

United States District Court  
For the Northern District of California

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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

SHENZHENSHI HAITIECHENG SCIENCE )	Case No. CV 15-cv-00797-SC
AND TECHNOLOGY CO., LTD., )	
Plaintiff, )	<u>ORDER DENYING DEFENDANTS'</u>
v. )	<u>MOTION FOR SUMMARY JUDGMENT</u>
REARDEN, LLC; REARDEN MOVA, LLC; )	
MO2, LLC; MOVA, LLC, )	
Defendants. )	

Defendants Rearden, LLC; Rearden MOVA, LLC; MO2, LLC; and MOVA, LLC (collectively "Defendants" or "Rearden") have filed a motion for summary judgment on Defendants' counterclaim for declaratory relief. ECF No. 35 ("Mot."). The motion is fully briefed and suitable for disposition without oral argument per Local Rule 7-1(b). For the reasons provided below, Defendants' motion is DENIED.

**I. BACKGROUND**

This case is about who owns MOVA, a set of hardware, software, and intellectual property used for facial motion capture in motion pictures and video games (the "MOVA Assets"). The relevant players  
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1 in this dispute are Greg LaSalle ("LaSalle") and Stephen Perlman  
2 ("Perlman").

3 LaSalle and Perlman have known each other for over forty  
4 years. During that time, they engaged in a number of business  
5 dealings and were friends. From 2000 to 2013, LaSalle was employed  
6 by Perlman's companies -- first Rearden, then OnLive, and then  
7 Rearden again -- where he helped develop the MOVA Assets. In 2012,  
8 OnLive went out of business, and the MOVA Assets were transferred  
9 to a company called OL2. After OnLive went out of business,  
10 LaSalle transferred from OnLive to Rearden at which point he signed  
11 an employment contract, the interpretation of which is central to  
12 this litigation. The contract included a Proprietary Information  
13 and Inventions Agreement ("PIIA") in which LaSalle committed to  
14 assign Rearden all "proprietary information" acquired by him during  
15 his employment. ECF No. 38-3. The PIIA defines "Proprietary  
16 Information" as information which has "commercial value in the  
17 Company's Business," including intellectual property. Id.

18 In September 2012, OL2's CEO, Gary Lauder ("Lauder"),  
19 contacted Perlman and offered to transfer the MOVA Assets to  
20 Rearden at no charge. Perlman replied that he "did not want it,  
21 nobody would pay for it and that [OL2] should just give [the MOVA  
22 Assets] to [LaSalle and his business partner Ken Pearce]." ECF No.  
23 44-3; see also 43-5 at REARDEN 000106 ("I suggest you transfer the  
24 assets to [LaSalle and Pearce] through some means, and let them  
25 have a go at it . . . I don't see any way to monetize it  
26 meaningfully."); 43-7 at REARDEN 000099 ("[G]iving [the MOVA  
27 Assets] to [LaSalle and Pearce] not only is a reasonable thing to  
28 do for their careers, but it is fair for them to derive what

1 benefit they can from it . . . ."). After OL2 agreed to sell the  
2 MOVA Assets to LaSalle, Perlman told Lauder, "This was really the  
3 right thing to do . . . I'll help [LaSalle and Pearce] with the  
4 legal resources to set up a company to hold the assets, but I'll  
5 leave it to them to put it together and drive it forward." ECF No.  
6 43-5 at REARDEN 000104. A few weeks later, Perlman introduced  
7 LaSalle to an attorney to help set up a company and negotiate with  
8 OL2. During the negotiations, Perlman stated in writing to the  
9 lawyer representing LaSalle that "this transaction is between  
10 [LaSalle] and OL2, and I [Perlman] am not a party involved. I'm  
11 just offering suggestions and information to the extent it is  
12 helpful." ECF No. 44-13 at SHST0000057.

13 LaSalle subsequently established a company called MO2 and  
14 acquired the MOVA Assets on February 11, 2013. Perlman, however,  
15 asserted that Rearden owned the MOVA Assets by operation of the  
16 PIIA which stated that any "proprietary information" that LaSalle  
17 acquired while he was employed by Rearden would be assigned to  
18 Rearden. After several heated discussions with Perlman, LaSalle  
19 resigned his position shortly thereafter.

20 On May 8, 2013, LaSalle, through his company MO2, sold the  
21 MOVA Assets to Plaintiff Shenzhenshi Haitiecheng Science and  
22 Technology Co., LTD ("Shenzhenshi"). On February 20, 2015,  
23 Shenzhenshi filed its complaint in this suit. Among other claims,  
24 Shenzhenshi asks the Court to declare that Shenzhenshi owns the  
25 MOVA Assets and that Rearden does not have any ownership interest.  
26 On April 1, 2015, Rearden filed its answer and counterclaim, asking  
27 the Court to declare that Rearden owns the MOVA Assets. Now before  
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1 the Court is Rearden's motion for summary judgment on its  
2 counterclaim for declaratory relief.

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4 **II. LEGAL STANDARD**

5 Entry of summary judgment is proper "if the movant shows that  
6 there is no genuine dispute as to any material fact and the movant  
7 is entitled to judgment as a matter of law." Fed. R. Civ. P.  
8 56(a). "In order to carry its burden of production, the moving  
9 party must either produce evidence negating an essential element of  
10 the nonmoving party's claim or defense or show that the nonmoving  
11 party does not have enough evidence of an essential element to  
12 carry its ultimate burden of persuasion at trial." Nissan Fire &  
13 Marine Ins. Co., Ltd. v. Fritz Cos., Inc., 210 F.3d 1099, 1102 (9th  
14 Cir. 2000). "The evidence of the nonmovant is to be believed, and  
15 all justifiable inferences are to be drawn in his favor." Anderson  
16 v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). Summary judgment  
17 should be entered against a party that fails to make a showing  
18 sufficient to establish the existence of an element essential to  
19 its case. Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986).

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21 **III. DISCUSSION**

22 Rearden claims that the Court should declare, as a matter of  
23 law, that Rearden is the sole owner of the MOVA Assets given that  
24 (1) the PIIA clearly states that LaSalle assigned all rights in  
25 future-acquired proprietary information to Rearden during the term  
26 of his employment, and (2) the PIIA is fully integrated with a no

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1 oral modification and an antiwaiver<sup>1</sup> clause. Mot. at 1. In  
2 response, Shenzhenshi asserts various grounds on which it believes  
3 the Court should deny Rearden's motion: (1) the PIIA does not  
4 govern because the MOVA Assets are outside of Rearden's business;  
5 (2) the PIIA does not apply because LaSalle's business -- MO2 --  
6 acquired MOVA, not LaSalle himself; (3) the PIIA was modified by  
7 signed writings in the form of emails sent by Perlman; (4) the PIIA  
8 was modified orally once the oral modifications were fully  
9 executed; (5) the PIIA is illegal and unenforceable; (6) Rearden  
10 waived any right to the MOVA assets through words and conduct; (7)  
11 Rearden is estopped from claiming that the transfer from OL2 to  
12 LaSalle was for Rearden's benefit; (8) Rearden has unclean hands;  
13 and (9) Rearden's counterclaim is barred by the doctrine of laches.  
14 Opp'n at 17-25. As explained below, Shenzhenshi's arguments  
15 regarding waiver and estoppel establish genuine disputes of  
16 material fact fatal to Rearden's motion. The Court does not make  
17 any findings as to Shenzhenshi's other arguments, however.

18 "Waiver is the intentional relinquishment of a known right  
19 after full knowledge of the facts . . . [and] does not require any  
20 act or conduct by the other party. Thus, the pivotal issue in a  
21 claim of waiver is the intention of the party who allegedly  
22 relinquished the known legal right." Old Republic Ins. Co. v. FSR  
23 Brokerage, Inc., 80 Cal. App. 4th 666, 678 (2000) (citations  
24 omitted). A party's intent to waive a contractual right can be  
25 demonstrated through words or conduct. See Biren v. Equality

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27 <sup>1</sup> Antiwaiver provisions -- also known as "no-oral waiver"  
28 provisions -- require a signed writing before a party will be  
deemed to have waived a contract term through words or conduct  
alone.

1 Emergency Medical Group, Inc., 102 Cal. App. 4th 125, 141 (2002);  
2 see also Wagner v. Glendale Adventist Med. Ctr., 216 Cal. App. 3d  
3 1379, 1388 (1989) (finding waiver where a party "behaved in a  
4 manner antithetical to one or more terms of an express written  
5 contract"). Finally, waiver is normally a question of fact for the  
6 jury. Black v. Arnold Best Co., 124 Cal. App. 2d 378, 384-85  
7 (1954).

8 Equitable estoppel is separate from, though similar to, the  
9 doctrine of waiver. As Witkin explains,

10 [a] valid claim of equitable estoppel consists of the  
11 following elements: (a) a representation or concealment  
12 of material facts (b) made with knowledge, actual or  
13 virtual, of the facts (c) to a party ignorant, actually  
and permissibly, of the truth (d) with the intention,  
actual or virtual, that the ignorant party act on it, and  
(e) that party was induced to act on it."

14 13 Witkin, Summary 10th (2005) Equity, § 191, p. 527. Thus, unlike  
15 the doctrine of waiver, equitable estoppel requires certain acts or  
16 conduct by both parties. In particular, it requires reliance on  
17 the part of the party who is asserting it.

18 Shenzhenshi has presented evidence that Perlman knew about  
19 LaSalle's desire to obtain the MOVA Assets for LaSalle's own  
20 benefit, actively encouraged LaSalle to acquire the MOVA Assets,  
21 expressly disclaimed any interest in acquiring the MOVA Assets on  
22 Rearden's behalf, and explicitly stated that he was not a party to  
23 the transaction between OL2 and LaSalle. See ECF Nos. 44-3, 43-5  
24 at REARDEN 000106, 43-7 at REARDEN 000099, 43-5 at REARDEN 000104,  
25 44-13 at SHST0000057. In short, Shenzhenshi's evidence suggests  
26 that Perlman clearly communicated through his words and actions  
27 that he was not going to enforce the assignment provisions of the  
28 PIIA. Further, the evidence suggests that LaSalle relied on

1 Perlman's words and actions to his detriment, ultimately causing  
2 LaSalle to resign his position at Rearden.

3 Rearden argues that Perlman could not have waived Rearden's  
4 right to the assignment of the MOVA Assets because of the  
5 antiwaiver provision in the PIIA. Section M of the PIIA states,  
6 "No . . . waiver of any rights under this Agreement will be  
7 effective unless in a writing signed by the CEO of the Company and  
8 [LaSalle]." ECF No. 38-3. The presence of an antiwaiver  
9 provision, however, is not dispositive because the antiwaiver  
10 provision can itself be waived through words or conduct. See,  
11 e.g., Gould v. Corinthian Colleges, Inc., 192 Cal. App. 4th 1176,  
12 1180 (2011) (finding that "an antiwaiver provision would militate  
13 against a finding of waiver under most circumstances" but such a  
14 clause is waived where enforcement of the clause in light of the  
15 party's conduct would be "absurd" or "unconscionable").

16 Shenzhenshi's evidence suggests that Perlman either expressly  
17 or impliedly waived the antiwaiver provision of the PIIA when he  
18 encouraged LaSalle to purchase the MOVA Assets for LaSalle's own  
19 benefit. After encouraging and facilitating the transfer of the  
20 MOVA Assets from OL2 to LaSalle, Perlman cannot then point to the  
21 antiwaiver provision to claim the MOVA Assets for himself. Such a  
22 result would be inequitable, "absurd," and "unconscionable." See  
23 id.

24 In sum, even if the Court were to assume that the PIIA  
25 encompasses the MOVA Assets and that the effect of the PIIA was to  
26 assign ownership of the MOVA Assets to Rearden upon LaSalle's  
27 acquisition from OL2 -- a finding that the Court does not make --  
28 there is, at the very least, a genuine dispute of material fact as

1 to whether Perlman's words and actions were so antithetical to  
2 Rearden's right to assignment as to constitute waiver and/or  
3 estoppel. Because this is a sufficient basis on which to deny  
4 Rearden's motion, the Court need not address Shenzhenshi's other  
5 arguments as to why Rearden's motion ought to be denied.

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7 **IV. CONCLUSION**

8 For the foregoing reasons, Defendants' motion for summary  
9 judgment on Defendants' counterclaim for declaratory relief is  
10 DENIED.

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12 IT IS SO ORDERED.

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14 Dated: October 15, 2015

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UNITED STATES DISTRICT JUDGE

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