,713, which named Dave White, Yen W. Lee, Rod Ang,  
18 Ray Barbieri, James Chen, and Suh C. Lee as its inventors. Ball Ex. 2. Acer  
19 subsequently obtained three continuations of that patent. On April 25, 1995, the '713  
20 patent was published. Plaintiff contends that the '713 patent improperly disclosed the  
21 trade secrets Bierman shared pursuant to the 1990 NDA.

22 On January 3, 1992, Acer and plaintiff entered into a licensing agreement allowing  
23 Acer to use Bookmark. Ball Ex. 1. The licensed version of Bookmark allowed Acer's  
24 computer to boot up and perform specific features, rather than waiting for the computer to  
25 boot up all of its features before completing the desired computing task. During a  
26 deposition, Bierman testified that in October 1991 he faxed a written authorization to an  
27 Acer employee authorizing Acer to use the purported trade secrets so long as Acer  
28 licensed Bierman's software. See Ball Ex. 11 at 371:19-372:9, 209:23-211:16. Plaintiff

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1 has pointed to no evidence corroborating Bierman’s testimony and the Acer employee  
2 denied he ever received that authorization. Ball Ex. 6 at 176:1-13. And neither the  
3 January 1992 license nor a subsequent September 1992 license mentions that apparent  
4 authorization. See Ball Exs. 1, 13.

5 **C. The Patent**

6 The patented invention is “[a] power management system for a personal computer  
7 comprise[d] [of] a power management processor, a switchable power supply and a keep  
8 alive power supply.” Ball Ex. 2. Because Acer argues that plaintiff’s claims fail if Bierman  
9 is not the sole inventor of the technology claimed by the ’713 Family of Patents, Acer  
10 focuses on showing that Bierman did not invent the Power Management Microprocessor  
11 (or “PMM”). The PMM is a microprocessor that is connected to, but independent of, the  
12 computer’s main CPU and motherboard (or “host computer”).

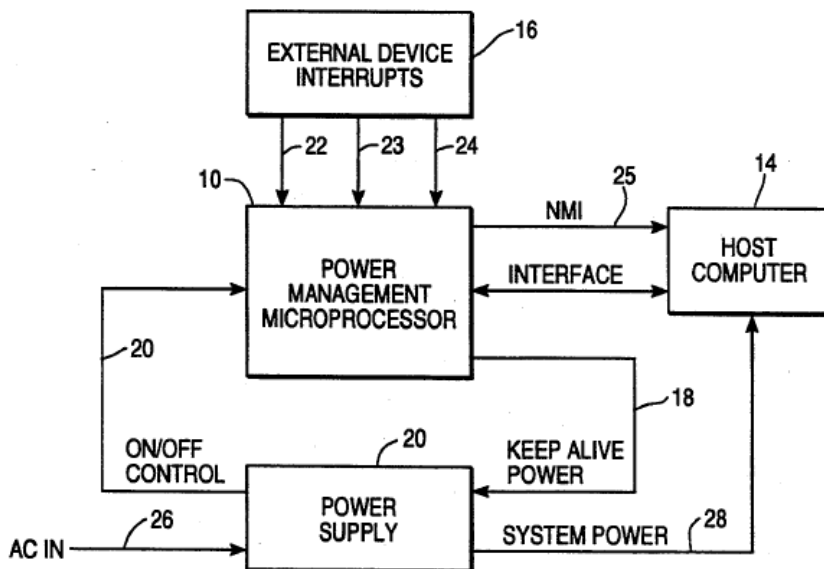


FIG. 1

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Id. at Fig. 1.

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1           Essentially, if the power supply is plugged in and the power supply switch is on,  
2 the above setup allows the PMM to remain constantly powered by the “keep alive power”  
3 connection. As a result, the PMM will continue to function even if the “host computer” is  
4 not receiving any power. Because it is always on, the PMM can detect “External Device  
5 Interrupts.” The PMM also can control the main power supply via the On/Off control and  
6 the computer can talk to the PMM via the “interface” connection. See generally id. at  
7 6:25-8:22.

8           For example, pressing a soft power switch connected as an “external device”—  
9 the normal power button on modern day computers—might tell the PMM that the user is  
10 done for the day and to power off. However, unlike a hard power switch, which would  
11 shut off all power immediately, once the PMM receives the signal from the soft power  
12 switch, the PMM might interface with the host computer directing it to save its memory  
13 state for later use. Only after the host computer signals the PMM that that operation has  
14 been completed, will the PMM signal the power supply to stop providing power to the  
15 host computer. Ball Ex. 2 at 4:36-5:17, 8:1-31.

16           Similarly, the invention provides the ability for a computer in an off state to receive  
17 a fax. In short, if a fax machine attached as an “external device” rings, a signal would be  
18 sent to the PMM indicating that a fax is incoming. When programmed correctly, the PMM  
19 would then tell the main power supply to power the “host computer.” The PMM would  
20 then direct the host computer that it should not boot up all its functions (because if it did it  
21 would miss the incoming fax) and instead only boot up the functions/software needed to  
22 receive a fax. See Ball Ex. 2 at 5:18-62.

23           Acer claims that it was the latter-described function that led to James Chen  
24 inventing the PMM. Ball Ex. 4 at 45:21-46:13; 66:18-67:1. In 1990, Microsoft released  
25 Windows 3.0, which allowed computers to integrate, inter alia, fax machines. Ball Ex. 3  
26 at 86:16-88:25. Acer created the AcerPAC 150 to take advantage of that functionality.  
27 Id. The PMM was part of the hardware solution to integrating the fax machine and it is  
28 undisputed that the licensed Bookmark software was part of the software solution.



1 Plaintiff, however, contends that Bierman contributed more than just the software.

2 **D. The Alleged Trade Secrets**

3 The court had trouble pinning down exactly what technology plaintiff claims  
4 Bierman conceived. Plaintiff simultaneously contends that Bierman conceived of  
5 everything within the patent, while also emphasizing that though some elements of the  
6 patent are public, the specific combination of elements is the purported trade secret.<sup>2</sup>  
7 The record evidence hues more closely to the former. Plaintiff’s liability expert, Robert  
8 Zeidman, opines that “[t]he trade secrets consist of hardware, software, and  
9 combinations of hardware and software,” Ball Ex. 18 ¶ 5, and describes it as:

10 SMART, as disclosed by Intellisoft, is a power control system  
11 for computers for intelligently controlling a computer’s  
12 switchable main power supply (“PCMP”) based on internal  
13 logic, interrupts, signals from the host computer or software  
14 operating on the host computer, external devices, and/or  
15 peripherals connected to the host computer. SMART consists  
16 of (a) an always powered processor that controls, either directly  
17 or through an electronic control signal, whether or not the  
18 computer’s switchable main power supply is supplying power  
19 to the computer system and components of the computer  
20 system (i.e., a “power management processor”); (b) a method  
21 for the always powered processor to monitor interrupts,  
22 communications from the host computer or software operating  
23 on the host computer, external devices, and/or peripherals  
24 connected to the host computer (i.e., a “watchdog”); and (c) a  
25 method for providing continuous power to the always powered  
26 processor and/or logic and, optionally, other devices that are  
27 not powered by the computer’s switchable main power supply  
28 (i.e., a “keep-alive power supply” or “standby power”).

20 Id. ¶ 6, see also id. ¶¶ 7-37, 39 (“The Intellisoft trade secrets listed above were not  
21 generally known individually or in combination”). Bierman, the person who allegedly  
22 conceived of the trade secrets, testified that nothing in the patent was Acer’s idea and  
23 that Acer just built what Bierman invented. Ball Ex. 11 at 80:2-24, 404:3-8 (“Acer didn’t  
24

25 \_\_\_\_\_  
26 <sup>2</sup> For example, part of the record describes the trade secrets as “a combination of either  
27 [1] SMART power supply, SMART power management processor, SMART watchdog,  
28 switchable power supply and software that can save and restore the system or [2] all of  
those things, plus start up options.” Ball Ex. 10 at 333:10-25. That description is at least  
conceivably consistent with some or all of the individual elements being public, but the  
combination of those being an undisclosed trade secret.

1 create concepts or ideas. They built . . . the invention that was presented to them”).

2 This court also finds that the scope of the technology claimed by the '713 patent is  
3 coterminous with the technology described by plaintiff's trade secret designation.

4 **E. ACPI and The Trade Secrets**

5 The Advanced Configuration and Power Interface (“ACPI”) standard is a power  
6 management standard developed by Microsoft and Intel with the intention of  
7 standardizing certain computer functions. Around 1996 or 1997, Acer began producing  
8 ACPI-compliant computers. Ball Ex. 7 at 162:9-12; Ball Ex. 8 ¶ 11.

9 This court has previously described plaintiff's theory of how ACPI relates to the  
10 '713 patents and the alleged trade secrets:

11 In Zeidman's report, Ex. 9, supplemental report (filed October  
12 10, 2017), Ex. 11, and deposition, Ex. 13, Zeidman compared  
13 the purported trade secrets to the '713 Family of Patents and  
14 opined that the patents included plaintiff's trade secrets. See  
15 e.g., Ex. S; see also generally Exs. 9, 11, 13. Zeidman's expert  
16 reports also attached 28 separate claim charts, each one  
17 analyzing whether [ACPI] . . . “read on” the '713 Family of  
18 Patents or necessarily used plaintiff's trade secrets. See, e.g.,  
19 Ex. 10 and 12. In performing this analysis, Zeidman construed  
20 the scope and meaning of claims within the '713 Family of  
21 Patents. See Id. As relevant here, Zeidman concluded that  
22 computers using the ACPI industry standard necessarily used  
23 the '713 Family of Patents. Ex. 10 at 35, Ex. 11 ¶ 16; Ex. 12 at  
24 2, Ex. 13 at 332:23-333:9. Accordingly, it is Zeidman's opinion  
25 that computers using the ACPI industry standard incorporate  
26 plaintiff's trade secrets. Ex. 13 at 366:3-6.

27 Lastly, [plaintiff's damages] [ ] expert[is] report states that  
28 Intellisoft is entitled to royalty damages based on every Acer  
ACPI-compliant computer sold since 1997. See, e.g., Ex. 14  
¶¶ 8-10, 20. Napper's calculation expressly relies on  
Zeidman's and Rappaport's analysis, including Zeidman's  
conclusion that ACPI compliant computers use the '713 Family  
of Patents (and, therefore, plaintiff's trade secrets) and  
Rappaport's inventorship opinion. Ex. 14 ¶¶ 8-10, 19, 20.

Dkt. 35 at 3-4 (footnote omitted).

Further, plaintiff has consistently argued and its experts have consistently opined  
that though ACPI does not specify how it should be implemented, “in order to comply with  
the ACPI specification, a computer would need to incorporate Intellisoft's trade secrets. I  
cannot see any way to implement ACPI without doing so.” Ball Ex. 19 ¶ 6. And Zeidman

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1 testified that comparing the trade secrets to the patents and then the patents to the ACPI  
2 standard is logically the same as comparing the trade secrets to ACPI. Reply Ex. 1 at  
3 332:5-22.

4 **DISCUSSION**

5 **A. Legal Standard**

6 **1. Summary Judgment**

7 Summary judgment is proper where the pleadings, discovery, and affidavits show  
8 that there is “no genuine dispute as to any material fact and the movant is entitled to  
9 judgment as a matter of law.” Fed. R. Civ. P. 56(a). Material facts are those which may  
10 affect the outcome of the case. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248  
11 (1986). A dispute as to a material fact is genuine if there is sufficient evidence for a  
12 reasonable jury to return a verdict for the nonmoving party. Id. at 248-49.

13 The party moving for summary judgment bears the initial burden of identifying  
14 those portions of the pleadings, discovery, and affidavits which demonstrate the absence  
15 of a genuine issue of material fact. Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986).  
16 When the moving party has met this burden of production, the nonmoving party must go  
17 beyond the pleadings and, by its own affidavits or discovery, set forth specific facts  
18 showing that there is a genuine issue for trial. Id. at 323. The court must view the  
19 evidence in the light most favorable to the nonmoving party. See Tolan v. Cotton, 572  
20 U.S. 650, 657 (2014). If the nonmoving party nevertheless fails to meet its burden, the  
21 moving party wins.

22 **2. Federal Patent Law Applies To The Inventorship Issue**

23 **a. Plaintiff Must Prove He Is An Inventor As Defined by the Federal**  
24 **Patent Laws**

25 The Federal Circuit has frequently explained that “the field of federal patent law  
26 preempts any state law that purports to define rights based on inventorship.” HIF Bio,  
27 Inc. v. Yung Shin Pharm. Indus. Co., 600 F.3d 1347, 1353 (Fed. Cir. 2010); Univ. of Colo.  
28 Found. v. Am. Cyanamid Co., 196 F.3d 1366, 1372 (Fed. Cir. 1999) (Cyanamid IV).

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1 When “the only possible theory upon which relief could be granted to the plaintiffs would  
2 be one in which determining the true inventor” of a patented idea “is essential,” federal  
3 patent law applies to the issue of inventorship. HIF Bio, 600 F.3d at 1353, 1355;  
4 Cyanamid IV, 196 F.3d at 1372.

5 This court has twice previously held that plaintiff’s state law claims depend on  
6 determining whether Bierman, rather than Acer’s employees, invented the ideas claimed  
7 by the ’713 patent. See generally Dkts. 35, 57. Indeed, this court’s subject-matter  
8 jurisdiction is based on that finding. Neither plaintiff’s rehashed jurisdictional arguments  
9 nor any evidence presented in opposition to the present motion provides reason to  
10 reconsider those prior findings.

11 The court nevertheless finds it instructive to discuss Univ. of Colorado Found., Inc.  
12 v. Am. Cyanamid Co., which bears substantial parallels to the present action and sets  
13 forth the applicable law. The Cyanamid plaintiffs, two doctors and various university-  
14 related entities, sued a vitamin manufacturer for, inter alia, fraudulent nondisclosure,  
15 unjust enrichment, and patent infringement, alleging that the doctors had invented a  
16 particular vitamin formulation, and that the manufacturer intentionally omitted them as  
17 inventors on the patent application and intentionally hid the patent from plaintiffs. Univ. of  
18 Colorado Found., Inc. v. Am. Cyanamid Co., 974 F. Supp. 1339, 1342-44 (D. Colo. 1997)  
19 (Cyanamid III). The Cyanamid defendant countered that its employees were the true  
20 inventors of the reformulated vitamin and therefore the lawful owner. Id. at 1342. In the  
21 first instance, the district court applied Colorado state common law  
22 ownership/inventorship standards to plaintiffs’ state law claims and federal patent  
23 inventorship law to plaintiff’s patent infringement claims. Id. at 1353 n.2.

24 The Federal Court rejected that distinction on appeal in Cyanamid IV. In  
25 Cyanamid IV, the Federal Circuit reversed the lower court’s bench trial determination  
26 because the district court applied Colorado common law, rather than Federal patent law,  
27 when determining whether plaintiff was the true inventor of the ideas within the patent at  
28 issue. Cyanamid IV, 196 F.3d at 1372. The Federal Circuit explained that “the

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1 University's fraudulent nondisclosure and unjust enrichment claims”—both state law  
2 claims—“depend on the Doctors' status as inventors[.]” and “whether [defendant] had a  
3 duty to disclose its intention to and filing of the Patent application depends on who was  
4 the inventor of the reformulated” vitamin. Id. at 1372 (internal quotation marks omitted).

5 The court determined that while the state law claims were not completely  
6 preempted by federal patent law, “federal patent law preempt[ed] states from dictating the  
7 standards of inventorship.” Id. The court reasoned:

8 Field preemption describes exclusive regulation of a legal  
9 subject by federal law. To preempt a field, federal law must  
10 evince “a scheme of federal regulation so pervasive” that no  
11 room remains for a state to supplement. Alternatively, federal  
12 law preempts a field by addressing a “federal interest . . . so  
13 dominant that the federal system will be assumed to preclude  
14 enforcement of state laws on the same subject.”

\* \* \*

15 An independent inventorship standard under state law would  
16 likely have different requirements and give rise to different  
17 remedies than federal patent law. A different state inventorship  
18 standard might grant property rights to an individual who would  
19 not qualify as an inventor under federal patent law, or might  
20 grant greater relief to inventors than is afforded by federal  
21 patent law. Either situation might frustrate the dual federal  
22 objectives of rewarding inventors and supplying uniform  
23 national patent law standards.

24 The federal Patent Act leaves no room for states to supplement  
25 the national standard for inventorship. Title 35 contains explicit  
26 and detailed standards for inventorship. Moreover, federal law  
27 has provided this court with jurisdiction to enforce these  
28 comprehensive provisions to provide a uniform national  
29 standard for inventorship. Therefore, the field of federal patent  
30 law preempts any state law that purports to define rights based  
31 on inventorship. Consequently, this court vacates the district  
32 court's conclusion that the Doctors were the inventors of  
33 reformulated [vitamin] and that Dr. Ellenbogen[, defendant's  
34 employee,] was not the inventor. Upon remand, the court must  
35 apply federal patent law principles to determine whether the  
36 Doctors and/or Dr. Ellenbogen were inventors of the technology  
37 of the '634 patent.

38 Id. (citations omitted; emphasis added).

39 In accordance with the Federal Circuit's direction, on remand the Cyanamid district  
40 court applied federal patent inventorship law not only to plaintiff's federal claims, but also  
41 to plaintiff's state law claims of fraud and unjust enrichment because those claims

1 “hinge[d] on the finding that the doctors invented the subject matter of the [ ] patent.” See  
2 Univ. of Colorado Found., Inc. v. Am. Cyanamid Co., 105 F. Supp. 2d 1164, 1184 (D.  
3 Colo. 2000) (Cyanamid V). The Federal Circuit affirmed. Univ. of Colorado Found., Inc.  
4 v. American Cyanamid, 342 F.3d 1298, 1308-09 (Fed. Cir. 2003) (Cyanamid VI).

5 As was the case in Cyanamid, “[t]he threshold issue [here]. . . is whether [Bierman]  
6 w[as], in fact, the true and sole inventors of the patented technology under federal patent,  
7 rather than state common law, standards.” Cyanamid V, 105 F. Supp. 2d at 1176; see  
8 also Gonzalez-Hernandez v. Orbay, No. 08-21782-CIV, 2008 WL 11333594, at \*2 (S.D.  
9 Fla. June 25, 2008) (refusing to remand because “inventorship is governed solely by  
10 federal law” and plaintiff’s ownership claim hinged on showing he was the sole inventor).

11 Rather than addressing the above binding authority, plaintiff asserts that its state  
12 law claims do not require a showing that plaintiff is an inventor, that the alleged  
13 disclosure occurred within the ’713 Patent’s specification section and thus does not  
14 require an analysis of inventorship, and that this court should instead follow Russo v.  
15 Ballard Medical Products, 550 F.3d 1004 (10th Cir. 2008).

16 **i. Plaintiff’s State Law Claims Requires An Inventorship**  
17 **Determination**

18 Plaintiff first contends that this case does not require an inventorship analysis  
19 because the elements of plaintiff’s state law claims do not mention “invent” or “conceive.”  
20 The court disagrees.

21 To succeed on its misappropriation claim, plaintiff must prove, inter alia, “1. That  
22 [the plaintiff] owned [or] was a licensee” of the claimed trade secrets. CACI 4401. That  
23 makes sense. A plaintiff cannot recover for an alleged misappropriation of something—  
24 here a trade secret—that the plaintiff never owned. In theory, the ownership requirement  
25 could be proven in any number of ways. A plaintiff could seek to show that she  
26 purchased the trade secret from the undisputed inventor and that is why the plaintiff owns  
27 it. Or a plaintiff could seek to prove she inherited the trade secret, or that it was gifted to  
28 her rather than to someone else. If plaintiff had chosen any of those theories of

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1 ownership, then the action would belong in state court. See Tavory v. NTP, Inc., 297 F.  
2 App'x 976, 984 (Fed. Cir. 2008) (“If [ ] [plaintiff’s] co-ownership did not depend on  
3 resolving inventorship” then state law claim would not be preempted “because ownership,  
4 as distinct from inventorship, is generally governed by state law.”); see also Regents of  
5 Univ. of Cal. v. Chen, No. 16-CV-07396-EMC, 2017 WL 3215356, at \*7–8 (N.D. Cal. July  
6 26, 2017) (declining to apply patent law where “the key question is not who invented the  
7 inventions described in the [ ] patents,” but “rather when they were invented”).

8 That, however, is not the case here. Plaintiff’s only theory here is that it owns the  
9 purportedly misappropriated trade secret because Bierman invented it. That theory of  
10 ownership, as discussed above, requires the application of federal inventorship law.  
11 Cyanamid V, 105 F. Supp. 2d at 1172 (“The principal finding of the [Cyanamid IV] was  
12 that the state law concepts of ‘ownership’ or ‘inventorship’ previously applied “could not  
13 stand”); see also Tavory, 297 F. App'x at 984, 984 n.8 (state law claim preempted where,  
14 inter alia, co-ownership depended on inventorship analysis).

15 Of course, plaintiff’s breach of contract claim based on the 1990 NDA fails for  
16 similar reasons. That claim requires plaintiff to prove that Acer did something that the  
17 contract prohibited it from doing—here, disclosing a trade secret or confidential  
18 information that Intellisoft actually owned. And, like with its trade secret claim, plaintiff  
19 seeks to satisfy that ownership element by showing that Bierman, and not the named  
20 inventors, conceived of the invention claimed by the '713 patent.

21 During the hearing plaintiff raised a second reason why it believed its claim did not  
22 require an inventorship analysis. Intellisoft contends that it is not interested in the '713  
23 patent’s claimed invention because that went through the patent application and  
24 prosecution process. Instead, according to plaintiff, the complained of disclosure  
25 occurred within the patent’s specification section, as opposed to the patent’s claims  
26 section. Thus, plaintiff’s argument continues, patent law does not apply because  
27 Bierman is not claiming he conceived of the patented idea—contained within the claims  
28 section—but the idea disclosed within the specification section of the patent.

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1 While clever (and convoluted), the argument fails to persuade for at least three  
2 reasons. First, plaintiff fails to actually identify what part of the specification section  
3 purportedly improperly discloses the alleged combination trade secret.

4 Second, because plaintiff never specifies what in the specification section of the  
5 '713 patent disclosed the alleged trade secrets, plaintiff also fails to identify how that  
6 alleged but unspecified disclosure differs from the claimed technology. And the court  
7 independently has found no basis to believe that the specification section reveals  
8 something that the claimed invention does not.

9 In fact, plaintiff does not really argue that its trade secret is not coextensive with  
10 the claimed invention. Rather plaintiff appears to argue that the two are different merely  
11 because the claimed invention went through the patent application and prosecution  
12 process. That “difference” does not hold water in the face of plaintiff’s repeated  
13 contention that the claimed trade secrets and the patented technology are the same.

14 Third, plaintiff unduly seeks to divorce the claimed invention from its specification.  
15 Phillips v. AWH Corp., 415 F.3d 1303, 1315 (Fed. Cir. 2005) (“The claims, of course, do  
16 not stand alone. Rather, they are part of a fully integrated written instrument, consisting  
17 principally of a specification that concludes with the claims. For that reason, claims must  
18 be read in view of the specification, of which they are a part.” (internal citation and  
19 quotation marks omitted)).

20 **ii. Russo v. Ballard Medical Products**

21 Plaintiff next argues that this court should follow Russo and hold that plaintiff’s  
22 theory of liability is not premised on patent inventorship. The court recognizes that Russo  
23 has certain similarities to the present action. In Russo, the plaintiff, an independent  
24 medical device inventor, sued a medical products company alleging that the company  
25 misappropriated his trade secret and breached the parties’ confidentiality agreement by  
26 using certain of the plaintiff’s innovations to secure two patents and to subsequently  
27 introduce a new product to the market. Russo, 550 F.3d at 1006-08. After the district  
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1 court instructed the jury on Utah trade secret and contract law, id. at 1015, the jury found  
2 for the plaintiff and awarded \$20 million in damages, id. at 1006.

3 On appeal, the Russo defendant primarily argued that plaintiff’s state law claims  
4 were preempted by federal patent law. After determining that it, rather than the Federal  
5 Circuit, had jurisdiction,<sup>3</sup> the Tenth Circuit turned to arguments pertinent to this action,  
6 including whether plaintiff’s liability case was “irreconcilable with the presumption of  
7 inventorship arising from” defendant’s patents. Id. at 1014. Specifically, the defendant  
8 argued that plaintiff cast himself as the “true inventor” of the patented ideas and that any  
9 question of inventorship must be established under federal patent law standards. The  
10 Tenth Circuit disagreed: “Mr. Russo pointed at trial, precisely as he did in his complaint,  
11 to Ballard's patents as evidence of how [the defendant] misappropriated his secret and  
12 breached the CDA. But this bare fact does not necessarily mean that his trial raised any  
13 question of federal patent law . . . let alone suggest that Mr. Russo sought rights  
14 associated with being a patent's inventor.” Id. at 1015 (emphasis in original).

15 The Russo court then addressed Cyanamid. Russo explained that Cyanamid IV  
16 found that “some of the claims implicated the question of inventorship and the right to  
17 exclude the public from using their invention and, accordingly, had to be decided under  
18 federal, not state, law.” Id. (original emphasis). This court, of course, agrees. As  
19 discussed above, Cyanamid left no doubt that if a state law claim hinges on the plaintiff  
20 showing that she, and not the named inventor, conceived of the patented technology then  
21 federal patent inventorship law applies to the issue of inventorship. See Cyanamid IV,  
22 196 F.3d at 1372.

23

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26 <sup>3</sup> This alone provides reason to believe that the facts of Russo distinguish it from the  
27 present action. Russo’s jurisdictional analysis essentially mirrors the one this court  
28 applied when it denied plaintiff’s motion to remand because plaintiff’s single theory of  
liability necessarily raised substantial questions of patent law. If Russo had made the  
same determination, then it could not have retained jurisdiction because the Federal  
Circuit has exclusive jurisdiction over such appeals.

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1 In an attempt to distinguish Cyanamid, the Tenth Circuit next explained that  
2 “[w]hile some of the [Cyanamid plaintiffs’] claims involved patent law issues that had to be  
3 decided under federal law, the Federal Circuit went on to hold that not every claim  
4 brought by the doctors did so, [and] explain[ed] that ‘federal patent law does not preempt  
5 . . . state law claims’ for unjust enrichment for ‘wrongful use of the Doctors’ research  
6 results.” Russo, 550 F.3d at 1015 (quoting Cyanamid IV, 196 F.3d. at 1371–72) (original  
7 ellipses and emphasis). Russo also points out that Cyanamid VI reiterated that point. Id.

8 That is true too. In both Cyanamid IV and Cyanamid VI, the Federal Circuit  
9 rejected the defendant’s claim that federal patent law completely preempted plaintiff’s  
10 state law fraudulent non-disclosure and unjust enrichment claims. However, and  
11 critically, that says nothing about whether, when proving those not-preempted state law  
12 claims, plaintiff must establish certain elements (or issues) under federal law. And  
13 Cyanamid required exactly that. Though plaintiff’s state law claims were not completely  
14 preempted, field preemption required the Cyanamid plaintiff to prove the inventorship  
15 issue under federal patent law. See Cyanamid IV, 196 F.3d at 1372 (“[F]ederal patent  
16 law does not preempt [plaintiffs’] state law claims,” but because those state law claims  
17 “depend on the [plaintiffs’] status as inventors . . . [u]pon remand, the court must apply  
18 federal patent law principles to determine” who “were the inventors of the technology[.]”).  
19 Here, like in Cyanamid, the court does not hold that plaintiff’s state law claims are  
20 completely preempted, but rather only that the inventorship issue must be established  
21 under federal patent law.

22 Lastly, Russo itself foresaw the present situation and placed it into the purview of  
23 federal patent law. Russo explained that claims “that seek to exclude others from  
24 employing a publicly disclosed idea[ ] [ ] must be tried under federal patent law.”

25 Russo, 550 F.3d at 1016. That is exactly what plaintiff seeks to do here. Plaintiff  
26 premises its royalty-based damages theory not on the now-public technology disclosed  
27 by the ’713 Family of Patents but instead, and remarkably, on Acer’s implementation of  
28

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1 the ACPI standard—a standard released to the public years after Acer applied for the  
2 '713 patent and one that plaintiff concedes Microsoft and Intel “independently developed,”  
3 see Dkt. 72 at 23:8-13. Thus, by seeking to exclude Acer from employing both its own  
4 technology and a publicly disclosed technology, plaintiff seeks “rights associated with  
5 inventorship of the patents.” Russo, 550 F.3d at 1014, 1016; see also Dkt. 35 at 3:23-  
6 4:12 (explaining that plaintiff’s damages theory seeks royalty damages based on every  
7 Acer ACPI-compliant computer sold since 1997), 8:15-25.

8 Plaintiff’s own expert provides further evidence that plaintiff seeks “rights  
9 associated with inventorship of the patents.” Plaintiff’s damages expert opines (with little  
10 supporting analysis) that plaintiff is also entitled to the “benefit that Acer gained from its  
11 use of the '713 family of patents in its [patent infringement] litigation with HP” and  
12 subsequent settlement. Ball Ex. 8 ¶ 23-26. That is, plaintiff seeks to benefit from Acer’s  
13 patent-based right to exclude HP (and other companies) from using the '713 Family of  
14 Patents. The Federal Circuit has spoken definitively on that issue as well: “Thus,  
15 [plaintiff’s] entitlement here to a portion of any benefits from the enforcement [or royalties]  
16 of the patents-in-suit in patent infringement actions stems solely from his entitlement to  
17 being joined as a co-owner. Here, since [plaintiff] status as a co-owner depends entirely  
18 on whether he was a co-inventor, the dispositive issue is [plaintiff’s] alleged co-  
19 inventorship, which is governed exclusively by federal patent law.” Tavory, 297 F. App’x  
20 at 984 (footnote omitted) (alleged co-inventor’s unjust enrichment claim “essentially”  
21 sought “his share of monies received by [defendant] from the licensing and enforcement  
22 of the patents-in-suit . . . which [plaintiff] is allegedly entitled to due to his contribution to  
23 the conception of the invention in those patents[.]”).<sup>4</sup>

24 \_\_\_\_\_  
25 <sup>4</sup> Well after the 11th hour, plaintiff filed a motion for leave to submit two opinions that  
26 were published 6 months prior to the court taking the matter under submission. While the  
27 court denied that motion, those cases prove unpersuasive and do not change the above  
28 analysis. Xitronix Corp. v. KLA-Tencor Corp., 882 F.3d 1075 (Fed. Cir. 2018) (Federal  
Circuit did not have jurisdiction over action alleging federal antitrust claim premised on an  
alleged fraud on the USPTO because action did not necessarily depend on resolution of  
a substantial question of patent law); Broadband ITV, Inc. v. OPENTV, Inc., Case No.

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**b. The Court Must Apply Patent Inventorship Law’s Clear and Convincing Standard**

Defendants next argue that because federal patent law applies to the inventorship issue, plaintiff must provide clear and convincing evidence based on corroborating evidence that Bierman invented the technology in the '713 patent. The court agrees.

“Patent issuance creates a presumption that the named inventors are the true and only inventors.” Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456, 1460 (Fed.Cir.1998). A party challenging inventorship “must meet the heavy burden of proving its case by clear and convincing evidence and must provide evidence to corroborate the alleged joint inventor’s conception.” Eli Lilly & Co. v. Aragdigm Corp., 376 F.3d 1352, 1358 (Fed. Cir. 2004) (internal citation and footnote omitted). “Reliable evidence of corroboration preferably comes in the form of physical records that were made contemporaneously with the alleged prior invention.” Trovan, Ltd. v. Sokymat SA, 299 F.3d 1292, 1302 (Fed. Cir. 2002). “Circumstantial evidence about the inventive process may also corroborate.” Id. at 1303. “Additionally, oral testimony of someone other than the alleged inventor may corroborate.” Id. Whether the purported inventor or co-inventor’s testimony has been sufficiently corroborated is evaluated under a “rule of reason analysis,” which requires a court to consider “all pertinent evidence . . . so that a sound determination of the credibility of the inventor’s story may be reached.” Price v. Symsek, 988 F.2d 1187, 1195 (Fed. Cir. 1993).

Numerous courts have applied that standard to state law claims at summary judgment. See, e.g., Stern v. Trustees of Columbia Univ. in City of New York, No. 01 CIV 10086RCC, 2005 WL 398495, at \*9 (S.D.N.Y. Feb. 18, 2005) (holding that state law claims failed because plaintiff failed to meet the clear and convincing evidence standard on the inventorship issue), aff’d, 434 F.3d 1375 (Fed. Cir. 2006) (affirming use of clear

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3:17-CV-06647-SK, Dkt. 36 (remanding action to state court because allegedly breached licensing agreement was not limited to patented technology).

1 and convincing evidence standard); Cyanamid V, 105 F. Supp. 2d at 1175, 1179 n.9,  
2 1183-85 (same); Cyanamid VI, 342 F.3d at 1308 (affirming Cyanamid V); Memorylink  
3 Corp. v. Motorola Sols., Inc., No. 08 C 3301, 2013 WL 4401676, at \*10-11 (N.D. Ill. Aug.  
4 15, 2013) (granting summary judgment on state law claims that depended on plaintiff  
5 showing ownership of the patented idea because plaintiff failed to provide clear and  
6 convincing evidence that its employees were the “true inventors” of the now-patented  
7 idea) aff’d sub nom. Memorylink Corp. v. Motorola Sols., Inc., Motorola Mobility, Inc., 773  
8 F.3d 1266 (Fed. Cir. 2014). This court will do the same.

9 **c. Patent Inventorship Law**

10 The Federal Circuit has repeatedly explained:

11 Conception is the touchstone of invention, and it requires a  
12 definite and permanent idea of an operative invention, including  
13 every feature of the subject matter sought to be patented. An  
14 idea is definite and permanent when the inventor has a specific,  
15 settled idea, a particular solution to the problem at hand, not  
16 just a general goal or research plan.”

17 In re VerHoef, 888 F.3d 1362, 1366 (Fed. Cir. 2018) (internal citations and quotation  
18 marks omitted; original emphasis). “Conception is complete only when the idea is so  
19 clearly defined in the inventor's mind that only ordinary skill would be necessary to  
20 reduce the invention to practice, without extensive research or experimentation.”  
21 Burroughs Wellcome Co. v. Barr Labs., Inc., 40 F.3d 1223, 1228 (Fed. Cir. 1994).

22 “When an invention is made jointly, the joint inventors need not contribute equally  
23 to [an invention’s] conception.” In re VerHoef, 888 F.3d at 1366. A joint inventor must:

24 (1) contribute in some significant manner to the conception or  
25 reduction to practice of the invention, (2) make a contribution to  
26 the claimed invention that is not insignificant in quality, when  
27 that contribution is measured against the dimension of the full  
28 invention, and (3) do more than merely explain to the real  
inventors well-known concepts and/or the current state of the  
art.

29 Id. That is, a purported sole inventor must prove that she alone conceived of the entire  
30 invention, which may include showing that all of the other inventors—here, the named  
31 inventors—failed to meet one of the above elements.

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1 Whether the purported inventor is the sole inventor or a co-inventor proves to have  
 2 important consequences. “[E]ach co-inventor presumptively owns a pro rata undivided  
 3 interest in the entire patent, no matter what their respective contributions.” Univ. of Utah  
 4 v. Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften E.V., 734 F.3d 1315,  
 5 1324 (Fed. Cir. 2013); Ethicon, 135 F.3d at 1460 (“A contribution to one claim is enough”  
 6 to be a co-inventor). In contrast, a sole inventor would—barring other factors not present  
 7 here—have sole ownership and use of the patent.

8 **B. Analysis**

9 **1. Plaintiff Has Not Presented Clear and Convincing Evidence That**  
 10 **Bierman Is An Inventor or Co-Inventor**

11 The court next turns to whether plaintiff has submitted evidence sufficient to prove  
 12 “by clear and convincing evidence”—including evidence corroborating Bierman’s own  
 13 testimony—that Bierman conceived of (or partially conceived of) the technology within the  
 14 ’713 patent.

15 As an initial matter, plaintiff’s counsel conceded at the hearing that if the court  
 16 determines that patent law’s clear and convincing standard applied (which the court has),  
 17 then summary judgment should be granted. Dkt. 82, Hr’g Tr. at 13:19-14:14 (“If [patent  
 18 law] is what the court is going to analyze this under . . . then we concede because there’s  
 19 no way for us to be able to move forward and prove under that law.”). While this court  
 20 does not rely only on that candid concession, the court concurs with it.

21 Regarding plaintiff’s sole inventorship claim, Acer focuses on showing that  
 22 Bierman did not invent the PMM. As described above, the PMM is a microprocessor that  
 23 exists and functions independently from the host computer, remains constantly powered,  
 24 and is designed to detect incoming external signals when the host computer is off. Ball  
 25 Ex. 2. Similarly, plaintiff’s trade secret designation describes “SMART” as “a separate  
 26 power supply” that “needed to always remain powered” and “would act as a watchdog  
 27 and control the PC’s conventional switchable main power supply.” Ball Ex. 35 at 13-14.  
 28 Further, like the PMM, “SMART’s watchdog capability would monitor, communicate and

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1 control requests via interrupts by devices requesting or requiring a power on or power off  
2 of the” main power supply. Id. at 15. Bierman testified that PMM and “SMART” are  
3 equivalent. Ball Ex. 11 at 159:20-21.

4        Though it was not their burden to do so, defendants presented extensive evidence  
5 that Chen invented the PMM. Ball Ex. 4 at 45:21-46:13 (Chen testimony: Q. . . . “Who  
6 came up with the idea to use a [PMM] in this invention? A. Mine.”); id. at 93:2-24; Ball  
7 Ex. 3 at 126:4-17; Ball Ex. 5 at 125:5-13; Ball Ex. 6 at 88:20-21.

8        In response, plaintiff does not present any evidence that corroborates Bierman’s  
9 testimony that he invented the PMM. Plaintiff first points to thirteen documents that  
10 purportedly show Bierman conceived of the PMM.<sup>5</sup> But twelve of those documents only  
11 pertain to Intellisoft’s software and do not mention hardware, much less microprocessors  
12 generally, or any microprocessor or idea resembling the PMM. See Ball Ex. 21-22, 24-  
13 32; Pltf’s Ex. 32. In the thirteenth document, a January 1995 email, an employee in  
14 Acer’s IP department asks White (a named co-inventor of the ’713 patents), to provide  
15 information to assist Acer’s participation in an annual invention award. Pltf’s Ex. 33.  
16 Importantly (and dispositively), the email makes no mention of Bierman or Intellisoft and  
17 thus says nothing about whether Bierman conceived of the PMM, or any other part of the  
18 disputed technology.

19        Plaintiff nevertheless argues that those documents are circumstantial evidence  
20 that Bierman invented the patented trade secrets because Bierman created and shared  
21 the documents with Acer over 25 years ago.

22        The court disagrees. Certainly, the documents provide circumstantial (and direct)  
23 evidence of certain things, including (1) that Acer entered into an NDA with Bierman in  
24 1990 to potentially license a unique version of Intellisoft’s software, (2) that Intellisoft  
25

26 \_\_\_\_\_  
27 <sup>5</sup> Plaintiff produced eleven documents in response to defendants’ request for all  
28 documents that allegedly disclosed the alleged trade secret before January 2, 1992. Ball  
Exs. 21-22, 24-32. Plaintiff’s opposition pointed to two additional documents. Pltf’s Exs.  
32-33.

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1 disclosed and discussed that software with Acer, and (3) that Acer licensed a version of  
2 that software in 1992. But evidence that Bierman discussed and disclosed software  
3 ideas is not equivalent to circumstantial evidence of Bierman’s conception of the PMM.  
4 Tellingly, plaintiff fails to describe how the documents relate to the PMM, or any other  
5 specific part of the patent. Moreover, even if the documents did have a fleeting reference  
6 to the PMM (and the court finds that they do not), that would not be enough. The  
7 corroborating evidence must show that Bierman had a “clearly defined” idea, such that  
8 “only ordinary skill would be necessary to reduce the invention to practice, without  
9 extensive research or experimentation.” Burroughs Wellcome, 40 F.3d at 1228. Nothing  
10 in the cited documents come close to describing the PMM and the documents certainly  
11 did not reveal to Acer a clearly defined idea for the PMM—or any other part of the patent.  
12 See Coleman v. Dines, 754 F.2d 353, 360 (Fed. Cir. 1985) (“The evidence did not show  
13 that Coleman’s ‘completed thought’ was disclosed to others.”); Caterpillar Inc. v. Sturman  
14 Indus., Inc., 387 F.3d 1358, 1380 (Fed. Cir. 2004) (reversing district court because  
15 presentation revealing 2-way valve and 3-way valve but not the patented 3-way spool  
16 integrated valve did not meet clear and convincing standard).<sup>6</sup>

17 Plaintiff next points to the testimony of Dirk Wesseling, who was one of Intellisoft’s  
18 software engineers and wrote the source code for Bookmark. Pltf’ Ex. 36 at 45:6-19.  
19 Bierman identified Wesseling as the only person who could corroborate Bierman’s  
20 inventorship story. Wesseling did not do so. The cited testimony shows that Wesseling  
21 corroborates Bierman’s undisputed claim that he invented certain software. Pltf’s Ex. 36  
22 at 45:6-19; 46:2-11; 47:24-48:22). But when asked whether he knew who conceived of  
23 the PMM-type idea, Wesseling stated he did not know if it was Acer or Bierman. Ball Ex.  
24 17 at 197:25-198:5; Pltf’s Ex. 35 at 140:23-141:5.

25 Plaintiff also argues that Chen designed and built the hardware per the  
26

27 \_\_\_\_\_  
28 <sup>6</sup> For the same reason, the documents do not suggest that Bierman made a significant contribution to the PMM’s conception.



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1 specifications given to him by Bierman. Again, the cited evidence does not support  
2 plaintiff’s contention. Chen testified that Kiremidjian told him “what kind of functionality”  
3 was needed and “based on that, [Chen] came up with the design of the hardware . . .”  
4 Pltf’s Ex. 20 at 31:1-22, 143:17-144:6 (similar). That does not show that Bierman  
5 conceived of the PMM, or any other part of the patent. Further, even if Bierman had told  
6 Kiremidjian about the desired functionality—which there is no corroborating evidence of—  
7 and even if Kiremidjian then passed that on to Chen—which there is no corroborating  
8 evidence of—Chen still conceived of how to achieve that functionality, i.e., he designed  
9 the “operative invention.”

10 More generally, plaintiff’s various arguments aimed at attacking the named  
11 inventors do not satisfy plaintiff’s burden because “[e]ven if [Acer] and [its] co-inventors  
12 did not conceive of the invention, that fact alone does not prove that [Bierman] did  
13 conceive of the” PMM. Tavory, 297 F. App’x at 981.

14 The court also finds that plaintiff has not presented any corroborating evidence  
15 that Bierman is a co-inventor of the disputed technology. Plaintiff fails to articulate what it  
16 is Bierman allegedly contributed to the patent’s claimed invention, much less prove with  
17 corroborating evidence that Bierman made that unspecified contribution. Plaintiff also  
18 fails to present any corroborating evidence that Bierman disclosed that unspecified  
19 contribution or idea to an Acer employee. Nor has plaintiff presented any corroborating  
20 evidence that Acer misappropriated and disclosed that unspecified contribution  
21 somewhere within the ’713 patent. And merely providing a software that the patented  
22 technology interacts with is insufficient. Hess v. Advanced Cardiovascular Sys., Inc., 106  
23 F.3d 976, 981 (Fed. Cir. 1997) (affirming lower court’s conclusion that plaintiff was not a  
24 co-inventor by virtue of, inter alia, “supplying a product to [the named inventors] for use in  
25 their invention”). Lastly, as discussed below, even if plaintiff had shown that Bierman  
26 was a co-inventor, plaintiff has not presented a corresponding cognizable damages  
27 theory.

28 In sum, the court finds that plaintiff has failed to present any corroborating

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1 evidence, much less clear and convince evidence, that Bierman invented the PMM or co-  
2 invented the patented technology. Without such evidence, plaintiff cannot strip Acer of its  
3 patent rights on the contention that (essentially) Bierman had the idea first. And plaintiff  
4 can certainly not do so when there is no corroborating evidence of either Bierman’s  
5 conception or his disclosure to Acer. For the above reasons, the court GRANTS  
6 defendants’ motion for summary judgment because plaintiff cannot prove ownership of  
7 the disputed technology and therefore his trade secret and contract claims fail.

8 **2. Whether Summary Judgment Must Be Granted Because Plaintiff**  
9 **Cannot Prove Damages**

10 **a. Napper’s Damage’s Analysis Necessarily Assumes That**  
11 **Bierman Was The Sole Inventor**

12 As explained above, “Each co-owner of a United States patent is ordinarily free to  
13 make, use, offer to sell, and sell the patented invention without regard to the wishes of  
14 any other co-owner.” Schering Corp. v. Roussel-UCLAF SA, 104 F.3d 341, 344 (Fed.  
15 Cir. 1997). Thus, so long as the named inventors invented some part of the patent, then  
16 Acer had a right to use the patent without regard to any other purported co-inventor’s  
17 wishes.

18 That directly contrasts with plaintiff’s damages expert’s premise for calculating  
19 damages, which this court has previously found necessarily assumes that Bierman is the  
20 sole inventor. Plaintiff’s damages expert assumes that Acer initially breached the NDA  
21 by applying for the ’713 patent. Ball Ex. 8 ¶ 17. In addition, plaintiff’s damages expert  
22 assumes that implementation of the ACPI standard requires the use of plaintiff’s trade  
23 secrets, id. ¶ 21 n. 40, and thus all of Acer’s ACPI-compliant computers sold after 1997  
24 used plaintiff’s trade secrets without Intellisoft’s authorization, id. ¶¶ 11, 12, 21. However,  
25 rather than setting forth two damages analysis—one based on the patent’s purported  
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27  
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1 disclosure and one based on Acer’s ACPI-compliant computers—Napper only calculated  
2 royalties based on each ACPI-compliant computer Acer sold after 1997.<sup>7</sup> Id. ¶¶ 20, 21.

3 That theory of damages necessarily assumes that Bierman is the sole inventor of  
4 the disputed technology. That is because if Acer is even a co-inventor of that technology,  
5 then Acer is free to use the patented invention without regard to the wishes of any other  
6 co-inventor. Based on co-inventorship alone, plaintiff cannot rip away Acer’s right to use  
7 a technology that it (at least in part) invented. And plaintiff certainly cannot do so when  
8 there is no corroborating evidence that Bierman conceived of any part of the patented  
9 technology.<sup>8</sup>

10 **b. Assuming Bierman Was A Co-Inventor, There Is No Evidence of**  
11 **Intellisoft’s Damages.**

12 Even assuming Bierman co-invented the patented idea, plaintiff provides no  
13 evidence of the amount of damages Intellisoft suffered. Again, Cyanamid IV provides the  
14 appropriate framework. There, the Federal Circuit instructed that:

15 If the court finds that the Doctors jointly invented the  
16 reformulated product with [the currently named inventor], the  
17 financial opportunity that the University [who employed the  
18 doctors] could have lost was the payment that Cyanamid would  
19 have made to secure the Doctors' cooperation in filing the  
20 required documents with the PTO, such as oaths and  
21 declarations. Because federal patent law allows joint owners  
to practice a patented technology without accounting to the  
other co-owners, Cyanamid would not have needed to acquire  
ownership of the patent or licenses thereunder. . . . the district  
court could [also] find that Cyanamid would have also paid the  
University for either an assignment of the University’s  
ownership in the [ ] patent or an exclusive license thereunder.

22 Cyanamid IV, 196 F.3d at 1373.

23 That is, plaintiff could have presented evidence regarding how much Acer would  
24 have paid to secure Bierman’s cooperation in applying for the ‘713 patent application.  
25 Alternatively, plaintiff could have presented evidence showing the amount Acer would

26 \_\_\_\_\_  
27 <sup>7</sup> Napper performed the same calculation using 2000 as a start date. Ball Ex. 8 ¶ 22.

28 <sup>8</sup> Napper’s report also references a “Disgorgement” damages theory, but never  
completes that analysis. See Ball Ex. 8 ¶ 23-26.

1 have paid for an assignment of Intellisoft's interest in the technology. Plaintiff did neither.  
2 Instead, plaintiff's damages theory essentially seeks to exclude Acer from using its own  
3 technology, unless Acer licenses that technology from plaintiff.

4 **c. Plaintiff's Damages Theory Fails Because It Is Based On Acer's**  
5 **Implementation of the ACPI Standard.**

6 Independent of the two above grounds, summary judgment must be granted  
7 because plaintiff's only damages theory is premised on Acer's implementation of ACPI,  
8 an independently developed and publicly disclosed standard.

9 Plaintiff alleges that Bierman disclosed the alleged trade secrets to Acer after the  
10 parties executed the 1990 NDA. Plaintiff also alleges that Acer misappropriated those  
11 trade secrets and applied for a patent in January 1992, thereby disclosing the trade  
12 secrets. Subsequently, Microsoft and Intel publicly disclosed the ACPI standard around  
13 1996. Plaintiff does not contend that Microsoft or Intel (or any other company involved in  
14 the release of ACPI) misappropriated plaintiff's trade secrets. Lastly, as discussed  
15 above, plaintiff's sole damages theory calculates royalties based on every Acer ACPI-  
16 compliant computer produced after 1997.

17 Those facts have significant consequences. First, plaintiff has presented no  
18 damages evidence for the period between 1992 and 1997. Second, because ACPI was  
19 independently developed and disclosed, nothing prohibited Acer from implementing it.  
20 See Ball Ex. 21 (NDA) ¶ 2 (excluding liability for use of publicly known information); Cal.  
21 Civ. Code § 3426.1 (derives value from not being known to the general public); Mattel,  
22 Inc. v. MGA Entm't, Inc., 782 F. Supp. 2d 911, 963 (C.D. Cal. 2011) ("the UTSA does not  
23 prevent a person from using independently developed or properly obtained trade secret  
24 information already in the possession of another.").

25 Plaintiff responds that Acer is liable because, according to plaintiff's expert, "in  
26 order to comply with the ACPI specification, a computer would need to incorporate  
27 Intellisoft's trade secrets." Ball Ex. 19 ¶ 6. But if countless other computer companies  
28 implemented ACPI without stealing Intellisoft's trade secrets, then there is no reason to

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1 think that Acer could not do the same using ordinary skills in the art. Plaintiff’s own  
2 expert recognized that fact. Dkt. 77-1, Pltf’s Exs. 42 at 335:7-17 (“one of ordinary skill in  
3 the art would know [to use the trade secrets] . . . to implement the ACPI specification”).  
4 Again, nothing prohibits Acer from implementing an independently developed and  
5 publicly disclosed idea, even if that idea matches a technology that plaintiff previously  
6 kept as a trade secret.<sup>9</sup>

7 For each of the above reasons, the court GRANTS defendants’ motion for  
8 summary judgment.

9 **3. Whether Plaintiff’s Claims Are Time-Barred**

10 Independent of the above, and alternatively, the court GRANTS defendants’  
11 motion for summary judgment because plaintiff’s claims are time barred.

12 “An action for misappropriation must be brought within three years after the  
13 misappropriation is discovered or by the exercise of reasonable diligence should have  
14 been discovered.” Cal. Civ. Code § 3426.6. An action for breach of a written contract  
15 must be brought within four years. Cal. Civ. Proc. § 337(1).

16 “A plaintiff must bring a claim within the limitations period after accrual of the  
17 cause of action.” Fox v. Ethicon Endo-Surgery, Inc., 35 Cal. 4th 797, 806 (2005). “An  
18 important exception to the general rule of accrual is the ‘discovery rule,’ which postpones  
19 accrual of a cause of action until the plaintiff discovers, or has reason to discover, the  
20 cause of action.” Id. at 807 (internal citations omitted). The California Supreme Court  
21 has “set[ ] forth two alternate tests for triggering the limitations period: (1) a subjective  
22 test requiring actual suspicion by the plaintiff that the injury was caused by wrongdoing;  
23 and (2) an objective test requiring a showing that a reasonable person would have  
24 suspected the injury was caused by wrongdoing. The first to occur under these two tests  
25 begins the limitations period.” Nguyen v. W. Digital Corp., 229 Cal. App. 4th 1522, 1552,  
26

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27 <sup>9</sup> Nor has plaintiff argued (or provided evidence) that it should receive damages based on  
28 any head start Acer might have had in implementing ACPI because of its purported  
misappropriation of plaintiff’s trade secrets.

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1 (2014); see also CACI 455.

2 The parties appear to agree that Bierman did not have an actual suspicion until  
3 July 2013. Pltf’s Ex. 12 at 529:19-23. Defendants, however, argue that plaintiff had  
4 reason to suspect the injury in the mid-to-late 1990s when ACPI-compliant computers  
5 and the “soft switch” became ubiquitous. The court agrees.

6 Plaintiff consistently argues, and its experts consistently opine, that computers  
7 cannot implement ACPI without using the alleged trade secrets. See, e.g., Ball Ex. 10 at  
8 366:3-6; Ball Ex. 18 ¶ 57. It is also undisputed that Bierman learned of ACPI when it was  
9 released in the mid-1990s. Ball Ex. 34 at 406:14-21. In addition, plaintiff and Bierman  
10 claim that the soft switch is an essential component of the purported trade secret, Ball Ex.  
11 23 at 86:24-87:3 (“one of the requirements of the invention” was a “soft switch”); Ball Ex.  
12 35 at 8:22-25 (“Enable the new power push button, eliminating the light-switch on/off type  
13 implementation, to control a PC system’s power supply . . .”), at 16:8-11; Ball Ex. 18 ¶ 12  
14 (“Intellisoft proposed a ‘soft switch’ that sent a signal to a PC.”), which the parties do not  
15 dispute has been ubiquitous since the mid-1990s. See Wolfe Decl. ¶ 13. Lastly, as of  
16 1992, Bierman knew how to identify his claimed trade secret combination when present  
17 in a computer. Ball Ex. 11 at 83:20-97:16 (Bierman explaining how he confirmed an Acer  
18 prototype contained his trade secrets). One such indication, according to Bierman, was  
19 the presence of a soft switch. Id. at 85:18-86:4.

20 A reasonable person knowing those facts would have suspected that his trade  
21 secret had been misappropriated.<sup>10</sup> If Bierman invented the soft switch or if his purported  
22 invention required a soft switch, the ubiquity of such a device would have put him on  
23

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24 <sup>10</sup> Though neither party addresses the issue, Bierman should have suspected someone  
25 misappropriated his trade secrets based on the ubiquity of computers featuring  
26 hibernate/sleep modes. Plaintiff’s expert opined that that feature was also indicative of a  
27 computer using plaintiff’s trade secrets and used the presence of that feature to identify  
28 which Acer computers used plaintiff’s trade secrets. Ball Ex. 18 ¶ 72, ¶ 75 (“running  
windows 98, which allows hibernate mode”); ¶ 77 (same for Windows vista); ¶ 79 (same  
for Windows 10). It beggars belief that between December 1997 and 2010, Bierman did  
not notice the Windows hibernate feature.

1 notice that his trade secret may have been misappropriated. Similarly, if the ACPI  
 2 standard required the implementation of Bierman's trade secrets, then Bierman (or  
 3 plaintiff) should have suspected his trade secrets had been misappropriated in the mid-  
 4 1990s when Bierman admittedly knew of ACPI's release.<sup>11</sup> Considering plaintiff contends  
 5 only that Bierman disclosed the trade secrets to Acer, Acer was the most reasonable  
 6 suspect. And, in any event, the discovery period ceases once Bierman had reason to  
 7 suspect someone had misappropriated his trade secrets, even if Bierman had not yet  
 8 identified the culprit. See Bernson v. Browning-Ferris Industries, 7 Cal. 4th 926, 932  
 9 (1994) (“[T]he general rule in California has been that ignorance of the identity of the  
 10 defendant is not essential to a claim and therefore will not toll the statute.”); Norgart v.  
 11 Upjohn Co., 21 Cal. 4th 383, 397-98 (1999) (“the plaintiff discovers the cause of action . .  
 12 . when, simply put, he at least suspects that someone has done something wrong to him  
 13 ” and explaining that is why Doe defendants may be named).

14 Accordingly, the court holds that Bierman and plaintiff had reason to suspect that  
 15 he had been harmed and was therefore required to “conduct a reasonable investigation  
 16 of all potential causes of that injury.” Fox, 35 Cal.4th at 808. The burden thus shifts to  
 17 plaintiff to show that “despite diligent investigation of the circumstances of the injury . . .  
 18 [it] could not have reasonably discovered facts supporting the cause of action within the  
 19 applicable statute of limitations period.” Id. at 809.

20 Rather than providing evidence that such an investigation was not fruitful, plaintiff  
 21 puts forth two unpersuasive arguments. First, plaintiff argues that any investigation  
 22 triggered by ACPI would have only revealed that ACPI was independently developed.  
 23 That contention is incorrect. According to plaintiff, implementation of ACPI requires the  
 24 use of plaintiff's trade secrets. Thus, any investigation into Acer's—the only company  
 25 who Bierman purportedly disclosed the trade secret to—implementation of ACPI would  
 26

27 \_\_\_\_\_  
 28 <sup>11</sup> Moreover, in 2005, Bierman owned an ACPI-compliant computer that used a soft  
 switch. See Ball Ex. 36 at 4:24-5:12; Wolfe Decl. ¶¶ 7, 10.

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1 necessarily reveal that Acer was using Intellisoft’s purported trade secret. Plaintiff cannot  
2 both claim that every Acer ACPI-compliant computer constitutes a use of its trade  
3 secrets, while at the same time claiming that an investigation into ACPI would not reveal  
4 the use of those same trade secrets.

5 Second, plaintiff argues that the presence of the soft switch would not put Bierman  
6 on notice because plaintiff alleges a combination trade secret. That argument has  
7 already been rejected above. Because plaintiff and Bierman assert that the soft switch is  
8 essential to the purported trade secret, the presence of the soft switch (even if not a trade  
9 secret itself) would have put a reasonable person on notice that there was something to  
10 investigate. Under plaintiff’s theory, that investigation would have revealed Acer’s  
11 purported misappropriation of Bierman’s trade secret.

12 For the above reasons, the court GRANTS defendants’ motion for summary  
13 judgment because plaintiff’s claims are time barred.<sup>12</sup>

14 **CONCLUSION**

15 For the foregoing reasons, the court GRANTS summary judgment in favor of  
16 defendants on plaintiff’s misappropriation of trade secrets claim and breach of contract  
17 claim because plaintiff’s have failed to show with clear and convincing evidence that  
18 Bierman invented or co-invented the patented technology and, thus, plaintiff’s have failed  
19 to show they had any ownership right over that technology. In the alternative, the court  
20 GRANTS summary judgment on those claims because plaintiff’s only damages theory  
21 depends on a finding that Bierman alone invented the patented technology, which plaintiff  
22

23 <sup>12</sup> In addition, the complaint states that on February 6, 2002, “Bierman sold all  
24 outstanding shares in Intellisoft and his personal intellectual property to Angelo DiLeva”  
25 and DiLeva did not relinquish ownership until July 14, 2006. Ball Ex. 14 ¶ 24. “It is  
26 [plaintiff’s] burden to prove lack of knowledge throughout the entire history of the  
27 existence of his trade secrets[.] . . . However, [plaintiff] has provided no evidence showing  
28 that he can do so for the period of time that the intellectual property was owned by  
[DiLeva].” *Bierman v. Int’l Bus. Mach. Corp.*, Case No. 10-cv-4199-PJH, 2012 WL  
506562, \*7 (N.D. Cal., Feb. 15, 2012) *aff’d sub nom.*, 547 F. App’x 851 (9th Cir. 2013).  
Further, as was the case for Bierman, the court doubts that DiLeva failed to notice the  
presence of Windows’ hibernate feature, ACPI, or soft switches on computers between  
2002 and 2006.



1 has failed to prove under the applicable standard, and because plaintiff's claims are time  
2 barred. Because plaintiff's accounting claim and its intentional misrepresentation and  
3 concealment claim rise and fall with plaintiff's other two causes of action, the court  
4 GRANTS defendants' motion for summary judgment on those claims as well.

5 As this order disposes of all claims in plaintiff's operative complaint, defendants'  
6 counterclaim is the only remaining claim in this action. The parties shall meet and confer  
7 by December 21, 2018, and file a joint status statement by January 4, 2019, that  
8 addresses how this action should proceed to resolution.

9 **IT IS SO ORDERED.**

10 Dated: December 6, 2018



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12 PHYLLIS J. HAMILTON  
13 United States District Judge  
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