

**UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA**

Jodi A. Schwendimann, f/k/a
Jodi A. Dalvey,

Plaintiff,

v.

Arkwright Advanced Coating, Inc.,

Defendant.

**MEMORANDUM OPINION
AND ORDER**

Civil No. 11-820 ADM/JSM

Arkwright Advanced Coating, Inc.,

Counterclaim Plaintiff,

v.

Jodi A. Schwendimann, f/k/a
Jodi A. Dalvey, and
Cooler Concepts, Inc.,

Counterclaim Defendants.

David A. Davenport, Esq., Brent A. Lorentz, Esq., and Daniel J. Kelly, Esq., Winthrop & Weinstine, P.A., Minneapolis, MN, on behalf of Jodi A. Schwendimann and Cooler Concepts, Inc.

Kurt J. Niederluecke, Esq., and Laura L. Myers, Esq., Fredrikson & Byron, P.A., Minneapolis, MN, on behalf of Arkwright Advanced Coating, Inc.

I. INTRODUCTION

On February 22, 2012, the undersigned United States District Judge heard oral argument

on Defendant and Counterclaim Plaintiff Arkwright Advanced Coating, Inc.’s (“AACI”) Motion to Dismiss Schwendimann’s Patent Infringement Claims for Lack of Subject Matter Jurisdiction [Docket No. 47] (“AACI’s Motion to Dismiss”) and on Plaintiff and Counterclaim Defendant Jodi A. Schwendimann’s (“Schwendimann”) Motion for Summary Judgment on Standing [Docket No. 51] (“Schwendimann’s Motion for Partial Summary Judgment”). For the reasons set forth below AACI’s Motion to Dismiss and Schwendimann’s Motion for Partial Summary Judgment are both denied.

II. BACKGROUND

Schwendimann is the proprietor of Cooler Concepts, Inc., a business which manufactures and sells specialty paper products. Compl. [Docket No. 1] ¶ 1. Schwendimann asserts a claim for patent infringement against Defendant AACI alleging AACI has infringed U.S. Patent Nos. RE41,623, 7,749,581, 7,754,042, 7,766,475, 7,771,554, and 7,824,748 (collectively, the “Patents-in-Suit”). Compl. ¶¶ 31–46. Schwendimann additionally seeks declaratory judgment that a patent owned by AACI is invalid. Compl. ¶¶ 47–50. AACI has asserted counterclaims alleging invalidity and unenforceability of the Patents-in-Suit and infringement by Schwendimann of its patent. First Am. Countercl. [Docket No. 33]¹ ¶¶ 42–55.

The instant motions address Schwendimann’s allegation that she is the owner of the Patents-in-Suit. See Compl. ¶¶ 8–13. The Patents-in-Suit all related to methods for transferring images onto a colored base. Compl. ¶ 15. An application of the Patents-in-Suit is to print an

¹ AACI’s First Amended Answer and Counterclaim are a single document with separately numbered paragraphs; the first set of numbers corresponds to the Answer, and the second set to the Counterclaim. For ease and clarity, they will be referred to separately as the First Amended Answer and the First Amended Counterclaim, with paragraph number designations made accordingly.

image from a home printer and transfer it to a T-shirt by ironing over the transfer paper. Compl.

¶ 17. The Patents-in-Suit all arise from U.S. Patent Application Serial No. 09/541,845 (the “‘845 Application”). See Compl. Exs. A, C, D, E, F, G. The ‘845 Application was filed by Schwendimann and her co-inventor, Nabil Nasser (“Nasser”), on April 3, 2000. See Compl. Ex. A at [64]. At the time, Schwendimann and Nasser were employed by an entity known as Advanced Coating Technologies, Inc. (“ACT”). See Decl. of Brent A. Lorentz in Supp. of Mot. for Summ. J. on Standing [Docket No. 21] (“Lorentz Decl.”) Ex. D (“Schwendimann Dep.”) 8:3–13:20 (stating Schwendimann worked for ACT from 1992 to 2001); Decl. Nabil Nasser [Docket No. 65] (“Nasser Decl.”) ¶ 2 (noting Nasser previously served as President and Chairman of ACT, and was its majority owner). Schwendimann began employment with ACT in a finance position, but eventually became a co-owner. Schwendimann Dep. 8:5-8, 14:5-7.

At the time the ‘845 Application was filed, Schwendimann and Nasser assigned all their interests in the application to ACT. Decl. of Laura L. Myers in Supp. of AACI’s Mot. to Dismiss [Docket No. 50] (“Myers Decl.”) Ex. B. In 2001, ACT began experiencing financial difficulties and ceased business operations. Schwendimann Dep. 13:19-24. ACT had numerous creditors, including Schwendimann and the State of Wisconsin, among others. See, e.g., Lorentz Decl. Exs. G, H, I. In early 2002, due to ACT’s financial problems, it became apparent that ACT would no longer be able to maintain the prosecution of its various patent applications. Nasser Decl. ¶ 5. ACT advised its patent counsel, Janal Kalis (“Kalis”) of the law firm Schwegman, Lundberg & Woessner, P.A. (“SLW”), that it wished to assign all its intellectual

property to Schwendimann. Nasser Decl. ¶ 5. Since 1998, Schwendimann had also employed Kalis and SLW as her counsel. Decl. of Schwegman, Lundberg & Woessner, P.A.² [Docket No. 55] (“SLW Decl.”) ¶ 5. In June 2002, SLW opened three new client matters for Schwendimann, representing three patent applications, including the ‘845 Application, that belonged at the time to ACT. SLW Decl. ¶ 15.

On February 3, 2003, Nasser, on behalf of ACT, and Schwendimann executed an assignment from ACT to Schwendimann of U.S. Patent Application Serial No. 09/150,983 (the “‘983 Application”), an application distinct from the ‘845 Application. Myers Decl. Ex. E at JS002295–96. The following day, Kalis recorded the assignment of the ‘983 Application with the U.S. Patent and Trademark Office (“USPTO”). *Id.* at JS002292–96. Schwendimann now avers she understood she owned all of ACT’s intellectual property as of February 2003.

Schwendimann Dep. 111:18-20. However, in March 2003, Kalis sent Schwendimann an email stating:

I’m just going to throw this idea out for your review only regarding ownership of the image transfer patents and applications. The situation arose because ACT wanted to avoid abandonment of its invention but could not pay the fees. You provided consideration by reviving and prosecuting the applications.

We need to provide consideration back to ACT. One possibility is for you to provide ACT with a license to use the invention Is ACT in operation or is it shut down?

² AACI argues the Court should not consider the SLW Declaration because its signor, Albin J. Nelson, lacks personal knowledge of its contents. The declaration will be considered as Nelson was SLW’s designated Rule 30(b)(6) representative. See Sunbelt Worksite Mktg., Inc. v. Metro. Life Ins. Co., No. 8:09-cv-02188, 2011 WL 3444256, at *2 (M.D. Fla. Aug. 8, 2011).

Do you know how many lienholders there are?

I am still working on researching case law regarding ownership transfer of an abandoned application. I did not do this earlier because . . . I thought it would be safer to revive and work out ownership rather than lose all rights . . .

Decl. of Kurt J. Niederluecke in Supp. of AACI's Opp. to Schwendimann's Mot. for Summ. J. on Standing [Docket No. 69] ("Niederluecke Decl.") Ex. 6. The next day Kalis sent Schwendimann another email asking "whether other ACT lien holders took their liens when after [sic] the patent applications went abandoned?" Niederluecke Decl. Ex. 7.

On April 16, 2003, the USPTO issued a rejection of the '845 Application and required a shortened statutory period of three months for a response. In May 2003, Kalis sent a SLW paralegal, Candy Buending ("Buending"), an email inquiring whether the '845 Application "was covered in one of the assignments from [ACT] to [Schwendimann]" and whether Schwendimann had an ownership in the application. Niederluecke Decl. Ex. 9. Around this time, SLW prepared a draft assignment of the '845 Application, but the draft was never executed. SLW Decl. ¶ 19, Ex. H.

On November 25, 2003, the USPTO issued a final office action rejecting or objecting to claims in the '845 Application, and provided a shortened three-month statutory period for a response. Niederluecke Decl. Ex. 10. On December 3, 2003, Kalis sent Buending another email stating: "We need to make sure that the assignments filed assigning patents from ACT cover this application as well as the application with the Ex Parte Quale action. THIS IS VERY IMPORTANT. IF NOT, WE NEED TO FIX ASAP, PLEASE LET ME KNOW THE STATUS

ASAP!!” Niederluecke Decl. Ex. 11 (emphasis in original).

The next day, December 4, 2003, Kalis sent a facsimile to the USPTO. Niederluecke Decl. Ex. 14. It included a cover sheet identifying the contents as an assignment of the ‘845 Application from ACT to Schwendimann. Id. at SLW00015–17. Appended to the cover sheet was a photocopy of the assignment of the ‘983 Application, sent to the USPTO in February 2003, with a minor alteration. See id. at SLW00018–19. The original ‘983 Application document had 1010.015 USI hand-written in the upper-right hand corner, which represented the client and matter number SLW associated with Schwendimann and the ‘983 Application. See Myers Decl. Ex. E at JS002295 (assignment of ‘983 Application with hand-written 1010.015 USI visible in upper right-hand corner); SLW Decl. ¶ 15a (noting 1010.015 was client and matter number SLW associated with Schwendimann and the ‘983 Application). The document sent to the USPTO, however, had the .015 portion of the identification number crossed-out by hand, and replaced by a hand-written .021. Niederluecke Decl. Ex. 14 at SLW00018. The client and matter number SLW used for Schwendimann and the ‘845 Application was 1010.021 USI. SLW Decl. ¶ 15b. A few minutes later Kalis sent another facsimile with a cover sheet identifying the contents as the assignment of another patent application. Niederluecke Decl. Ex. 15 at SLW00107–09. Appended to the cover sheet was another photocopy of the assignment of the ‘983 Application with the client and matter numbers changed by hand to reflect the patent application identified in the cover sheet. Niederluecke Decl. Ex. 15 at SLW00110–11.

Subsequently, Kalis pursued the ‘845 Application on behalf of Schwendimann. See, e.g.,

Niederluecke Decl. Exs. 17, 18, Ultimately, the Patents-in-Suit issued and, after some procedural maneuvering between the parties here,³ this lawsuit ensued. On July 18, 2011, after some investigation into the Patents-in-Suit's chain of title, AACI amended its Answer to assert an affirmative defense premised on Schwendimann's alleged lack of ownership. See First Am. Answer at 6. In September 2011, a new document was executed, assigning from ACT⁴ to Schwendimann certain intellectual property, including that resulting from the '845 Application. Myers Decl. Ex. H. On December 8, 2011, Magistrate Judge Janie S. Mayeron issued an Order [Docket No. 44] allowing additional discovery limited to patent ownership issues. Prior to Judge Mayeron's order, AACI stated during a telephone conference a desire to depose Nasser. Niederluecke Decl. ¶ 22. However, several attempts by AACI to serve Nasser at locations in two states proved unsuccessful. See Niederluecke Decl. Ex. 24. Nasser continues to do consulting work for Schwendimann, often within Minnesota. Niederluecke Decl. Ex. 1 51:10–52:21. Yet, to date the only participation he has had in this case is to file a declaration in support of Schwendimann's present motion. See generally Nasser Decl.

III. DISCUSSION

A. Standard of Review

The present motions raise the issue of standing. Standing is “an essential and unchanging part of the case-or-controversy requirement of Article III” of the U.S. Constitution. Lujan v.

³ The Court's prior Order [Docket No. 40] dated September 8, 2011 includes a more detailed overview of the procedural history of the controversy between these parties.

⁴ ACT was administratively dissolved by the State of Wisconsin in 2009. Myers Decl. Ex. I. At oral argument, the parties agreed that the September 2011 assignment does not bear on the present motions, and therefore the effect of ACT's dissolution need not be considered.

Defenders of Wildlife, 504 U.S. 555, 560 (1992) (citation omitted). “The party invoking federal jurisdiction bears the burden of establishing [standing].” Id. at 561 (citations omitted). “A court may exercise jurisdiction only if a plaintiff has standing to sue on the date it files suit.” Abraxis Bioscience, Inc. v. Navinta LLC, 625 F.3d 1359, 1364 (Fed. Cir. 2010). “Only a patent owner or an exclusive licensee can have constitutional standing to bring an infringement suit” Mars, Inc. v. Coin Acceptors, Inc., 527 F.3d 1359, 1367 (Fed. Cir. 2008) (citation omitted). Subject matter jurisdiction is a question of law. DDB Technologies, L.L.C. v. MLB Advanced Media, L.P., 517 F.3d 1284 (Fed. Cir. 2008). Therefore, facts related to standing issues are resolved by the Court. See id. at 1290–92 (holding there is no right to a jury trial on standing issues related to contract construction in patent infringement action because standing was not sufficiently intertwined with merits of the claims).

AACI’s Motion to Dismiss, premised on lack of standing, is made under Rule 12(b)(1) of the Federal Rules of Civil Procedure (the “FRCP”). A motion to dismiss for lack of subject matter jurisdiction may challenge the complaint either on its face or on the factual truthfulness of its averments. See Titus v. Sullivan, 4 F.3d 590, 593 (8th Cir. 1993); Osborn v. United States, 918 F.2d 724, 729 n.6 (8th Cir. 1990). AACI attacks the factual truthfulness of Schwendimann’s allegation that she is the owner of the Patents-in-Suit. Therefore, Schwendimann does not receive the benefits of Rule 12(b)(6)—namely to have only the pleadings considered and to have them construed in her favor. See Osborn, 918 F.3d at 729 n.6. Rather, the Court may consider matters outside the pleadings. Id. (citing Menchaca v. Chrysler Credit Corp., 613 F.3d 507, 511 (5th Cir. 1980)).

Schwendimann’s Motion for Partial Summary Judgment is made under Rule 56 of the FRCP. Under Rule 56(a), a “party may move for summary judgment, identifying each claim or defense — or the part of each claim or defense — on which summary judgment is sought.” Fed. R. Civ. P. 56(a). “The court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Id.

B. Writing Requirement

Schwendimann asserts she has standing as the assignee of the ‘845 Application and the resulting Patents-in-Suit. Patents and patent applications are assignable only by an instrument in writing. 35 U.S.C. § 261. This writing requirement imposes no form or contents requirements. See Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc., No. CV-03-0597-PHX-MHM, 2009 WL 886514, at *7 (noting that § 261 “imposes no limitations as to the form or content” of the writing). Rather, an “assignment of a patent is interpreted in accordance with statutory and common law of contract” Tri-Star Elecs. Int’l, Inc. v. Preci-Dip Durtal SA, 619 F.3d 1364, 1367 (Fed. Cir. 2010). AACI argues that the underlying validity of any assignment contract between ACT and Schwendimann need not be reached because no written instrument exists memorializing such an assignment. For her part, Schwendimann avers the documents submitted to the USPTO are a written instrument memorializing an agreement of the parties, and any facial deficiencies, such as the references to the ‘983 Application rather than the ‘845 Application, are the result of a mutual mistake or scrivener’s error that should be reformed by the Court through an exercise of its equitable authority.

The entire set of documents submitted by Kalis cannot together form the “instrument in writing” because the cover sheets are facially both distinct from its attachments and not an agreement of any kind, much less an assignment, between ACT and Schwendimann. Cf. Telepresence Techs., LLC v. Upper Deck Co., 2001 WL 36239744, at *2 (C.D. Cal. Mar. 29, 2011) (declining to consider cover sheet in construing execution date of assignment in light of notarized execution date on contract itself). Therefore, the Court must next consider whether the document that is a photocopy of the ‘983 Application with the hand-written alteration (the “purported assignment”) is a writing memorializing a valid assignment contract. Because there are no form or content requirements for what constitutes an “instrument in writing” under 35 U.S.C. § 261, the purported assignment is a sufficient writing if an underlying valid contract amenable to reformation exists under Minnesota law⁵ between ACT and Schwendimann. To be sure, the purported assignment has a number of irregularities on its face; however, AACI has identified no authority, and the Court finds none, that any of these irregularities preclude the finding of a written instrument under 35 U.S.C. § 261.

For instance, the lack of any “wet-ink” signature on the document could be characterized as irregular or unusual. Nonetheless, the lack of a “wet-ink” signature is not dispositive for two reasons. First, it is not established that the document lacks the signature of either Schwendimann or Nasser, on behalf of ACT. Generally, a signature is any symbol executed or adopted with a present intention to adopt or accept a writing. See Minn. Stat. § 336.1-201(37); see also

⁵ Since neither party advocates for a particular choice of law analysis, the parties implicitly agree that Minnesota law applies to determine the validity of any assignment contract.

Restatement (Second) of Contracts § 134 (1981). A signature need not be hand-written. See, e.g., Simplex Supplies, Inc. v. Abhe & Svoboda, Inc., 586 N.W.2d 797, 802 (Minn. Ct. App. 1998) (holding typewritten signature sufficient to satisfy Minnesota’s Statute of Frauds). Generally, an agent may sign a writing for its principal, and both parties to a contract may be bound by a mutual agent. See, e.g., Miller-Crenshaw Co. v. Colorado Mill & Elevator Co., 87 F.3d 457, 460 (8th Cir. 1937) (holding typewritten signature of buyer, typed by broker, was sufficient to satisfy Arkansas’s Statute of Frauds); see also Restatement (Second) of Agency § 30 (1958). Therefore, if Kalis reproduced ACT’s and Schwendimann’s signatures, as an agent of both, with the authority and intent to bind them to an assignment contract, the signatures may be valid.

Second, regardless of whether the document is or is not signed, as a matter of general contract law, a signature is not required to make a writing enforceable. See, e.g., Operating Eng’rs Local 139 Health Benefit Fund v. Gustafson Constr. Corp., 258 F.3d 645, 649 (7th Cir. 2001) (“[I]f [a contract] is in writing, it needn’t be signed, provided there’s other evidence of acceptance . . .”) (citation omitted); First Nat’l Bank of Sleepy Eye, Minn. v. Sleeper, 12 F.2d 228, 230 (8th Cir. 1926) (“A contract may be made by accepting a writing containing the terms of the proposed contract, although the one accepting it does not sign it.”); Welsh v. Barnes-Duluth Shipbuilding Co., 21 N.W.2d 43, 46–47 (Minn. 1945) (noting “contract may be binding on a party even though not signed by him” because signature is used to show assent, which may be established through other means). Therefore, even without a signature, the document could still be a written instrument under federal law.

Similarly, while the form of this purported assignment contract, a photocopy of a different contract with a minor hand-written alteration, could be characterized as irregular, the form does not preclude a finding of a written instrument. Attorneys often re-use language from one contract to the next. Indeed, “boilerplate” contracts—contracts with a identical terms that a party uses for similar transactions—are not repugnant to the law absent special circumstances. See, e.g., Hauenstein & Bermeister, Inc. v. Met-Fab Indus., Inc., 320 N.W.2d 886, 891 (Minn. 1982) (upholding forum selection clause in contract notwithstanding fact it was “boilerplate” language). If Kalis had not merely altered the client and matter number in the upper right hand corner of the purported assignment but also altered the patent application number, little would distinguish this case from any other involving form or “boilerplate” contracts. The form of the purported assignment does not preclude a finding of a written instrument.

The relevant inquiry is solely whether the purported assignment is a writing. Without any express statutory definition, what is meant by an “instrument in writing” must be determined in reference to its ordinary meaning. Asgrow Seed Co. v. Winterboer, 513 U.S. 179, 187 (1995) (“When terms used in a statute are undefined, we give them their ordinary meaning.”) (citation omitted). The ordinary meaning of writing is an intentional reduction to tangible form. Minn. Stat. § 336.1-201(43) (“‘Writing’ includes printing, typewriting, or any other intentional reduction to tangible form.”); Restatement (Second) of Contracts § 131, cmt. (d) (“Writing . . . includes any intentional reduction to tangible form) (citing U.C.C. § 1-201); see also Black’s Law Dictionary 1748 (9th ed.) (defining “writing” as “[a]ny intentional recording of words that may be viewed or heard with or without mechanical aids”). Here, the purported assignment is in

a tangible form—it is a written document. Furthermore, because the purported assignment includes the hand-written alterations, it suggests the purported assignment was an intentional reduction (whether or not it was a reduction of a valid contract will be addressed below) rather than an unintentional reproduction of the ‘983 Application . Therefore, the purported assignment is an instrument in writing.

The writing requirement, however, is not the end of the inquiry. For Schwendimann to have standing, she must be the owner of the ‘845 Application, which is determined by state law. See Enovsys LLC v. Nextel Commc’ns, Inc., 614 F.3d 1333, 1342 (Fed. Cir. 2010) (“Who has legal title to a patent is a question of state law.”).

C. Validity of Underlying Assignment

On its face, the purported assignment conveys to Schwendimann rights in the ‘984 Application, not the ‘845 Application. In Minnesota, absent ambiguity, contract terms are given their plain and ordinary meaning. Knudsen v. Transp. Leasing/Contract, Inc., 672 N.W.2d 221, 223 (Minn. Ct. App. 2003). Furthermore, extrinsic evidence may not be used to vary the terms of an unambiguous written agreement. Alpha Real Estate Co. of Rochester v. Delta Dental Plan of Minn., 664 N.W.2d 303, 312 (Minn. 2003). However, under Minnesota law,

A written instrument can be reformed by a court if the following elements are proved: (1) there was a valid agreement between the parties expressing their real intentions; (2) the written instrument failed to express the real intentions of the parties; and (3) this failure was due to a mutual mistake of the parties, or a unilateral mistake accompanied by fraud or inequitable conduct by the other party.

Nichols v. Shelard Nat’l Bank, 294 N.W.2d 730, 734 (Minn. 1980) (citations omitted). Contract

reformation is an equitable remedy. See Fritz v. Fritz, 102 N.W. 705, 706 (Minn. 1905).⁶

Schwendimann argues her real intention, and that of ACT, was to assign the ‘845 Application, and the Court should reform the purported assignment to reflect those intentions. At this procedural stage, Schwendimann’s argument is unavailing. Reformation requires more than intentions, it requires a *valid agreement*. Nichols, 294 N.W.2d at 734 (emphasis added). Under Minnesota law, a contract is formed when there is “mutual assent” of the parties. Field-Martin Co. v. Fruen Milling Co., 298 N.W. 574, 575 (Minn. 1941). “Mutual assent entails a meeting of the minds concerning a contract’s essential elements.” SCI Minn. Funeral Servs., Inc. v. Washburn-McReavy Funeral Corp., 795 N.W.2d 855, 864 (Minn. 2011) (quoting Minneapolis Cablesystems v. City of Minneapolis, 299 N.W.2d 121, 122 (Minn. 1980)). “The formation of a contract requires communication of a specific and definite offer, acceptance, and consideration.” Thomas B. Olson & Assocs., P.A. v. Leffert, Jay & Polglaze, P.A., 756 N.W.2d 907, 918 (Minn. Ct. App. 2008) (quoting Commercial Assocs., Inc. v. Work Connection, Inc., 712 N.W.2d 772, 782 (Minn. Ct. App. 2006)).

Mutual assent is critical here because a valid contract can arise from ACT and Schwendimann’s stated intentions only with mutual assent to the essential elements of the alleged assignment—without mutual assent to the essential elements, ACT and Schwendimann’s

⁶ AACI contends, without citing authority, that ACT could not assign its intellectual property because all its property was subject to security interests in favor of its many creditors. Under Minnesota law, however, a security interest in collateral will continue notwithstanding sale of the collateral. Border State Bank, N.A. v. AgCountry Farm Credit Servs., 535 F.3d 779, 782 (8th Cir. 2008). Therefore, AACI’s argument is rejected absent authority that the consent of a secured party is required.

intention to assign intellectual property is merely an agreement to assign in the future, which does not confer standing under federal law and does not form a valid contract under Minnesota law. See Mohrenweiser v. Blomer, 573 N.W.2d 704, 707 (Minn. Ct. App. 1998) (holding “letter of agreement” signed by parties was “an unenforceable agreement to agree in the future”); compare Gaia Techs., Inc. v. Reconversion Techs., Inc., 93 F.3d 774, 779 (Fed. Cir. 1996) (noting minutes from meeting of company’s board of directors evinced only an agreement to assign, not an assignment that vested legal title in plaintiff) with Southwest eFuel Network, L.L.C. v. Transaction Tracking Techs., Inc., 2:07-cv-311, 2009 WL 4730464, at *3–4 (E.D. Tex. Dec. 7, 2009) (holding plaintiff had standing despite clerical error in assignment contract).

On the present record, the Court cannot determine whether a valid agreement to assign the ‘845 Application exists. Schwendimann has advanced no legal theories, nor offered any supporting evidence, to support a finding of the existence of an offer, acceptance, or consideration. The precise terms of the alleged assignment of the ‘845 Application, for example what consideration Schwendimann provided to ACT, remain unknown.

The sole evidence offered by Schwendimann to support the existence of an agreement between her and ACT is Nasser’s statement that “ACT intended to transfer all of its intellectual property to [Schwendimann] many years ago and I have always believed that it did so” Nasser Decl. ¶ 7. This statement is deficient in several respects. First, its lack of specificity as to the terms of the assignment of the ‘845 Application, if any, make it impossible to determine whether ACT’s intent to transfer the ‘845 Application was an agreement to assign in the future

or an actual present assignment. Second, an issue of fact remains whether Nasser is competent to testify as to ACT's intentions in the relevant time period. He states that he previously served as President and Chairman of ACT. Nasser Decl. ¶ 1. Yet, in July 2000, Schwendimann represented to the State of Wisconsin that she was the President and sole director of ACT. Niederluecke Decl. Ex. 25.

Finally, Nasser's statement is hearsay. Normally, summary judgment may be based on affidavits and declarations that, while technically hearsay, are submitted under Rule 56 of the FRCP. See Celotex Corp. v. Catrett, 477 U.S. 317, 324 (stating that nonmoving party need not "produce evidence in a form that would be admissible at trial in order to avoid summary judgment"); see also Fed. R. Civ. P. 56(c). Rule 56(c), however, includes an important qualification of the Rule. Affidavits or declarations must "show that the affiant or declarant is competent to testify on the matters stated." Fed. R. Civ. P. 56(c)(4). On that basis, courts have held that summary judgment may not be based on statements of an affiant or declarant who will be unavailable to testify at trial due to the rules against hearsay. See J.F. Feeser, Inc. v. Serv-A-Portion, Inc., 909 F.2d 1524, 1542 (3d Cir. 1990) (considering evidence in affidavit on summary judgment where contents could later be presented through direct testimony and there was no indication affiant would be unavailable to testify at trial); Murphy v. County of Yavapai, CV-04-1861, 2006 WL 2460916, at *5 (D. Ariz. Aug. 23, 2006) (striking affidavit and reports of witnesses as hearsay where witness would be unavailable at trial); Bortell v. Eli Lilly & Co., 406 F. Supp. 2d 1, 11-12 (D.D.C. 2005) (noting that on summary judgment courts may consider

evidence in non-admissible form only when the contents will be “reduced to admissible form at trial” and declining to consider affidavits of unavailable witnesses). Here, it is unclear whether Nasser would be available or unavailable were the Court to convene an evidentiary hearing on standing. Thus far, AACI has been unable to contact Nasser, and several attempts to serve him with a subpoena have proved unsuccessful. See Niederluecke Decl. Ex. 24. Schwendimann, despite an ongoing business relationship with Nasser, has evinced a desire not produce him as a witness on her behalf. See id. Of course, Schwendimann may choose the manner of meeting her burden of establishing subject matter jurisdiction. Nonetheless, apart from Nasser’s deficient and vague statements, Schwendimann has offered no evidence from which to infer mutual assent to an assignment of the ‘845 Application.

Given the inadequate state of the record and the Court’s duty to investigate its own subject matter jurisdiction, rather than grant AACI’s Motion to Dismiss, both motions are denied without prejudice. At oral argument, the parties stated many of the evidentiary issues discussed above are the subject of an upcoming motion hearing before Magistrate Judge Janie S. Mayeron. Therefore, this Court will defer to Judge Mayeron to establish the precise contours of further factual development—whether it comes as an evidentiary hearing, additional depositions, or another form. The parties may later renew their motions subject to any scheduling set by Judge Mayeron.

IV. CONCLUSION

Based on the foregoing, and all the files, records and proceedings herein, **IT IS**

HEREBY ORDERED that AACI's Motion to Dismiss [Docket No. 47] is **DENIED** and Schwendimann's Motion for Partial Summary Judgment [Docket No. 51] is **DENIED**.

BY THE COURT:

s/Ann D. Montgomery
ANN D. MONTGOMERY
U.S. DISTRICT JUDGE

Dated: March 19, 2012.

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I. INTRODUCTION

On June 4, 2012, the undersigned United States District Judge heard oral argument on Plaintiff and Counterclaim Defendant Jodi A. Schwendimann's ("Schwendimann") Renewed Motion for Summary Judgment on Standing [Docket No. 102]. Schwendimann alleges Defendant Arkwright Advanced Coating, Inc. ("AACI") has infringed U.S. Patent Nos.

RE41,623, 7,749,581, 7,754,042, 7,766,475, 7,771,554, and 7,824,748 (collectively, the “Patents-in-Suit”), which Schwendimann claims she owns. Compl. [Docket No. 1] ¶¶ 31–46. AACI challenges Schwendimann’s ownership, alleging the Patents-in-Suit were not validly assigned because there was no writing to satisfy 35 U.S.C. § 261 and no valid agreement to assign. By Order dated March 19, 2012 [Docket No. 87] (“March Order”), the Court held a valid writing existed but deferred the issue of whether that writing memorialized a valid agreement to assign. Through this motion, Schwendimann seeks a declaration that such an agreement exists. For the reasons set forth below, Plaintiff’s motion is granted.

II. BACKGROUND

Schwendimann is the proprietor of Cooler Concepts, Inc., a business which manufactures and sells speciality paper products. Compl. ¶ 1. Prior to Cooler Concepts, Inc., Schwendimann was an employee of Advanced Coating Technologies, Inc. (“ACT”), who started in their finance department and eventually became a co-owner. Decl. of Brent A. Lorentz in Supp. of Mot. for Summ. J. on Standing [Docket No. 54] (“Lorentz Decl.”) Ex. D (“Schwendimann Dep.”) 8:5-8; 14:5-7. During her employment at ACT, Schwendimann collaborated with President, Chairman, and majority owner Nabil Nasser (“Nasser”) to develop technologies to transfer a printed image onto a T-shirt by ironing over speciality transfer paper. Compl. ¶ 17; Decl. Nabil Nasser [Docket No. 65] (“Nasser Decl.”) ¶ 2.

In 2000, ACT experienced financial difficulties. Aff. of David A. Davenport in Supp. of Jodi A. Schwendimann’s Renewed Mot. for Summ. J. on Standing [Docket No. 105] Ex. A (“Nasser Dep.”) 9:15-21. Furthermore, around this time, ACT owed Schwendimann a significant amount of back wages. *Id.* at 26:10-14. It became clear that ACT was unable to pay

Schwendimann what she was owed. Id. at 28:19-21. To resolve the outstanding debt, Nasser and Schwendimann met and discussed the possibility of assigning some of ACT's intellectual property rights to Schwendimann in exchange for a discharge of at least some of the debt. Id. at 29:17-21.

In addition to the money it owed to Schwendimann, ACT carried an outstanding balance with its patent counsel Schwegman, Lundberg & Woessner, P.A. ("SLW"). Id. at 27:18-21. ACT and Schwendimann eventually agreed as a part of their transaction that Schwendimann would assume ACT's financial obligations to SLW. Id. at 32:6-22.

In 2002, ACT, Schwendimann, and SLW met to effect their agreement. Id. at 30:5-13; 31:9-18. According to Nasser, the intent of the agreement was to assign all of ACT's intellectual property to Schwendimann, who, in return, agreed to not pursue ACT for back wages, to take over ACT's outstanding debt to SLW, and to pay all patent prosecution costs going forward. See id. at 29:11-15 (testifying that ACT agreed to assign its rights and interest in the patent applications to Schwendimann); 34:2-1 (testifying that the agreement provided Schwendimann would not pursue action against ACT for unpaid back wages); 85:18-22 (testifying that Schwendimann would pay the continuing prosecution fees and ACT's outstanding attorney's fees to SLW).

After the meeting, ACT stopped receiving invoices from SLW, Schwendimann did not pursue ACT for what she was owed, and Schwendimann continued to prosecute the patents with SLW acting as counsel. See id. at 34:2-6 (testifying that Schwendimann did not commence any action against ACT for back wages after they agreed to assign the patents); 87:2-4 (testifying that ACT did not receive further invoices from SLW after the 2002 meeting); Decl. of Kurt J.

Niederluecke in Supp. of AACI's Opp. to Schwendimann's Renewed Mot. for Summ. J. on Standing [Docket No. 108] ("2d Niederluecke Decl.") Ex. I. 175:23-176:3 (SLW testifying that Schwendimann continued payment for patent prosecution). In March 2003, SLW sent Schwendimann an email discussing the ownership of the patent applications, stating "We need to provide consideration back to ACT." 2d Niederluecke Decl. Ex. J. In addition to mentioning consideration, the email reads: "The situation arose because ACT wanted to avoid abandonment of its invention but could not pay the fees. You provided consideration by reviving and prosecuting the applications." Id. The email was sent after the agreement and while Schwendimann retained SLW as her counsel to continue prosecuting the patents.

The Patents-in-Suit all arise from U.S. Patent Application Serial No. 09/541,845 (the "'845 Application"). See Compl. Exs. A, C, D, E, F, G. All of the Patents-in-Suit pertain to reducing the number of steps involved in transferring a printed image onto a colored base. Compl. ¶ 15. The '845 Application was filed by Schwendimann and Nasser on April 3, 2000, and was subsequently assigned to ACT. See id. Ex. A at [64]; Decl. of Laura L. Myers in Supp. of AACI's Mot. to Dismiss [Docket No. 50] ("Myers Decl.") Ex. B. On February 3, 2003, Nasser, on behalf of ACT, and Schwendimann executed an assignment from ACT to Schwendimann of U.S. Patent Application Serial No. 09/150,983 (the "'983 Application"), an application distinct from the '845 Application. Myers Decl. Ex. E. at JS002295-96. On February 4, 2003, SLW recorded the assignment of the '983 Application with the U.S. Patent and Trademark Office ("USPTO"). Id. at JS002292-96. There is no dispute the '983 Application was validly assigned and is owned by Schwendimann.

On December 4, 2003, SLW faxed a cover sheet to the USPTO identifying the contents

as an assignment of the ‘845 Application from ACT to Schwendimann. Decl. of Kurt J. Niederluecke in Supp. of AACI’s Opp. to Schwendimann’s Mot. for Summ. J. on Standing [Docket No. 69] (“1st Niederluecke Decl.”) Ex. 14 at SLW00015-17. Appended to the cover sheet was a photocopy of the assignment of the ‘983 Application (“the Photocopy Assignment”) previously sent to the USPTO, with the client and matter number SLW associated with Schwendimann and the ‘983 Application altered to reflect the client and matter number associated with the ‘845 Application. See id. at SLW00018-19 (showing 1010.015 USI visible in upper right-hand corner with .015 struck out and replaced by .021); Decl. of Schwegman, Lundberg & Woessner, P.A. [Docket No. 55] ¶ 15a (noting 1010.015 was client and matter number SLW associated with Schwendimann and the ‘983 Application), ¶ 15b (noting 1010.021 was client and matter number SLW associated with Schwendimann and the ‘845 Application).

Cooler Concepts, Inc. initiated this action on April 1, 2011. On July 18, 2011, AACI filed an Amended Answer and Counterclaim, challenging for the first time Schwendimann’s ownership of the Patents-in-Suit. First Am. Answer and Countercl. of AACI in Resp. to Compl. [Docket No. 33] at 6. On September 10, 2011, ACT and Schwendimann executed an Assignment of Patent Rights (the “September 2011 Assignment”), purporting to assign to Schwendimann the right and interest in certain intellectual property owned by ACT.¹ 2d Niederluecke Decl. Ex. C. On September 16, 2011, ACT and Schwendimann executed a Satisfaction of Debt Agreement, purporting to discharge ACT’s debt to Schwendimann in exchange for intellectual property rights. Id. at Ex. D. Finally, on October 5, 2011, ACT signed

¹ACT was administratively dissolved by the state of Wisconsin in 2009. Myers Decl. Ex. I. Because the validity and enforceability of the September 2011 assignment are not at issue here, the effect of that dissolution need not be considered.

a Written Action of the Board of Directors, memorializing the factual circumstances and prudent judgment conclusions behind the Assignment of Patent Rights and Satisfaction of Debt Agreement. Id. at Ex. E.

On May 5, 2012, Schwendimann and Cooler Concepts, Inc. renewed its Motion for Summary Judgment on Standing [Docket No. 102]. Pursuant to an Order [Docket No. 98] by Magistrate Judge Mayeron, it is understood by the parties that rather than each renewing their motions, the present motion by Schwendimann will be dispositive of all issues related to standing.

III. DISCUSSION

A. Standard of Review

Standing is “an essential and unchanging part of the case-or-controversy requirement of Article III” of the U.S. Constitution. Lujan v. Defenders of Wildlife, 504 U.S. 555, 560 (1992) (citation omitted). “A court may exercise jurisdiction only if a plaintiff has standing to sue on the date it files suit.” Abraxis Bioscience, Inc. v. Navinta LLC, 625 F.3d 1359, 1364 (Fed. Cir. 2010). “Only a patent owner or an exclusive licensee can have constitutional standing to bring an infringement suit” Mars, Inc. v. Coin Acceptors, Inc., 527 F.3d 1359, 1367 (Fed. Cir. 2008) (citation omitted). If a plaintiff lacks standing, the district court has no subject matter jurisdiction. Faibisch v. Univ. of Minn., 304 F.3d 797, 801 (8th Cir. 2002).

Schwendimann’s Renewed Motion for Summary Judgment on Standing is made under Rule 56 of the Federal Rules of Civil Procedure. Rule 56(a) provides that summary judgment shall issue “if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and

that the moving party is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a); see Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587 (1986); Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 252 (1986); Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986). Subject matter jurisdiction is a question of law. DDB Techs, L.L.C. v. MLB Advanced Media, L.P., 517 F.3d 1284 (Fed. Cir. 2008). Therefore, facts related to standing issues are resolved by the Court. See id. at 1290–92 (holding there is no right to a jury trial on standing issues related to contract construction in patent infringement action because standing was not sufficiently intertwined with merits of the claims).

B. Mutual Assent

The March 2012 Order held that a valid assignment in writing could exist if the Photocopy Assignment memorialized a valid contract to assign the ‘845 Application. Under Minnesota law, a valid contract is formed when there is communication of a specific and definite offer, acceptance, and consideration.² Commercial Assocs. Inc. v. Work Connection, Inc., 712 N.W.2d 772, 782 (Minn. Ct. App. 2006). As a threshold question for contract formation, there must be an *objective* manifestation of mutual assent. Benedict v. Pfunder, 183 Minn. 396, 400 (Minn. 1931). Mutual assent requires a meeting of the minds concerning a contract’s essential elements. Minneapolis Cablesystems v. City of Minneapolis, 299 N.W.2d 121, 122 (Minn.1980). A contract can be inferred from the circumstances and conduct of the parties involved. Gryc v. Lewis, 410 N.W.2d 888, 891 (Minn. Ct. App. 1987). Mutual assent, the objective element to contract formation, is the crux of the analysis here. Id.

²As previously addressed in the March Order, the parties implicitly agree that Minnesota law dictates the validity of any assignment contract. March Order at 10 n.5.

The burden of proof required to establish the validity of the contract rests squarely with Schwendimann. See Upsher-Smith Labs., Inc. v. Mylan Labs., Inc., 944 F.Supp. 1411, 1425 (D. Minn. 1996) (“[F]or the party, who asserts the validity of the alleged contract, maintains the burden of persuading the trier-of-fact that a contract actually exists, as well as in establishing the actual terms and conditions of that contract”). This burden, however, does not require clear and precise testimony proving the existence of the contract when the actions and conduct of the parties can manifest the parties’ true intent. Capital Warehouse Co. v. McGill-Warner-Farnham Co., 276 Minn. 108, 114 (Minn. 1967). Each contractual element will be considered in turn.

1. Offer

ACT made a sufficient offer to Schwendimann. An offer needs definite and certain terms to be legally sound. Anderson v. Backlund, 159 Minn. 423, 424 (Minn. 1924). There is no dispute ACT owed Schwendimann money. In 2002 meetings, Nasser avers ACT proposed assigning the ‘983 Application and the ‘845 Application to Schwendimann who, in return, would not to pursue ACT for unpaid back wages. See Nasser Dep. at 29:4-30:1 (stating ACT agreed to assign the ‘983 and ‘845 Applications to Schwendimann to satisfy at least some of the outstanding back pay ACT owed her); id. at 34:2-18 (explaining that part of the agreement was that Schwendimann would not commence formal action against ACT for unpaid wages).

In addition to the debt owed to Schwendimann, in 2002 ACT carried an unsatisfied balance of around \$25,000 with their patent counsel SLW. Id. at 84:17-20; 85:20-22. ACT and Schwendimann furthered their discussions to include Schwendimann assuming ACT’s debt to SLW and paying all future prosecution costs as part of the offer. Id. at 85:18-22; 32:6-15.

The offer to assign the ‘845 Application in exchange for debt forgiveness and assumption

of attorney's fees by Schwendimann was therefore definite and certain. A valid offer was made by ACT, and Schwendimann has met her burden of establishing the first prong of mutual assent.

2. Acceptance

The next prong of mutual assent is Schwendimann's acceptance ACT's offer. An inquiry into the actions of the parties to the contract can be used to determine if the offer was accepted. See Pierce v. Foley Bros., Inc., 283 Minn. 360, 374 (Minn. 1969) (noting that an act by a party can form the acceptance to the offer). The subsequent conduct of Schwendimann and ACT are evidence the offer was accepted.

ACT owed SLW roughly \$25,000 in 2002. Nasser Dep. 84:17-20; 85:20-22. It was agreed that Schwendimann would assume this debt and pay all prosecution costs going forward. Id. ACT stopped receiving invoices or statements from SLW after 2002. Id. at 87:2-4. There is no evidence of record to suggest SLW ever pursued ACT for unpaid bills. In addition to the debt owed to SLW, in 2002 ACT was deficient on its payments to Schwendimann. Id. at 28:6-21. The parties further agreed that Schwendimann would not pursue ACT for back wages. Id. at 34:2-18. Schwendimann never initiated any lawsuit against ACT nor made any other effort to collect money from ACT. Furthermore, Schwendimann's objective conduct since 2002 has been that of an owner. She prosecuted the patent applications, she incorporated the patents into technology she currently sells, and she sued as an owner when she believed someone was infringing the patents. Therefore, Schwendimann's conduct, objectively viewed, evinces acceptance of ACT's offer.

AACI argues the documents executed in 2011 are inconsistent with an agreement being formed and vitiate mutual assent. Indeed, the 2011 Satisfaction of Debt Agreement states "as of

the date of this agreement [ACT] is indebted to [Schwendimann] . . . in an amount that is in excess of \$600,000,” 2d Niederluecke Decl. Ex. D § E, and the agreement purports to discharge Schwendimann’s claims on that debt. See generally id. Likewise, the 2011 Assignment recites ACT was the present owner of the Patents-In-Suit. 2d Niederluecke Decl. Ex. C. AACI argues the debt between ACT and Schwendimann was only discharged in 2011, and thus, could not supply the consideration in the 2002 agreement.

Construction of these documents requires an objective evaluation of the relevant circumstances *in context*. See Morrisette v. Harrison Int’l Corp., 486 N.W.2d 424, 427 (Minn.1992) (“In determining whether a contract was formed a court does not need to rely on words alone, but can consider the surrounding facts and circumstances in the context of the entire transaction, including the purpose, subject matter, and nature of it.”) (quotation omitted). In September 2011, this litigation had already begun and questions concerning ownership had been raised. In that context, Schwendimann asserts that the 2011 Agreements were executed to reaffirm what was agreed upon in 2002. See Schwendimann Dep. at 111:13-20 (testifying that the 2011 Assignment of Patent Rights operated to correct an error that cast doubt on her owning ACT’s intellectual property and reaffirm what the parties previously agreed upon). Nasser’s subjective intent was the same. See Nasser Dep. at 101:16-102:4; 131:11-13 (testifying that Nasser signed the documents in 2011 believing it was reaffirming things that happened in the past). This subjective understanding of ACT and Schwendimann is bolstered by their objective conduct. As discussed above, Schwendimann’s conduct, objectively viewed, has been consistent with acceptance. She never pursued ACT for back wages, prosecuted the ‘845 Application, and has conducted herself as the owner of the Patents-in-Suit. For its part, ACT has never asserted

an ownership interest in these patents and was never called upon to pay its outstanding attorney's fees to SLW.

Moreover, the September 2011 Assignment of Patent Rights memorialized the transfer of additional intellectual property from ACT to Schwendimann, including the '983 Application. 2d Niederluecke Decl. Ex. C, schedule 1. It is undisputed, however, that ACT properly assigned its rights and interests in the '983 Application to Schwendimann in 2003. Meyers Decl. Ex. E. Therefore, the language in the Assignment of Patent Rights, stating ACT has not made any previous assignments of the patents listed on the attached schedule of patents is not accurate. Objectively viewed in context, the 2011 Assignment was meant to memorialize previous agreements to the extent valid writings did not exist. It was not meant to be a present assignment.

Finally, AACI argues no meeting of the minds was reached because Nassser testified the assignment occurred in 2002 and Schwendimann testified it occurred in 2003. This discrepancy is immaterial. First, after the passage of more than nine years, it is unsurprising that some discrepancy might exist. Furthermore, no evidence suggest that ACT revoked its offer prior to 2003 or that Schwendimann was otherwise unable to accept the offer at that time. The focus is whether there was objective manifestation of assent of the parties to the contract. Here, both ACT and Schwendimann's conduct has been consistent with contract formation prior to the recording of the Photocopy Assignment, and Schwendimann has met her burden with respect to acceptance.

3. Consideration

The final element of mutual assent is consideration. Consideration is a necessary element

of every contract. See Franklin v. Carpenter, 309 Minn. 419, 422 (Minn. 1976) (“When there is a lack of consideration, no valid contract is ever formed”). Consideration is something of value given in exchange for the item or performance bargained for. Dell v. Hasselmo, 542 N.W.2d 649, 656 (Minn. Ct. App. 1996). Schwendimann avers the consideration to ACT is her not pursuing back wages and assuming ACT’s financial obligations to SLW. AACI argues, however, Schwendimann’s conduct is inconsistent with this being the agreed upon consideration.

AACI cites an email drafted by SLW to Schwendimann, stating there is a “need to provide consideration back to ACT.” 2d Neiderluecke Decl. Ex. J. However, the email between SLW and Schwendimann does not demonstrate a lack of consideration because SLW is not a party to the contract. Only the conduct of *parties to a contract*, objectively viewed, is relevant to contract formation. Gresser v. Hotzler, 604 N.W.2d 379, 382 (Minn. Ct. App. 2000). SLW was simply told to draft the documents to effectuate the assignment of the ‘983 and ‘845 Applications. See Nasser Dep. at 31:9-18 (noting the reason behind the meeting of Schwendimann, ACT, and SLW was to memorialize the assignment of all ACT’s intellectual property to Schwendimann). The legal conclusions made by SLW, a nonparty to the contract, are irrelevant. While SLW’s understanding of the agreement may be probative of Schwendimann’s state of mind, the objective facts show Schwendimann actually continued to prosecute the patents and Schwendimann never pursued ACT for back wages. See id. at 34:2-6 (testifying that Schwendimann never pursued ACT for back wages); 2d Niederluecke Decl. Ex. I at 175:23-176:3 (testifying that Schwendimann continued prosecuting that patent applications).

The continuing prosecution itself is valuable consideration for ACT; the company expended its resources prosecuting the applications and had a legitimate desire to see the patents

issue. Inventors pour considerable efforts into their ideas, often developing an emotional tie with the invention that runs deep. Seeing an idea get developed and culminating in patent protection is an arduous process and is usually accompanied by significant personal attachment. Without Schwendimann's continued prosecution efforts, ACT's prior financial investment and commitment to the patent applications would likely have resulted in a total loss. With Schwendimann assuming responsibility for the ongoing prosecution, a role Schwendimann was under no obligation to assume, ACT received value.

Furthermore, rather than casting doubt on the consideration provided, the email demonstrates Schwendimann provided valuable consideration as agreed. The language in the email stating the need to provide consideration is illogical because the preceding paragraph states: "The situation arose because ACT wanted to avoid abandonment of its invention but could not pay the fees. *You provided consideration* by reviving and prosecuting the patents." Neiderluecke Decl. Ex. J (emphasis added). Therefore, SLW's comment regarding the need for Schwendimann to provide consideration to ACT is a stray remark of a nonparty to the contract. The very same email states Schwendimann was already performing her contractual obligations and provided consideration to ACT.

AACI additionally cites to the 2011 documents to cast doubt on consideration. For the reasons discussed above, those documents, when viewed objectively and in context, memorialize a prior contract to the extent no valid writing previously existed. They do not vitiate the valid consideration provided by Schwendimann. Schwendimann has sufficiently demonstrated the existence of a contract to assign prior to the Photocopy Assignment. This does not end the inquiry, however, as reformation of the Photocopy Assignment must also be considered.

C. Reformation

On its face, the Photocopy Assignment does not transfer rights in the ‘845 Application. Therefore, Schwendimann asks the Court to reform the agreement to accomplish the intent of her agreement with ACT to assign the ‘845 Application. Reformation is an equitable remedy allowing modification of an existing contract to accurately reflect the parties’ true intentions at the time the contract was formed. SCI Minn. Funeral Servs., Inc. v. Washburn-McReavy Funeral Corp., 795 N.W.2d 855, 864 (Minn.2011). The party seeking reformation must prove its elements by clear and convincing evidence. Id. at 865 (quoting Leamington Co. v. Nonprofits’ Ins. Ass’n, 615 N.W.2d 349, 354 (Minn.2000) (quotation omitted)).

Schwendimann, as the party seeking reformation, must prove that: “(1) there was a valid agreement between the parties expressing their real intentions; (2) the written instrument failed to express the real intentions of the parties; and (3) this failure was due to a mutual mistake of the parties, or a unilateral mistake accompanied by fraud or inequitable conduct by the other party.” Nichols v. Shelard Nat’l Bank, 294 N.W.2d 730, 734 (Minn.1980). The clear and convincing quantum of proof required for reformation is regarded as a “high” burden. Leamington, 615 N.W.2d at 355 n.5.

An exact definition of the clear and convincing standard has never been formally announced. However, by its relation to other burdens of proof, the clear and convincing standard has been labeled as “intermediate.” See Addington v. Texas, 441 U.S. 418, 425 (1979) (designating the clear and convincing standard as “intermediate”). This intermediate standard does not require exact precision. See Colorado v. New Mexico, 467 U.S. 310, 317 (1984) (determining the clear and convincing standard requires the factual contentions to be “highly

probable”).

As noted in the March Order, the critical question was whether ACT and Schwendimann mutually assented to an agreement, which goes to the heart of the first requirement of reformation. The above discussion conclusively shows the first element for reforming a contract has been satisfied.

With respect to the second element, the March Order held that the Photocopy Assignment was an instrument in writing. Under Minnesota law, a writing that fails to express the true intentions of the parties cannot be merely *any* writing with no relationship to the contract between the parties; rather, reformation “contemplates altering or amending [a contract’s] terms to reflect the true intent of the parties at the time of [that contract’s] inception.” SCI Minn. Funeral Servs., Inc. v. Washburn-McReavy Funeral Corp., 779 N.W.2d 865, 870 (Minn. Ct. App. 2010) (internal quotations and citations omitted). AACI argues that the Photocopy Assignment does not reflect the intent of the parties at its inception because Nasser executed the Photocopy Assignment without any intent to assign the ‘845 Application, Nasser had never even seen the Photocopy Assignment, and Schwendimann believed the Photocopy Assignment to be the wrong assignment. AACI’s arguments, however, are unavailing.

The Photocopy Assignment is a photocopy of the assignment of the ‘983 Application with hand-written alterations. Therefore, the date of inception of the Photocopy Assignment is not the date of the assignment of the ‘983 Application, but rather is the date of the hand-written alterations. AACI’s first argument fails on those grounds. Neither Nasser nor Schwendimann executed the Photocopy Assignment. This lack of a signature is immaterial to the validity of the Photocopy Assignment as a writing under 35 U.S.C. § 261, see March Order at 11, and is

likewise immaterial under Minnesota contract law, as discussed above the conduct of the parties is evidence that a contract to assign was formed. It is therefore immaterial what Nasser's intent was on the day he executed the assignment of the '983 Application. That assignment is not the Photocopy Assignment, they are distinct documents.

Likewise, AACI's other arguments fail because neither Nasser nor Schwendimann were present on the date of inception of the Photocopy Assignment, and therefore it is neither surprising nor fatal that they did not recognize it or understand it. The evidence is as follows: Nasser and Schwendimann asked SLW to effect their agreement to assign the '845 Application, SLW failed to reduce that agreement to writing prior to the deadline to file such a writing with the USPTO, and on the last day to file the writing with the USPTO someone at SLW photocopied the assignment of the '983 Application and made hand-written alterations. Because Nasser and Schwendimann expressly asked SLW to effect their agreement in writing, and SLW consented to do so, a dual agency relationship was formed. See A. Gay Jenson Farms Co. v. Cargill, Inc., 309 N.W.2d 285, 290 (Minn. 1981) ("Agency is the fiduciary relationship that results from the manifestation of consent by one person to another that the other shall act on his behalf and subject to his control, and consent by the other so to act."); PMH Props. v. Nichols, 263 N.W.2d 799, 802 (Minn. 1978) (holding dual agencies permissible under Minnesota law). This was a special agency for the purpose of drafting a writing effecting their agreement. The only reasonable inference from the evidence of record is that the Photocopy Assignment was created in a hurried attempt to reduce something to writing on the last day possible to record a written assignment. Indeed, the Photocopy Assignment on its face refers to the '845 Application and Schwendimann, albeit with client and matter numbers that would not be readily discernable

to a stranger. Therefore, the intent was clearly to reduce to writing the agreement reached by Schwendimann and Nasser to assign the '845 Application. In fact, had the hand-written alterations not only altered the client and matter numbers but also altered the patent application numbers from '983 to '845, reformation would not be necessary. Because Schwendimann and Nasser were acting as principals through SLW as their agent, this result is not altered by the fact that Nasser did not personally see the Photocopy Assignment or that Schwendimann believed a different writing to exist (when none in fact did). At the inception of the Photocopy Assignment, the true intention of ACT and Schwendimann, acting through SLW, was to assign the '845 Application from ACT to Schwendimann.

As to the third element, clear and convincing evidence shows the failure to express the true intentions of ACT and Schwendimann was due to a mistake on behalf of SLW. As a dual agent of both ACT and Schwendimann, this mistake is a mutual mistake warranting reformation.

Swendimann has met her burden under Minnesota law for the remedy of reformation. The clear intention of ACT was to honor the agreement it reached with Schwendimann by assigning to her the '845 Application. The Photocopy Assignment is therefore reformed to assign ACT's interests in the '845 Application to Schwendimann.

IV. CONCLUSION

Based upon the foregoing, and all the files, records, and proceedings herein, **IT IS HEREBY ORDERED** that Schwendimann's Renewed Motion for Summary Judgment on Standing [Docket No. 102] is **GRANTED**.

BY THE COURT:

s/Ann D. Montgomery
ANN D. MONTGOMERY
U.S. DISTRICT JUDGE

Dated: August 10, 2012.

UNITED STATES DISTRICT COURT
District of Minnesota

Jodi A. Schwendimann

JUDGMENT IN A CIVIL CASE

V.

Case Number: 11-820 (JRT/HB)

Arkwright Advanced Coating, Inc.

☒ **Jury Verdict.** This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

☐ **Decision by Court.** This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED THAT:

The Court accepts the jury's verdict. Judgment is ordered based on the decision by the jury:

1. Schwendimann has proven that AACI has directly infringed at least one claim of the '623, '581, '475, '042, or '554 Patents;
2. As a result of AACI's conduct, plaintiff is entitled to damages in the amount of \$2,624,228.00;
3. Schwendimann has proven that AACI infringed willingly;
4. Schwendimann and Cooler Concepts have proven that Claims 1 and 11 of the '093 Patent (Yuan) are invalid.

October 23, 2017

Date

RICHARD D. SLETTEN, CLERK

s/ Heather Arent-Zachary

(By) Heather Arent-Zachary Deputy Clerk

s/ John R. Tunheim

Chief Judge

United States District Court



UNITED STATES DISTRICT COURT

District of Minnesota

Warren E. Burger
Federal
Building and U.S.
Courthouse
316 North Robert Street,
Suite 100
St. Paul, MN 55101
(651) 848-1100

U.S. Courthouse
300 South Fourth Street
Suite 202
Minneapolis, MN 55415
(612) 664-5000

Gerald W. Heaney
Federal Building and
U.S. Courthouse
and Customhouse
515 West First Street,
Suite 417
Duluth, MN 55802
(218) 529-3500

Edward J. Devitt U.S.
Courthouse and Federal
Building
118 South Mill Street,
Suite 212
Fergus Falls, MN 56537
(218) 739-5758

CIVIL NOTICE

The appeal filing fee is \$505.00. If you are indigent, you can apply for leave to proceed in forma pauperis, ("IFP").

The purpose of this notice is to summarize the time limits for filing with the District Court Clerk's Office a Notice of Appeal to the Eighth Circuit Court of Appeals or the Federal Circuit Court of Appeals (when applicable) from a final decision of the District Court in a civil case.

This is a summary only. For specific information on the time limits for filing a Notice of Appeal, review the applicable federal civil and appellate procedure rules and statutes.

Rule 4(a) of the Federal Rules of Appellate Procedure (Fed. R. App. P.) requires that a Notice of Appeal be filed within:

1. Thirty days (60 days if the United States is a party) after the date of "entry of the judgment or order appealed from;" or
2. Thirty days (60 days if the United States is a party) after the date of entry of an order denying a timely motion for a new trial under Fed. R. Civ. P. 59; or
3. Thirty days (60 days if the United States is a party) after the date of entry of an order granting or denying a timely motion for judgment under Fed. R. Civ. P. 50(b), to amend or make additional findings of fact under Fed. R. Civ. P. 52(b), and/or to alter or amend the judgment under Fed. R. Civ. P. 59; or
4. Fourteen days after the date on which a previously timely Notice of Appeal was filed.

If a Notice of Appeal is not timely filed, a party in a civil case can move the District Court pursuant to Fed. R. App. P. 4(a)(5) to extend the time for filing a Notice of Appeal. This motion must be filed no later than 30 days after the period for filing a Notice of Appeal expires. If the motion is filed after the period for filing a Notice of Appeal expires, the party bringing the motion must give the opposing parties notice of it. The District Court may grant the motion, but only if excusable neglect or good cause is shown for failing to file a timely Notice of Appeal.

UNITED STATES DISTRICT COURT
District of Minnesota

Jodi A. Schwendimann

AMENDED
JUDGMENT IN A CIVIL CASE

V.

Case Number: 11-820 (JRT/HB)

Arkwright Advanced Coating, Inc.

☒ **Jury Verdict.** This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

☐ **Decision by Court.** This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED THAT:

The Court accepts the jury's verdict. Judgment is ordered based on the decision by the jury:

1. Schwendimann has proven that AACI has directly infringed at least one claim of the '623, '581, '475, '042, or '554 Patents;
2. As a result of AACI's conduct, plaintiff is entitled to damages in the amount of \$2,624,228.00;
3. Schwendimann has proven that AACI infringed willfully;
4. Schwendimann and Cooler Concepts have proven that Claims 1 and 11 of the '093 Patent (Yuan) are invalid;
5. Neither Schwendimann nor Cooler Concepts directly infringes the '214 Patent (Bamberg);
6. Schwendimann did not actively induce NuCoat or Cooler Concepts to infringe the '214 Patent (Bamberg).

November 13, 2017

Date

RICHARD D. SLETTEN, CLERK

s/ Heather Arent-Zachary

(By)

Heather Arent-Zachary Deputy Clerk

s/ John R. Tunheim

Chief Judge

United States District Court



UNITED STATES DISTRICT COURT District of Minnesota

Warren E. Burger Federal
Building and U.S. Courthouse
316 North Robert Street
Suite 100
St. Paul, MN 55101
(651) 848-1100

U.S. Courthouse
300 South Fourth Street
Suite 202
Minneapolis, MN 55415
(612) 664-5000

Gerald W. Heaney Federal
Building and U.S.
Courthouse
515 West First Street
Suite 417
Duluth, MN 55802
(218) 529-3500

Edward J. Devitt U.S.
Courthouse and Federal
Building
118 South Mill Street
Suite 212
Fergus Falls, MN 56537
(218) 739-5758

CIVIL NOTICE

The appeal filing fee is \$505.00. If you are indigent, you can apply for leave to proceed in forma pauperis, ("IFP").

The purpose of this notice is to summarize the time limits for filing with the District Court Clerk's Office a Notice of Appeal to the Eighth Circuit Court of Appeals from a final decision of the District Court in a civil case.

This is a summary only. For specific information on the time limits for filing a Notice of Appeal, review the applicable federal civil and appellate procedure rules and statutes.

Rule 4(a) of the Federal Rules of Appellate Procedure (Fed. R. App. P.) requires that a Notice of Appeal be filed within:

1. Thirty days (60 days if the United States is a party) after the date of "entry of the judgment or order appealed from;" or
2. Thirty days (60 days if the United States is a party) after the date of entry of an order denying a timely motion for a new trial under Fed. R. Civ. P. 59; or
3. Thirty days (60 days if the United States is a party) after the date of entry of an order granting or denying a timely motion for judgment under Fed. R. Civ. P. 50(b), to amend or make additional findings of fact under Fed. R. Civ. P. 52(b), and/or to alter or amend the judgment under Fed. R. Civ. P. 59; or
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