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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
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11 NANO-SECOND TECHNOLOGY CO.,) CV 10-9176 RSWL (MANx)
12 LTD., a Taiwanese)
13 Corporation)
14)
15 Plaintiff,)
16 v.)
17)
18 DYNAFLEX INTERNATIONAL,)
19 a California Corporation.,)
20 and GFORCE Corp. d/b/a DFX)
21 SPORTS & FITNESS, a Nevada)
22 Corporation)
23)
24 Defendants.)

ORDER Re: Defendants'
Motion for Partial
Summary Judgment of Tort
Claims, § 292(A) False
Marking Claim, and To
Limit Patent Damages
Period [235]

25 On April 30, 2013, Defendants Dynaflex
26 International and GForce Corporation's ("Defendants")
27 Motion for Partial Summary Judgment of Tort Claims, §
28 292(A) False Marking Claim, and To Limit Patent Damages
Period [235] came on for regular calendar before the
Court. The Court having reviewed all papers submitted
pertaining to this Motion and having considered all
arguments presented to the Court, **NOW FINDS AND RULES**
AS FOLLOWS:

1 The Court hereby **GRANTS in Part** and **DENIES in Part**
2 Defendants' Motion for Partial Summary Judgment.

3 **I. BACKGROUND**

4 This Motion stems from a patent infringement case.
5 Plaintiff Nano-Second Technology Co. ("Plaintiff")
6 alleges that Defendant Dynaflex International and
7 Defendant GForce Corporation d/b/a DFX Sports & Fitness
8 ("Defendants") have sold and continue to sell products
9 that infringe on Plaintiff's patent, which is United
10 States Patent No. 5,800,311 ("`311 Patent"). In
11 addition to the patent infringement claim, Plaintiff
12 has alleged claims for (1) False Marking Against
13 Dynaflex; (2) Unfair Competition Against All
14 Defendants; (3) Intentional Interference with
15 Prospective Economic Advantage Against Dynaflex; (4)
16 Negligent Interference with Prospective Economic
17 Advantage Against Dynaflex; and (5) Breach of Contract
18 Against Dynaflex.

19 Plaintiff alleges that Defendants have infringed
20 upon its `311 Patent by selling, importing, making,
21 offering, or using wrist exercisers ("Accused
22 Products") that fall within the scope of the claims of
23 the `311 Patent. First Amended Complaint ("FAC") ¶ 12.
24 Further, Plaintiff alleges that these unpatented
25 Accused Products and their packaging are marked with
26 the patent number of the `311 Patent without
27 Plaintiff's consent. Id. ¶¶ 21, 41. Plaintiff claims
28 that in addition to falsely marking their Accused

1 Products and infringing Plaintiff's patent, Defendants
2 have contacted Plaintiff's potential and existing
3 customers misrepresenting that they own the '311
4 Patent. Id. ¶ 25.

5 **II. LEGAL STANDARD**

6 Summary judgment is appropriate when there is no
7 genuine issue of material fact and the moving party is
8 entitled to judgment as a matter of law. Fed. R. Civ.
9 P. 56. A genuine issue is one in which the evidence is
10 such that a reasonable fact-finder could return a
11 verdict for the non-moving party. Anderson v. Liberty
12 Lobby, 477 U.S. 242, 248 (1986).

13 A party seeking summary judgment always bears the
14 initial burden of establishing the absence of a genuine
15 issue of material fact. Celotex Corp. v. Catrett, 477
16 U.S. 317, 322 (1986). "Where the moving party will
17 have the burden of proof on an issue at trial, the
18 movant must affirmatively demonstrate that no
19 reasonable trier of fact could find other than for the
20 moving party." Soremekun v. Thrifty Payless, Inc., 509
21 F.3d 978, 984 (2007).

22 Once the moving party makes this showing, the
23 non-moving party must set forth facts showing that a
24 genuine issue of disputed material fact remains.
25 Celotex, 477 U.S. at 322. The non-moving party is
26 required by Federal Rule of Civil Procedure 56(e)¹ to go

27
28 ¹ The Federal Rules of Civil Procedure were amended
on December 1, 2010. Federal Rule of Civil Procedure

beyond the pleadings and designate specific facts showing a genuine issue for trial exists. Id. at 324.

III. ANALYSIS

Defendants seek partial summary judgment as to Plaintiff's (1) second cause of action, false marking under 35 U.S.C. § 292(a); (2) third cause of action, unfair competition; and (3) fourth and fifth causes of action, intentional and negligent interference with prospective economic advantage. Defendants also assert that the Court should find that Plaintiff is limited to claiming damages for patent infringement occurring after September 10, 2010.

1. Plaintiff's False Marking Claims -

GRANT IN PART AND DENY IN PART

In Plaintiff's second cause of action, Plaintiff asserts that Defendants marked its goods with the number of the '311 Patent without permission, and thus is liable under 35 U.S.C. § 292. Plaintiff's FAC seeks an order fining Dynaflex in an amount of \$500 per falsely marked article according to 35 U.S.C. § 292(a)-(b) or "an alternative amount the Court deems equitable and just."

The False Marking Statute as amended in September 2011, by the Leahy-Smith America Invents Act ("AIA"), provides in relevant part that:

56(e) has now been codified as Federal Rule of Civil Procedure 56(c).

(a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the person into the United States, **the name or any imitation of the name of the patentee, the patent number, or the words "patent,"**

"patentee," or the like, **with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or**

Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, **the word "patent" or any word or number importing that the same is patented, for the purpose of deceiving the public . . .**

[s]hall be fined not more than \$500 for every such offense. **Only the United States may sue for the penalty authorized by this subsection.**

(b) A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.

1 35 U.S.C. § 292 (emphasis added). Congress made the
2 amendments to Section 292 retroactive on pending cases.
3 Leahy-Smith America Invents Act, Pub.L. No. 112-29, §
4 16(b)(4), 125 Stat. 329 (2011); Cyclone USA, Inc. v.
5 Sei Kim, 461 F. App'x 638, 639 (9th Cir. 2011).

6 The Court **GRANTS** Defendants' Motion as to
7 Plaintiff's request for remedies under Section 292(a),
8 because the remedy in Section 292(a) is reserved
9 exclusively for the United States.

10 However, the Court **DENIES** the remainder of the
11 Motion addressing Plaintiff's false marking claim,
12 which also seeks remedies under Section 292(b). It
13 appears that Plaintiff's FAC was filed before the
14 amendments to Section 292 took effect, and thus
15 requested the \$500 per offense penalty that it now
16 cannot recover. However, it is clear from the FAC that
17 Plaintiff is seeking whatever remedies are available to
18 it under 35 U.S.C. § 292. The FAC also fairly alleges
19 the requirements of false marking and competitive
20 injury: Plaintiff alleges that Defendants marked their
21 unpatented goods with the '311 Patent with the intent
22 to deceive and mislead the public. FAC ¶¶ 41, 43.
23 Based on this activity, Plaintiff suffered competitive
24 injury under Section 292(b) because Defendants impeded
25 competition in the market and unjustly gained a
26 substantial share of the wrist exerciser market, in
27 which Plaintiff competes, as a result of their false
28 marking activities. Id. ¶ 42. Defendants did not

1 move for summary judgment as to Plaintiff's claims
2 under Section 292(b). Thus their request to dismiss
3 Plaintiff's entire false marking claim is **DENIED**.

4 **2. Plaintiff's Intentional and Negligent Interference**
5 **with Prospective Economic Disadvantage Claims -**
6 **DENY**

7 Defendants argue that Plaintiff's claims for
8 intentional and negligent interference with prospective
9 economic disadvantage are barred by the statute of
10 limitations.

11 The statute of limitations for tortious
12 interference with prospective economic advantage is two
13 years. Knoell v. Petrovich, 76 Cal.App.4th 164, 168
14 (1999) (referring to Cal. Code Civ. Proc. § 339(1)).
15 The statute of limitations is an affirmative defense,
16 and Defendants bear the burden of proving that the
17 statute of limitations applies. Ladd v. Warner Bros.
18 Entm't, Inc., 184 Cal.App.4th 1298, 1309 (2010). A
19 cause of action accrues at "the time when the cause of
20 action is complete with all of its elements." Norgart
21 v. Upjohn Co., 21 Cal.4th 383, 397 (1999). An
22 important exception to this rule of accrual, however,
23 is the "discovery rule," which postpones accrual until
24 the plaintiff discovers, or has reason to discover, the
25 facts underlying the cause of action. Id.

26 This Action was filed on November 30, 2010 [1].
27 Thus, the relevant date for the statute of limitations
28 analysis is November 30, 2008. Here, the Court finds

1 that there is a genuine dispute as to when Plaintiff
2 discovered the facts underlying the tortious
3 interference claims. Of particular note is an undated
4 cease and desist letter from Tom Smith, President of
5 Dynaflex, sent to Louis J. Stack of Fitter
6 International, claiming that Dynaflex International has
7 an "exclusive" license over the '311 Patent covering
8 the lighted and counter mechanisms disclosed in the
9 Patent. See Docket 19, Decl. of Pei Sung Chuang, Ex.
10 B. Neither party has offered any evidence as to the
11 date of this letter or when Plaintiff became aware of
12 this letter. Therefore, the Court **DENIES** Defendants'
13 Motion as to this issue.

14 The Court observes that Plaintiff's Opposition
15 appears to be asserting that Defendants' tortious
16 actions are continuing. Although not clearly
17 articulated in its Opposition, Plaintiff appears to be
18 invoking the theory of continuous accrual, which if
19 applicable would toll the statute of limitations.
20 However, the theory of continuous accrual does not toll
21 the statute of limitations for tortious interference
22 claims, and should not be invoked in this Action. See
23 DC Comics v. Pacific Pictures Corp., 2013 WL 1389969,
24 at *7 (C.D. Cal. April 4, 2013).

25 **3. Plaintiff's Unfair Competition Claim - GRANT IN**
26 **PART, DENY IN PART**

27 Plaintiff's unfair competition claim is based on
28 Dynaflex's alleged acts of patent infringement, false

1 marking, and misrepresenting the ownership of the '311
2 Patent. Defendants seek to dismiss Plaintiff's unfair
3 competition claim, arguing that it is just a recasting
4 of Plaintiff's other claims, which are either already
5 covered by federal law or barred by the statute of
6 limitations.

7 California's unfair competition law prohibits "any
8 unlawful, unfair or fraudulent business act or
9 practice." Cel-Tech Commc'ns, Inc. v. Los Angeles
10 Cellular Tel. Co., 20 Cal.4th 163, 180 (1999). "By
11 proscribing 'any unlawful' business practice, section
12 17200 'borrows' violations of other laws and treats
13 them as unlawful practices that the unfair competition
14 law makes independently actionable." Id. (citation
15 omitted); Farmers Ins. Exch. v. Superior Court, 2
16 Cal.4th 377, 383 (1992).

17 "Federal patent law limits the states' ability to
18 regulate unfair competition. . . . [A] state law is
19 preempted when it enters a field of regulation which
20 the patent laws have reserved to Congress. . . ."
21 Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., Inc.,
22 7 F.3d 1434, 1439 (9th Cir. 1993). In a preemption
23 analysis, a court must analyze whether the state law
24 claim contains an element not shared by the federal law
25 that changes the nature of the action "so that it is
26 qualitatively different from [a patent] claim." Id. at
27 1439-40 (citing Balboa Ins. Co. v. Trans Global
28 Equities, 218 Cal.App.3d 1327, 1340 (1990); Del Madera

1 Props. v. Rhodes & Gardner, Inc., 820 F.2d 973, 977
2 (9th Cir. 1987)). "[P]reemption law . . . requires
3 analysis of each theory [of unfair competition] to
4 determine whether it contains the necessary
5 qualitatively different extra element distinguishing it
6 from [patent] protection." Id.

7 First, the Court rejects Defendants' contention
8 that Plaintiff's unfair competition claim should be
9 dismissed because allegedly the statute of limitations
10 applicable to Plaintiff's tortious interference claims
11 also bars Plaintiff's unfair competition claim. As
12 discussed above, Defendants argue that Plaintiff cannot
13 bring its tortious interference claims because they are
14 barred by the statute of limitations. According to
15 Defendants, because the same facts used to support
16 Plaintiff's tortious interference claims are also proof
17 of Plaintiff's unfair competition claims, Plaintiff's
18 unfair competition is also barred. Defendants cite to
19 no authority supporting this contention. Defendants
20 rely upon Cel-Tech Commc'ns, Inc. v. Los Angeles
21 Cellular Telephone, 20 Cal.4th 163 (1999), but the case
22 does not hold that the statute of limitations of a claim
23 covering the same facts as the unfair competition claim
24 also applies to the unfair competition claim. Rather,
25 the case stands for the proposition that if another
26 statute permits certain conduct, thus limiting the
27 judiciary's power to declare that conduct unfair, a
28 plaintiff cannot assert an unfair competition action

1 based on that conduct. 20 Cal.4th at 182. Even if the
2 Court assumed that Defendants' theory is correct, there
3 is a genuine dispute of fact with respect to whether
4 the tortious interference claims are even time-barred,
5 as discussed above.

6 The statute of limitations for an unfair
7 competition claim is four years. Cal. Bus. & Prof.
8 Code § 17208. The California Supreme Court has held
9 that a plaintiff's unfair competition cause of action
10 is governed by the four-year statute of limitations,
11 even though the unfair competition claim is based on
12 similar facts as another statutory violation with a
13 shorter statute of limitations. Cortez v. Purolator
14 Air Filtration Prods. Co., 23 Cal.4th 163, 179 (2000).
15 "That is because Business and Professions Code section
16 17208 states that *any action* to enforce *any cause* of
17 action under the [unfair competition law] chapter shall
18 be commenced within four years after the cause of
19 action accrued." In re Vaccine Cases, 134 Cal. App.
20 4th 438, 458 (2005). Thus, Plaintiff's unfair
21 competition claim based on Defendants' conduct of
22 misrepresenting the ownership of the '311 Patent
23 remains, and Defendants' Motion is **DENIED** as to this
24 issue.

25 Second, the Court finds that the unfair competition
26 claim is preempted where it is based on the same
27 conduct that gives rise to a Section 292 false marking
28 claim or patent infringement claim. Plaintiff has not

1 alleged or shown that there is an additional element
2 that distinguishes the unfair competition claim from
3 its patent claims. See, e.g., Champion Labs., Inc. v.
4 Parker-Hannifin Corp., No. 1:10-CV 02371 OWW-DLB, 2011
5 WL 1883832, at *12 (E.D. Cal. May 17, 2011)(finding
6 preemption where allegation of unfair competition is
7 based entirely on the allegation of false marking).
8 The Court **GRANTS** Defendants' Motion on this issue.

9 For the foregoing reasons, the Court **GRANTS IN PART**
10 **AND DENY IN PART** Defendants' Motion as to the unfair
11 competition claim.

12 **4. The Period of Damages Available To Plaintiff For**
13 **Its Patent Infringement Claims - GRANT**

14 Defendants assert that Plaintiff cannot seek
15 damages for patent infringement that occurred before
16 September 10, 2010, because Plaintiff did not have
17 legal title to the '311 Patent before that date. The
18 Court agrees.

19 "The general rule is that one seeking to recover
20 money damages for infringement of a United States
21 patent . . . must have held the legal title to the
22 patent during the time of the infringement." Arachnid,
23 Inc. v. Merit Indus., Inc., 939 F.2d 1574, 1579 (Fed.
24 Cir. 1991). A party may sue for infringement occurring
25 before it obtained legal title if a written assignment
26 expressly grants the party a right to do so. Id. at
27 1579 n.7. (citing, *inter alia*, Moore v. Marsh, 74 U.S.
28 (7 Wall.) 515 (1868) ("It is a great mistake to suppose

1 that the assignment of a patent carries with it a
2 transfer of the right to damages for an infringement
3 committed before such assignment.") (emphasis added);
4 see also Abraxis Bioscience, Inc. v. Navinta LLC, 625
5 F.3d 1359, 1367 (Fed. Cir. 2010).

6 To create an assignment, a contract must transfer:
7 (1) the entire exclusive patent right, (2) an undivided
8 interest in the patent right, or (3) the entire
9 exclusive right within any geographical region of the
10 Minco, Inc. v. Combustion Engineering, Inc., 95 F.3d
11 1109, 1117 (Fed. Cir. 1996). In construing patent
12 assignments, courts apply ordinary principles of state
13 contract law. Id.

14 On September 10, 2010, Pei-Sung Chuang ("Chuang"),
15 the inventor of the '311 Patent, assigned the '311
16 Patent to Plaintiff. The assignment states, in
17 relevant part,

18 [Chuang has] sold, assigned, transferred, and .
19 . . unto [Nano-Second Technology Co., Ltd.],
20 its successors or assigns, the entire right,
21 title and interest for all countries in and to
22 all inventions and improvements disclosed in
23 the ['311 Patent]

24 [Chuang] will testify in all legal proceedings
25 and generally do all things which may be
26 necessary or desirable more effectually to
27 secure to and vest in [Plaintiff] the entire
28 right, title and interest in and to the

1 improvements, inventions, applications . . .
2 hereby sold.

3 Schwartz Decl. Ex. 8 (emphasis added). The assignment
4 is unambiguous and clearly transfers all interest in
5 the '311 Patent to Plaintiff. However, the assignment
6 is completely silent as to whether Plaintiff acquired a
7 right to sue for infringement that occurred prior to
8 the date of the assignment, in this case September 10,
9 2010. Absent any explicit language conveying such
10 right, the Court finds that Plaintiff lacks standing to
11 sue for infringement of the '311 Patent occurring
12 before September 10, 2010.

13 Although Plaintiff claims that Chuang subjectively
14 intended to convey rights to Plaintiff to sue for past
15 infringement, Plaintiff points to no language in the
16 contract supporting such intent. Under California law,
17 the goal of contract interpretation is "to give effect
18 to the mutual intent of the parties." In re Imperial
19 Credit Indus., Inc., 527 F.3d 959, 966 (9th Cir. 2008).
20 This standard, however, is an objective one and does
21 not depend on the parties' subjective intents.
22 Cedars-Sinai Med. Ctr. v. Shewry, 137 Cal.App.4th 964,
23 980 (2006) ("California recognizes the objective theory
24 of contracts, under which it is the objective intent,
25 as evidenced by the words of the contract, rather than
26 the subjective intent of one of the parties, that
27 controls interpretation.") (internal quotations and
28 citations omitted).

1 Plaintiff further contends that because Chuang
2 agreed to testify in all legal proceedings in the
3 assignment, he must have intended to allow Plaintiff to
4 sue for past infringement. However, the contractual
5 language makes clear that the basic purpose for his
6 agreeing to testify is *to effectuate the rights granted*
7 *in the assignment*, which are not retroactive. The
8 language cannot be reasonably interpreted in the manner
9 that Plaintiff suggests.

10 Therefore, the Court **GRANTS** Defendants' Motion to
11 limit the period of damages available to Plaintiff.

12 **III. CONCLUSION**

13 For the foregoing reasons, the Court
14 - **DENIES** the Motion as to the tortious interference
15 claims;
16 - **GRANTS IN PART AND DENIES IN PART** the Motion as to
17 the Unfair Competition Claim;
18 - **GRANTS IN PART AND DENIES IN PART** the Motion as to
19 the Section 292(b) claim; and,
20 - **GRANTS** as to limiting the damages period for the
21 patent infringement claim.

22
23 **IT IS SO ORDERED.**

24 DATED: May 1, 2013

25 RONALD S.W. LEW

26

HONORABLE RONALD S.W. LEW
27 Senior, U.S. District Court Judge
28