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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

THE REGENTS OF THE UNIVERSITY OF
CALIFORNIA,

Plaintiff,

v.

ROGER JINTEH ARRIGO CHEN, et al.,

Defendants.

Case No. [16-cv-07396-EMC](#)

**ORDER DENYING DEFENDANTS’
MOTION TO DISMISS PLAINTIFF’S
FIRST AMENDED COMPLAINT**

Docket No. 53

I. INTRODUCTION

The Regents of the University of California (“the University”) brought this suit alleging that a former research employee, Defendant Roger Jinteh Arrigo Chen, violated his contractual agreement by failing to assign his inventions to the University. *See* Docket No. 48 (“FAC”) ¶ 1. After leaving the University, Chen started a company, Defendant Genia Technologies, Inc. (“Genia”), which sought to commercialize the technology the University claims Chen invented during his prior employment. Chen secured patents based on the disputed technology, and assigned those patents to Genia. The University filed the instant suit asserting a claim for Correction of Inventorship under 35 U.S.C. § 256, as well as seven state-law contract and tort claims relating to Chen’s alleged breach of his agreement. Now pending before the Court is Defendants’ motion to dismiss the University’s First Amended Complaint. Docket No. 53. The Court **DENIES** the motion.

II. FACTUAL AND PROCEDURAL BACKGROUND

The following facts are drawn from the University’s FAC. In October 2005, Chen enrolled in a Ph.D. program in Biochemistry at the University of California at Santa Cruz (“UCSC”). FAC

1 ¶ 15. While at UCSC, Chen worked as a researcher in a biophysics laboratory run by Mark A.
2 Akeson and David W. Deamer, scientists working in the field of DNA nanopore sequencing.¹
3 FAC ¶ 16. As a condition of his employment in the lab, Chen was required to sign the
4 University’s State Oath of Allegiance, Patent Policy, and Patent Acknowledgment. *Id.* The Patent
5 Acknowledgment provides that (1) Chen has an “obligation to assign inventions and patents” that
6 he conceived or developed during the time he was employed by the University or while using the
7 University’s research facilities, resources, or funds; (2) Chen has an “obligation to promptly report
8 and fully disclose the conception and/or reduction to practice of potentially patentable inventions”
9 to the University so that it could “determine [its] rights and equities therein”; (3) if the University
10 determined that any such invention was patentable, Chen was required to execute any documents
11 necessary to assign all patent rights to the University; and (4) the University would provide Chen
12 with a percentage of any royalty payments obtained based on licensing Chen’s inventions. FAC ¶
13 17. Chen executed this agreement on September 15, 2005.

14 During his time at the UCSC lab, Chen, along with various co-inventors, developed a
15 number of inventions “relating to a computer chip containing an array of individually addressable
16 nanopores in membranes.” FAC ¶ 21. These inventions were recorded in a series of Disclosures
17 and Records of Invention, identifying Chen as either sole inventor or co-inventor. FAC ¶ 22.

18 Mark Akeson co-developed with Chen two concepts relevant to the inventions: First, “the
19 concept of binding a large blocking molecule to a polynucleotide molecule so that an enzyme in
20 solution . . . could not modify the polynucleotide”; and second, “the concept of providing an array
21 of individually addressable nanopores formed in a membrane for characterizing and/or sequencing
22 each of a plurality of polynucleotide molecules.” FAC ¶ 27. David Deamer, a professor at UCSC
23 working in the same lab, originally conceived the idea of “using nanopores for sequencing of
24 polynucleotide molecules” and he co-developed, with Akeson, “the use of enzymes such as
25 exonucleases and polymerases to control the movement of a polynucleotide molecule passing
26

27 ¹ Nanopore sequencing is a method of determining the precise order of nucleotides within a DNA
28 molecule that makes use of very small holes (nanopores) whose diameter is on the order of one
billionth of a meter. FAC ¶ 20.

1 through a nanopore so that the polynucleotide molecule could be sequenced.” FAC ¶ 30.
2 Additionally, two other researchers, William B. Dunbar and Noah A. Wilson, made relevant
3 contributions to the inventions, and are identified with Chen and others on other disclosures of
4 inventions. FAC ¶ 28. In particular, “Wilson and Dunbar developed at least the use of voltage
5 feedback control and a finite state machine to control the movement of polynucleotide molecules
6 captured in nanopores and measure electrical signals across the nanopores, as well as its associated
7 computerized processor and automation equipment.” FAC ¶ 30.

8 Between 2007 and 2016, the University filed a series of related patent applications seeking
9 protection for the inventions discussed above; each of the applications lists Chen as an inventor,
10 along with one or more of the other researchers. FAC ¶ 32. Akesson, Deamer, Dunbar, and
11 Wilson each assigned their rights in the patent applications to the University. FAC ¶ 33. The
12 University filed the first three of these applications in 2007 while Chen was still employed at the
13 University. FAC ¶ 39. Shortly after he left his employment in January 2008, the University filed
14 two additional applications. FAC ¶ 40. Beginning in early 2009, the University asked Chen to
15 execute declarations pertaining to these patent applications, but between 2009 and 2010 “Chen
16 either failed to respond or was evasive when the University” asked him to do so. FAC ¶ 42.
17 During this period, Chen was launching Genia, which was officially founded in March 2009.
18 FAC ¶ 44.

19 On October 17, 2013, the University filed an additional patent application, and
20 subsequently asked Chen to execute an Inventor’s Oath or Declaration as to that application, and
21 also asked him to execute assignment as to the six previously filed applications. FAC ¶ 46. After
22 asking for additional information, on March 5, 2014, Chen sent a letter stating “I do not believe I
23 contributed to material in the claims in this application. Thus, I do not believe I am an inventor on
24 this application” and advising the University to review his written materials from his time at
25 UCSC. FAC ¶ 48. The University was unable to locate any such materials, and allege that “Chen
26 failed to return those materials to the University, even though he was required to do so per the
27 terms of his employment and the University’s policy.” FAC ¶ 49. The University states that it
28 had no reason to look for Chen’s materials prior to receiving his 2014 letter.

1 Genia’s business model is based on nanopore sequencing. Genia has secured five patents
2 related to this technology which list Chen as one of two co-inventors, along with Randy Davis,
3 another Genia employee who never worked at UCSC. FAC ¶ 58. According to the University,
4 “[t]he subject matter of the Genia Patents, and the claims and inventions disclosed therein, were
5 conceived and developed by Chen (and his University co-inventors) during his employment with
6 the University.” FAC ¶ 57. The first Genia Patent was filed on February 8, 2010. Its pre-grant
7 publication date was August 8, 2011, and it was issued on December 4, 2012. *Id.* Genia filed
8 additional patent applications in the following years, and its additional patents were issued on June
9 11, 2013, May 26, 2015, and June 28, 2016. *Id.* Most recently, Genia filed a patent application on
10 March 24, 2016, which was published on November 24, 2016, and has not yet been issued. *Id.*

11 The University learned of the Genia Patents sometime shortly before June 10, 2014, when
12 it filed an additional patent application containing claims copied from Genia’s ‘854 patent, which
13 had been issued on June 11, 2013. FAC ¶ 50. The University again asked Chen to sign inventors’
14 declarations and assignments regarding this application, and requested that he provide a copy of
15 his written materials. *Id.* Chen responded, through counsel, asking for additional information
16 regarding the University’s claims. Over the next “several months,” Chen continued to engage in
17 “evasive tactics,” including requesting additional information and “advancing various excuses as
18 to why he had not executed the requested documents.” FAC ¶ 53. To date, Chen has not executed
19 any declarations or assignments relating to the University’s patent applications. FAC ¶ 55.

20 In June 2014, Roche, one of the largest healthcare companies in the world, agreed to
21 acquire Genia for \$125 million, plus another \$225 million contingent on achieving certain
22 milestones. FAC ¶ 62. The University states that “[u]pon information and belief, a significant
23 portion of the Acquisition Payment is attributable to the value of the Genia Patents, which are one
24 of Genia’s most valuable assets.” FAC ¶ 63.

25 Although Genia’s first patent application was published on August 11, 2011 and issued as
26 the Genia ‘914 patent on December 4, 2012, the University alleges that it did not know of the
27 patent until sometime in 2014. The University was not aware that Chen had co-founded Genia in
28 March 2009 and had begun pursuing competing patent applications in 2010. Thus, the University

1 alleges that it “had no reason to suspect that Chen was improperly using the UCSC Inventions, so
2 as to trigger a duty to investigate whether any patents or published patent applications naming
3 Chen as an inventor incorporated the UCSC Inventions.” FAC ¶ 68. The University alleges that
4 to the extent Chen breached his contractual obligations regarding to the University’s 2007-2008
5 applications, those breaches were insufficient to put the University on notice that he would breach
6 his agreement with respect to the later-filed applications. FAC ¶ 66. The University further
7 alleges that Chen engaged in “evasive conduct” and made “continued representations suggesting
8 he might comply with the University’s requests to fulfill his obligations under the Patent
9 Agreement.” *Id.* This “misconduct induced the University into forbearing suit,” FAC ¶ 72, and
10 equitably estops Chen and Genia from asserting a statute of limitations defense. FAC ¶ 74.

11 Based on the above allegations, the University brought the instant action, asserting claims
12 for (1) Correction of Inventorship Under 35 U.S.C. § 256; (2) Declaration of Patent Ownership;
13 (3) Breach of Contract; (4) Breach of the Implied Covenant of Good Faith and Fair Dealing; (5)
14 Conversion; (6) Inducing Breach of Contract; (7) Intentional Interference with Contractual
15 Relations; and (8) Constructive Trust. Defendants move to dismiss on the following grounds: (1)
16 the University’s claim for Correction of Inventorship fails to state a claim; (2) the University’s
17 state law claims are time-barred; (3) the University’s state law claims are preempted by federal
18 patent law; and (4) the University’s contract and derivative tort claims fail because the patent
19 agreement between Chen and the University unambiguously imposes no post-employment duty on
20 Chen.

21 **III. DISCUSSION**

22 A. Standard of Review

23 Under Rule 12(b)(6), a party may move to dismiss based on the failure to state a claim
24 upon which relief may be granted. A motion to dismiss based on Rule 12(b)(6) challenges the
25 legal sufficiency of the claims alleged. See *Parks Sch. of Bus. v. Symington*, 51 F.3d 1480, 1484
26 (9th Cir. 1995). In considering such a motion, a court must take all allegations of material fact as
27 true and construe them in the light most favorable to the nonmoving party, although “conclusory
28 allegations of law and unwarranted inferences are insufficient to avoid a Rule 12(b)(6) dismissal.”

1 *Cousins v. Lockyer*, 568 F.3d 1063, 1067 (9th Cir. 2009). While “a complaint need not contain
2 detailed factual allegations . . . it must plead “enough facts to state a claim to relief that is plausible
3 on its face.” *Id.* “A claim has facial plausibility when the plaintiff pleads factual content that
4 allows the court to draw the reasonable inference that the defendant is liable for the misconduct
5 alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662 (2009); *see also Bell Atl. Corp. v. Twombly*, 550 U.S. at
6 556. “The plausibility standard is not akin to a ‘probability requirement,’ but it asks for more than
7 sheer possibility that a defendant acted unlawfully.” *Iqbal*, 556 U.S. at 678.

8 B. Count One

9 The University’s first claim for relief is for correction of inventorship under 35 U.S.C. §
10 256, which permits a court to order the correction of a patent “[w]henver through error a person
11 is named in an issued patent as the inventor, or though error an inventor is not named in an issued
12 patent.” Specifically, the University asks that the Court correct the four issued Genia patents—the
13 ‘914, ‘854, ‘420, and ‘437 patents—by removing Randy Davis and adding Mark Akeson, David
14 Deamer, William Dunbar, and Noah Wilson. FAC ¶ 87. Defendants contend that the University
15 has failed to set forth sufficient facts to support this claim under *Iqbal* and *Twombly*. In particular,
16 Defendants argue that the University makes general claims that “several UCSC employees
17 ‘contributed to the conception’ of various concepts regarding nanopore technology . . . and that the
18 UCSC employees and Mr. Chen ‘jointly conceived’ of certain systems allegedly ‘claimed’ in
19 some of the Genia Patents.” Motion at 23. According to Defendants, the University did not make
20 sufficient “assertions regarding what the Genia Patent claims state, or what part of those patents
21 claims is novel (i.e., inventive rather than simply part of the technological background).” *Id.*

22 The Court disagrees. As the University correctly points out, Defendants’ selective reading
23 of the complaint entirely elides the fact that, over the course of several pages, the University’s
24 FAC goes into considerable detail regarding specific contributions made by each of the University
25 scientists to particular methods and ideas underlying the patents, *see* FAC ¶¶ 80-82, and further
26 explains how these conceptions relate to specific systems claimed in each of the Genia Patents, *see*
27 FAC ¶¶ 83-85. Indeed, the FAC “recite[s] specific elements from the Genia Patent claims that
28 each inventor conceived.” Docket No. 58 (“Opp.”) at 10.

1 In reply, the Defendants do not effectively respond to these points; instead, they seek to
2 distinguish a case relied upon by the University on the ground that in that case, there were specific
3 allegations of “corroborating evidence of conception” such as when and how information was
4 shared between the inventors. Docket No. 59 (“Reply”) at 13 (quoting *Quintel Tech. Ltd. v.*
5 *Huawei Techs. USA, Inc.*, No. 415CV00307GHDCMC, 2016 WL 5423178, at *18 (E.D. Tex.
6 Sept. 27, 2016)). But the University includes specific allegations about how each of the
7 researchers collaborated during their time working at the UCSC lab. These allegations are
8 sufficient to state a plausible claim under *Iqbal* and *Twombly*, and the Court therefore **DENIES**
9 Defendants’ motion with respect to Count One.

10 C. Counts Two through Eight

11 1. Statute of Limitations

12 With respect to the University’s state law claims, Counts Two through Eight, Defendants
13 first argue that each is time barred as a matter of law. As the parties apparently agree, the statutes
14 of limitations are two years for Plaintiff’s claims against Genia for tortious interference with
15 contract and inducing breach of contract (Counts Six and Seven), three years for Plaintiff’s
16 conversion claim (Count Five), and four years for Plaintiff’s patent ownership and breach of
17 contract claims (Counts Two through Four).² Motion at 7 (citing authorities for each of the
18 relevant limitations periods). This action was filed on December 29, 2016, which means that the
19 critical date for the longest limitations period is December 29, 2012. Defendants argue that all of
20 the University’s claims accrued before that date, for several reasons.

21 a. Constructive Notice

22 Defendants’ primary argument is twofold: First, the publication, on August 11, 2011, and
23 issuance, on December 4, 2012, of the first Genia Patent, put the University on constructive notice
24 of its claims. Second, because the subsequent Genia Patents are continuation patents related to the
25 first, the first Genia Patent triggered the statute of limitations for *all* of the University’s claims,

26 _____
27 ² Defendants assert that “Plaintiff’s constructive trust claim (Count VIII) is a remedy, not a stand-
28 alone claim, subject to the statutes of limitations for the other claims, depending on the underlying
substantive right.” Motion at 8 (citing *Davies v. Krasna*, 14 Cal. 3d 502, 515-16 (Cal. 1975)).
The University does not dispute this point.

1 even as to the subsequent patents.

2 With respect to constructive notice, the Supreme Court has long held that “issuance of a
3 patent and recordation in the Patent Office constitute notice to the world of its existence.” *Wine*
4 *Ry. Appliance Co. v. Enter. Ry. Equip. Co.*, 297 U.S. 387, 393 (1936). Following *Wine Railway*,
5 the Ninth Circuit and this Court have held that “publication of patents (and now patent
6 applications) must be deemed, as a matter of law, to place those practicing in the same field and
7 prosecuting their own patent applications in the same field on full notice of all of the contents of
8 the publication.” *Wang v. Palo Alto Networks, Inc.*, No. C 12-05579 WHA, 2014 WL 1410346, at
9 *6 (N.D. Cal. Apr. 11, 2014); *see also Gen. Bedding Corp. v. Echevarria*, 947 F.2d 1395, 1398
10 (9th Cir. 1991) (holding that where the publication of a patent would alert a reasonable person to
11 the “need to inquire further,” the statute of limitations on claims arising from the patent would
12 begin to run with publication). It is undisputed that with respect to the patents at issue, the
13 University and Defendants are “practicing in the same field,” i.e. the field of nanopore technology.
14 Accordingly, as Defendants argue, the issuance of the first Genia Patent, on December 4, 2012,
15 “gave Plaintiff notice that (1) Mr. Chen and Genia sought patent protection on inventions directed
16 to nanopore technology; (2) Mr. Chen had not assigned the application or patent to Plaintiff; and
17 (3) Mr. Chen claimed the inventions set forth therein for himself and Genia.” Motion at 12. This
18 sufficed to put the University on notice of all claims arising out of this patent, and accordingly
19 Chen’s failure to assign his rights to the University.

20 The University states that some courts have “flatly rejected” the argument that the issuance
21 of a patent constitutes constructive notice of its existence as a matter of law. Opp. at 22. But the
22 University only cites two district court cases that have reached this conclusion, and only one of
23 them, *Applera Corp.–Applied Biosystems Grp. v. Illumina, Inc.*, No. C-07–02845-WHA, 2008 WL
24 927963, at *1–2 (N.D. Cal. Apr. 4, 2008), is from a court within this Circuit. As Defendants
25 rightly point out, the author of the *Applera* order, Judge Alsup, subsequently explicitly repudiated
26 it and held to the contrary that “publication of patents (and now patent applications) must be
27 deemed, as a matter of law, to place those practicing in the same field and prosecuting their own
28 patent applications in the same field on full notice of all of the contents of the publication.” *Wang*,

1 2014 WL 1410346, at *6. The Supreme Court’s decision in *Wine Railway*, and the Ninth Circuit’s
2 decision in *General Bedding* are binding on this Court, and the Court sees no basis for departing
3 from them.

4 That is not the end of the matter, however, as the University contends that questions of fact
5 remain that preclude the application of constructive notice in this case. First, noting its allegation
6 in the FAC that it “had no knowledge of facts giving rise to its claims until it learned of the Genia
7 Patents in 2014 and had no reason to suspect their existence prior that that time,” Opp. at 23
8 (citing FAC ¶ 68), the University argues that its notice constitutes a question of fact that cannot be
9 resolved on a Rule 12 motion to dismiss. But this conclusory allegation cannot defeat the
10 University’s *constructive* notice of the first Genia patent, for the reasons explained above. The
11 University also contends that “Chen actively misled the University into believing that he would
12 fulfill his obligations under the Patent Agreement,” and that this misconduct prevented the
13 University from discovering its claims earlier. This cannot be correct. The alleged misconduct
14 the University cites were communications between the parties in 2014-2016, *after* the University
15 became aware of the Genia Patents, *see* Opp. at 23-24 (citing FAC ¶¶ 45-54, 68, 71-74), and *after*
16 it had constructive notice of the first Genia patent.

17 Second, the University argues that Chen’s misconduct “induced the University into
18 forbearing suit,” FAC ¶ 72, and that accordingly Chen should be equitably estopped from
19 asserting a statute of limitations defense. The University contends that at the very least, “the
20 reasonableness of the University’s reliance on Defendants’ wrongful conduct presents a fact issue
21 that cannot be resolved on a motion to dismiss.” Opp. at 25. This argument fails for two reasons.
22 First, as Defendants note, this Court has explained that equitable estoppel “does not come into
23 play, whatever the lengths to which a defendant has gone to conceal the wrongs, *if a plaintiff is on*
24 *notice of a potential claim.*” *Raifman v. Wells Fargo Advisors, LLC*, No. C 11-02885 SBA, 2014
25 WL 12013436, at *12 (N.D. Cal. Mar. 31, 2014), *aff’d sub nom. Raifman v. Wachovia Sec., LLC*,
26 649 F. App’x 611 (9th Cir. 2016) (emphasis in original). By the time of Chen alleged misconduct,
27 the University was on both actual and constructive notice of its potential claims. It cannot be
28 heard to complain, therefore, that any actions on Chen’s part prevented it from filing suit. Second,

1 the University’s allegations regarding Chen’s “misconduct” are conclusory. What the University
2 characterizes as “evasive tactics,” FAC ¶ 53, appear to be nothing more than Chen’s requests for
3 additional information about the University’s claims, and his refusal, through counsel, to sign
4 documents related to the University’s patent applications between 2014 and 2016. *See generally*
5 FAC ¶¶ 45-55.

6 Defendants next argue that the issuance of the first Genia Patent triggered the limitations
7 period for all of the University’s claims, even as to the later-issued patents, because the subsequent
8 patents were “continuation patents” based on the first patent. Motion at 13. A continuation patent
9 “is a second application that contains the same disclosure as the original application,” and “may
10 not contain anything that would have been considered ‘new matter’ if inserted in the original
11 application.” 4 A Donald S. Chisum, *Chisum on Patents* § 13.03[2]; *see also* 4 *Pat. Law*
12 *Fundamentals* § 15:8 (2d ed.) (“A continuation carries forward the disclosure from a previous
13 application but adds nothing new.”); *V-Formation, Inc. v. Benetton Grp. SpA*, 401 F.3d 1307,
14 1308 (Fed. Cir. 2005) (explaining that the specification and drawings of parent patents and
15 continuation patents are the same). Thus, in this case, “all of the Genia Patents and applications
16 are directed to inventions that were originally disclosed in the initial Genia Patent application.”
17 Motion at 13. For that reason, Defendants argue, the University “had notice of all causes of action
18 arising out of Mr. Chen’s alleged failure to assign and/or disclose these inventions, including those
19 that were described in the original Genia Patent yet claimed in later-issued Genia Patents.”
20 Motion at 14.

21 In support of this position, Defendants principally rely on the Federal Circuit’s holding in
22 *Board of Trustees of Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, 583
23 F.3d 832 (Fed. Cir. 2009). In *Stanford*, the court found that the statute of limitations barred
24 Roche’s claims where evidence showed that it had notice of one patent that had already issued,
25 and also knew that “continuations based on the same application ‘family’ remain pending” and
26 that Stanford claimed ownership “patents that may issue” based on those applications. *Id.* As
27 here, Roche argued that its causes of action as to later filed patents could not accrue until those
28 patents actually issued, but the Court held that Roche was on notice regarding possible “additional

1 patents as to the same subject matter,” even though the applications at issue had not yet been filed
2 when Roche received such notice. According to Defendants, *Stanford* thus stands for the
3 proposition that “the statute of limitations starts once the plaintiff is on notice that the defendant
4 asserts ownership over the inventions and is seeking patent protection—it does not matter that
5 some of those patents are applied for and issued after the critical date.” Motion at 14.

6 *Stanford*, however, is distinguishable from this case. In *Stanford*, the plaintiff had actual
7 notice of the issued patent, as well as of defendants’ claim of ownership over related patents that
8 “may issue.” The Court’s holding was in part dependent on those specific facts. By contrast, in
9 this case the University alleges that it had no actual notice of the first Genia Patent, but even
10 assuming it had constructive notice of that patent, it was not aware that Genia planned to seek
11 additional continuation patents as was the case in *Stanford*. Defendants argue that the University’s
12 constructive notice of the first Genia patent should have put it on notice of the need to inquire
13 further into any additional patents, and they contend that any reasonable investigation would have
14 revealed that by the date of the first patent, Defendants were already seeking a continuation patent,
15 which had been filed on September 15, 2012.³ Reply at 6. There may well be merit to this
16 argument, but as the Ninth Circuit has explained, the determination of what a party “discovered or
17 could have discovered with the exercise of reasonable diligence” is ordinarily a quintessential
18 question of fact that cannot be resolved at the motion to dismiss stage at least where, as here, the
19 University may not have had actual notice of existing and future continuation patents. *General*
20 *Bedding*, 947 F.2d at 1396 n.2; *see also Beneficial Standard Life Ins. Co. v. Madariaga*, 851 F.2d
21 271, 275 (9th Cir. 1988) (“Ordinarily we leave the question of whether a plaintiff knew or should
22 have become aware of a fraud to the jury.”). Even assuming the University’s constructive
23 knowledge of the first Genia patent, therefore, the determination of what the University should
24 have discovered through “reasonable investigation” sufficiently appears to be a question of fact so
25 as to preclude a finding as a matter of law at this juncture. For that reason, the Court cannot
26 conclude that the University had constructive notice of its claims with respect to the later-filed

27 _____
28 ³ Information about continuation patents is available to the public upon inquiry into the original
patent. *See* Manual of Patent Examining Procedure § 102; 37 C.F.R. § 1.14(a)(2)(iv).

1 patents for purposes of the motion to dismiss.

2 b. Duty to Investigate

3 In addition to the above argument, the Defendants contend that the University's claims are
4 time-barred for an additional reason. As noted above, the University alleges that in 2007 and
5 2008, while Chen was still at UCSC and shortly after he left, the University filed three patent
6 applications related to nanopore technology. FAC ¶¶ 39-40. Beginning in early 2009, the
7 University asked Chen to execute declarations pertaining to these patent applications, but between
8 2009 and 2010 "Chen either failed to respond or was evasive when the University" asked him to
9 do so. FAC ¶ 42. According to Defendants, "UCSC's allegation that Mr. Chen repeatedly failed
10 (and refused) to sign the applications . . . is therefore fatal to any assertion that UCSC was
11 *unaware* of Chen's alleged breach," and "[a]t the very least, these facts triggered Plaintiff's duty
12 to investigate possible claims." Motion at 10-11. Had the University timely investigated Chen's
13 refusal to sign these documents, it would have discovered immediately that Chen had started
14 Genia, rather than not discovering that fact until 2014, as the University alleges.

15 As with constructive notice question, however, the question of what exactly the University
16 knew or suspected and what knowledge it should be charged with must be considered at this stage
17 to be a fact-intensive inquiry. Moreover, as the University points out, its present claims are not
18 premised on any breach during 2007-2009, but rather on Chen's later failure to assign the Genia
19 Patents.

20 In sum, the Court cannot conclude at this stage that the University's claims are time-barred
21 as a matter of law in the context of the Rule 12(b)(6) motion. Defendants' motion is therefore
22 **DENIED** as to the timeliness issue.

23 2. Federal Preemption

24 Defendants further argue that the University's state claims are preempted by federal patent
25 law. Motion at 18-22. Because the rules for determining inventorship are established in federal
26 law, the Federal Circuit and other federal courts have frequently explained that ""the field of
27 federal patent law preempts any state law that purports to define rights based on inventorship."
28 *HIF Bio, Inc. v. Yung Shin Pharm. Indus. Co.*, 600 F.3d 1347, 1353 (Fed. Cir. 2010)

1 (quoting *Univ. of Colo. Found. v. Am. Cyanamid Co.*, 196 F.3d 1366, 1372 (Fed. Cir. 1999)).
2 Thus, a state law claim that “turns on a determination of inventorship is preempted by federal
3 patent law.” *Speedfit LLC v. Woodway USA, Inc.*, No. 13-CV-1276 (KAM), 2016 WL 7471307,
4 at *7 (E.D.N.Y. Dec. 28, 2016). By that same token, “claims that can be established without
5 reference to patent inventorship or ownership are generally not preempted by federal patent law.”
6 *Gerawan Farming, Inc. v. Rehrig Pac. Co.*, No. 1:11-CV-01273 LJO, 2012 WL 691758, at *7
7 (E.D. Cal. Mar. 2, 2012). Thus, courts have held preempted, e.g., state law conversion claims
8 based on allegations that defendants misappropriated intellectual property rights “by securing
9 patents from the PTO for the same subject matter as Plaintiff’s patents,” *Lyden v. Nike Inc.*, No.
10 3:13-CV-00662-HZ, 2014 WL 2563401, at *2-3 (D. Or. June 6, 2014), or by “improperly
11 omit[ing] [the plaintiff] as an inventor on . . . [a] patent application,” *Brown v. Brown*, No. CV 13-
12 03318 SI, 2013 WL 5947032, at *7 (N.D. Cal. Nov. 5, 2013). In each of these cases, the Court
13 was unable to resolve the state law claims without making a determination regarding the plaintiff’s
14 claim to inventorship.

15 Defendants claim that each of the University’s state law claims likewise requires a
16 determination of inventorship insofar as they require a determination of whether Chen and the
17 other University researchers conceived of the inventions in question while working at UCSC. But
18 as the University rightly points out, its claims are not dependent on a determination of ownership.
19 This is true because, according to the University’s allegations, “even if inventorship on the face of
20 the Genia Patents is correct, the University is entitled to joint ownership of those patents based at
21 least on Chen’s obligations to assign the inventions claimed in the Genia Patents to the University,
22 as well as Chen’s conversion of University property.” *Opp.* at 6. The key question is not *who*
23 invented the inventions described in the Genia Patents – it is undisputed that Chen is at least *one*
24 of the proper inventors – but rather *when* they were invented: while Chen was still at UCSC or
25 after he had left to found Genia. Whether Chen breached his contractual obligations to the
26 University, and whether he wrongfully converted property that belongs to the University, depend
27 primarily on “factual questions of when certain of Chen’s actions occurred rather than a more
28 complete determination of inventorship.” *Opp.* at 6.

1 Significantly, none of the preemption cases that Defendants cite involved a similar
2 situation, where the identity of the inventor was undisputed and the claim turned primarily on the
3 timing of the invention as such timing affects contractual rights. Similarly, as the University
4 notes, Defendants cite no cases in which state law claims for breach of contract or contract-related
5 torts were held to be preempted. The Federal Circuit has emphasized that courts “apply state law
6 to contractual disputes and interpretations of the parties' patent assignment agreements.”
7 *Intellectual Ventures I LLC v. Erie Indem. Co.*, 850 F.3d 1315, 1320 (Fed. Cir. 2017). The Court
8 therefore agrees with the University that the state claims in this case are not preempted.
9 Defendants’ motion is **DENIED** as to the preemption issue.

10 3. The Scope of the Patent Agreement

11 Lastly, Defendants argue that the University’s claims against Chen for breach of contract
12 and breach of the implied covenant of good faith and fair dealing (Counts Three and Four), as well
13 as the derivative tort claims against Genia for inducing breach and intentional interference with
14 contractual relations (Counts Six and Seven) “fail as a matter of law because the Patent Agreement
15 unambiguously provides that Mr. Chen was not bound after leaving UCSC, and each of Mr.
16 Chen’s alleged breaches occurred after Mr. Chen left UCSC.” Motion at 23. The basis for this
17 claim is one sentence in the Patent Agreement entered into between Chen and the University,
18 which provides that “I acknowledge that I am bound during any periods of employment by
19 University or for any period during which I conceive or develop any invention during the course
20 of my utilization of any University research facilities, or any gift, grant, or contract research funds
21 received through the University.” FAC ¶ 16. Defendants argue that this language
22 “unambiguously provides that Mr. Chen’s duties end with his employment or use of University
23 facilities or funds,” and that as a result, once Chen had left UCSC he was under no continuing
24 obligation to assign inventions and patents, even if he had conceived them during his time there.
25 Motion at 24.

26 As the University explains, however, the standard industry practice for such agreements
27 requires the disclosure of all inventions developed during employment. *See, e.g.*,
28 *STMicroelectronics, Inc. v. Harari*, No. C 05-4691 JF, 2006 WL 2032580, at *2 (N.D. Cal. July

1 18, 2006) (“Harari was required to disclose *all* inventions, period, as long as the temporal
2 limitation in the Inventions Agreement was met (i.e., as long as the invention was conceived
3 during Harari’s term of employment.)”). Indeed, the University argues Defendants’ interpretation
4 would lead to an absurd result. Under Defendants’ reading, any employee who conceived an
5 invention during his employment could immediately quit, and claim it for himself, without any
6 continuing obligation to assign rights to his employer. This would plainly have the effect of
7 rendering any similar Patent Agreement utterly powerless, making it extremely unlikely that this is
8 the interpretation of the Agreement that the parties understood themselves to be entering into.

9 Moreover, the entire text of the Agreement undermines Defendants’ proffered construction
10 of the Agreement. The sentence upon which Defendants rely in asserting the Agreement binds the
11 employee only with respect to the activity of inventing, and not with respect to the obligation to
12 assign rights, is read out of context. The Agreement elsewhere expressly provides that, when the
13 University makes a determination that an invention conceived during employment is patentable,
14 the employee agrees “to execute any documents and do all things necessary . . . to assign to
15 University all rights, title, and interest therein and to assist University in securing patent or
16 analogous protection thereon.” FAC ¶ 16. This provision does not indicate any time limit on this
17 obligation. Defendants’ interpretation would effectively read this central provision out of the
18 Agreement. *See* Cal. Civ. Code § 1641 (“The whole of a contract is to be taken together, so as to
19 give effect to every part, if reasonably practicable, each clause helping to interpret the other.”);
20 *Palmer v. Truck Ins. Exch.*, 21 Cal. 4th 1109, 1115 (1999).

21 The Court therefore holds that the Agreement is unambiguous as a matter of law. *See Wolf*
22 *v. Superior Court*, 114 Cal. App. 4th 1343, 1350 (2004). Chen’s obligation to assign does not end
23 with his employment. The Court **DENIES** Defendants’ motion to dismiss on this ground.

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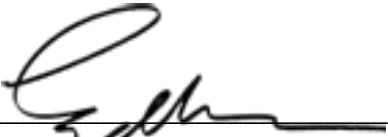
IV. CONCLUSION

For the foregoing reasons, the Court **DENIES** Defendants’ motion to dismiss the University’s First Amended Complaint.

This order disposes of Docket No. 53.

IT IS SO ORDERED.

Dated: July 26, 2017



EDWARD M. CHEN
United States District Judge