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8 **IN THE UNITED STATES DISTRICT COURT**
9 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**
10 **SAN JOSE DIVISION**
11

12 LANDMARK SCREENS, LLC,
13 Plaintiff,
14 v.
15 MORGAN, LEWIS & BOCKIUS, LLP, and
16 THOMAS D. KOHLER,
17 Defendants.

Case Number 5:08-cv-02581-JF
ORDER¹ GRANTING DEFENDANTS'
MOTION FOR SUMMARY
JUDGMENT
[re: document no. 178]

18
19 Defendants' motion for summary judgment was heard on January 28, 2011. The Court
20 has considered the moving and responding papers and the oral argument presented at the hearing.
21 For the reasons discussed below, the motion will be granted.

22 **I. BACKGROUND**

23 The following facts are undisputed: in November 2000, Plaintiff Landmark Screens, LLC
24 ("Landmark") retained Defendant Thomas Kohler ("Kohler"), then a partner at the law firm
25 Pennie & Edmonds, LLP ("Pennie"), to secure patent rights covering Landmark's invention of an
26 outdoor light-emitting diode ("LED") electronic billboard. In January 2002, Kohler filed a patent
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28 ¹ This disposition is not designated for publication in the official reports.

1 application that was assigned Application No. 10/045,096 (“the ‘096 application”). The United
2 States Patent and Trademark Office (“PTO”) determined that the application covered four
3 distinct inventions, and it required Landmark to elect claims drawn to only one invention.
4 Landmark did so, expecting to pursue the nonelected claims drawn to the other inventions
5 through a divisional application. In October 2003, Landmark was awarded U.S. Patent No.
6 6,639,574 (“the ‘574 patent”) on the elected claims.

7 On August 13, 2003, Kohler filed a divisional application containing the nonelected
8 claims, which was assigned Application No. 10/640,916 (“the divisional application”). Kohler
9 inadvertently omitted the specification from the divisional application. In early 2004, Kohler left
10 the Pennie firm and became a partner at Defendant Morgan, Lewis & Bockius, LLP (“Morgan
11 Lewis”). In April 2004, Landmark appointed Morgan Lewis as its counsel in connection with the
12 ‘574 patent and the divisional application.

13 On June 22, 2004, the PTO issued a “Notice of Incomplete Nonprovisional Application,”
14 stating that the specification was missing from the application, and that a complete specification
15 was required by 35 U.S.C. § 112. Decl. of Steven P. Ragland, Exh. 10 (Notice). The notice
16 stated that because the application was incomplete, it had not been accorded a filing date, and
17 that the filing date would be the date of receipt of the specification. *Id.* Kohler received the
18 notice, but he did not inform Landmark. Instead, on August 23, 2004, Kohler – without
19 informing Landmark – filed an adversary petition with the PTO that included the previously
20 omitted specification and requested that the divisional application be granted its original filing
21 date of August 13, 2003. Ragland Decl., Exh. 17 (Petition). On November 30, 2004, the PTO
22 dismissed the adversary petition, noting that “[t]he filing date of a nonprovisional application is
23 set forth in 35 U.S.C. 111(a) as the date a specification in compliance with 35 U.S.C. 112 and
24 any drawings required under 35 U.S.C. 113 are received in the Office.” Ragland Decl., Exh. 14
25 (Decision Dismissing Petition). The PTO concluded that even if it were possible to waive this
26 requirement, such waiver would be appropriate only in “an extraordinary situation” where
27 “justice requires a waiver of the rule.” *Id.* In examining the circumstances before it, the PTO
28 commented that Landmark’s divisional application “could have incorporated the prior

1 application by reference or utilized postcard receipt practice.” *Id.* Instead, Kohler “used an out
2 of date transmittal letter that did not contain an incorporation by reference statement,” and failed
3 to provide a “datestamped itemized postcard receipt.” *Id.* The PTO concluded that
4 “[c]ircumstances resulting from applicants’ failure to exercise due care, or lack of knowledge of,
5 or failure to properly apply, the patent statutes or rules of practice are not, in any event,
6 extraordinary circumstances where the interests of justice require the granting of extraordinary
7 relief.” *Id.* The PTO assigned the divisional application a filing date of August 23, 2004, the
8 date that the specification was submitted. *Id.*

9 It was not until December 2004 that Kohler informed Landmark’s Michael Wilson by
10 telephone that there had been a problem with the divisional application and that the divisional
11 claims had been lost. Decl. of Inchan A. Kwon, Exh. A, Wilson Depo. of 5/18/2010, 209:8-
12 210:24. Kohler told Wilson that he and others at the firm were “working on it” and trying to
13 save the claims. *Id.* 211:2-21. Wilson asked Kohler to write a letter explaining what had
14 happened. *Id.* 211:25-212:4. Kohler agreed to write the letter. *Id.* 212:4.

15 On March 29, 2005, Kohler sent the requested letter via facsimile to both Wilson and
16 John Mozart, Landmark’s principal owner. Kwon Decl., Exh. J (letter & fax receipts). Kohler
17 also mailed a hard copy of the letter to Wilson along with a copy of the PTO’s notice of
18 incompleteness, the adversary petition, and the PTO’s order dismissing the petition. Ragland
19 Decl., Exh. 9, Kohler Depo. of 3/18/2010, 247:23-249:14. In the letter, Kohler stated that the
20 divisional application had not been granted its original filing date “because of a clerical error.”
21 *Id.* He went on to say that, “[w]hile we do not know for certain, there is the potential that it may
22 not be possible to obtain some or all of the claims in this application. . . .” *Id.* Kohler then
23 disclosed that he had filed a petition “seeking to have the Patent Office revisit the question and
24 grant the original filing date of August 13, 2003,” and included with the petition “all of the
25 papers necessary to complete the application.” *Id.* Kohler advised Landmark that the petition
26 had been denied, and that the divisional application had been assigned a filing date of August 23,
27 2004. *Id.* He admitted that the August 23, 2004 filing date created a problem, but he stated that
28 it still might be possible to obtain some of the claims. *Id.*

1 On May 3, 2005, Kohler met with Wilson and others to discuss the situation. Kwon
2 Decl., Exh. A, Wilson Depo. of 5/18/2010, 271:5- 273:22. At that meeting, Kohler stated that
3 Morgan Lewis was still working on getting the lost divisional claims back, and that he would get
4 back to Wilson. *Id.* 272:9-14, 277:25. Kohler never called Wilson back. *Id.* 278:1-279:5.

5 In November 2005, Wilson called Kohler and asked him to transfer Landmark’s files to
6 its new patent counsel, MacPherson Kwok Chen & Heid LLP (“MacPherson”). On November
7 30, 2005, Landmark filed suit against Pennie, Morgan Lewis, and Kohler in the Santa Clara
8 Superior Court, alleging claims for legal malpractice, negligence, and breach of fiduciary duty.²
9 On September 26, 2006, the superior court ordered Landmark, Pennie, and Kohler (in his
10 capacity as a Pennie partner) to arbitration and stayed the case against Morgan Lewis and Kohler
11 (in his capacity as a Morgan Lewis partner). In March 2008, Landmark reached settlement with
12 Pennie and Kohler (in his capacity as a Pennie partner). The superior court then dismissed the
13 remaining claims against Morgan Lewis and Kohler (in his capacity as a Morgan Lewis partner)
14 for lack of subject matter jurisdiction.

15 Landmark filed the instant action in this Court on May 21, 2008, alleging legal
16 malpractice and related claims. Two weeks later, Landmark amended its complaint to add a
17 claim for fraud. As a result of the Court’s rulings on several motions brought by Defendants,
18 Landmark’s only remaining claim is for actual fraud. In its operative second amended complaint
19 (“SAC”), Landmark alleges that Kohler and Morgan Lewis “concealed from Landmark the June
20 22, 2004 notice from the PTO, the malpractice committed in connection with the filing of the
21 ‘916 divisional application, and Defendants’ improper course of action to attempt to correct the
22 malpractice.” SAC ¶ 111. Landmark alleges that it was damaged by Defendants’ fraud as
23 follows:

24 120. Defendants’ failure to timely and fully notify Landmark of the incomplete
25 nature of the ‘916 divisional application caused damages to Landmark. **Had**
26 **Defendants fully and timely notified Landmark of the incomplete nature of**
the ‘916 divisional application and the June 22, 2004 notice from the PTO,

27 ² Significantly, Landmark did not allege a claim for actual fraud in its state-court
28 complaint.

1 **Landmark would have instructed Defendants or other counsel to take the**
2 **steps outlined in detail in paragraphs 35 to 42 above** which would have
3 resulted in the '916 divisional application or the new patent application being
granted a filing date sufficient to preserve Landmark's patent rights as claimed or
disclosed in the '916 divisional application.

4 121. Had they not been lost, Landmark's patent rights would have covered at
5 least the following inventions claimed or disclosed in the '916 divisional
6 application: (a) methods for displaying an image on a four-color LED display; (b)
7 methods for displaying an image on an LED display, including calibrating a
workstation display and transferring an image to an LED display over a computer
network; (c) a fault-tolerant method for displaying images on an LED display; and
(d) a four-color LED display system.

8 SAC ¶¶ 120-21 (emphasis added). The "steps outlined in detail in paragraphs 35 to 42" that
9 Landmark would have taken if it had been informed of the June 22, 2004 notice from the PTO
10 are set forth as follows:

11 35. Had Defendants fully and timely notified Landmark of the incomplete nature of
12 the '916 divisional application and the June 22, 2004 notice from the PTO, a
13 number of steps were available to save Landmark's patent rights as claimed or
disclosed in the '916 divisional application.

14 36. First, the missing portions of the '916 divisional application could have been
submitted to the PTO prior to July 10, 2004.³

15 37. Second, a new patent application covering the patent rights as claimed or
16 disclosed in the '916 divisional application could have been submitted to the PTO
prior to July 10, 2004.

17 38. Third, prior to July 10, 2004 an effective petition in response to the June 22,
18 2004 notice could have been submitted to the PTO. Such a petition would have
included the missing portions of the '916 divisional application.

19 39. Fourth, on or after July 10, 2004 and on or before August 23, 2004, an
20 effective petition in response to the June 22, 2004 notice could have been
submitted to the PTO.

21 40. Any of these steps, individually or collectively, would have resulted in the
22 '916 divisional application or the new patent application being granted a filing

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24 ³ Pursuant to 35 U.S.C. § 102, a person is entitled to a patent unless "the invention was
25 patented or described in a printed publication in this or a foreign country or in public use or on
26 sale in this country, more than one year prior to the date of the application for patent in the
27 United States." 35 U.S.C. § 102 (b). Landmark's entire original '096 application, which
28 contained all the claims of the divisional application, was published by the PTO on July 10,
2003. *See Decl. of Inchan A. Kwon, Exh. T (Patent Application Publication)*. Thus if the
divisional application had been complete prior to July 10, 2004, the claims potentially would
have been patentable.

1 date sufficient to preserve Landmark’s patent rights as claimed or disclosed in the
2 ‘916 divisional application.

3 41. Had Defendants fully and timely notified Landmark of the incomplete nature
4 of the ‘916 divisional application and the June 22, 2004 notice from the PTO,
5 Landmark would have immediately consulted other counsel who would have
6 advised Landmark of the steps that must be taken to save Landmark’s patent
7 rights as claimed or disclosed in the ‘916 divisional application.

8 42. As a result of such consultation with other counsel, Landmark would have
9 instructed Defendants or other counsel to (a) submit the missing portions of the
10 ‘916 divisional application to the PTO prior to July 10, 2004, (b) file a new patent
11 application covering the patent rights as claimed or disclosed in the ‘916
12 divisional application prior to July 10, 2004, and (c) file prior to July 10, 2004 an
13 effective petition (which included the missing portions of the ‘916 divisional
14 application) in response to the June 22, 2004 notice or (d) file on or after July 10,
15 2004 and on or before August 23, 2004, an effective petition in response to the
16 June 22, 2004 notice. Whether taken by Defendants or other counsel, such steps,
17 individually or collectively, would have resulted in the ‘916 divisional application
18 or the new patent application being granted a filing date sufficient to preserve
19 Landmark’s patent rights as claimed or disclosed in the ‘916 divisional
20 application.

21 SAC ¶¶ 35-42. Landmark seeks to recover, *inter alia*, damages flowing from its loss of the
22 claims of the divisional application. Defendants assert that Landmark’s fraud claim is time-
23 barred and, alternatively, that Landmark has not sustained damages relating to the loss of claims
24 32-39 of the divisional application.

25 **II. LEGAL STANDARD**

26 “Summary judgment is proper ‘if the pleadings, the discovery and disclosure materials on
27 file, and any affidavits show that there is no genuine issue as to any material fact and that the
28 movant is entitled to judgment as a matter of law.’” *Hauk v. JP Morgan Chase Bank USA*, 552
F.3d 1114, 1117 (9th Cir. 2009) (quoting Fed. R. Civ. P. 56(c)). When determining whether an
issue of material fact remains for trial, the court “must view the evidence and all inferences
therefrom in the light most favorable to the non-moving party and may not weigh the evidence or
make credibility determinations.” *Id.* (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255,
(1986)).

29 **III. DISCUSSION**

30 Landmark’s fraud claim is governed by the three-year limitations period set forth in
31 California Code of Civil Procedure § 338(d). A fraud claim “is not deemed to have accrued until

1 the discovery, by the aggrieved party, of the facts constituting the fraud or mistake.” Cal. Civ. P.
2 Code § 338(d). The limitations period for fraud thus incorporates the “delayed discovery rule.”
3 *Broberg v. Guardian Life Ins. Co. of Am.*, 171 Cal. App. 4th 912, 920 (2009) (citing *Royal Thrift*
4 *& Loan Co. v. County Escrow, Inc.*, 123 Cal.App.4th 24, 28 (2004). “[U]nder the delayed
5 discovery rule, a cause of action accrues and the statute of limitations begins to run when the
6 plaintiff has reason to suspect an injury and some wrongful cause.” *Fox v. Ethicon Endo-*
7 *Surgery, Inc.*, 35 Cal. 4th 797, 803 (2005). In other words, “the limitations period begins once
8 the plaintiff has notice or information of circumstances to put a reasonable person on inquiry.”
9 *Jolly v. Eli Lilly & Co.*, 44 Cal.3d 1103, 1110-11 (1988) (internal quotation marks and citations
10 omitted).

11 A plaintiff has reason to discover a claim when he “has reason at least to suspect a factual
12 basis for its elements,” that is, the “generic elements of wrongdoing, causation, and harm.” *Fox*,
13 35 Cal. 4th at 807 (internal quotation marks and citations omitted). “Subjective suspicion is not
14 required[;] [i]f a person becomes aware of facts which would make a reasonably prudent person
15 suspicious, he or she has a duty to investigate further and is charged with knowledge of matters
16 which would have been revealed by such an investigation.” *McCoy v. Gustafson*, 180 Cal. App.
17 4th 56, 108 (2009). In cases involving a fiduciary relationship, “facts which would ordinarily
18 require investigation may not excite suspicion, and [] the same degree of diligence is not
19 required.” *Alfaro v. Comty. Housing Improvement System & Planning Assn., Inc.*, 171 Cal. App.
20 4th 1356, 1394 (2009) (internal quotation marks and citation omitted). Moreover, a “defendant’s
21 fraud in concealing a cause of action against him will toll the statute of limitations, and that
22 tolling will last as long as a plaintiff’s reliance on the misrepresentations is reasonable.”
23 *Grisham v. Philip Morris U.S.A., Inc.*, 40 Cal. 4th 623, 637 (2007). “Whether reliance was
24 reasonable is a question of fact for the jury, and may be decided as a matter of law only if the
25 facts permit reasonable minds to come to just one conclusion.” *Id.* (internal quotation marks and
26 citation omitted). “While resolution of the statute of limitations issue is normally a question of
27 fact, where the uncontradicted facts established through discovery are susceptible of only one
28 legitimate inference, summary judgment is proper.” *Romano v. Rockwell Internat.*, 14 Cal. 4th

1 479, 487 (1996) (quoting *Jolly*, 44 Cal.3d at 1112).

2 It is undisputed that Kohler initially concealed the PTO's June 2004 notice from
3 Landmark, and that he also concealed his filing of an adversary petition on Landmark's behalf in
4 August 2004. As described at length in the SAC, Landmark's theory is that had Kohler kept it
5 informed of these developments, it have taken steps to preserve the earlier filing date for its
6 divisional application or otherwise protected its rights. The question is when Landmark knew
7 enough information to be on actual or inquiry notice of Kohler's wrongdoing. Because
8 Landmark did not file the instant action until May 21, 2008, its fraud claim is time-barred if it
9 accrued before May 21, 2005.

10 The Court concludes that based upon this record, any reasonable trier of fact would be
11 compelled to conclude that Landmark had actual or inquiry notice of the facts giving rise to its
12 fraud claim prior to May 21, 2005. In late March 2005, Kohler sent Wilson a letter stating that
13 there had been an error in the divisional application; that Kohler tried to correct the error by
14 filing a petition with the PTO; that the petition had been denied; and that all of the divisional
15 claims potentially were lost. The letter was accompanied by the notice of incompleteness issued
16 by the PTO, Kohler's petition, and the PTO's order dismissing the petition. At that point
17 Landmark had in its possession all of the facts giving rise to its fraud claim.

18 Landmark argues that the fraud continued beyond the March-April time frame, because
19 Kohler consistently represented that he and Morgan Lewis were working to save the lost
20 divisional claims. Landmark also points to the fact that Kohler's letter of March 29, 2005
21 misleadingly stated that the rejection of the initial divisional application was the result of a
22 "clerical error" when in fact the omission of the specification was a substantive error, and that the
23 letter represented that there was "the potential" that all of the divisional claims had been lost
24 when in fact it was a certainty that they had been lost. Finally, Landmark claims that during the
25 meeting on May 3, 2005 Kohler continued to represent that the firm was working on saving the
26 lost claims. Landmark contends that these misrepresentations were intended to and did conceal
27 the fraud.

28 However, regardless of how he characterized the error, by April 2005 at the latest

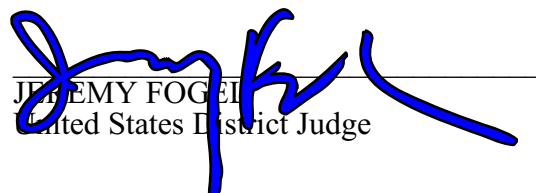
1 Landmark knew that Kohler had been given notice of an error in the divisional application in
2 *June 2004* and had concealed that fact from Landmark for approximately *six months*. Landmark
3 also knew that Kohler had filed an unsuccessful petition with the PTO without informing
4 Landmark or obtaining its consent. These facts alone were sufficient to put Landmark at least on
5 inquiry notice. Moreover, the PTO documents included with Kohler's letter of March 29, 2005
6 made the significance of Kohler's errors abundantly clear. As noted above, the PTO denied the
7 relief requested by the petition in part based upon its conclusion that "[c]ircumstances resulting
8 from applicants' failure to exercise due care, or lack of knowledge of, or failure to properly
9 apply, the patent statutes or rules of practice are not, in any event, extraordinary circumstances
10 where the interests of justice require the granting of extraordinary relief." Ragland Decl., Exh.
11 14 (Decision Dismissing Petition).

12 Landmark takes the position that Kohler promised to get back to Wilson after the May 3,
13 2005 meeting, and that given the fiduciary relationship between lawyer and client, Landmark
14 reasonably waited for Kohler's call (a call that *never* came). Landmark's choice to let
15 Defendants attempt to rectify the damage caused by their fraud did not toll the statute of
16 limitations, which began running when Landmark had knowledge of the facts giving rise to its
17 fraud claim. The fact that Defendants may have been able to mitigate the damage to Landmark
18 by saving some or all of the claims is legally irrelevant.

19 IV. ORDER

20 Defendants' motion for summary judgment is GRANTED.⁴

21
22
23 DATED: February 7, 2011

24 
25 JEREMY FOGEL
26 United States District Judge

27
28 ⁴ In light of the foregoing disposition, the Court need not reach Landmark's additional arguments based upon judicial estoppel, the on-sale bar, and the public use bar.