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6 **IN THE UNITED STATES DISTRICT COURT**  
7 **FOR THE DISTRICT OF ARIZONA**

9 Wintrode Enterprises Incorporated,  
10 Plaintiff,  
11 v.  
12 PSTL LLC, et al.,  
13 Defendants.

No. CV-14-01214-PHX-DGC

**ORDER**

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15 Defendants GunVault, Inc. (“GunVault”), Thomas and Sharon Loeff, and Aaron  
16 and Jalyn Baker have filed a motion to dismiss pursuant to Federal Rule of Civil  
17 Procedure 12(b)(6). Doc. 11. The Court will deny the motion as moot.<sup>1</sup>

18 Defendant PSTL, LLC (“PSTL”) has filed a motion to join the motion to dismiss  
19 filed by Defendants GunVault, Inc., Thomas and Sharon Loeff, and Aaron and Jalyn  
20 Baker. Doc. 22. The Court will grant the motion.

21 Plaintiff Wintrode Enterprises, Inc. (“Wintrode”) has filed a motion to remand  
22 pursuant to 28 U.S.C. § 1447(c). Doc. 23. The motion is fully briefed. The Court will  
23 grant the motion and remand the case to Maricopa County Superior Court.

24 Defendants GunVault, PSTL, Thomas and Sharon Loeff, and Aaron and Jalyn  
25 Baker have filed a motion to transfer. Doc. 24. The Court will deny the motion as moot.

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<sup>1</sup> The request for oral argument is denied as to all pending motions because the issues have been fully briefed and oral argument will not aid the Court’s decision. *See* Fed. R. Civ. P. 78(b); *Partridge v. Reich*, 141 F.3d 920, 926 (9th Cir. 1998).

1 Wintrode has filed a motion to stay briefing on and consideration of Defendants’  
2 motion to dismiss (Doc. 11) and motion to transfer (Doc. 24). Doc. 25. The Court will  
3 grant the motion in part and deny it in part.

4 **I. Background.**

5 Defendant Thomas Loeff owns two entities that are also defendants in this action,  
6 PSTL and ASP. Doc. 1-1, ¶ 20. On March 12, 1997, PSTL and ASP entered into an  
7 agreement (the “Assignment Agreement”) to assign PSTL’s interest in U.S. Patent No.  
8 5,161,396 to ASP. *Id.*, ¶ 24. The Assignment Agreement did not include any reference  
9 to U.S. Patent No. 5,549,337 (“the ’337 Patent”). *Id.* No other agreement between PSTL  
10 and ASP assigned any interest in the ’337 Patent. On November 23, 2004, GunVault  
11 agreed to purchase the ’337 Patent from Lazy Red Dog, LLC, which is another entity  
12 owned by Loeff. *Id.*, ¶ 30. Lazy Red Dog, LLC obtained its interest in the ’337 Patent  
13 from ASP. *Id.*, ¶ 32. Wintrode alleges, however, that Lazy Dog, LLC never owned the  
14 ’337 Patent due to a chain of title error. *Id.*, ¶¶ 31-32, 34.

15 Believing that it owned the ’337 Patent, GunVault filed a patent infringement  
16 action against Wintrode on August 29, 2012 in the United States District Court for the  
17 Central District of California. *Id.*, ¶ 35. During the course of discovery, GunVault was  
18 unable to produce a complete chain of title for the ’337 Patent (*Id.*, ¶ 36) and Wintrode  
19 filed a motion to dismiss the patent infringement action on the basis that GunVault did  
20 not own the ’337 Patent (*id.*, ¶ 38). GunVault opposed Wintrode’s motion, contending  
21 that the defect in the chain of title was due to a scrivener’s error or, in the alternative, that  
22 the defective link in the chain of title could be reformed under Arizona law. *Id.*, ¶ 39. In  
23 connection with the motion to dismiss, Loeff provided a declaration in which he stated:  
24 “If the Court deems it necessary, it should feel free to reform [the Assignment  
25 Agreement] to include explicit reference to the assignment of all interest in Patent no.  
26 5,549,337. I have no objection to this.” *Id.*, ¶ 40. Wintrode replied that GunVault could  
27 not meet the standard for reformation of the Assignment Agreement and that any attempt  
28 to reform the Assignment Agreement would be an end run around the *nunc pro tunc*

1 doctrine, which provides that acquiring retroactive ownership of a patent is insufficient to  
2 confer standing to sue for patent infringement. *Id.*, ¶ 41.

3 The district court denied Wintrode’s motion to dismiss and entered an order  
4 staying the patent infringement action for thirty days to permit GunVault to file a separate  
5 action in state court to reform the Assignment Agreement. *Id.*, ¶ 42. The district court’s  
6 order stated that if reformation was granted, the district court would then rule on  
7 Wintrode’s argument that reformation was an end run around the *nunc pro tunc* doctrine.  
8 *Id.* On April 3, 2014, GunVault filed a complaint in Orange County Superior Court  
9 against PSTL and Loeff for declaratory judgment seeking reformation of the Assignment  
10 Agreement between PSTL and ASP. *Id.*, ¶ 43.

11 Wintrode instituted this action in Maricopa County Superior Court on April 14,  
12 2014, to “protect its interests as Arizona, not California, is the proper venue for any  
13 determination as to the reformation question.” *Id.* Wintrode named PSTL, GunVault,  
14 Thomas and Sharon Loeff, and Aaron and Jalyn Baker as defendants. Wintrode’s  
15 complaint seeks a declaration that reformation of the Assignment Agreement is improper  
16 as the statute of limitations bars reformation, the Assignment Agreement did not create a  
17 valid assignment, GunVault is not a legitimate successor in interest to the ‘337 Patent,  
18 and GunVault cannot meet its burden of showing that reformation as an available remedy  
19 under Arizona law. Wintrode’s complaint also asserts state law claims for unfair  
20 competition, consumer fraud, and conspiracy. Defendants removed the case to federal  
21 court on June 2, 2014.

22 **II. Plaintiff’s Motion to Stay Briefing and Consideration of Defendants’ Motions.**

23 Wintrode urges the Court to stay briefing and consideration of Defendants’ motion  
24 to dismiss (Doc. 11) and motion to transfer (Doc. 24) in order to consider jurisdictional  
25 arguments raised in Wintrode’s motion to remand (Doc. 23). Doc. 25 at 2 (citing *Orient*  
26 *v. Linus Pauling Inst. of Sci. & Med.*, 936 F. Supp. 704, 706 (D. Ariz. 1996) (“Federal  
27 subject matter jurisdiction is a threshold issue that goes to the power of the court to hear  
28 the case . . . . Therefore, a 12(b)(1) motion must be decided before other motions, as they

1 will become moot if dismissal is granted.”)). Defendants argue that there is no good  
2 cause to suspend the briefing schedule for its motions. Doc. 26 at 3.

3 The Court will deny Wintrode’s motion in part because Wintrode’s request to stay  
4 the briefing schedule of Defendants’ motions is moot. Defendants’ motions have been  
5 fully briefed. The Court will grant Wintrode’s motion in part, however, and address the  
6 threshold issue of jurisdiction first.

7 **III. Plaintiff’s Motion to Remand.**

8 **A. Legal Standard.**

9 Pursuant to the removal statute, 28 U.S.C. § 1441, any civil action brought in state  
10 court over which the federal district courts have original jurisdiction may be removed to  
11 the federal district court for the district where the action is pending. 28 U.S.C. § 1441(a);  
12 *see Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392 (1987) (“Only . . . actions that  
13 originally could have been filed in federal court may be removed to federal court by the  
14 defendant.”). Courts strictly construe the statute against removal jurisdiction. *Gaus v.*  
15 *Miles, Inc.*, 980 F.2d 564, 566 (9th Cir. 1992). Indeed, there is a “strong presumption”  
16 against removal and “[f]ederal jurisdiction must be rejected if there is any doubt as to the  
17 right of removal in the first instance.” *Id.* “The ‘strong presumption’ against removal  
18 jurisdiction means that the defendant always has the burden of establishing that removal  
19 is proper.” *Id.* “If at any time before final judgment it appears that the district court lacks  
20 subject matter jurisdiction, the case shall be remanded.” 28 U.S.C. § 1447(c).

21 **B. Analysis.**

22 **1. Federal Question Jurisdiction.**

23 The Court has subject matter jurisdiction over cases involving “federal questions”  
24 pursuant to 28 U.S.C. § 1331. With respect to patent claims, federal courts have  
25 exclusive jurisdiction over cases “arising under any Act of Congress relating to patents.”  
26 28 U.S.C. § 1338(a). Federal Courts also have original jurisdiction over “any civil action  
27 asserting a claim of unfair competition when joined with a substantial and related claim  
28 under the . . . patent . . . laws.” 28 U.S.C. § 1338(b).

1           The presence or absence a federal question is governed by the “well-pleaded  
2 complaint rule,” which provides that federal question jurisdiction exists only when a  
3 federal question is presented on the face of the plaintiff’s complaint. *Caterpillar*  
4 *Inc.*, 482 U.S. at 392. “The rule makes the plaintiff master of the claim; he or she may  
5 avoid federal jurisdiction by exclusive reliance on state law.” *Id.* Federal jurisdiction  
6 over state law claims will lie, however, if a federal issue is (1) necessarily raised,  
7 (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court  
8 without disrupting the federal-state balance approved by Congress. *Grable & Sons Metal*  
9 *Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 314 (2005).

10           Wintrode’s claims do not arise under federal patent law. Defendants argue that  
11 resolution of a federal issue is necessary because Wintrode must prove that it did not  
12 infringe the ’377 Patent to prevail on its claims. Doc. 32 at 6. The Court does not agree.  
13 Wintrode’s claims assert violations of state law only and none of the claims depend on  
14 the invalidity or Wintrode’s non-infringement of the ’337 Patent. Instead, the claims  
15 require a court to determine whether GunVault *owns* the ’337 Patent. Ownership of a  
16 patent is typically “determined exclusively under state law.” *Int’l Nutrition Co. v.*  
17 *Horphag Research Ltd.*, 257 F.3d 1324, 1329 (Fed. Cir. 2001) (citing *Jim Arnold Corp. v.*  
18 *Hydrotech Sys., Inc.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997)). As such, no federal issue  
19 will necessarily be triggered in resolving Wintrode’s claims.

20           Defendants also argue that Wintrode is attempting to plead around federal patent  
21 law, which preempts Wintrode’s unfair competition claims. Defendants argue that the  
22 unfair competition claim is based on letters sent to customers about the alleged patent  
23 infringement, but that a patentholder is entitled to publish its patent in the marketplace.  
24 Doc. 32 at 7. While a party may publicize its patent(s) in the marketplace, it may not do  
25 so in bad faith. *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1336  
26 (Fed. Cir. 1998), *rev’d on other grounds, Midwest Indus., Inc. v. Karavan Trailers, Inc.*,  
27 175 F.3d 1356 (Fed. Cir. 1999) (en banc) (“[F]ederal patent law bars the imposition of  
28 liability for publicizing a patent in the marketplace unless the plaintiff can show that the

1 patentholder acted in bad faith.”). Wintrode’s claims do not seek to impose liability on  
2 GunVault for improperly publicizing patents that GunVault owns, but for publicizing  
3 rights in a patent it does not own. Doc. 1-1, ¶¶ 90-94. These state claims are not  
4 preempted by federal law. *See S3 Graphics Co., Ltd. v. ATI Techs. ULC*, C.A. No. 11-  
5 1298-LPS, 2014 WL 573358, at \*2 (D. Del. Feb. 11, 2014) (finding no preemption where  
6 “Defendants have falsely and in bad faith ‘laid claim to patents they do not own’”).

7 Defendants argue that Wintrode’s complaint injects the *nunc pro tunc* doctrine  
8 into this case. It does not. The complaint mentions the doctrine only as part of its  
9 background section, making clear that application of the doctrine is a question reserved  
10 for decision by the federal district court in California. *See* Doc. 1-1, ¶¶ 41-42.

11 Defendants also argue that “Wintrode’s only explicitly recited item of damage”  
12 are attorneys’ fees incurred in defending against GunVault’s patent infringement action.  
13 Doc. 32 at 6. Because the determination of Wintrode’s entitlement to attorneys’ fees  
14 incurred in defense of GunVault’s patent infringement lawsuit is an issue of patent law,  
15 *see Imagineering, Inc. v. Van Klassens, Inc.*, 53 F.3d 1260, 1263 (Fed. Cir. 1995),  
16 Defendants argue that the *Grable* test is satisfied. Doc. 32 at 6. But Wintrode’s prayer  
17 for relief does not specifically include a request for the attorneys’ fees incurred to defend  
18 against GunVault’s patent infringement action, nor do other portions of the complaint  
19 allege an entitlement to such fees. *See* Doc. 1-1, at 19, ¶¶ A-J.

20 Because the first *Grable* factor is not satisfied, the Court concludes that federal  
21 question jurisdiction over Wintrode’s state law claims does not lie.

## 22 **2. Improper Removal of Diversity Action.**

23 Wintrode argues that Defendants cannot remove the case to this Court on diversity  
24 grounds because Defendants PSTL, Thomas Loeff, and Sharon Loeff are citizens of  
25 Arizona, the state in which Wintrode commenced this action. Doc. 1-1, ¶¶ 7-8; Doc. 23  
26 at 11. The Court agrees. *See* 28 U.S.C. § 1441(b)(2).

## 27 **C. Conclusion.**

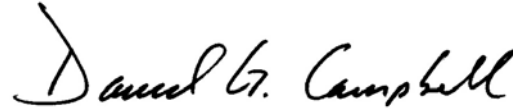
28 Because the Court concludes above that it lacks federal question and diversity

1 jurisdiction, it will grant Wintrode's motion to remand and deny the remaining motions  
2 as moot.

3 **IT IS ORDERED:**

- 4 1. Defendants' motion to dismiss (Doc. 11) is **denied** as moot.
- 5 2. Defendant PSTL, LLC's motion to join (Doc. 22) is **granted**.
- 6 3. Plaintiff's motion to remand (Doc. 23) is **granted**.
- 7 4. Defendants' motion to transfer (Doc. 24) is **denied** as moot.
- 8 5. Plaintiff's motion to stay briefing on and consideration of Defendants'  
9 motions (Doc. 25) is **granted in part and denied in part**.
- 10 6. The Rule 16 Case Management Conference scheduled for August 26, 2014  
11 at 4:00 p.m. is **vacated**.
- 12 7. The Clerk shall remand this case to Maricopa County Superior Court.

13 Dated this 25th day of August, 2014.

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18 David G. Campbell  
19 United States District Judge  
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