IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
EASTERN DIVISION

AUBURN UNIVERSITY,	)	
	)	
Plaintiff,	)	
	)	CIVIL ACTION NO. 3:09cv694-WHA
vs.	)	
	)	(WO)
INTERNATIONAL BUSINESS MACHINES CORPORATION,	)	
	)	
	)	
Defendants.	)	

MEMORANDUM OPINION AND ORDER

I. INTRODUCTION

This cause is before the court on a Motion to Dismiss the State Law Claims (Counts III and IV) in Plaintiff's Complaint (Doc. #31), and the Plaintiff's Motion to File a Surreply (Doc. #45).[1]

The Plaintiff, Auburn University ("Auburn"), has brought claims against International Business Machines Corporation ("IBM"), alleging that IBM has infringed Auburn's patents on technology which tests reliability of circuit components. Auburn brings federal claims for patent infringement (Counts I and II), and state law claims for unjust enrichment (Count III), and conversion (Count IV). As stated above, IBM moves to dismiss the state law claims.

[1] The original motion to dismiss was based in part on a preemption argument derived from IBM's understanding of the state law claims brought by Auburn. Once the basis of the claims had been clarified by Auburn in its response to the motion, IBM advanced a slightly different federal preemption argument. Auburn seeks to respond to that modified argument in its surreply, and to bring a different response to IBM's statute of limitations argument. The court has considered IBM's opposition to the Motion for Leave to File Surreply, but finds it appropriate to consider the Surreply.

For reasons to be discussed, the Motion to Dismiss is due to be GRANTED to the extent that the state law claims are due to be dismissed without prejudice.

II. MOTION TO DISMISS

The court accepts the plaintiff's allegations as true, *Hishon v. King & Spalding*, 467 U.S. 69, 73 (1984), and construes the complaint in the plaintiff's favor, *Duke v. Cleland*, 5 F.3d 1399, 1402 (11th Cir. 1993). In analyzing the sufficiency of pleading, the court is guided by a two-prong approach: one, the court is not bound to accept conclusory statements of the elements of a cause of action and, two, where there are well-pleaded factual allegations, a court should assume their veracity and then determine whether they plausibly give rise to entitlement to relief. *See Ashcroft v. Iqbal*, _ U.S. _, 129 S.Ct. 1937, 1949-50 (2009). "[A] plaintiff's obligation to provide the 'grounds' of his 'entitle[ment] to relief' requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007). *Id*. (citation omitted). To survive a motion to dismiss, a complaint need not contain "detailed factual allegations," but instead the complaint must contain "only enough facts to state a claim to relief that is plausible on its face." *Id.* at 570. The factual allegations "must be enough to raise a right to relief above the speculative level." *Id*. at 555.

III. <u>FACTS</u>

The allegations of the Plaintiff's Complaint are as follows:

The patents at issue are alleged to be on the work of Dr. Singh and Mr. Barnett from Auburn. Dr. Singh is a professor and was a supervisor to Mr. Barnett, a graduate student at Auburn. Auburn alleges that Dr. Singh and Mr. Barnett filed patent applications while at Auburn for their work on classifying computer components based on expected reliability. The

first patent application was filed in October 2001, and the patent issued in 2007. These patents were assigned to Auburn, pursuant to Auburn's patent policy.

It is alleged in the Complaint that Mr. Barnett worked for IBM during the summer of 2001 while he continued to be a graduate student at Auburn. Auburn alleges that in December 2001, IBM filed a patent application directed towards similar subjects as Auburn's patent application, and filed a second patent application in August 2003. Auburn alleges that these patents are based in whole or in part on the misappropriation of research of Dr. Singh and Mr. Barnett.

IV. DISCUSSION

IBM moves to dismiss Counts III and IV of the Complaint in this case on the grounds that these claims are preempted by federal patent law. IBM also moves to dismiss Count III on the basis of the statute of limitations, and Count IV on the basis of failing to state a claim of conversion. The court will first address the preemption argument as it applies to both counts.[2]

Federal preemption under the Supremacy Clause of the United States Constitution can be either in the form of an explicit statement by Congress, a scheme which occupies a given field, or may occur when state law conflicts with federal law so that compliance with both state and

[2] At the outset, the court notes that the Complaint in this case is so conclusory with regard to the state law claims that both IBM and the court have had difficulty discerning the basis of Auburn's claims. IBM initially contended that because Auburn seeks to change the inventorship of two patents, the claims are preempted by federal patent law. Once Auburn responded that it was not seeking to change the inventorship of the patents through its state law claims, IBM advanced a new theory of preemption. In its Surreply, Auburn has advanced a theory of recovery that it argues is not subject to preemption, but that theory is not set out in the Complaint. The court's analysis is of the claims as pled.

federal law is impossible. *English v. Gen. Elec. Co.*, 496 U.S. 72, 78-9 (1990). IBM contends that it is the third form of preemption which is applicable here.

This court is bound by Federal Circuit precedent in determing whether federal patent law preempts a state law claim. *Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1367 (Fed. Cir. 2005). The Supreme Court has made it clear that states may not offer patent-like protection to intellectual property which would otherwise remain unprotected under federal law. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989). The Federal Circuit has explained that the United States Supreme Court has not held, however, "that patent laws preempt a patentee's right to recover under theories sounding in either contract or tort for misappropriation of property protected under state law at the time of its misappropriation." *Board of Regents, Univ. of Tex. v. Nippon*, 414 F.3d 1358, 1365 (Fed. Cir. 2005).

The allegations of the Complaint in this case are that IBM was unjustly enriched when it appropriated Auburn's technologies and obtained patent rights, and that IBM converted property and wrongfully exercised control inconsistent with Auburn's ownership by obtaining patents. Auburn argues that it seeks an assignment of the patents as a result of commercial wrongdoing, as well as damages. Auburn states that IBM holds benefits that belong to Auburn and that IBM ought not be allowed to insulate itself by patenting misappropriated ideas. Auburn cites to cases such as *Richardson v. Suzuki*, 868 F.2d 1226, 1249-50 (Fed. Cir. 1989) (finding an equitable remedy appropriate for wrongful appropriation of intellectual property).

IBM has pointed the court to *Ultra-Precision Manufacturing, Ltd. v. Ford Motor Company*, 411 F.3d 1369 (Fed. Cir. 2005). In *Ultra-Precision*, the plaintiff sought to bring an unjust enrichment claim and a correction of inventorship. *Id.* at 1374. The Federal Circuit

outlined the previous cases in which it had considered whether federal patent law preempts state law unjust enrichment claims. *Id.* at 1378. The Federal Circuit ultimately determined that the unjust enrichment claim by Ultra-Precision was preempted by federal patent law because there was no claim for breach of a confidential relationship, or any claim of an incremental benefit over and above the benefit received when the plaintiff published information in its issued patents. *Id.* at 1380-81.

In *University of Colorado Foundation, Inc. v. American Cyanamid Co.*, 342 F.3d 1298 (Fed. Cir. 2003), relied upon by Auburn in this case, the Federal Circuit set forth the basis for the "incremental benefit" claim that is not subject to preemption under patent law. In that case, professors brought an unjust enrichment claim against a corporation that had used the professors' intention to obtain a patent, even though the invention had been disclosed as part of a confidential manuscript. The claim of unjust enrichment was for breach of contract implied in law based on the doctors disclosing a confidential manuscript in exchange for a promise not to disseminate the idea without the doctors' consent. *Id.* at 1306. The remedy was not for the total profits made by corporation selling a product incorporating the invention, but the incremental benefits made by obtaining the patent. *Id.* Therefore, the case was distinguished from *Waner v. Ford Motor Co.*, 331 F.3d 851 (Fed. Cir. 2003), in which claims based on use of an idea after it was disclosed but before the patent was secured were preempted. *Id.* at 1307.

Auburn does not dispute that the analysis outlined above is the proper analysis of a preemption defense in this case. Instead, in its surreply brief, Auburn contends that the allegations of its Complaint fall within the scope of those claims determined by the Federal Circuit not to be preempted by federal patent law. In the Complaint filed in this case, Auburn

alleges that IBM misappropriated its technology and infringed its patent. Doc. #1 at page 2. Auburn alleges that IBM acted illegally, wrongfully, and knowingly, *id.* at page 7, but there is no allegation of a confidential relationship. The only connection between Auburn and IBM alleged is that [a]fter consultation with Dr. Singh, Mr. Barnett accepted IBM's invitation and spent the summer of 2001 at IBM as a summer intern . . . while he continued to be a graduate student at Auburn." *Id.* at page 4. In the Surreply, Auburn states that Auburn disclosed unpublished and confidential papers to IBM before the papers were published. The chronology of events alleged in the Complaint, namely that Barnett worked for IBM in the summer of 2001 and the patent applications were filed by Auburn in October 2001, might support an allegation that confidential information was disclosed. The allegations of the unjust enrichment and conversion claims, however, are very unclear as to the actions of IBM which Auburn challenges as part of the state law claims for recovery. There is no allegation of any confidential disclosure, or other confidential relationship. The Complaint appears to allege no more than that IBM appropriated technology protected by Auburn's patent. Under the Federal Circuit law addressed by both parties, such an unjust enrichment claim is preempted.

Similarly, conflict preemption applies to the conversion claim because "[i]f a plaintiff bases its tort action on conduct that is protected or governed by federal patent law, then the plaintiff may not invoke the state law remedy, which must be preempted for conflict with federal patent law." *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1335 (Fed. Cir.1998), *overruled on other grounds, Midwest Indus., Inc. v. Karavan Trailers, Inc*., 175 F.3d 1356 (Fed. Cir.1999). The allegation in this case is that "IBM converted property belonging to Auburn in known violation of Auburn's rights and the law by obtaining patent rights in Auburn's

technologies." Doc. #1 at page 8. While Auburn is arguing in its Surreply that such conversion was of confidential information, that allegation is not present in the Complaint.

The allegations of the Complaint in this case assert claims for unjust enrichment and conversion which, as pled, are preempted under the legal analysis used by the Federal Circuit. Because the briefs filed by Auburn in opposition to the Motion to Dismiss go beyond that which is alleged in the Complaint, however, the court will dismiss the state law claims without prejudice and allow Auburn an additional opportunity to seek to amend its Complaint to clarify the basis of the state law claims, should it choose to do so.

The court recognizes that IBM has also moved to dismiss the state law claims on the basis that even if the state law claims are not preempted, the unjust enrichment claim is barred by the statute of limitations and that the conversion claim is not cognizable under Vermont law, which it argues is the applicable law because the last act necessary to convert the property occurred in Vermont. *See, e.g., Brown v. Campbell*, 536 So. 2d 920, 921 (Ala. 1988). The court need not address these arguments at this time, having found that the state law claims as pled are due to be dismissed without prejudice. If these grounds for dismissal have merit, however, amendment of the Complaint could be futile. Therefore, the court will address the issue of futility if Auburn seeks to amend its Complaint to re-plead either or both of the state law claims. Rather than have the parties brief the statute of limitations and failure to state a claim issues again, however, the court concludes that it would be more efficient for the court to consider the briefs already filed on these issues in evaluating any proposed amended complaint. The court will also consider additional arguments responsive to points already raised, particularly as to

Auburn's new argument that it is not subject to the statute of limitations on its unjust enrichment claim, as requested by IBM in its opposition to the Motion for Leave to File Surreply.

Accordingly, if Auburn wishes to amend its Complaint within the time allowed, it should file a Motion for Leave to File an Amended Complaint which sets forth any additional argument Auburn may wish to assert as to why its amended state law claims are not futile in light of IBM's statute of limitations and failure to state a claim arguments, and should attach a proposed amended complaint which is complete unto itself. IBM will be given an opportunity to respond if such motion is filed.

V. CONCLUSION

For the reasons discussed it is hereby ORDERED as follows:

1. The Plaintiff's Motion to File a Surreply (Doc. #45) is GRANTED.

2. The Motion to Dismiss is GRANTED and Counts III and IV of the Complaint are DISMISSED without prejudice.

3. Auburn is given until November 16, 2009 to file a Motion for Leave to File an Amended Complaint, should Auburn choose to do so. In the Motion for Leave to File an Amended Complaint, Auburn may assert additional argument as to why amendment would not be futile in light of the IBM's statute of limitations and failure to state a claim arguments. Auburn should attach to any Motion for Leave to File an Amended Complaint a proposed amended complaint which is complete unto itself.

4. IBM is given until November 23, 2009 to respond to any Motion for Leave to File an Amended Complaint that Auburn may file.

Done this 9th day of November, 2009.

/s/ W. Harold Albritton
W. HAROLD ALBRITTON
SENIOR UNITED STATES DISTRICT JUDGE