No. 2020-1265

IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

WALTER A. TORMASI,

Plaintiff-Appellant,

v.

WESTERN DIGITAL CORPORATION,

Defendant-Appellee.

On Appeal From the United States District Court, Northern District of California, No. 4:19-cv-00772-HSG, Hon. Haywood S. Gilliam, Jr., U.S.D.J.

PETITION BY APPELLANT FOR PANEL AND EN BANC REHEARING

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STATEMENT OF QUESTIONS PRESENTED

Based on his paraprofessional judgment, plaintiff-appellant Walter A. Tormasi (Tormasi) believes that panel and en banc rehearing is appropriate, as this appeal involves at least five precedent-setting questions of exceptional importance.

The first question concerns whether inmates in this country have the capacity to sue for patent infringement.

The second question concerns whether prison administrative regulations are capable of superseding dedicated capacity-to-sue legislation (in this case, N.J. Stat. Ann. § 2A:15-1).

The third question concerns whether an inmate's violation of institutional anti-business rules warrants the judicial extinguishment of his or her suing capacity.

The fourth question concerns whether courts have an independent duty to give statutes supremacy over regulations, regardless of issue-preservation requirements.

The fifth question concerns whether an inmate's loss of suing capacity under the circumstances presented will discourage disclosure of inventions and thereby inflict irreparable injury on the United States patent system and its beneficiaries.

FACTUAL BACKGROUND

This appeal stems from Tormasi's lawsuit against appellee Western Digital Corp. (WDC), one of the largest manufacturers of hard disk drives. Appx13-55. In his complaint, Tormasi alleged that WDC committed patent infringement by distributing hard drives containing dual-stage actuator mechanisms. Id. at

14, 18-22. To remedy the infringement alleged, Tormasi sought compensatory damages and related relief. Id. at 24-25.

The record reveals that Tormasi is incarcerated at New Jersey State Prison, an adult facility located in the City of Trenton. Appx133. A key issue in this appeal is whether Tormasi has requisite suing capacity under state law.

It is undisputed that Tormasi is middle-aged and is intellectually capable. Id. at 133-134. Thus, by virtue of his adulthood and mental competency, it is undisputed that Tormasi satisfied suing-capacity standards under dedicated capacity-to-sue legislation, N.J. Stat. Ann. § 2A:15-1.

Members of the merits panel, however, reached opposite conclusions regarding Tormasi's suing capacity. Judges Wallach and Chen formed the majority (see Addendum A (Majority Opinion)), with Judge Stoll parting company with the majority's adjudication (see Addendum B (Dissenting Opinion)).

In finding that Tormasi lacked suing capacity, the majority relied on an internal prison rule, namely, N.J. Admin. Code § 10A:4-4.1(a)(3)(xix). Maj. Op. 6-11. That rule prevents inmates from conducting businesses without having administrative approval. See id. at 6 (quoting regulation). The majority determined that the anti-business rule superseded the capacity-to-sue statute. Id. at 7-8. The majority further determined that Tormasi's infringement lawsuit sought to "preserve the commercial value of his intellectual property," thereby violating the anti-business rule. Id. at 9-10. Given

these circumstances, the majority concluded that Tormasi "lacked the capacity to bring . . . suit for patent infringement" despite his adulthood and mental competency. Id. at 11.

The dissent took issue with the majority's ruling in three respects. Dis. Op. 1-3. First and foremost, the dissent faulted the majority for failing to recognize the supremacy of the capacity-to-sue statute and, relatedly, for refusing to consider Tormasi's supremacy argument. Id. at 1-2. The dissent also disagreed with the proposition that Tormasi's violation of the anti-business rule could remove his suing capacity, as loss of suing capacity did not constitute an authorized disciplinary sanction. Id. at 2 (citing N.J. Admin. Code §§ 10A:4-4.1(a)(3) and 10A:4-5.1(i-j)). Finally, the dissent concluded that the majority relied on inapposite Third Circuit precedent in holding that the anit-business rule governed Tormasi's infringement lawsuit. Id. at 3.

Given the intra-panel split, as well as the important precedent-setting issues involved (said issues discussed below), Tormasi now seeks panel and en banc rehearing, requesting that rehearing be granted in the interest of justice.

DISCUSSION OF ISSUES AND ERRORS SUPPORTING REHEARING

POINT I

DESPITE HIS IMPRISONMENT STATUS AND PRISON BEHAVIOR, TORMASI IS AN ADULT WITH MENTAL COMPETENCY, VESTING HIM WITH REQUISITE SUING CAPACITY UNDER N.J. STAT. ANN. § 2A:15-1.

The main issue in this appeal is Tormasi's suing capacity, not whether Tormasi violated prison rules. It follows that

Tormasi's suing capacity must be determined by governing capacity-to-sue legislation (i.e., N.J. Stat. Ann. § 2A:15-1), not by the disciplinary rules of Tormasi's prison.

In this case, there is no question that Tormasi is an adult with mental competency. These facts establish Tormasi's suing capacity under the capacity-to-sue statute, regardless of Tormasi's imprisonment status or prison behavior.

For natural persons, capacity to sue is determined "by the law of the individual's domicile." Fed. R. Civ. P. 17(b)(1). Tormasi is domiciled in New Jersey, having lived there for decades. Appx1, 133. The laws of New Jersey therefore govern the capacity-to-sue issue.

Significantly, according to New Jersey statute, "[e]very person who has reached the age of majority . . . and has the mental capacity may prosecute or defend any action in any court, in person or through another duly admitted to the practice of law." N.J. Stat. Ann. § 2A:15-1. Thus, to bring suit in New Jersey, either personally or through an attorney, Tormasi must have "reached the age of majority," which occurs at age 18 or age 21 (see N.J. Stat. Ann. § 9:17B-3); and must have possessed "mental capacity." N.J. Stat. Ann. § 2A:15-1. The litigant's imprisonment status or prison behavior is irrelevant to the capacity-to-sue standard. N.J. Stat. Ann. § 2A:15-1.

The record reveals that Tormasi is well over the ages of 18 or 21, especially considering that Tormasi has been imprisoned at an adult penitentiary for two decades and is now

near mid-life. Appx133-134. The record also reveals that Tormasi is intellectually capable, as evidenced by his educational and creative accomplishments. Id.

Tormasi, in short, has met majority and competency requirements under the capacity-to-sue statute, N.J. Stat. Ann. § 2A:15-1. He therefore has suing capacity, regardless of his imprisonment status or prison behavior.

POINT II

BECAUSE STATUTES SUPERSEDE ADMINISTRATIVE REGULATIONS, THE MAJORITY ERRED IN APPLYING AN INTERNAL DISCIPLINARY RULE IN LIEU OF GOVERNING CAPACITY-TO-SUE LEGISLATION.

Although Tormasi met both elements of the capacity-to-sue statute, the majority nevertheless concluded that Tormasi lacked suing capacity. Maj. Op. 6-11. The majority based its ruling on an internal disciplinary rule, N.J. Admin. Code § 10A:4-4.1(1)(3)(xix). Maj. Op. 6-11. That rule prohibits inmates from operating businesses without having administrative approval. See id. at 6 (quoting § 10A;4-4.1(a)(3)(xix)).

Tormasi submits that the majority erred by giving the anti-business rule the status of controlling authority. Because statutes supersede regulations, the anti-business rule cannot modify or supplant N.J. Stat. Ann. § 2A:15-1. The majority, as such, improperly discounted capacity-to-sue legislation in favor of lower-ranking internal disciplinary rules.

It is hornbook law that statutes supersede administrative regulations. The anti-business rule is, of course, an administrative regulation. That rule was promulgated by the

Department of Corrections (DOC), which is an agency within the Executive Branch of New Jersey Government. N.J. Stat. Ann. § 30:1B-2. So the anti-business rule, being an administrative regulation, cannot modify or supplant N.J. Stat. Ann. § 2A:15-1.

Contrary to the majority's ruling, Tormasi rejects the premise that his confinement permitted DOC's commissioner to administratively override legislation. The New Jersey Constitution gives the state congress exclusive authority to pass legislation. N.J. Const. art. IV, § I, ¶ 1. Thus, by constitutional limitation, DOC's commissioner cannot promulgate regulations overriding the capacity-to-sue statute.

It is worth noting that the United States Constitution features similar lawmaking restrictions. U.S. Const. art. I, § 1 (decreeing that "[a]ll legislative [p]owers herein granted shall be vested in [the] Congress of the United States"). Yet no one would be foolish enough to suggest that federal administrative agencies have the power to override Acts of Congress. As any first-semester law student is aware, administrative agencies have no legislative powers. Agencies can certainly promulgate regulations, but those regulations cannot amend or supplant legislative enactments.

These principles make clear that the majority erred by endowing N.J. Admin. Code § 10A:4-4.1(a)(3)(xix) with the status of controlling authority. Because statutes supersede regulations, the majority should have applied N.J. Stat. Ann. § 2A:15-1 despite Tormasi's imprisonment. Equally important, the

majority should have recognized that the anti-business rule cannot modify or supplant the capacity-to-sue statute.

POINT III

EVEN IF TORMASI'S LAWSUIT RAN AFOUL OF THE DISCIPLINARY RULES OF HIS PRISON, THE MAJORITY WENT BEYOND AUTHORIZED SANCTIONS BY REMOVING TORMASI'S SUING CAPACITY.

Contrary to the majority's insinuation, Tormasi is not suggesting that the anti-business rule is invalid or unenforceable. Prison officials do, in fact, have the authority to punish Tormasi for violating disciplinary rules. If Tormasi's infringement lawsuit did indeed run afoul of the anti-business rule, then prison officials may impose authorized sanctions. The majority, however, went above and beyond authorized prison sanctions by removing Tormasi's suing capacity -- something that cannot be done absent legislative repeal or amendment of N.J. Stat. Ann. § 2A:15-1.

The New Jersey Administrative Code is divided into numerous Titles and Chapters. Title 10A governs the Department of Corrections. Significantly, the anti-business rule is listed in Title 10A under Chapter 4, said chapter entitled "Inmate Discipline." The anti-business rule was deliberately excluded from Chapter 6 (entitled "Inmate Access to Courts"), making clear that the anti-business rule relates to internal discipline and was not intended to regulate the judicial system.

As explained by the dissent, the Inmate Discipline section (Chapter 4) "prescribes sanctions for certain 'prohibited acts.'" Dis. Op. 2. The anti-business rule is one such

prohibited act. N.J. Admin. Code § 10A:4-4.1(a)(3)(xix). As explained by the dissent, an inmate's violation of the anti-business rule triggers exposure to various sanctions, including administrative segregation, loss of commutation credits, and extra duty. Dis. Op. 2 (citing N.J. Admin. Code § 10A:4-5.1(i)). Significantly, loss of suing capacity is not listed among the authorized disciplinary sanctions.

Given these circumstances, the majority overstepped its bounds in holding that the anti-business rule removed Tormasi's suing capacity. It is one thing for courts to enforce administrative regulations. It is another thing for courts to impose sanctions going beyond the sanctions authorized by the regulation at issue. Yet that is what happened here, as the majority's removal of Tormasi's suing capacity exceeded the sanctions permitted by N.J. Admin. Code § 10A:4-5.1(i).

POINT IV

THE MAJORITY'S ISSUE-PRECLUSION RULING WAS ERRONEOUS, AS TORMASI NEVER WAIVED HIS RIGHT TO ARGUE THE BASIC PRINCIPLE THAT STATUTES SUPERSEDE ADMINISTRATIVE REGULATIONS.

As explained above, statutes supersede administrative regulations, giving N.J. Stat. Ann. § 2A:15-1 supremacy over the anti-business rule. The majority concluded, however, that Tormasi failed to preserve his supremacy argument, supposedly because the supremacy argument was never advanced in the district court. Maj. Op. 8 n.7. Finding that Tormasi waived his supremacy challenge, the majority refused to consider Tormasi's "argum[ent] that 'administrative regulations cannot

supersede statutes.'" Id. Tormasi submits that the majority's waiver ruling was erroneous, for several reasons.

First and foremost, Tormasi did, in fact, raise his supremacy argument in the district court. Appx122-125. In his opposition papers, Tormasi argued that "prison regulations do not, and cannot, prevent [him] from personally suing for patent infringement." Id. at 122. He explained that the anti-business rule was inapplicable to his situation and "was never intended to supersede [his] right to file civil lawsuits in his personal capacity." Id. at 123. To drive home that point, Tormasi cited the capacity-to-sue statute, discussed the elements thereof, and established his adulthood and mental competency. Id. at 124. Tormasi further explained that "imprisonment status and prison behavior [were] irrelevant to the capacity-to-sue standard." Id. (citing N.J. Stat. Ann. § 2A:15-1). Finally, despite the existence of the anti-business rule, Tormasi explained that "there are no laws on the books in New Jersey declaring imprisonment status and prison behavior an incapacity for filing lawsuits." Id. at 125.

The import of the foregoing arguments is that the capacity-to-sue statute superseded the anti-business rule. Not surprisingly, the dissent concluded that Tormasi "fairly preserved [his] legal argument that the [anti-business] rule cannot limit the scope of an inmate's capacity to sue." Dis. Op. 2. Tormasi, of course, agrees with the dissent.

Even assuming, arguendo, that Tormasi failed to raise his

supremacy issue in the district court (which Tormasi strenuously denies), the majority should have relaxed issue-preclusion restrictions. Fundamental fairness dictates that Tormasi should not be penalized for failing to notify the district court that statutes supersede administrative regulations.

The legal community is fully familiar with the hierarchy of authority. Every first-semester law student is taught that statutes supersede regulations. This principle is deeply embedded in our legal system, so much so that litigants should not be required to "talk down" to district courts by explaining that statutes supersede administrative regulations.

Certain legal principles are basic and quintessential, obviating the need for exposition. Tormasi's supremacy issue meets that category. Just like litigants cannot be expected to cite Marbury v. Madison, 1 Cranch (5 U.S.) 137 (1803), when seeking to invalidate unconstitutional statutes, litigants cannot be expected to mention "statutory supremacy" when seeking to give statutes controlling force over regulations.

It stands to reason that the majority should have relaxed issue-preclusion restrictions. Its refusal to do so was improper and unjust, producing an incorrect outcome.

POINT V

UNLESS REVERSED, THE MAJORITY'S RULING WILL DISCOURAGE DISCLOSURE OF INVENTIONS AND INFLICT IRREPARABLE INJURY ON THE UNITED STATES PATENT SYSTEM AND ITS BENEFICIARIES.

The majority's ruling causes widespread damage. The ruling adversely impacts not only the property rights of all inmates

but also the United States patent system and, by extension, all current and future residents of this country.

To understand that wide-ranging impact, it must be recognized that our patent system is designed to promote the progress of science and useful arts. U.S. Const. art. I, § 8, cl. 8. Such promotion occurs by providing inventors with an incentive to disclose their inventions to the public.

To receive patent protection, inventors must specify, in writing, their novel and non-obvious ideas. 35 U.S.C. § 102 (novelty requirement); 35 U.S.C. § 103 (non-obviousness requirement); 35 U.S.C. § 111(a) (written-application requirement); 35 U.S.C. § 112 (specification requirement). In exchange for that disclosure, inventors are granted the temporary right to exclude others from practicing the invention and to obtain monetary damages for infringement. 35 U.S.C. § 154(a)(2) (right to 20-year monopoly); 35 U.S.C. § 154(a)(1) (right to exclude); 35 U.S.C. § 284 (right to damages).

The patent system promotes science and useful arts by balancing competing interests. Whereas temporary market exclusion benefits the inventor, disclosure benefits the general public. Because the patent system involves an exchange of benefits, there is, in essence, an inherent quid pro quo between the inventor and general public. The inventor receives patent protection, while the public receives newfound knowledge.

The foregoing quid pro quo has served as the foundation of our patent system since the Patent Act of 1790. Although our

patent system is not perfect, it has been effective in stimulating innovation and disclosure for nearly 250 years.

Any person may seek patent protection, even those who are incarcerated. 35 U.S.C. § 111(a)(1) (allowing "inventor" to apply for patent, regardless of imprisonment status); David Pressman, Patent It Yourself, at pp. 1/3, 5/22, 5/23, 16/2 (10th ed. Nolo 2004) (confirming that applicant's "state of incarceration [is] irrelevant" and that imprisoned individuals may apply for patent). It seems that prison officials may restrict an inmate's access to the patent office under certain circumstances. See Tormasi v. Hayman, 443 Fed. Appx. 742 (3d Cir. 2011). Once issued, however, patents enjoy the rights conferred by Title 35. Those rights, as noted, include the right to market exclusion and the right to seek damages.

In this case, the majority construed Tormasi's infringement lawsuit as an unpermitted business activity in violation of his prison's anti-business rule. Maj. Op. 6-10. To remedy that supposed rule violation, the majority extinguished Tormasi's suing capacity and upheld the district court's dismissal of his infringement lawsuit with prejudice. Id. at 6-11.

All prison systems, including the Bureau of Prisons, have anti-business rules in one form or another. Consequently, if Tormasi loses his suing capacity by virtue of his supposed violation of institutional anti-business rules, then all inmates nationwide similarly lose their suing capacity. The majority's ruling, in other words, categorically prevents every inmate

from initiating patent-infringement litigation.

The majority's ruling has dire ramifications. Whenever an inventor becomes incarcerated, his or her patent will be rendered unenforceable. IP pirates can then do as they please, stealing inventions with no consequences whatsoever.

The majority's ruling will negatively impact the progress of science and useful arts. Although inmate inventors are rare, inmates do, in fact, have novel and non-obvious inventions. See, e.g., Tormasi, supra, 443 Fed. Appx. at 743 (documenting seizure of Tormasi's unrelated patent application); Pressman, supra, at pp. 5/22 to 5/23 (citing patent issued to "death row inventor"). The public will certainly benefit from the disclosure of inventions by inmates. The problem, however, is that inmates will not be reciprocated with corresponding privileges, as they will have no ability to enforce their patents via infringement actions. No reasonable inmate will expend substantial mental and financial resources seeking patent protection without having an enforcement mechanism.

Unless the majority's ruling is overturned, patents by inmates will be unenforceable and thus worthless. And for that reason, inmates will forgo patent protection. The unfortunate consequence is that ideas, whether big or small, will be withheld from the public. Innovation will be stifled. The economy will suffer. Quality of life will be damaged. Other nations will inch forward. And society will be harmed.

These tragedies cannot be lightly dismissed. There are no

limits to human ingenuity (even for inmates), and thus there are no limits to the deleterious effects of the suppression of thoughts and ideas. Although the deleterious effects of intellectual suppression cannot be precisely quantified, the foregoing tragedies are real and, if allowed to occur, will worsen over the ensuing years, decades, and centuries.

CONCLUDING REMARKS REGARDING REHEARING PETITION

Rehearing is entirely appropriate. As noted by the dissent, the above issues are "important" and were wrongly adjudicated by the majority. Dis. Op. 1-3. Tormasi's issues, moreover, involve precedent-setting questions, as they deal with subjects falling outside Federal Circuit jurisprudence.

Tormasi is mindful that rehearing is uncommon. But Tormasi's appeal is extraordinary, thus warranting extraordinary action. Under the unique circumstances, rehearing is appropriate to correct the majority's errors and to address the precedent-setting questions raised. Absent rehearing, the majority's ruling will survive, causing grave damage.

Tormasi acknowledges that the majority's ruling is nonprecedential. It must be recognized, however, that courts and litigants commonly rely on unpublished rulings, especially at the trial level. So the majority's ruling will certainly be cited by litigants and applied by district courts throughout this country. Needless to say, the majority's ruling, although nonprecedential, will have wide-ranging impact.

Equally troubling, the majority's ruling can easily be

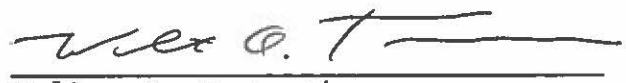
extended to copyrights, trademarks, and other types of intellectual property. The ramifications will be dire. To illustrate, it is common knowledge that many inmates write books while imprisoned. If an unscrupulous website illegally sells an inmate's copyrighted material, the inmate author will have no capacity to sue for copyright infringement. Under the majority's logic, an action for copyright infringement violates institutional anti-business rules by seeking to monetize intellectual property, preventing the inmate from suing.

The majority's ruling, in effect, allows third parties to steal an inmate's intellectual property. This is because inmates no longer have the capacity to enforce their IP rights via civil action, allowing third parties to misappropriate their intellectual property with no consequences whatsoever.

Given the foregoing circumstances, among others, Tormasi's appeal does indeed involve precedent-setting questions of exceptional importance. For that reason, and for the additional reason that Tormasi's issues were wrongly decided, rehearing should be granted in the interest of justice.

Respectfully submitted,

PRO SE



Walter A. Tormasi

Dated: September 8, 2020

Addendum A

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

WALTER A. TORMASI,
Plaintiff-Appellant

v.

WESTERN DIGITAL CORPORATION,
Defendant-Appellee

2020-1265

Appeal from the United States District Court for the Northern District of California in No. 4:19-cv-00772-HSG, Judge Haywood S. Gilliam, Jr.

Decided: August 20, 2020

WALTER A. TORMASI, Trenton, NJ, pro se.

ERICA WILSON, Walters Wilson LLP, Redwood City, CA, for defendant-appellee. Also represented by ERIC STEPHEN WALTERS; REBECCA L. UNRUH, Western Digital Corporation, Milpitas, CA.

Before WALLACH, CHEN, and STOLL, *Circuit Judges.*

Opinion for the court filed PER CURIAM.

Dissenting opinion filed by *Circuit Judge* STOLL.

PER CURIAM.

Appellant Walter A. Tormasi ("Tormasi") sued Appellee Western Digital Corporation ("WDC") in the U.S. District Court for the Northern District of California ("District Court"), alleging infringement of claims 41 and 61–63 ("the Challenged Claims") of U.S. Patent No. 7,324,301 ("the '301 patent"). A.A. 13–25 (Complaint).[1] The District Court issued an order concluding that Mr. Tormasi lacked capacity to sue under Federal Rule of Civil Procedure ("FRCP") 17(b), but did not "reach the standing issue." *See Tormasi v. W. Digital Corp.*, No. 19-CV-00772-HSG, 2019 WL 6218784, at *2 (N.D. Cal. Nov. 21, 2019) (Order); *see id.* at *2–3. For the limited purpose of reviewing the District Court's determination as to whether Mr. Tormasi has capacity to sue, we have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).[2] We affirm.

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[1] "A.A." refers to the appendix submitted with Mr. Tormasi's brief. "S.A." refers to the supplemental appendix submitted with WDC's brief.

[2] The District Court exercised jurisdiction under 28 U.S.C. § 1338, accordingly we have jurisdiction. *See Tormasi*, 2019 WL 6218784, at *2 (discussing the '301 patent); J.A. 13–14; *see Apotex, Inc. v. Thompson*, 347 F.3d 1335, 1342 (Fed. Cir. 2003) ("[W]e have appellate jurisdiction if the district court's original jurisdiction was based in part on section 1338, as determined by the plaintiff's well-pleaded complaint." (citing *Holmes Grp., Inc. v. Vornado Air Circulation Sys.*, 535 U.S. 826, 829 (2002)).

BACKGROUND[3]

Mr. Tormasi is an inmate in the New Jersey State Prison ("NJSP"), A.A. 133 (Declaration of Mr. Tormasi), and describes himself as an "innovator and entrepreneur," A.A. 13. NJSP maintains a "no-business" rule, which prohibits inmates from commencing or operating a business without prior approval from the Administrator. N.J. ADMIN. CODE § 10A:1-2.1 (2010); *id.* § 10A:1-2.2 (Administrator "means an administrator or a superintendent who serves as the chief executive officer of any State correctional facility within the New Jersey Department of Corrections."). While imprisoned, and without the Administrator's prior approval, Mr. Tormasi formed "an intellectual-property holding company[,]" A.A. 134, Advanced Data Solutions Corp. ("ADS"), A.A. 101 (Certificate of Incorporation). Mr. Tormasi appointed himself as "director," "Chief Executive Officer, President, and Chief Technology Officer" of ADS. A.A. 134; *see* A.A. 132–44.

In January 2005, Mr. Tormasi filed U.S. Patent Application No. 11/031,878 ("the '878 application"), which ultimately issued in January 2008, as the '301 patent.[4] A.A. 34. In early 2004 Mr. Tormasi, as ADS Director,

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[3] Because Mr. Tormasi appeals the dismissal of his Complaint pursuant to FRCP 12(b)(6), the facts recited herein draw on Mr. Tormasi's Complaint, "as well as other sources courts ordinarily examine when ruling on [FRCP] 12(b)(6) motions to dismiss, in particular, documents incorporated into the [C]omplaint by reference . . . ." *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007).

[4] Entitled "Striping Data Simultaneously Across Multiple Platter Surfaces," A.A. 34, the '301 patent "relates to the art of dynamically storing and retrieving information using nonvolatile magnetic random-access media, specifically hard disk drives," A.A. 36.

adopted resolutions that transferred Mr. Tormasi's rights in the '878 application for all shares of stock in ADS. A.A. 134. However, Mr. Tormasi also asserts that in February 2005, he contingently assigned his complete right, title, and interest in the '878 application "and its foreign and domestic progeny to ADS." A.A. 95; *see* A.A. 94–95 (Assignment). In May 2007, NJSP intercepted documents from Mr. Tormasi related to ADS, and determined that he "circumvented the procedural safeguards against inmates operating a business without prior approval." A.A. 146 (Disciplinary Report). NJSP "warned" him that "continued involvement with ADS" would "subject[] [him] to further disciplinary action." A.A. 136. Despite this warning, Mr. Tormasi continued his involvement with ADS by executing a corporate resolution that contingently transferred the '878 application from ADS to himself, in June 2007. A.A. 136–37. Mr. Tormasi explained that the purpose of the contingent transfer was "to ensure that [his] intellectual property remained enforceable, licensable, and sellable to the fullest extent possible." A.A. 136.

On March 1, 2008, ADS entered an "inoperative and void" status, for non-payment of taxes. A.A. 108 (capitalization normalized). In late 2009, before executing the 2009 transfer, Mr. Tormasi suspected WDC of infringing upon the '301 patent after reading an article examining WDC hard drives. A.A. 18. Having been barred from filing suit on behalf of ADS by the District of New Jersey, Mr. Tormasi, while he was still incarcerated, directed ADS to adopt a corporate resolution to assign and transfer "all right, title, and interest" in the '301 patent to himself in December 2009. A.A. 155 (2009 Corporate Resolutions), 157 (2009 Assignment). Mr. Tormasi asserts that "[t]he purpose of the transfer in ownership was to permit [Mr. Tormasi] to personally pursue, and to personally benefit from, an infringement action against [WDC] and others." A.A. 138.

In January 2019, at the direction of Mr. Tormasi, ADS again assigned to Mr. Tormasi "all right, title, and interest" in the '301 patent, as well as the authority "to pursue all causes of action and legal remedies arising during the entire term" of the '301 patent. A.A. 27 (2019 Assignment). Mr. Tormasi asserts that the "purpose for executing the [2019] Assignment . . . was to provide up-to-date evidence confirming" that he owned the '301 patent and "had express authority to sue for all acts of infringement." A.A. 140. In February 2019, Mr. Tormasi sued WDC for patent infringement. A.A. 13, 20–24. During the course of litigation, Mr. Tormasi learned that in 2008, ADS had entered an "inoperative and void" status. *See* A.A. 76 (Motion to Dismiss). In April 2019, WDC moved to dismiss Mr. Tormasi's suit for lack of standing and capacity to sue. A.A. 56–86. In November 2019, the District Court issued its Order, finding that Mr. Tormasi lacked capacity to sue, but did not "reach the standing issue." *Tormasi*, 2019 WL 6218784, at *2.

DISCUSSION

I. Standard of Review and Legal Standard

"We apply regional circuit law to the review of motions to dismiss for failure to state a claim under [FRCP] 12(b)(6)," *In re TLI Commc'ns LLC Patent Litig.*, 823 F.3d 607, 610 (Fed. Cir. 2016) (citation omitted), here, the Ninth Circuit.[5] The Ninth Circuit reviews a district court's decision to grant a motion to dismiss under FRCP 12(b)(6) de novo. *See Fayer v. Vaughn*, 649 F.3d 1061, 1063–64 (9th Cir. 2011). To survive a motion to dismiss for failure to state a claim, a complaint must allege "enough facts to state a claim to relief that is plausible on its face."

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[5] FRCP 12(b)(6) provides that a party may assert by motion a defense of "failure to state a claim upon which relief can be granted." FED. R. CIV. P. 12(b)(6).

Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007). "While legal conclusions can provide the complaint's framework, they must be supported by factual allegations." *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009).

We "review[] questions of law, including . . . capacity to sue under [FRCP] 17(b), without deference." *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1307 (Fed. Cir. 2003) (citation omitted); *see Johns v. Cty. of San Diego*, 114 F.3d 874, 877 (9th Cir. 1997) (reviewing a district court's decision as to "[a]n individual's capacity to sue" de novo). "Capacity to sue in federal district court is governed by [FRCP] 17(b)." *See S. Cal. Darts Ass'n v. Zaffina*, 762 F.3d 921, 926 (9th Cir. 2014). Under this rule, an individual's capacity to sue is determined by "the law of the individual's domicile." FED. R. CIV. P. 17(b)(1). In New Jersey, "[e]very person who has reached the age of majority . . . and has the mental capacity may prosecute or defend any action in any court." N.J. STAT. ANN. § 2A:15-1 (2013). New Jersey inmates are further governed by New Jersey Administrative Code Title 10A ("Title 10A"), *see Tormasi v. Hayman*, No. CIVA08-5886(JAP), 2009 WL 1687670, at *8 (D.N.J. June 16, 2009), which sets forth regulations governing, inter alia, adult inmates in New Jersey's prisons, *see* N.J. ADMIN. CODE § 10A:1-2.1 ("N.J.A.C. 10A:1 through 10A:30 shall be applicable to State correctional facilities under the jurisdiction of the Department of Corrections"). For instance, under Title 10A, the "no business" rule provides that "commencing or operating a business or group for profit . . . without the approval of the Administrator" is a prohibited act. *Id.* § 10A:4-4.1(a)(3)(xix).

II. The District Court Did Not Err in Dismissing Mr. Tormasi's Complaint for Lack of Capacity to Sue

The District Court concluded that "because New Jersey law prevents inmates from 'commencing or operating a business or group for profit . . . without the approval of the Administrator,'" Mr. Tormasi lacked capacity to sue WDC

for patent infringement. *Tormasi*, 2019 WL 6218784, at *2 (quoting N.J. ADMIN. CODE § 10A:4-4.1(a)(3)(xix)). Mr. Tormasi argues "that the [D]istrict [C]ourt erred by relying on the [no-business rule]." Appellant's Br. 31. Mr. Tormasi asserts that his lawsuit "cannot be construed as an unpermitted business activity" because it "seeks to enforce his personal intellectual-property rights."[6] *Id.* at 31–32. We disagree.

Mr. Tormasi's attempt to file this lawsuit as a personal action merely repackages his previous business objectives as personal activities so he may sidestep the "no business" regulation. Because these actions are a mere continuation of his prior business activities, we find that here, as in Mr. Tormasi's previous lawsuit, Mr. Tormasi's characterization of his suit as personal, as opposed to related to business, to be without merit. *Tormasi v. Hayman*, 443 F. App'x 742 (3d Cir. 2011). Mr. Tormasi is an inmate domiciled in New Jersey. A.A. 133. As such, New Jersey law applies in determining Mr. Tormasi's capacity to sue. *See* FED. R. CIV. P. 17(b)(1) (providing that "[c]apacity to sue . . . is determined . . . by the law of the individual's domicile"). While Mr. Tormasi contends that his capacity to sue is

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[6] Mr. Tormasi briefly asserts in his reply brief that he had the Administrator's "express or implied" approval to procced with his patent infringement suit. Appellant's Reply 19–20. He did not raise this argument in his opening brief or before the District Court. *See generally* Appellant's Br. 31–39; A.A. 109–44 (Opposition to Motion to Dismiss). Thus, Mr. Tormasi's argument is waived. *See Bozeman Fin. LLC v. Fed. Reserve Bank of Atlanta*, 955 F.3d 971, 974 (Fed. Cir. 2020) ("[A]rguments not raised in an appellant's opening brief [are] waived absent exceptional circumstances."); *Game & Tech. Co. v. Wargaming Grp. Ltd.*, 942 F.3d 1343, 1350–51 (Fed. Cir. 2019) (declining to consider a new argument raised for the first time on appeal).

solely determined by N.J. STAT. ANN. § 2A:15-1, *see* Appellant's Reply 14, which pertains to legal majority and mental capacity, *see* N.J. STAT. ANN. § 2A:15-1, "[l]awful incarceration brings about the necessary withdrawal or limitation of many privileges and rights, a retraction justified by the considerations underlying our penal system[,]" *Price v. Johnston*, 334 U.S. 266, 285 (1948), *abrogated on other grounds by McCleskey v. Zant*, 499 U.S. 467 (1991). Mr. Tormasi is an inmate at a New Jersey prison, subject to Title 10A, which prohibits him from operating a business. N.J. ADMIN. CODE § 10A:4-4.1(a)(3)(xix). Therefore, the "no business" rule is applicable to Mr. Tormasi.[7]

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[7] On appeal, Mr. Tormasi argues that even if he violated the "no business" rule, it does not limit the scope of N.J. STAT. ANN. § 2A:15-1 for inmates. Appellant's Br. 32–33, 36–38. Mr. Tormasi did not, however, argue to the District Court that the "no business" rule cannot generally limit the scope of an inmate's capacity to sue. *See generally* A.A. 109–44. The argument is, accordingly, waived, and Mr. Tormasi has therefore conceded that the no business rule may limit his capacity to sue. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1296 (Fed. Cir. 2009) ("If a party fails to raise an argument before the trial court, or presents only a skeletal or undeveloped argument to the trial court, we may deem that argument waived on appeal[.]")); *see also Sage Prods. Inc. v. Devon Indus.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997) ("[A]ppellate courts do not consider a party's new theories, lodged first on appeal."). The Dissent takes issue with this conclusion, understanding Mr. Tormasi to have preserved his argument by asserting below that the "no business" rule "'was never intended to supersede [his] right to file civil lawsuits in his personal capacity,'" but rather "that his capacity to sue is governed by § 2A:15-1, which requires only that he has 'reached the age of majority' and possesses 'mental capacity,'" leaving

Mr. Tormasi's counterargument that he has not violated the no business rule is unpersuasive. For example, we find the Third Circuit's reasoning persuasive, that Mr. Tormasi's unfiled patent application qualified as "commencing or operating a business or group for profit," as it was in furtherance of his intellectual property business. *See Tormasi*, 443 F. App'x at 745; *see also Stanton v. New Jersey Dep't of Corr.*, No. A-1126-16T1, 2018 WL 4516151, at *4 (N.J. Super. Ct. App. Div. Sept. 21, 2018), *cert. denied*, 218 A.3d 305 (N.J. 2019) (concluding that an inmate violated the "no business" rule by attempting to operate a publishing company). Here similarly, Mr. Tormasi's lawsuit is in furtherance of his intellectual property business by taking certain business actions purely to preserve the commercial value of his intellectual property. *See* A.A. 134. For instance, Mr. Tormasi asserts that he took "precautionary measures to ensure that [his] intellectual property remained *enforceable*, *licensable*, and *sellable* to the *fullest extent possible*." A.A. 136 (emphasis added). Mr. Tormasi

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his "'imprisonment status or prison behavior . . . irrelevant to the capacity-to-sue standard.'" Dissent Op. 1–2 (quoting A.A. 123–24 (Opp'n to Mot. to Dismiss)). We disagree. Mr. Tormasi made these assertions in support of his argument that the "no business" rule would run afoul of the First and Fourteenth Amendments if the "no business" rule prevented him from filing suit while imprisoned, not whether the N.J. statute superseded the "no business" rule. A.A. 122, 125. The first time that Mr. Tormasi argues that "administrative regulations cannot supersede statutes," is on appeal, Appellant's Br. 32, where he also abandons his constitutional argument, Appellant's Reply 15–16. Moreover, Mr. Tormasi does not attempt to rebut WDC's waiver argument in his Reply. Appellant's Reply 15–16. Thus, Mr. Tormasi has not preserved his legal argument, and we need not decide whether Mr. Tormasi's newly proposed interpretation of the regulation is correct.

further asserts that "[t]he purpose of [one of his] transfer[s] in ownership was to permit [himself] to . . . personally benefit from, an infringement action against WDC and other entities." A.A. 136. Mr. Tormasi then sued WDC for infringing the '301 patent and sought damages of at least $5 billion. A.A. 24. Accordingly, Mr. Tormasi's patent infringement suit is in furtherance of operating an intellectual property business for profit, and, therefore, prohibited under the "no business" rule. N.J. ADMIN. CODE § 10A:4-4.1(a)(3)(xix); *see generally Tormasi*, 443 F. App'x at 742 (finding that an unfiled patent application qualified as a prohibited act under the New Jersey "no business" rule). Because New Jersey prohibits inmates from pursuing a business, N.J. ADMIN. CODE § 10A:4-4.1(a)(3)(xix), and because of Mr. Tormasi's repeated attempts to profit as a business from the patent, *see Tormasi*, 443 F. App'x at 742 (finding Mr. Tormasi's attempt to file a patent application qualified as operating a business for profit),[8] the District Court did not err when it determined that Mr. Tormasi

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[8] The Dissent concludes that our "extension of the Third Circuit's reasoning to affirm the district court's holding that Mr. Tormasi lacks capacity to sue in this case is inappropriate given the facts of this case[,]" as "the present lawsuit involves only Mr. Tormasi's claim for alleged patent infringement, the Third Circuit's decision . . . , and the 'no business' rule should not be at issue at all." Dissent Op. 3. To the contrary, we do not cite to the Third Circuit's decision for the conclusion that Mr. Tormasi lacks capacity to sue, we cite it to demonstrate that Mr. Tormasi's patent lawsuit is in furtherance of his intellectual property business and that business violates the "no business" rule. *See Tormasi*, 443 F. App'x at 742, 745. Accordingly, it is appropriate for us to cite to the Third Circuit's decision to establish that Mr. Tormasi's conduct violated the "no business" rule. *See id.* (determining what conduct and activity constituted a violation of the "no business" rule).

lacked the capacity to bring this suit for patent infringement.[9]

CONCLUSION

We have considered Mr. Tormasi's other arguments and each of the remaining issues raised on appeal, and find them to be without merit.[10] Accordingly, the Order of the U.S. District Court for the Northern District of California, is

AFFIRMED

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[9] It is conceivable that Mr. Tormasi might, in the future, attain capacity to sue, but under the circumstances of this case, the District Court did not err in concluding that he does not presently possess that capacity.

[10] Mr. Tormasi argues that the District Court erred by dismissing his Complaint for lack of capacity to sue without first considering whether "the threshold standing/jurisdictional issue is resolved in his favor." Appellant's Br. 2. However, the actual issue raised by Mr. Tormasi is whether the District Court erred by not first determining if he met the "statutory prerequisite" of 35 U.S.C. § 281 (providing that "[a] *patentee* shall have remedy by civil action for infringement of his patent" (emphasis added)). Because capacity to sue is a threshold question, which the District Court determined, the District Court did not err by not reaching the question of whether Mr. Tormasi was a patentee under § 281, as it became moot. *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1463 (Fed. Cir. 1990) (finding that "it was necessary to resolve the threshold question of . . . capacity to sue").

Addendum B

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

WALTER A. TORMASI,
Plaintiff-Appellant

v.

WESTERN DIGITAL CORPORATION,
Defendant-Appellee

2020-1265

Appeal from the United States District Court for the Northern District of California in No. 4:19-cv-00772-HSG, Judge Haywood S. Gilliam, Jr.

STOLL, *Circuit Judge*, dissenting.

I respectfully dissent because I disagree with the majority that Mr. Tormasi waived his argument that the "no business" rule does not limit the scope of an inmate's capacity to sue under N.J. STAT. ANN. § 2A:15-1 (2013). *See* Maj. 8 n.7. To the contrary, in his briefing to the district court, Mr. Tormasi asserted that the "no business" rule "was never intended to supersede [his] right to file civil lawsuits in his personal capacity." A.A. 123. Mr. Tormasi further explained that his capacity to sue is governed by § 2A:15-1, which requires only that he has "reached the age of majority" and possesses "mental capacity." A.A. 124.

(quoting § 2A:15-1). Mr. Tormasi added that his "imprisonment status or prison behavior is irrelevant to the capacity-to-sue standard." *Id.* (citing § 2A:15-1). In my view, these assertions fairly preserved Mr. Tormasi's legal argument that the "no business" rule cannot generally limit the scope of an inmate's capacity to sue, especially in view of the fact that he is a pro se litigant. *See McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1356 (Fed. Cir. 2007) ("Where, as here, a party appeared pro se before the trial court, the reviewing court may grant the pro se litigant leeway on procedural matters . . . ." (italics removed)).

Indeed, Mr. Tormasi makes an important legal argument that the district court should have addressed in the first instance. It makes little sense to narrow the New Jersey statute on capacity to sue in light of the "no business" rule, which is an administrative rule of the Department of Corrections that prescribes sanctions for certain "prohibited acts." N.J. ADMIN. CODE § 10A:4-4.1(a) (2019). Under this "no business" rule, the prohibited act of "commencing or operating a business or group for profit . . . without the approval of the Administrator" is subject to "a sanction of no less than 31 days and no more than 90 days of administrative segregation," *id.* § 10A:4-4.1(a)(3), as well as one or more of the sanctions listed at section 10A:4-5.1(i–j) of the New Jersey Administrative Code, which includes loss of correctional facility privileges, loss of commutation time, loss of furlough privileges, confinement, On-The-Spot Correction, confiscation, extra duty, or a referral of an inmate to the Mental Health Unit for appropriate care or treatment. On its face, the "no business" rule does not include the loss of the capacity to sue as a punishment. And, as Mr. Tormasi further noted in his briefing to the district court, limiting the capacity to sue statute based on the "no business" rule is inconsistent with another section of the same administrative code, which expressly provides that "[i]nmates have [the] constitutional right of access to the

courts." A.A. 123 (alterations in original) (quoting N.J. ADMIN. CODE § 10A:6-2.1).

The majority relies heavily on *Tormasi v. Hayman*, 443 F. App'x 742 (3d Cir. 2011), an earlier case also involving Mr. Tormasi, in which Mr. Tormasi asserted that his constitutional rights were violated when prison officials confiscated his unfiled patent application under the "no business" rule. Rejecting Mr. Tormasi's argument that the "no business" rule did not apply to patent applications, the Third Circuit concluded that confiscation was a permissible punishment because Mr. Tormasi's intent to assign the patent application to his own corporate entity for selling or licensing purposes qualified as a violation of the "no business" rule. *Id.* at 745. As noted above, confiscation is one of the prescribed punishments for a violation of the "no business" rule. *See* N.J. ADMIN. CODE § 10A:4-5.1(i)(6). The majority's extension of the Third Circuit's reasoning to affirm the district court's holding that Mr. Tormasi lacks capacity to sue in this case is inappropriate given the facts of this case. *See* Maj. 7–10. Prison officials never enforced any disciplinary action or sanction under the "no business" rule against Mr. Tormasi; nor does Mr. Tormasi challenge any such action. Because the present lawsuit involves only Mr. Tormasi's claim for alleged patent infringement, the Third Circuit's decision in *Tormasi*, 443 F. App'x 742, and the "no business" rule should not be at issue at all. I respectfully dissent.

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