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United States District Court
Northern District of California

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

LOGTALE, LTD.,
Plaintiff,
v.
IKOR, INC., et al.,
Defendants.

Case No. 11-cv-05452-EDL

**ORDER GRANTING PLAINTIFF'S
MOTION FOR SUMMARY JUDGMENT
ON DEFENDANTS' COUNTERCLAIM**

Re: Dkt. No. 251

On December 19, 2014, Plaintiff filed this motion for summary judgment on Defendants' counterclaim. For the reasons set forth below, Plaintiff's motion is GRANTED.

I. FACTUAL BACKGROUND AND PROCEDURAL HISTORY

In 2006, the Parties began negotiations regarding a potential investment by Plaintiff in Defendant IKOR, Inc. On August 21, 2006, the Parties entered into a memorandum of understanding ("MOU") that expresses Plaintiff's "interest in investing in the Company" and intent to "purchase . . . approximately 25% of the Company's equity . . . for US\$5 million." (Morneau Decl. Ex. 2 (MOU) at 2.) The MOU states that Plaintiff will be "given with this equity investment . . . the right of first refusal for an exclusive option to acquire all rights relating to the Company's products in Asia" and the right "to participate as an investor in future investments of the Company in USA and Europe (the geographical area of which is to be agreed)." (Id.) The MOU further states that the details are to be "negotiated" and will be "set out in [a] formal agreement." (Id.)

On October 20, 2006, Plaintiff invested \$5 million in Defendant IKOR and executed a Series A Preferred Stock Purchase Agreement ("Purchasing Agreement"). (Id. Ex. 9.) One of the conditions of the Purchasing Agreement was the execution of an Option Agreement. (Id. Ex. 10

1 (Option Agreement) at 1 (“A condition to [Plaintiff’s] obligations under the Purchasing
2 Agreement is that [Defendant IKOR] and [Plaintiff] enter into this Agreement for the purpose of
3 setting forth the terms and conditions pursuant to which [Defendant IKOR] grants [Plaintiff]
4 certain options in relation to the research, development, manufacture, sale, marketing and
5 distribution of certain products.”).) The Option Agreement states that:

6 In consideration of the sum of HK\$1.00 now paid by [Plaintiff] to
7 [Defendant IKOR] . . . [Defendant IKOR] hereby irrevocably and
8 unconditionally grants to [Plaintiff] the option (the “Option”) to
9 require [Defendant IKOR] to enter into a license and manufacturing
agreement (the “License and Manufacturing Agreement”) with
[Plaintiff] . . . on the principal terms set out in the Schedule hereto.

10 The Option may be exercised by [Plaintiff] at any time during the
11 period-commencing from the date of this Agreement to the first
12 anniversary hereof by serving an option notice in the form attached
13 hereto as Exhibit A (the “Option Notice”) on [Defendant IKOR]
14 upon which the Option shall be deemed exercised.

15 Immediately after the service of the Option Notice, [Defendant
16 IKOR] and [Plaintiff] shall negotiate diligently and in good faith,
17 and use their best efforts to enter into the License and
18 Manufacturing Agreement on the principal terms and conditions set
19 out in the Schedule attached hereto within thirty (30) days after such
20 service. [Defendant IKOR] and [Plaintiff] hereby agree that if they
21 fail to enter into the License and Manufacturing Agreement within
22 the aforesaid period of time, they shall submit any points of
23 disagreement to binding arbitration pursuant to Section 2.1.

24 (Id.)

25 Attached to the Option Agreement is a document labeled “Schedule” and “Term Sheet”
26 that includes a “License and Manufacturing Agreement” (“LMA”) and the Option Notice. The
27 LMA states that:

28 Upon the exercise of the Option of [Plaintiff], [Plaintiff] and
[Defendant] IKOR shall enter into a License and Manufacturing
Agreement (“Agreement”) under which [Plaintiff] would be granted
(i) an exclusive right (subject to the limitations described below)
to establish and maintain manufacturing facilities for manufacturing
the Licensed Products in the Territory and to research, develop,
manufacture, commercialize, market, sell and distribute the
Licensed products in the Territory; and (ii) a right to research and
develop and co-exclusive right solely with [Defendant] IKOR
(subject to the limitations described below) to manufacture the
Licensed Products for sale in the Extended Territory, all subject to
the proposed terms and conditions described below.

(Id. at 5.) The document defines “Licensed Product” as:

1 Any product, the research, development, manufacture, use, sale,
2 offer for sale, import or export of which, but for the license granted
3 in the Agreement, would infringe an issued valid claim in any IKOR
Patent Rights in any county at the time of the infringing activity in
that county.

4 (Id.) Although some sections of this document suggest that their precise terms still need to be
5 negotiated, these unresolved terms were never finalized. (Id. Ex. 72 (Canton Dep.) at 393, 428-
6 31.)

7 In April 2007, the Parties were still discussing “details” that needed to be “worked out . . .
8 and agreed . . . and incorporated into the Licence and Manufacturing Agreement to be entered
9 when [the] option is exercised pursuant to [the] Option Agreement.” (Wai Decl. Ex. 4 at 3.) In
10 June 2007, Plaintiff sent a proposed draft of the LMA to Defendant IKOR. (Id. Exs. 9-10.) On
11 August 27, 2007, Defendant Canton told Plaintiff that Defendants were still considering their
12 proposed LMA. (Id. Ex. 11 (E-mail from Defendant Canton to Mr. Wai stating that “I have my
13 lawyers getting back to me on the licensing agreement, they have not been as attentive to this as I
14 would like so I am moving them ahead”).) On September 28, 2007, Plaintiff claims that it sent its
15 Option Notice to Defendant, which required the Parties to finalize the LMA within 30 days. (Id.
16 Ex. 9 at 2 (E-mail from Mr. Sien of Plaintiff to Defendant Canton stating that Plaintiff “served the
17 option notice to IKOR Inc.” on September 28, 2007); contra Morneau Decl. Ex. 72 (Canton Dep.)
18 at 391 (testifying that this notice was never served on Defendant IKOR).) On October 27, 2007,
19 Defendants sent Plaintiff a proposed “Collaboration and Licensing Agreement,” that included
20 several new provisions. (Wai Decl. Ex. 15.) On February 4, 2008, Plaintiff sent a revised LMA to
21 Defendants. (Id. Ex. 18.) Ultimately, the Parties never agreed to a final version of the LMA.
22 (Morneau Decl. Ex 69 (Wai Dep.) at 194.)

23 In the Fall of 2009, the Parties corresponded regarding an offer by Defendants to license a
24 veterinary product. (Wai Decl. Ex. 35.) On August 21, 2009, Plaintiff sent Defendant a letter
25 stating that:

26 I refer to our telephone conversation on 11th August 2009 (Hong
27 Kong time) as well as your follow up email to me of 17th August.
28 As requested, I set out below some of the matters discussed and the
understanding on some of issues reached between you and I as well
as my proposals and yours for the way forward. . . . you should treat

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the contents of this letter as entirely “without prejudice”,¹ and you should also treat all matters and proposals set out below as non-binding until and unless the parties concerned are able to formalize matters or any aspects of it by way of subsequent agreement(s)

I had confirmed to you and would confirm again that [Plaintiff] had always respected [Defendants’] rights under the [LMA,] which for the time being are the terms set out in the Schedule to the Option Agreement dated 20th October 2006 (the “Option Agreement”). [Plaintiff] will continue to respect and abide by the terms of the LMA and any and all agreements entered into between [Defendants] and [Plaintiff]

In the event that we are able to work out the inclusion of Europe and U.S.A. as additions to the Territory for [Plaintiff] to develop, market, distribute and sell the Licensed Products (as defined in the LMA) including OC99 as a veterinary product, such will have to be included in the formal License and Manufacturing Agreement which [Defendant IKOR] and [Plaintiff] would still need to do to formalize and elaborate on matters set out in the existing LMA as contained in the Schedule to the Option Agreement. This is needed for the better co-operation amongst the parties from an operational point of view. I would therefore appreciate if you will revert to me on matters mentioned above so that I can get the lawyers to revise the next draft of the formal and expanded version of the LMA for further distribution to [Defendant IKOR] for comments.

(Id. Ex. 34.)

Subsequently, in September 2009, the Parties exchanged offers for licensing this product in Asia, Europe and the United States. (Id. Exs. 35-38, 41-43.) Plaintiff’s offer “insisted on the condition” that the Parties “sign an LMA.” (Id. Ex. 45.) Thus, on November 3, 2009, Plaintiff sent Defendants a draft LMA that states that:

By an option agreement dated 20 October 2006 (“Option Agreement”), [Plaintiff] has been granted an option by [Defendant IKOR] (the “Option”) to enter into a license and manufacturing agreement according to the terms stipulated in the Option Agreement. [Plaintiff] by notice dated 28 September 2007 exercised the Option and hereby nominates [Plaintiff] as its nominee to enter into this Agreement. . . . [Defendant IKOR] and [Plaintiff] wish to further develop, manufacture and commercialize the Products.

¹ Plaintiff claims that Mr. Wai’s use of the term “without prejudice” in his e-mails indicates that he did not intend to be bound by the LMA, arguing that, under Hong Kong Law, the term indicates “an express or implied agreement of the parties that communications are not admissible as evidence and cannot be used for any purpose.” (Mot. at 8 n.3.) Defendants move to strike this reference to Hong Kong law, arguing that “[t]here is no evidence supporting this statement . . . California law [applies here] and . . . what [Mr.] Wai ‘intended’ is not what [Defendant] Canton understood.” (Opp. at 16.) However, the Court need not decide this question because, as discussed below, Defendants raise a genuine issue of material fact over whether the Parties intended to be bound by the LMA.

1 Accordingly, [Defendant IKOR] desires to grant to [Plaintiff], and
2 [Plaintiff] desires to obtain from [Defendant IKOR], exclusive
rights, licenses and sub-license rights pertaining to the Territory, all
subject to the terms and conditions set forth hereinbelow.

3 (Id. Ex. 46.) Defendants responded to this draft on November 4, 2009, indicating that they would
4 be providing “many edits.” (Id. Ex. 50.) Defendants also outlined “a few deal making or breaking
5 issues,” including that the “license is exclusively for the [European Medicines Agency (“EMEA”)]
6 territory and only for the veterinary market in the EMEA.” (Id.)

7 On November 5, 2009, Plaintiff responded, indicating that:

8 From day one of our discussions, the world has been divided into 3
9 economic regions: Asia . . . U.S. (comprising North and South
10 America) and Europe (comprising all countries except the countries
11 of Asia and U.S.). We have no interest in piecemeal rights being
negotiated. This is the definition I have all along presented to my
shareholders. If there is any change on your part from our previous
agreement, we will not be proceeding any further, as separate
territory control and economics do not make good business sense.

12 (Id.) On November 7, 2009, Defendants responded that “we cannot come to terms so the offer for
13 selling you any further rights is terminated and final.” (Id. Ex. 49.)

14 On November 11, 2011, Plaintiff filed this action. Plaintiff alleges claims for: (1)
15 injunctive relief; (2) breach of an Investors’ Rights Agreement; (3) breach of fiduciary duty; and
16 (4) breach of the implied covenant of good faith and fair dealing. On January 2, 2013, Defendants
17 filed their second amended counterclaims, alleging: (1) breach of the LMA; (2) theft of intellectual
18 property; and (3) interference with prospective business opportunity. On August 14, 2013, the
19 Court dismissed Defendants’ second and third counterclaims with prejudice. Plaintiff now moves
20 for summary judgment on Defendants’ remaining counterclaim for breach of the LMA.

21 **II. STANDARD**

22 Summary judgment shall be granted if “the pleadings, discovery and disclosure materials
23 on file, and any affidavits show that there is no genuine issue as to any material fact and that the
24 movant is entitled to judgment as a matter of law.” Fed. R. Civ. Pro. 56(c). Material facts are
25 those which may affect the outcome of the case. See Anderson v. Liberty Lobby, Inc., 477 U.S.
26 242, 248 (1986). A dispute as to a material fact is genuine if there is sufficient evidence for a
27 reasonable jury to return a verdict for the nonmoving party. Id. The court must view the facts in
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1 the light most favorable to the non-moving party and give it the benefit of all reasonable
2 inferences to be drawn from those facts. Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475
3 U.S. 574, 587 (1986). The court must not weigh the evidence or determine the truth of the matter,
4 but only determine whether there is a genuine issue for trial. Balint v. Carson City, 180 F.3d
5 1047, 1054 (9th Cir. 1999).

6 A party seeking summary judgment bears the initial burden of informing the court of the
7 basis for its motion, and of identifying those portions of the pleadings and discovery responses
8 that demonstrate the absence of a genuine issue of material fact. Celotex Corp. v. Catrett, 477
9 U.S. 317, 323 (1986). Where the moving party will have the burden of proof at trial, it must
10 affirmatively demonstrate that no reasonable trier of fact could find other than for the moving
11 party. On an issue where the nonmoving party will bear the burden of proof at trial, the moving
12 party can prevail merely by pointing out to the district court that there is an absence of evidence to
13 support the nonmoving party's case. Id. If the moving party meets its initial burden, the opposing
14 party "may not rely merely on allegations or denials in its own pleading;" rather, it must set forth
15 "specific facts showing a genuine issue for trial." See Fed. R. Civ. P. 56(e)(2); Anderson, 477
16 U.S. at 250. If the nonmoving party fails to show that there is a genuine issue for trial, "the
17 moving party is entitled to judgment as a matter of law." Celotex, 477 U.S. at 323.

18 **III. DISCUSSION**

19 A breach of contract claim requires: "(1) the existence of [a] contract; (2) plaintiff's
20 performance or excuse of nonperformance; (3) defendant's breach; and (4) damages to plaintiff as
21 a result of the breach." Gutierrez v. State Farm Ins. Co., 2013 WL 2403651, at *5 (N.D. Cal.
22 May 31, 2013) (Grewal, J.) (CDF Firefighters v. Moldonado, 158 Cal. App.4 th 1226, 1239
23 (2008)). In order for a contract to exist, there must be mutual assent. Rennick v. O.P.T.I.O.N.
24 Care, Inc., 77 F.3d 309, 315 (9th Cir. 1996) ("It is a basic tenet of contract law that creation of a
25 valid contract requires mutual assent."). Furthermore, "California law is clear that there is no
26 contract until there has been a meeting of the minds on all material points, despite the fact some
27 terms have been agreed orally, or some action has been taken." Grove v. Grove Valve &
28 Regulator Co., 4 Cal. App. 3d 299, 312 (1970); S.J. Amoroso Const. Co. v. Executive Risk

1 Indem., Inc., 2009 WL 4907736, at *7 (N.D. Cal. Dec. 14, 2009) (Armstrong, J.). Thus, “[w]here
2 any of the terms are left for future determination or there is a manifest intention that the formal
3 agreement is not to be complete until reduced to a formal writing to be executed, there is no
4 binding contract until this is done.” Smissaert v. Chiodo, 163 Cal. App. 2d 827, 830-31 (1958);
5 First Nat. Mortgage Co. v. Fed. Realty Inv. Trust, 631 F.3d 1058, 1065 (9th Cir. 2011) (“an
6 ‘agreement to agree,’ without more, is not a binding contract.” (quoting Autry v. Republic Prods.,
7 30 Cal. 2d 144, 151-52 (1947))); Stoehr v. UBS Sec., LLC, 2008 WL 2705575, at *3 (N.D. Cal.
8 July 10, 2008) (Conti, J.) (dismissing a breach of contract claim where the alleged contract
9 included conditional language that evidenced an intent to be bound by a future contract);
10 Goodworth Holdings Inc. v. Suh, 239 F. Supp. 2d 947, 957 (N.D. Cal. 2002), aff’d, 99 F. App’x
11 806 (9th Cir. 2004) (finding that a term sheet did not create a binding contract between the Parties
12 despite allegations that the Parties “orally agreed to certain essential terms” because the Parties’
13 “preliminary agreements were mere preliminary negotiations that may or may not have wound up
14 leading to a final offer.”).² Here, even if the parties intended to be bound by the October 20, 2006
15 LMA, there is no genuine issue of material fact that the Parties never entered into a valid contract.

16 Defendants allege that Plaintiff breached the LMA by failing to pay them royalties and by
17 “marketing and manufacturing . . . IKOR’s Oxygen Therapeutics and related pharmaceuticals.”
18 (Dkt. 45 (Defendants’ Second Amended Answer and Counterclaim to First Amended Complaint)
19 at 21, 24-25.) Although Defendants acknowledge that “a more complete agreement . . . was never
20 executed” (id.), they argue that Mr. Wai, on behalf of Plaintiff, and Defendant Canton orally
21 agreed to “honor and abide by the October 20, 2006 LMA.” (Opp. at 9; see also Morneau Decl.
22 Ex. 72 (Canton Dep.) at 285-86; Opp. at 10 n.3 (“IKOR does not claim . . . that there is an ‘oral
23 agreement’ in place. There is a written agreement, confirmed in writing, and verbally, by [Mr.
24 Wai of Plaintiff.]” (emphasis in original)).) Defendants also point to sixteen e-mails that they

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27 ² Defendants argue that where a fiduciary relationship exists, a lesser standard applies, citing Boyd
28 v. Bevilacqua, 247 Cal. App. 2d 272 (1966). Here, however, the Parties did not have a fiduciary
relationship, and even assuming arguendo that they did, Boyd is distinguishable as it involved the
creation of a joint venture.

1 claim confirm the existence of this agreement.³ For example, on July 27, 2009, Mr. Wai wrote a
2 letter to Defendant IKOR’s board of directors regarding “the rollout of [Defendant] IKOR’s
3 manufacturing facility in Aberdeen, South Dakota” that states that:

4 [Defendant IKOR] seems to have overlooked the licensing
5 agreements between our companies. According to the Option
6 Agreement dated 20 October 2006, [Defendant] IKOR may set up
7 manufacturing facilities in places other than in the licensed
8 territories only after [Plaintiff’s] right of first refusal to invest in
any such manufacturing facilities, either on its own, or together
with [Defendant] IKOR and other third party in such proportion as
[Plaintiff] may deem appropriate.

9 (Canton Decl. Ex. G at 1.)⁴ This letter supports Defendants’ argument that Plaintiff believed that
10 the LMA was binding. Similarly, a July 30, 2009 letter from Mr. Wai to Defendant Canton states
11 that Plaintiff “has been performing its responsibilities in accordance with the licensing agreement
12 under the Option Agreement dated 20 October 2006” even though Defendant “IKOR unilaterally
13 and without any reason[] stopped paying and rendering the necessary support to execute validation
14 and preclinical programs.” (Canton Decl. Ex. H at 1.) Furthermore, apparently in response to an
15 e-mail from Dr. Canton claiming that Plaintiff was in breach of their agreement, Mr. Wai stated on
16 October 7, 2009 that:

17 I fail to see any breach of the license on our part as you alleged
18 So far, you have not referred us to any specific provisions of the
19 license agreement which we have breached as alleged Please
refer us to the relevant provisions of the license agreement where the
requirement as you suggested is stated We are unclear as to the
nature of your allegations with respect to the license agreement

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21 ³ Although Plaintiff objects to the admissibility of some of these e-mails (see Reply at 11 n.9), the
22 Court does not decide this issue because, even considering these e-mails, the Court grants
Plaintiff’s motion.

23 ⁴ Plaintiff moves to strike Defendant Canton’s declaration, arguing that it “does not set forth facts
24 within the declarant’s personal knowledge and instead consists of conclusions, arguments, hearsay
25 and unsupported conjecture.” (Reply at 2.) Plaintiff also argues that the declaration contradicts
26 Defendant Canton’s deposition testimony. (Reply at 3 (citing a myriad of exhibits).) While
27 Plaintiff has not shown any contradiction, Plaintiff is correct that Defendant Canton’s declaration
28 improperly includes numerous pages of argument, legal conclusions, and assertions not within the
declarant’s personal knowledge and in violation of Local Rule 7-5(b). Therefore, the Court
GRANTS Plaintiff’s request to strike the Canton declaration. See Universal Grading Serv. v.
eBay, Inc., 2011 WL 846060, at *11 (N.D. Cal. Mar. 8, 2011) (Whyte, J.) (“Because [Plaintiffs’]
Declaration contains numerous legal conclusions and arguments and lacks proper foundation, this
court grants [Defendant’s] motion to strike.”). Plaintiff also challenges the admissibility of several
exhibits that Defendant Canton attaches. As with the e-mails mentioned above, the Court does not
decide this issue because even considering these exhibits, the Court grants Plaintiff’s motion.

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It is stated in the license agreement [that] “IKOR shall have a standard right to inspect the manufacturing facility at the time it commences operations[]”. Please describe the elements of the license agreement by detailing the elements that are not being met and given that you have request no inspection.”

(Canton Decl. Ex. O at 1 (emphasis in original).) Also, there is evidence that suggests that Defendants considered the LMA to be binding. For example, a December 29, 2009 e-mail sent by Defendant Canton shows elation (“[t]his is a Christmas present of large proportions”) after Plaintiff failed to respond to an order request sent by Defendants, which, according to Defendant Canton, “nullified [Plaintiff’s] first right option to provide product[s] to [Defendant] IKOR and sets the stage for [Defendant] IKOR contracting internally or to other parties.” (Morneau Decl. Ex. 54 at 1.)

In response, Plaintiff argues that other evidence demonstrates that the Parties did not have an intent to be bound by the LMA. For example, Mr. Wai states that although he

told [Defendant Canton] that [Plaintiff] would for the time being respect the principal terms outlined in the Schedule to the Option Agreement until such time that a formal agreement could be reached[,] [i]t was never my intention or expectation that the Schedule would act as an LMA or that Logtale would be contractually bound to those terms unless they were included in a formal, written LMA approved and signed by both parties.

(Wai Decl. ¶ 4.) Plaintiff also cites the exchange of numerous drafts of the LMA between the Parties. (See, e.g., *id.* Exs. 9-11.) Furthermore, Plaintiff notes that several provisions of the LMA indicated that negotiations were to come. For example, the LMA begins by stating that “[u]pon the exercise of the option of [Plaintiff], [Plaintiff] and [Defendant] IKOR shall enter into a License and Manufacturing Agreement . . . under which [Plaintiff] would be granted . . .” certain rights. (Morneau Decl. Ex. 10 at 5.) This conditional language suggests that the agreement is not final. In addition, other provisions of the agreement explicitly state that their terms are “subject to future discussion between the Parties” or that they will “be negotiated as part of the definitive Agreement.” (*Id.* at 8, 11.) Nevertheless, Defendant Canton’s testimony that he and Mr. Wai reached an oral agreement to abide by the terms of the LMA, combined with the e-mails referencing the LMA’s binding effect, would suffice to create a genuine issue of material fact over whether the Parties intended to be bound by the LMA.

1 Intent to be bound alone, however, is insufficient; a valid contract also requires a “meeting
2 of the minds on all material points.” S.J. Amoroso Const. Co., 2009 WL 4907736, at *7.
3 Goodworth Holdings Inc. v. Suh, 239 F. Supp. 2d 947 (N.D. Cal. 2002), aff’d, 99 F. App’x 806
4 (9th Cir. 2004), is particularly instructive here. That case granted a motion for summary judgment
5 pertaining to an oral agreement to create a joint venture where the parties allegedly “agreed that
6 they would pay their own expenses, each would have a 50-50 stake, each would like to receive
7 twenty percent of the equity acquired, and the parties were not allowed to work with anyone else.”
8 39 F. Supp. 2d at 956. There was also a term sheet that indicated that “the division of profits, who
9 the parties to the agreement would be, and what role each party would play in the transaction was
10 not determined.” Id. at 957. Additionally, some of the Parties’ names were listed in the term
11 sheet in brackets. Id. After noting that “[a] legally binding agreement . . . is not formed where
12 essential elements are reserved for future agreement,” id. at 956, the court held that no contract
13 had been formed, reasoning that the term sheet’s unresolved issues “alone [are] dispositive,” id. at
14 957.

15 Here, there is no dispute as to those terms that were set out in the October 20, 2006 LMA.
16 (Opp. at 9; Morneau Decl. Ex. 72 (Canton Dep.) at 284-86, 309-11, 385.) However, there are
17 several material terms explicitly left unresolved by the LMA:

18 Sale in Extended Territory: In respect of the Licensed Products
19 manufactured by the Licensee for sale in the Extended Territory, the
20 Licensee will sell such products to such party or parties as may be
21 designated by IKOR at a price equal to a minimum of twenty
percent (20%) plus Costs of Goods Sold (as defined above), with
such amount to be subject to future discussion between the Parties.

22 New Intellectual Property: The Licensee will own all new
23 intellectual property related to a Licensed Product that is conceived
24 or reduced to practice by the Licensee during the term of the
Agreement. Upon IKOR’s request, the Licensee will grant a
royalty-bearing non-exclusive licensee of such new intellectual
property to IKOR on terms to be agreed between the Parties.

25 Termination: Either Party would have the right to terminate the
26 Agreement for uncured material breach upon ninety (90) days prior
27 written notice to the other Party. Other typical grounds for
28 termination would be included. The effects of any such termination
by either Party would be negotiated as part of the definitive
Agreement.

1 (Morneau Decl. Ex. 10 at 8-11 (emphasis added).)

2 Plaintiff also notes ambiguities in the LMA as to other material points that are not resolved
3 by the document. For example, the section defining the “term” of the agreement states:

4 The term of the Agreement will continue on a product-by-product
5 basis with respect to each country in the Territory until the later of
6 (i) the last to expire of the applicable IKOR Patent Rights with valid
7 claims covering a Licensed Product(s) in such country expires, and
8 (ii) ten years after the first commercial sale of that particular
9 Licensed Product in such a country.

10 (Id. at 10.) This section is ambiguous in the context of this case as the “licensed products” were
11 still being developed. Therefore, whether Plaintiff breached the LMA by failing to spend a
12 minimum of \$10,000,000 over the course of the agreement, as Defendants claim (see Morneau
13 Decl. Ex. 10 at 9), is unclear because Plaintiffs would not be in breach of this section if the term of
14 the agreement were still ongoing. Furthermore, the effect of a breach of the LMA is also unclear
15 as the termination section merely specifies that “typical grounds” will be included. (Id. at 11.)
16 Additionally, Defendants argue that they “made several demands to inspect [Plaintiff’s] facilities,
17 but such demands have been ignored or refused.” (Dkt. 45 at 24.) However, the LMA only
18 specifies that Defendant IKOR will have “standard rights” to inspect the facility. It is unclear
19 what those rights actually are. Therefore, Defendants are mistaken in claiming that “only two (2)
20 things [were] left to be determined” with this agreement. (Opp. at 22.)

21 Defendants also argue that the LMA is not a mere “agreement to make an agreement”
22 because extensive negotiations went into the drafting of the document (see Canton Decl. Exs. DD,
23 EE (pre-October 20, 2006 LMA drafts)), and a February 2008 draft LMA circulated by Plaintiff
24 incorporates the October 20, 2006 LMA (see Wai Decl. Ex. 18). However, these ongoing
25 negotiations belie the existence of a final agreement on all material terms. For example, Plaintiffs’
26 February 2008 draft of the LMA (Wai Decl. Ex. 18), as well as several of the other drafts
27 circulated by the Parties, contains numerous additional terms not included in the October 20, 2006
28 LMA.⁵ Defendants characterize these negotiations as “materially and significantly new and

⁵ Defendants’ argument that the February 2008 draft of the LMA incorporates the October 20, 2006 LMA as an exhibit is not to the contrary. (Opp. at 25.) The issue here is not whether Plaintiff was following the October 20, 2006 LMA. For a time, Plaintiff admits that it was.

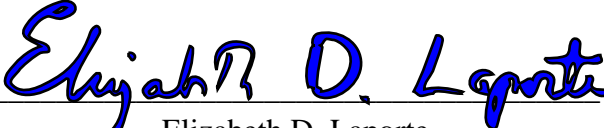
1 different than the October 20, 2006 LMA,” apparently in an attempt to argue that the Parties’
2 continued negotiations pertained to a separate agreement. (Opp. at 11.) However, there is no
3 support in the record for this assertion other than the improper declaration from Defendant Canton.
4 See Celotex, 477 U.S. at 323-24 (“One of the principal purposes of the summary judgment rule is
5 to isolate and dispose of factually unsupported claims or defenses.”). The October 20, 2006 LMA
6 is written in conditional language that indicates that the document is not a final agreement. (See
7 Morneau Ex. 10 at 5-11; see also Ex. 10 at 1 (Option Agreement) (specifying that the Parties
8 “shall negotiate diligently and in good faith, and use their best efforts to enter into the License and
9 Manufacturing Agreement on the principal terms and conditions set out in the Schedule”
10 (emphasis added)).) Furthermore, subsequent drafts clarify certain terms which were left
11 ambiguous by the October 20, 2006 LMA, such as the representations and warranties of the
12 Parties, and the effect of termination, showing that the Parties were continuing to negotiate the
13 LMA’s terms. Ultimately, the Parties were not actually able to reach an agreement. Thus, while
14 there may be a genuine issue of material fact over whether the parties intended to be bound by the
15 LMA, the undisputed facts show that the Parties failed to reach a “meeting of the minds on all
16 material points.” S.J. Amoroso Const. Co., 2009 WL 4907736, at *7; Goodworth Holdings, 39 F.
17 Supp. 2d at 957.

18 **IV. CONCLUSION**

19 Plaintiff’s motion for summary judgment on Defendant’s counterclaim for breach of the
20 LMA is GRANTED.

21 **IT IS SO ORDERED.**

22 Dated: March 20, 2015

23 
24 Elizabeth D. Laporte

25 United States Magistrate Judge

26 (Reply at 11 (“the evidence . . . only shows Plaintiffs willingness to temporarily abide by the terms
27 of the Schedule (such as they were) until an agreement could be reached on the actual material
28 terms that had been left to future determination, which never occurred”).) Rather, the issue is
whether there was an agreement on all material terms sufficient for the October 20, 2006 LMA to
be a binding contract.