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Frank T. Shum,)
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Plaintiff,)
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v.)
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Intel Corp., et al.,)
)
Defendants.)
_____)

No. C-02-03262-DLJ
ORDER

On July 25, 2008, the Court heard argument on Defendants' motions for summary judgment. Stephen E. Taylor appeared on behalf of Defendants Intel Corporation (Intel), LightLogic, Inc. (LightLogic), and Jean-Marc Verdiell (Verdiell). Paul F. Kirsch appeared on behalf of Frank Shum (Shum). Having considered the arguments of counsel, the papers submitted, the applicable law, and the record in this case, the Court GRANTS Defendants' motion in part and DENIES in part.

I. BACKGROUND

A. Factual Background

Shum and Verdiell are optical engineers. They met in 1994 when both worked at a company called SDL Technologies (SDL), a manufacturer of lasers and laser diodes. At the time, they discussed their respective ideas for the design and the construction of optoelectronic devices, as well as the possibility of forming a separate company of their own to further explore these ideas. Verdiell already had his own company, named aCADian, which was an optoelectronic software company.

In June of 1996, Shum left SDL and formed a sole proprietorship named Radiance Design, Inc. (Radiance), with the

1 goal of developing optoelectronic devices. Radiance submitted
2 a number of proposals for government funding of its ideas: on
3 July 2, 1996, a pre-proposal to the Army; on August 25, 1996, a
4 similar proposal to NASA; and on December 2, 1996, another
5 proposal to the Army. Each proposal was signed by Shum.
6 Although Verdiell remained employed at SDL, he worked with Shum
7 in the preparation of these proposals. At the suggestion of
8 Verdiell, Lumen Intellectual Property Services (Lumen), a
9 patent firm, was engaged and began work on a patent application
10 for Radiance.

11 In April 1997, Verdiell left SDL technologies and on April
12 22, 1997, Radiance Design Inc. was incorporated with Verdiell
13 as President and Treasurer and Shum as Vice President and
14 Secretary, and with each of them as the only, equal,
15 shareholders. At the time of incorporation Shum assigned his
16 invention and patent application rights to Radiance. On the
17 same day, a patent application related to optoelectronic
18 technology was filed on behalf of Radiance. Marek Alboszta
19 (Alboszta), of Lumen, prepared this patent application, which
20 named Shum as the sole inventor.

21 While the patent application filed in April was pending,
22 Verdiell informed Alboszta that he was an inventor of the
23 subject matter covered by the patent. Shum states that
24 Alboszta informed him of this new information from Verdiell and
25 stated, to Shum, that if Verdiell is an inventor the
26 application must be withdrawn. Subsequently, Radiance withdrew
27 the pending application on November 17, 1997.

1 At about this time, the relationship between Shum and
2 Verdiell deteriorated. Both Shum and Verdiell hired lawyers to
3 negotiate the dissolution of Radiance and a Plan of Liquidation
4 (POL) was drafted. During the dissolution negotiations,
5 Verdiell was represented by John C. Gorman, an attorney and
6 partner of the Gorman & Miller law firm. Shum was represented
7 by the Coudert Brothers law firm.

8 A Plan of Liquidation was agreed upon and executed on
9 January 5, 1998. Radiance was dissolved as of that date. The
10 day after the dissolution took effect, Albostza filed a patent
11 application, which covered the same optoelectronic technology
12 as the withdrawn patent application. This patent application
13 named Verdiell as the sole inventor, and indicated that the
14 patent was assigned to LightLogic, a company newly formed by
15 Verdiell. Verdiell had formed LightLogic, without notice to
16 Shum, three days before the original patent application was
17 withdrawn in November 1997. Based on this application, United
18 States Patent No. 5,977,567 ('567) was issued on November 2,
19 1999, listing Verdiell as the sole inventor. After Radiance
20 was dissolved, over the next several years, LightLogic obtained
21 six additional patents (United States Patent Nos. 6,376,268
22 ('268); 6,207,950 ('950); 6,586,726 ('6726); 6,227,724 ('724);
23 6,585,427 ('427); and 6,252,726 ('2726)). Each patent named
24 Verdiell as the sole inventor.

25 These seven patents cover three separate areas of
26 optoelectronic technology. The first area can be referred to
27 as "Dual Enclosure" technology and involves only a single
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1 patent - the '2726 patent. This invention describes an
2 optoelectronic package which is comprised of two separate
3 enclosures designed to regulate the temperature within the
4 package in a cost-efficient manner. The second technology
5 group is referred to by the parties as "Direct Bonded Copper"
6 or "Step" technology and two patents, '567 and '268, are
7 involved. These patents disclose an optoelectronic package
8 consisting of a substrate made of an insulating ceramic
9 material, and a layer of copper that is bonded to this
10 substrate. The third technology group is called "Flexure"
11 technology and four patents, '950, '724, '427, and '6726, are
12 involved. These inventions address the problem of precisely
13 aligning a laser diode and an optical fiber during an automated
14 fiber-optic assembly process, and of keeping the two components
15 aligned during use.

16 Shum contends that he was an inventor or co-inventor of
17 the subject matter claimed by these seven patents while he and
18 Verdiell worked together at Radiance.

19 In June 2001, Defendant Intel Corporation (Intel) acquired
20 LightLogic along with the rights to the '567 patent and the six
21 additional patents issued to LightLogic.

22 A more detailed description of this history is contained
23 in the previous Orders of the Court filed in this case.

24
25 B. Procedural History

26 In 2001, Shum filed his original complaint in this action
27 in California state court, and then filed a first amended
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1 complaint in state court in May 2002. The first amended
2 complaint was brought against Intel, Verdiell, Lumen, Alboszta,
3 and Gorman, and contained numerous state causes of action,
4 essentially based on fraud related claims.

5 On July 9, 2002, Intel removed the case to federal
6 district court.

7 On December 19, 2002, Shum filed a second amended
8 complaint in this Court. This complaint essentially repleaded
9 the original state causes of action and added a federal cause
10 of action for Correction of Patent Inventorship pursuant to 35
11 U.S.C. § 256.

12 On January 21, 2003, Intel and Verdiell filed a motion to
13 dismiss the second amended complaint. This Court entered an
14 Order on March 25, 2003, granting in part and denying in part
15 Defendants' motion to dismiss. Among the dismissed claims was
16 a claim under California State Law for Unjust Enrichment. The
17 Court dismissed this claim on the basis that it was duplicative
18 of the causes of action for fraud.

19 On April 15, 2003, Shum filed a third amended complaint.

20 On April 27, 2004, the Court issued an Order as to the
21 third amended complaint denying Defendants' summary judgment
22 motions, recognizing that all of Shum's state law causes of
23 action were primarily based on the unresolved allegation that
24 Verdiell was not the sole true inventor of the patented
25 technology. After a hearing on the matter, the Court decided
26 to bifurcate the inventorship issue from the other claims of
27 the complaint, and ordered that the § 256 trial should proceed
28

1 first.

2 A bench trial, at which Shum contended that there should
3 be a correction of inventorship as to multiple claims of the
4 seven patents, began on January 10, 2005 and concluded on
5 January 24, 2005. An order setting forth the Court's findings
6 of fact and conclusions of law was issued on June 21, 2005.
7 The Court concluded that Shum did not meet his burden to show
8 that he was the inventor or co-inventor of any of the patent
9 claims at issue and denied any correction of inventorship.

10 On January 12, 2006, the Court issued an Order as to a
11 fourth amended complaint granting Defendants' summary judgment
12 motions, concluding inter alia that, in light of the Court's
13 findings that Shum was not an inventor of any of the claims of
14 the patents at issue, a jury could not reasonably find for Shum
15 on any of the state law causes of action.

16 Shum appealed, and on November 19, 2007, the United States
17 Court of Appeals for the Federal Circuit reversed the
18 inventorship ruling of June 21, 2005 as well as the January 12,
19 2006, summary judgment ruling. The Federal Circuit held that,
20 because the issue of inventorship was integral to the factual
21 basis of the state law claims, it had to be decided by a jury
22 pursuant to the Seventh Amendment. The Court of Appeals
23 additionally reversed the Court's March 25, 2003, dismissal of
24 Shum's unjust enrichment claim, holding that under California
25 law the unjust enrichment claim constituted a separate cause of
26 action, not duplicative of the other causes of action. The
27 relevant previous orders were vacated and the case was remanded
28

1 to this Court.

2 Jury trial, pursuant to the mandate of the Federal
3 Circuit, is currently scheduled for November 3, 2008. On April
4 4, 2008, Defendants moved for summary judgment on all the
5 above-listed claims.

7 II. LEGAL STANDARD

8 A. Summary Judgment

9 The Federal Rules of Civil Procedure provide for summary
10 adjudication when "the pleadings, depositions, answers to
11 interrogatories, and admissions on file, together with the
12 affidavits, if any, show that there is no genuine issue as to
13 any material fact and that the party is entitled to a judgment
14 as a matter of law." Fed. R. Civ. P. 56(e).

15 Procedural matters not unique to patent law are decided by
16 applying the law of the relevant regional circuit. See
17 Transmatic, Inc. v. Gulton Indus., Inc., 53 F.3d 1270, 1278
18 (Fed. Cir. 1995).

19 In a motion for summary judgment, initially it is the
20 moving party's burden to establish that there is "no genuine
21 issue of material fact and that the moving party is entitled to
22 judgment as a matter of law." Fed. R. Civ. P. 56; British
23 Airways Bd. v. Boeing Co., 585 F.2d 946, 951 (9th Cir. 1978).
24 Subsequently, "[i]f the party moving for summary judgment meets
25 its initial burden of identifying for the court those portions
26 of the materials on file that it believes demonstrate the
27 absence of any genuine issues of material fact," the burden of
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1 production then shifts so that "the non-moving party must set
2 forth, by affidavit or as otherwise provided in Rule 56,
3 'specific facts showing that there is a genuine issue for
4 trial.'" T.W. Elec. Serv., Inc. v. Pac. Elec. Contractors
5 Ass'n, 809 F.2d 626, 630 (9th Cir. 1987) (citing Celotex Corp.
6 v. Catrett, 477 U.S. 317 (1986)); Kaiser Cement Corp. v.
7 Fischbach & Moore, Inc., 793 F.2d 1100, 1103-04 (9th Cir.
8 1986).

9 Under Rule 56(f), where further discovery is necessary to
10 enable a party to present evidence necessary to meet that
11 party's burden, the court may defer ruling on the motion until
12 such evidence has been obtained and presented to the Court.

13 Where the "clear and convincing" evidence requirement
14 applies, the trial judge's summary judgment inquiry as to
15 whether a genuine issue exists will be whether the evidence
16 presented is such that a jury applying that evidentiary
17 standard could reasonably find for either the plaintiff or the
18 defendant. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255
19 (1986).

20 A court is generally precluded from reconsidering an issue
21 previously decided by the same court, or a higher court in the
22 identical case. Securities Investor Prot. Corp. v. Vigman, 74
23 F.3d 932, 937 (9th Cir. 1996). For the law of the case
24 doctrine to apply, the issue in question must have been decided
25 explicitly or by necessary implication in the previous
26 disposition. Id. However, a party cannot revisit theories
27 that it raises but abandons, and by the same token, a party
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1 cannot offer up successively different legal or factual
2 theories that could have been presented in a prior request for
3 review. Id.

4
5 B. Breach of Fiduciary Duty

6 Before a person can be found to owe a fiduciary duty to
7 another, the factual circumstances attendant to their
8 relationship must show that he knowingly undertook to act on
9 behalf and for the benefit of the other person, or that the
10 relationship itself is one which imposes that undertaking as a
11 matter of law, such as guardian and ward, trustee and
12 beneficiary, principal and agent, or attorney and client.
13 Comm. on Children's Television, Inc. v. General Foods Corp., 35
14 Cal. 3d 197, 221 (1983); Richelle L. v. Roman Catholic
15 Archbishop, 106 Cal. App. 4th 257, 271 (2003).

16 In numerous cases California courts have rejected attempts
17 to extend fiduciary obligations to relationships where the
18 imposition of such an affirmative duty is deemed to be
19 unwarranted. For instance, no fiduciary relationship was found
20 to exist as between the following: (1) an attorney and his co-
21 counsel under the theory that the former's malpractice in the
22 handling of a mutual client's case caused damage to co-counsel
23 in the loss of fees; (2) one shareholder and another
24 shareholder by virtue of the fact that they were former
25 partners in an entity that was later incorporated; (3) an
26 unmarried cohabitant and his cohabitant concerning the
27 operation of the former's business; (4) a movie distributor and
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1 movie producers under a distribution contract; (5) a
2 homeowner's association and the buyer of an individual unit
3 (with respect to disclosure of known construction defects); (6)
4 a trade union and a union member (apart from the union's duty
5 of fair representation); (7) a bank and its borrowers; (8) a
6 corporation and its bondholders; (9) a clearing broker and an
7 investment broker's customer; (10) an insurer and its insured;
8 and (11) a manufacturer and an authorized dealer. Oakland
9 Raiders v. Nat'l Football League, 131 Cal. App. 4th 621, 633
10 (2005) (internal case citations omitted).

11 Unless a fiduciary relationship exists, there can be no
12 breach of fiduciary duty. See, e.g., id. at 634. Under
13 California law, equal shareholders in a corporation do not owe
14 one another a fiduciary duty merely by virtue of that
15 relationship. Persson v. Smart Inventions, Inc., 125 Cal. App.
16 4th 1141, 1156-59 (2005). This is the case even if the equal
17 shareholders also serve as directors and officers of the
18 corporation. Id. at 1147.

19
20 C. Fraudulent Concealment

21 Fraudulent concealment is "[t]he suppression of a fact, by
22 one who is bound to disclose it, or who gives information of
23 other facts which are likely to mislead by want of
24 communication of that fact." Cal. Civ. Code § 1710(3). A duty
25 to disclose normally arises only where there exists a fiduciary
26 or confidential relationship between the parties or where other
27 special circumstances require a disclosure. Warner Constr.

1 Corp. v. Los Angeles, 2 Cal. 3d 285, 294 (1970).

2
3 D. Inventorship

4 A patent is invalid if more or less than the true
5 inventors are named. Jamesbury Corp. v. United States, 518
6 F.2d 1384, 1395 (Ct. Cl. 1975). Because of the presumption
7 that a patent is valid, under 35 U.S.C. § 282, there is a
8 parallel presumption that the named inventors on a patent are
9 the true and only inventors. As a result, a party seeking to
10 change the existing inventorship has a burden to prove by clear
11 and convincing evidence the existence of an inventorship
12 contribution to any of the patent claims. Bd. of Educ. v. Am.
13 Bioscience, Inc., 333 F.3d 1330, 1337 (Fed. Cir. 2003).

14 To meet the clear and convincing burden of proof, alleged
15 co-inventors must prove their contribution to the conception
16 with more than their own testimony respecting the facts
17 surrounding a claim of inventorship. Price v. Symsek, 988 F.2d
18 1187, 1194 (Fed. Cir. 1993). Relevant corroborating evidence
19 generally takes the form of physical evidence, or oral
20 testimony of someone other than the alleged inventor. Trovan,
21 Ltd. v. Sokymat SA, Irori, 299 F.3d 1292, 1302-03 (Fed. Cir.
22 2002).

23
24 E. Unjust Enrichment

25 Under California law, unjust enrichment can be the basis
26 of a right to restitution or quasi-contractual recovery. Cal.
27 Med. Ass'n v. Aetna U.S. Healthcare of Cal., 94 Cal. App. 4th
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1 151, 171 n.23 (2001). Where one obtains a benefit which he may
2 not justly retain, he is unjustly enriched. Id. The quasi-
3 contract, or contract "implied in law," is an obligation
4 created by the law without regard to the intention of the
5 parties, and is designed to restore the aggrieved party to his
6 former position by return of the thing or its equivalent in
7 money. Id. However, the mere fact that a person obtains a
8 benefit from another is not of itself sufficient to require
9 that person to make restitution therefor. Id. (citing 1
10 Witkin, Summary of Cal. Law (9th ed. 1987) Contracts, § 91, ¶¶
11 122-23). Thus, even when a person has received a benefit from
12 another, he is required to make restitution only if the
13 circumstances of its receipt or retention are such that, as
14 between the two persons, it is unjust for him to retain it.
15 Id. (citing Ghirardo v. Antonioli, 14 Cal. 4th 39, 51 (1996)).
16 As a matter of law, a quasi-contract action for unjust
17 enrichment does not lie where an express binding agreement
18 exists and defines the parties' rights. Id. at 172.

19
20 F. Fraud

21 Under California law, the elements of fraud are the
22 following: (1) a misrepresentation (false representation,
23 concealment, or nondisclosure) of a material fact, (2) made
24 with knowledge of its falsity, (3) with intent to defraud, (4)
25 justifiable reliance upon the misrepresentation, and (5) damage
26 resulting from that justifiable reliance. Cal. Civ. Code §
27 1709; see also Stansfield v. Starkey, 220 Cal. App. 3d 59, 72-

1 73 (1990); Robinson Helicopter Co., Inc. v. Dana Corp., 34 Cal.
2 4th 979, 990 (2004).

3
4 G. Breach of Contract

5 Under California law, a contract must be interpreted to
6 give effect to the mutual intention of the parties at the time
7 of entering the contract. Cal. Civ. Code § 1636. In order to
8 ascertain intention, the language of a contract governs its
9 interpretation, if the language is clear and explicit and does
10 not involve an absurdity. Cal. Civ. Code § 1638. When a
11 contract has been reduced to writing, the intention of the
12 parties is to be ascertained from the writing alone. Cal. Civ.
13 Code § 1639. The words of a contract are to be understood in
14 their ordinary and popular sense. Cal. Civ. Code § 1644.

15 Extrinsic evidence may be admitted if it serves to prove a
16 meaning to which the contract is reasonably susceptible.
17 Powers v. Dickson, Carlson & Campillo, 54 Cal. App. 4th 1102,
18 1111 (1997). If the court decides, after considering the
19 extrinsic evidence, that the language of the contract is
20 reasonably susceptible to the interpretation urged on the basis
21 of that evidence, the evidence is admitted as evidence to aid
22 in interpreting the contract. Id. Thus, "[t]he test of
23 admissibility of extrinsic evidence to explain the meaning of a
24 written instrument is not whether it appears to the court to be
25 plain and unambiguous on its face, but whether the offered
26 evidence is relevant to prove a meaning to which the language
27 of the instrument is reasonably susceptible." Pac. Gas & Elec.

1 Co. v. G. W. Thomas Drayage & Rigging Co. Inc., 69 Cal. 2d 33,
2 37 (1968).

3
4 **III. SUMMARY JUDGMENT MOTION**

5 Because the Federal Circuit vacated both the 2005 § 256
6 bench trial and the 2006 summary judgment order, the case is
7 essentially reset to its status in April of 2004, when the
8 Court denied summary judgment and bifurcated the § 256 cause of
9 action. Given this state of the record, Shum contends that any
10 summary judgment motion at this time is improper as it is
11 simply a reconsideration of an existing summary judgment order
12 without establishing the required grounds for such a
13 reconsideration. The Court does not agree. Some matters have
14 never been considered - for example, the unjust enrichment
15 claim has been reinstated without ever being part of a summary
16 judgment proceeding. Some matters have been vacated although
17 they have always been separate from inventorship issues - for
18 example, the question of any fiduciary relationship between
19 Shum and Verdiell. In any event, the Court believes that given
20 the history of the case a full pre-trial review by way of a
21 summary judgment hearing is warranted.

22
23 A. Breach of Fiduciary Duty

24 In its order of March 25, 2003, the Court addressed the
25 issue of Shum's standing to sue for a breach of fiduciary duty.
26 The Court concluded that "the alleged wrong is personal and
27 exclusive" to Shum as the sole stockholder (other than
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1 Veridell) of Radiance, to whom Verdiell owed multiple duties as
2 its president. On that basis, the Court held that Shum had
3 standing and denied Verdiell's motion to dismiss at that
4 pleading stage.

5 Subsequent to that order, the Court of Appeal of
6 California issued its decision in Persson v. Smart Inventions,
7 Inc., 125 Cal. App. 4th 1141 (2005). In Persson, the partners,
8 Persson and Nokes, in the business of selling consumer
9 products, incorporated their business with both of them as
10 fifty percent shareholders, directors, and officers. Id. at
11 1147. After some success, their business fell off as well as
12 their personal relationship, and they both hired lawyers to
13 assist them in terminating their relationship. Id. at 1147-48.
14 Nokes proceeded to buy out Persson and remained in business.
15 Id. at 1149. The day the buyout was executed Nokes began an
16 advertising campaign for a new product which he had never
17 disclosed to Persson, even though he had represented to Persson
18 that he would "paint" him a true picture of the state of the
19 company at the time the buyout was being considered. Id. at
20 1148-49. Nokes made millions on the new product and Persson
21 sued him for fraud and breach of fiduciary duty. Id. at 1149-
22 50. Nokes was found liable for both at trial and awarded
23 damages. Id. at 1150-51. The trial court found that Nokes
24 owed Persson a fiduciary duty on two theories: (1) there was
25 still a de facto partnership, and (2) Nokes had voluntarily
26 assumed such a duty in connection with the purchase of
27 Persson's shares. Id. at 1151. The California appellate court

1 found that as a matter of law neither ground supported a
2 finding of the existence of a fiduciary duty. Id. at 1156.
3 The court then reversed the fiduciary duty verdict and affirmed
4 the fraud verdict. Id. at 1178.

5 The appellate court held that partners do owe fiduciary
6 duties to one another, but after incorporation they have the
7 regular obligations of shareholders, not of partners, as there
8 is no fiduciary duty between them at that time. See id. at
9 1159. The appellate court further held that although a
10 fiduciary relationship may not exist based upon the legal
11 relationship of the partners, one may exist based on the
12 factual circumstances of their relationship. Id. at 1159-62.
13 California recognizes that reposing trust and confidence in
14 another who is cognizant of that fact may support a
15 confidential relationship, but that is not the same as a
16 fiduciary relationship. Id. at 1160-61. The court stated that
17 in order to find a fiduciary relationship the "essential
18 elements" are: "1) The vulnerability of one party to the other
19 which 2) results in the empowerment of the stronger party by
20 the weaker which 3) empowerment has been solicited or accepted
21 by the stronger party and 4) prevents the weaker party from
22 effectively protecting itself." Id. at 1161.

23 The Persson court also recognized that the existence of a
24 confidential relationship generating a fiduciary duty is a
25 question of fact, but that there was no evidence of the
26 "necessary predicate" of vulnerability and reversed the trial
27 court finding that a fiduciary relationship existed. Id. at
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1 1161-62. In its January 12, 2006 order, this Court analyzed
2 the Persson decision and found: that as to the Shum-Verdiell
3 dissolution, the facts were not distinguishable from those in
4 Persson; that the evidence in this case does not establish that
5 Shum was vulnerable or incapacitated; that Verdiell owed no
6 fiduciary duty to Shum; and granted summary judgment to
7 Verdiell. This judgment was vacated and remanded by the
8 Federal Circuit, but that reversal was based on jury trial
9 Seventh Amendment grounds, and there was no discussion of the
10 fiduciary duty issue, which is clearly independent of the
11 Seventh Amendment issue. In these circumstances it may be
12 contended that this matter has already been resolved, but this
13 Court has decided that all the summary judgment issues should
14 again be considered.

15 Shum contends that the argument by Verdiell, that as a
16 matter of law he did not owe Shum a fiduciary duty, has been
17 rejected by a recent decision of the California Supreme Court.
18 Shum argues that City of Hope National Medical Center v.
19 Genentech, Inc., 43 Cal. 4th 375 (2008) stands for the
20 proposition that whether a fiduciary duty arose in an agreement
21 to commercialize intellectual property was a question of fact,
22 with the result that the issue of fiduciary duty in this case
23 should be a question of fact to be submitted to the jury. City
24 of Hope had an agreement with Genentech entrusting their
25 intellectual property in certain inventions to be developed,
26 patented, and marketed by Genentech in return for royalties.
27 City of Hope, 43 Cal. 4th at 380-85. City of Hope sued
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1 Genentech on the theory that Genentech owed them a fiduciary
2 duty and breached it. Id. at 385. A jury agreed with City of
3 Hope and awarded them compensatory damages and \$200 million in
4 punitive damages. Id. The jury had been instructed that a
5 fiduciary duty is created when a party entrusts its secret
6 ideas to another to be developed in return for royalties. Id.
7 at 387. The Supreme Court held that this instruction was
8 erroneous as those facts do not necessarily create a fiduciary
9 duty. As that was the only thesis relied upon by City of Hope
10 to create a fiduciary duty, the Supreme Court found that the
11 fiduciary duty and damage awards based upon that verdict must
12 be set aside. Id. at 392. Any suggestion by Shum that City of
13 Hope rejects Persson in any way is not correct. Actually, City
14 of Hope cites Persson as existing California precedent
15 consistent with its decision in City of Hope. Id. at 388. In
16 addition, any suggestion by Shum that either Persson or City of
17 Hope hold that the issue of fiduciary duty must invariably be
18 submitted to a jury is also incorrect. In both of those cases
19 jury verdicts finding fiduciary duty were set aside as a matter
20 of law without remanding them for jury consideration. See id.
21 at 399; Persson, 125 Cal. App. 4th at 1178.

22 Upon its further consideration of the undisputed facts and
23 the present state of California law, the Court again finds this
24 is a case where there is no showing that the legal relationship
25 of the parties creates a fiduciary duty, and that it is also a
26 case where there is no showing that the factual relationship of
27 the parties creates such a duty. The Court finds that this
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1 case falls squarely within the California law stated in
2 Persson, and that the California Supreme Court accepts the
3 continued vitality of that law in its City of Hope decision.
4 Verdiell does not owe a fiduciary duty to Shum as the evidence
5 proffered by Shum is insufficient to permit a factual finding
6 of vulnerability or incapacity on the part of Shum, which is
7 required by California law in order to create a factually based
8 fiduciary duty.

9 Shum also claims that his fiduciary duty claim can be
10 supported by the fact that Verdiell breached his duty to
11 Radiance, the corporation in which he was an officer and
12 director. In its March 25, 2003 order, the Court denied
13 Verdiell's motion to dismiss this claim, holding that Shum's
14 claim was for an injury personal and exclusive to him, giving
15 him standing to sue. This order had to do with the sufficiency
16 of the pleadings in the case, and had nothing to do with the
17 sufficiency of the evidence to support the existence of a
18 fiduciary duty or the breach of any such duty. As already
19 stated, Shum and Verdiell were the only officers, directors,
20 and owners of Radiance during its existence. Radiance was
21 dissolved when the Plan of Liquidation was executed on January
22 5, 1998. Verdiell's subsequent conduct of the prosecution of
23 the seven patents before the PTO was done at a time Radiance
24 did not exist. Shum complains of Verdiell's plans and
25 activities as to LightLogic which took place before Radiance
26 was dissolved. But plans and activities to dissolve and
27 compete with an existing business, even though undertaken by an
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1 officer or director of the business, do not, of themselves,
2 constitute a breach of any fiduciary duty the officer or
3 director may owe to that business. It may be noted that it
4 appears that Shum also engaged in similar undisclosed plans and
5 activities to form a competing business of his own, which he
6 called Luminance, before Radiance was dissolved.

7 In sum, the Court finds that on the circumstances in this
8 case that Verdiell does not owe any fiduciary duty to Shum, or
9 that Verdiell has breached any fiduciary duty to Radiance, and
10 that summary judgment should be granted to Verdiell on this
11 claim.

12
13 B. Fraudulent Concealment

14 Shum supports this cause of action by his contention that
15 Verdiell had a duty to disclose to Shum, as a stockholder in
16 Radiance, for whom Verdiell was President, that he was forming
17 LightLogic, a competitor corporation. Shum's claim is based on
18 the fact that Verdiell did not disclose his actions in
19 competition with Radiance, despite his duty, and Shum was
20 consequently defrauded because he relied, to his detriment, on
21 Verdiell's non-disclosure.

22 The Court finds that Verdiell had no duty to disclose any
23 potentially harmful facts to Shum. The undisputed facts
24 support the conclusion that Verdiell had no fiduciary duty, as
25 discussed above, nor any duty created by the POL, nor any duty,
26 in the arms-length negotiations in which the parties were
27 engaged at the time, to notify Shum of Verdiell's intent to

1 compete. Without a duty to disclose the detrimental facts at
2 issue, Shum cannot sustain a cause of action for fraudulent
3 concealment. Under the circumstances, the Court must grant
4 Verdiell's motion for summary judgment on Shum's cause of
5 action for fraudulent concealment.

6
7 C. Inventorship

8 Each of the seven patents at issue in this case has
9 multiple claims and has been issued to Defendant Verdiell as
10 the sole inventor. Each claim is considered to be a separate
11 invention. Shum contends that he is "at least a joint
12 inventor" of these patents. The "at least" language leaves
13 open the possibility that Shum is contending that he is the
14 sole inventor of these patents, which would require him to
15 prove that Verdiell is not the inventor of the patents issued
16 to him. The Court will visit this issue after first
17 considering the joint inventorship issue.

18 To be a joint inventor, one must "(1) contribute in some
19 significant manner to the conception or reduction to practice
20 of the invention, (2) make a contribution to the claimed
21 invention that is not insignificant in quality, when that
22 contribution is measured against the dimension of the full
23 invention, and (3) do more than merely explain to the real
24 inventors well-known concepts and/or the current state of the
25 art." Pannu v. Iolab Corp., 155 F.3d 1344, 1351 (Fed. Cir.
26 1998). The testimony of one who claims to be a joint inventor
27 is not, of itself, sufficient to prove any such fact - it must
28

1 be corroborated. Price, 988 F.2d at 1194. In order to prove
2 such a fact, the proponent's burden is to meet the standard of
3 proof of clear and convincing evidence. Am. Bioscience, 333
4 F.3d at 1337. In order to meet the challenge of summary
5 judgment the proponent of joint inventorship status must
6 identify relevant, admissible evidence sufficient to meet that
7 burden. See Fed. R. Civ. P. 56(e)(1). It is important,
8 however, that a Court in its assessment of any such identified
9 evidence in relation to a summary judgment motion is not
10 permitted to make any credibility or weight of evidence
11 determinations. See Liberty Lobby, 477 U.S. at 255.

12 The question of whether or not any person has made an
13 inventive contribution to any patent claim is a mixed question
14 of fact and law. Shum has identified an evidentiary mix of his
15 own testimony and asserted corroboration in the form of Lab
16 notebooks, drawings (CAD and otherwise), admissions of
17 Verdiell, and other materials which he contends are sufficient
18 to establish his inventive contribution to claims of the
19 patents. Defendant contends that this mix, for various
20 reasons, is not sufficient to clear the threshold hurdle of
21 Rule 56 of the Federal Civil Rules, and permit the case to be
22 presented to a fact finder. The Court must disagree.
23 Defendant's argument necessarily requires the Court to make
24 prohibited credibility and weight determinations. The Court
25 made such determinations in the § 256 bench trial, where it was
26 obligated to make such determinations in order to apply the law
27 and find the facts, but the Court cannot make such

1 determinations in deciding this summary judgment motion. In
2 point of fact, the essential rationale for the Federal
3 Circuit's decision to set aside the § 256 trial was to require
4 that these questions must be decided by a jury. Accordingly,
5 the Court will deny Defendant's motion, which would prevent
6 Shum from presenting his joint inventorship claims to a jury.

7 The question of sole inventorship, however, requires Shum
8 to prove that Verdiell was not "at least" a joint inventor of
9 that invention. It appears that this issue may well be raised
10 at a trial of this case. However, the issue has not been
11 briefed or argued by the parties, and it is not ripe for any
12 summary judgment decision by this Court and must be treated as
13 any other factual trial issue.

14
15 D. Unjust Enrichment

16 Under California law, the elements of the tort of unjust
17 enrichment are, (1) receipt of a benefit and (2) unjust
18 retention of the benefit at the expense of another.

19 Lectrodryer v. SeoulBank, 77 Cal. App. 4th 723, 726 (2000).

20 Shum claims that when Verdiell was paid by Intel for its June
21 2001 purchase of LightLogic and the rights to the seven
22 patents, he obtained a benefit based on the patent rights of
23 Shum and that retention of that benefit is unjust.

24 Under California law a claim for unjust enrichment will
25 not lie if there is an express agreement between the parties
26 which covers the "same subject matter, existing at the same
27 time." Wal-Noon Corp. v. Hill, 45 Cal. App. 3d 605, 613-14

1 (1975). Defendants claim that the POL accepted by the parties
2 in this case is such an agreement and that the unjust
3 enrichment claim can not be sustained. Defendants point out
4 that the POL permits each party to exploit the Radiance
5 intellectual property by obtaining patents on the technology.
6 Shum responds that although that may be true, the POL does not
7 permit Verdiell to unlawfully obtain a patent by omitting the
8 "true inventor," which in turn means that the unjust enrichment
9 claim and the POL do not cover the same subject matter. It
10 appears to the Court that Shum has the better of this argument.
11 It is at least clear that the POL does not authorize Verdiell
12 to obtain a patent on optoelectronic technology inventions that
13 were invented by Shum and not by Verdiell.

14 Defendants also argue that there is no unjust enrichment
15 as the POL makes Shum and Verdiell "co-owners" of the Radiance
16 Technology, and that means that Shum retains all of his
17 economically valuable rights as a patentee. This argument has
18 essentially the same flaw as the "same subject matter" argument
19 already discussed. The Court does not believe that Defendant
20 has established that the rights of a "co-owner" under the POL
21 are co-extensive with the established rights of a patentee.
22 The fact that the Federal Circuit restored this claim after it
23 had been dismissed by this Court does not mean that it is not
24 subject to summary judgment proceedings, however, for the
25 reasons stated, it does not appear that a grant of summary
26 judgment is warranted as to this claim.

1 E. Fraud

2 The Federal Circuit decision has essentially re-set this
3 case to its status immediately before the inventorship trial.
4 At that time the Court had considered and denied Defendant's
5 motion for summary judgment on Shum's fraud claims in its April
6 2004 order. The allegations of misrepresentations and material
7 omissions that Shum relies upon now are essentially the same as
8 he relied upon in 2004. Similarly, the evidentiary support he
9 relies upon now is essentially the same as that considered by
10 this Court in 2004. There is one significant difference in the
11 fact that this Court in its present order has decided that
12 Verdiell does not owe any fiduciary duty to Shum. That
13 decision applies, of course, to the fraud claim asserted by
14 Shum, and he cannot rely upon the assertion of any such duty to
15 support his fraud claim. However, that circumstance does not
16 resolve the fraud claim as there are remaining allegations and
17 evidentiary support which do not depend upon the existence of a
18 fiduciary duty.

19 Fraud cases by their nature require the fact finder to
20 determine the state of mind of both the asserted victim and the
21 accused offender. Does the offender have the necessary
22 scienter and intent to defraud? Does the victim act in
23 reliance on the alleged misrepresentations? Some questions of
24 fact are more difficult than others, and a state of mind as a
25 question of fact, generally falls on the higher end of
26 difficulty. Given the standards for summary judgment, it is
27 frequently true that these cases are not amenable to resolution

1 by summary judgment. As it was in 2004, this is the finding of
2 the Court at this time. Summary judgment on the fraud cause of
3 action is denied.

4
5 F. Breach of Contract

6 In its April 2004 order, this Court denied Defendant's
7 motion for summary judgment on this cause of action. In the
8 course of pre-trial consideration of the contract, the Court
9 has made several rulings on the meaning of terms of the
10 contract. The Court has not been presented with any new
11 evidence or argument that would lead it to change any of these
12 rulings - they remain as law of the case. Nothing in these
13 rulings, however, serves to resolve the summary judgment issue.
14 It appears to the Court that, as was the case in April 2004,
15 inasmuch as the proffered evidence and the legal arguments are
16 essentially the same now as they were then, the same ruling is
17 called for - that summary judgment is denied.

18 Defendants do offer one argument that was not specifically
19 considered in 2004. Defendants argue that in addition to the
20 issue of breach, there is insufficient evidence to permit the
21 jury to consider the issue of damages, if liability is
22 established. Here again, the Court believes that the
23 prohibition on credibility and weight findings by the Court at
24 this summary judgment stage requires the Court to deny the
25 motion.

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IV. CONCLUSION

For the foregoing reasons, the Court GRANTS the motion for summary judgment in part, and DENIES it in part. As to each cause of action the Court finds as follows:

Breach of Fiduciary Duty - Summary Judgment is GRANTED.

Fraudulent Concealment - Summary Judgment is GRANTED.

Inventorship - Summary Judgment is DENIED.

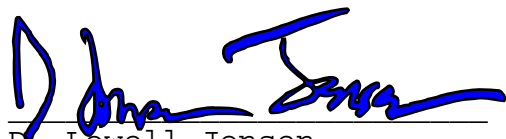
Unjust Enrichment - Summary Judgment is DENIED.

Fraud - Summary Judgment is DENIED.

Breach of Contract - Summary Judgment is DENIED.

IT IS SO ORDERED

Dated: September 26, 2008



D. Lowell Jensen
United States District Judge