Exhibit 1

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

SOFTWARE RIGHTS ARCHIVE, LLC v. GOOGLE INC., YAHOO! INC., IAC SEARCH & MEDIA, INC., AOL, LLC, AND LYCOS, INC.	Civil Case No. 2:07-cv-511 (TJW)

DEFENDANTS' MOTION TO DISMISS FOR LACK OF STANDING

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Defendants Google Inc., Yahoo! Inc., IAC Search & Media, Inc., AOL LLC, and Lycos, Inc. (collectively, "Defendants") move the Court to dismiss this action for patent infringement for lack of subject matter jurisdiction pursuant to Fed. R. Civ. P. 12(b)(1). Plaintiff Software Rights Archive, LLC ("SRA") brought this action alleging that Defendants infringe U.S. Patent Nos. 5,544,352 (the "'352 patent"), 5,832,494 (the "'494 patent"), and 6,233,571 (the "'571 patent") (collectively "the patents-in-suit"). However, contrary to the allegations made by SRA in its complaint, SRA is not the assignee of the patents-in-suit, and therefore lacks standing to bring this action.[1]

I. SUMMARY OF THE ARGUMENT

The right to sue for patent infringement is limited by statute and case law to the owner of the patent.[2] *See* 35 U.S.C. § 281 ("A patentee shall have remedy by civil action for infringement of his patent."); *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923) ("[T]he plaintiff in an [infringement] action ... must be the person or persons in whom the legal title to the patent resided at the time of the infringement."). If a party lacks ownership rights in the patent-in-suit at the time of filing its complaint, then there is no standing, and the case should be dismissed. Under Article III of the Constitution, a plaintiff must establish standing to sue before a federal court will consider the merits of its claims. As one court aptly noted:

> In light of the proliferation of patent-infringement actions, it is not too much to ask sophisticated patent litigants to be careful when it comes to the threshold issue of standing.... District judges cannot overlook a defect in the chain of title, for the entirety of massive litigation might wind up being vacated years later, for lack of threshold standing. As carpenters say, it is wise to "measure twice and cut once."

[1] Defendants have filed a complaint for declaratory judgment in the Northern District of California against Daniel Egger, SRA, and Site Technologies, Inc. Civil Action No. 3:08-cv-03172-MEJ. The Northern District of California is the proper venue and jurisdiction for resolving the controversies relating to Site Technologies, Inc. and its patents (Exhibit 1).

[2] While the Federal Circuit has made an exception to this standing rule for exclusive licensees with all substantial rights to a patent, *see Enzo APA & Son, Inc. v. Geapag AG*, 134 F.3d 1090, 1093-94 (Fed. Cir. 1998), nothing in Plaintiff's complaint alleges that SRA is an exclusive licensee with such rights.

Quantum Corp. v. Riverbed Tech., Inc., No. C 07-04161 WHA, 2008 WL 314490, at *3 (N.D. Cal. Feb. 4, 2008) (citations omitted).

Here, SRA's complaint should be dismissed because it has never owned the patents-in-suit. SRA presumably will argue that its ownership arises from a February 22, 2005 assignment from Daniel Egger ("Egger"). Egger, however, had no patent rights to convey to SRA in February 2005. This is because neither of the two prior assignments that purported to convey rights to Egger actually conveyed any rights to the patents-in-suit:

1. The first assignment, the "1998 Assignment," was from Site Technologies, Inc., a California corporation, to Egger. However, Site Technologies, Inc. did not own the patents at that time, and the corporation's subsequent bankruptcy filing and confirmed Plan of Reorganization would have prevented Egger from obtaining the patents from the estate.

2. The second assignment, the "2005 Assignment," was from Site/Technologies/Inc., a Delaware corporation, to Egger for $1, via an instrument executed by Egger himself. However, by this time in 2005, Site/Technologies/Inc. did not even exist and Egger did not have authority to transfer its assets (much less to himself).[3] Moreover, applicable corporate and bankruptcy law would have required additional approvals for such an assignment to Egger, none of which were obtained.[4]

Thus, neither purported assignment granted Egger title to the patents-in-suit. And since Egger did not acquire the patents-in-suit, SRA did not acquire the patents-in-suit from him and thus has no standing to bring this action.

II. FACTS

A. The Inventors Assigned All Their Rights To Libertech

The '352 patent issued from Application Serial No. 08/076,658, which named Daniel Egger as its sole inventor. Pursuant to an assignment dated November 9, 1993 and recorded with

[3] These events are summarized in the timeline attached hereto as Exhibit 2.

[4] Under Delaware General Corporation Law § 271 and otherwise, the approval of shareholders and the board of directors of Site Technologies Inc. would have been required for such a transaction. No board then existed. Moreover, during bankruptcy, the sole shareholder/parent corporation could have acted only through a Responsible Person acting pursuant to the Chapter 11 Plan of Reorganization. *See* 11 U.S.C. § 1141.

the USPTO (Exhibit 3), Egger assigned all his rights in this application, and hence the '352 patent, to Libertech, Inc., a Delaware corporation that he founded in 1992.

On May 17, 1996, a continuation-in-part application to the '352 patent was filed. This application named Egger, as well as Shawn Cannon and Ronald D. Sauers, as inventors and later issued as the '494 patent. Pursuant to an assignment recorded with the USPTO (Exhibit 4), all three co-inventors assigned all their rights in the application that later issued as the '494 patent to Libertech, Inc. on June 18, 1996. A divisional application of the '494 patent later issued as the '571 patent.

As a result of these two assignments, all the rights to the patents-in-suit resided squarely with Libertech.

B. Libertech (a.k.a. Site/Technologies/Inc.) Never Assigned Its Rights To Egger

On August 22, 1996, Libertech, Inc. changed its name to Site/Technologies/Inc. The name change was also recorded with the USPTO. (Exhibit 5). For ease of reference, we will continue to refer to both Libertech Inc. and Site/Technologies/Inc. as "Libertech" except where necessary to show correspondence to the documents.

On July 11, 1997, Deltapoint, Inc., a California corporation, purchased all the shares of Libertech pursuant to a Stock Exchange Agreement that Deltapoint publicly disclosed in an SEC filing (Exhibit 6). The Agreement was executed by Jeffrey Ait on behalf of Deltapoint and by Ron Sauers, on Libertech's behalf as its last President before the change of control. (See Exhibit 6 at p. 22). After being acquired as a subsidiary of Deltapoint, Libertech remained the sole holder of record title to the '352 patent and the applications that would issue as the '494 and '571 patents. Other Deltapoint filings and press releases confirmed Libertech's status as a wholly-owned subsidiary. See, e.g., Exhibits 7, 8 & 9.

Thereafter, Deltapoint, Inc., the California corporation and parent of Libertech, changed its name to Site Technologies, Inc. (distinguishable from its subsidiary Libertech (a.k.a. Site/Technologies/Inc.) by the absence of slashes in its name). Since Deltapoint, Inc. and Site

Technologies, Inc. are merely two different names for the same company, we will generally refer to the company as "Deltapoint."

In September 1998, Deltapoint agreed to sell its technology pertaining to a product called "V-Search" to Egger. Deltapoint and Egger entered into a Bill of Sale, Assignment and License Agreement (Exhibit 10, pp. 1-4) pursuant to which Egger would pay $100,000 to obtain software, software copyrights, software licenses, trademarks, certain physical property, and rights to the '352 patent and certain related applications. [5] As recorded with the USPTO, this Bill of Sale was followed by an undated assignment (the "Undated Assignment," hereafter) (Exhibit 10, pp. 5-6) relating to the '352 patent (but not the then-pending continuation-in-part applications that later issued as the '494 and '571 patents). Numerous irregularities appear on the face of the Undated Assignment, among them: (i) its last sentence of text cuts off in mid-sentence followed by a blank line; (ii) no signature other than the initials of Daniel Egger, the purported assignee, appears on the same page as the document's text; and (iii) the lone signature of an attesting witness appears on a separate page from the document's text. Even apart from these and other defects, these documents did not transfer any patent rights to Egger because at this time Libertech, *not* its parent Deltapoint, held the rights to the patents-in-suit. Simply put, Deltapoint had no patent rights to convey.

After the purported assignment of the '352 patent to Egger by Deltapoint, on February 21, 1999, Deltapoint commenced Chapter 11 bankruptcy proceedings in the United States Bankruptcy Court for the Northern District of California.[6] In its February 18, 2000, Statement of Financial Affairs, Deltapoint identified Libertech as its subsidiary from "9/94–present." (Exhibit 9 at 7). On June 15, 2000, the bankruptcy court approved Deltapoint's First Amended Plan of Reorganization governing the estate's assets.

[5] Deltapoint's official Statement of Financial Affairs in the bankruptcy proceedings, filed on February 18, 2000, reported that Eggers had paid only $80,000 of that $100,000, however. (Exhibit 9).

[6] The bankruptcy case is *In re Site Technologies, Inc. dba Deltapoint, Inc.*; Case No. 99-50736-JRG-11 (Bankr. N.D. Cal.).

Subsequently, on December 21, 2000, Deltapoint (a.k.a. Site Technologies, Inc.), the California corporation, filed certificates with the California and Delaware Secretaries of State (Exhibits 11 & 12) stating that it merged itself and its subsidiary Libertech (a.k.a. Site/Technologies/Inc.) together, leaving Deltapoint as the surviving corporation.[7]

As a consequence of the December 2000 merger documents, all the assets of Libertech – including title to the patents-in-suit – would have become the property of the surviving entity, Deltapoint (a.k.a. Site Technologies, Inc.). *See* Cal. Corp. Code § 1107(a) ("Upon merger... the surviving corporation shall succeed, without other transfer, to all the rights and property of each of the disappearing corporations."). Also as a second consequence of the merger documents, Libertech (a.k.a. Site/Technologies/Inc.) would have ceased to exist. *See* Del. Code tit. 8, § 259(a) ("When any merger or consolidation shall have become effective under this chapter, ... the separate existence of all the constituent corporations ... shall cease.").

The bankruptcy proceeding came to a close with the bankruptcy court's final decree on January 6, 2004. Pursuant to ¶ 14.2 of the First Amended Plan of Reorganization, which was approved by the bankruptcy court:

> All property of the Bankruptcy Estate shall vest in the Debtor subject to the terms and conditions of the Plan. All property of the Debtor, except as otherwise provided in the Plan, shall be free and clear of any liens, encumbrances, Claims of Creditors and Interests of Equity Security Holders.

Consequently, Deltapoint's property emerged free and clear of any liens and claims.

C. Egger's 2005 Assignment To Himself Was A Nullity And A Fraud

Egger formed Software Rights Archive, Inc. as a Delaware corporation in September 2004. Shortly before purporting to assign rights to the patents-in-suit to SRA, Egger executed a February 11, 2005 Assignment (again, the "2005 Assignment") in which he purported to be the President of the nonexistent Libertech (Site/Technologies/Inc.) and to assign Libertech's patent

[7] Just prior to filing the merger certificates, Jeffrey Ait, Chief Executive Officer of Deltapoint, also filed a document (Exhibit 13) with the Delaware Secretary of State purporting to revive and renew Libertech's Certificate of Incorporation, which had expired on March 1, 1999.

rights over to himself. A copy of the document that Egger executed and then recorded with the USPTO is attached as Exhibit 14.

The 2005 Assignment, however, is a fraud and of no effect. First, at the time of the 2005 Assignment, Libertech was defunct and/or did not exist. (Exhibits 11 & 12). Therefore, it could not have owned the patents in 2005. Second, even if, at the time the 2005 Assignment was executed, Libertech did exist and did own the patents, Egger was not the President of Libertech (a.k.a. Site/Technologies/Inc.). Egger, therefore, had no authority to assign whatever rights Libertech could have possessed. Thus, in the 2005 Assignment, Egger not only falsely stated that he was the President of a defunct and/or non-existent company that held title to the patents, but then proceeded to transfer those alleged rights to himself. The 2005 Assignment is no more than a fraudulent instrument designed to deceive Defendants, the USPTO, and the Court.

D. SRA Acquired No Rights From Egger But Nonetheless Relied On The Void 2005 Assignment

After executing the purported assignment of the '352 and '494 patents to himself as an alleged officer of a defunct and/or nonexistent company, on February 22, 2005, Egger promptly assigned the rights that he purportedly acquired by virtue of the 2005 Assignment to his holding company, SRA, so that it could sue Defendants. (Exhibit 15).

The following table summarizes the various assignments and merger documents and their apparent legal effect:

	Title Holder Immediately before Transaction	Listed Assignor → Listed Assignee		Legal Effect[#]
1998 Bill of Sale and Undated Assignment of '352 patent (Exhibit 10)	Libertech (a.k.a. Site/Technologies/ Inc.)	Deltapoint (a.k.a. Site Technologies, Inc.)	Egger	None Title remains with Libertech (a.k.a. Site/Technologies/ Inc.)
December 2000 Merger of Deltapoint and Libertech (Exhibits 11 & 12)	Libertech (a.k.a. Site/Technologies/ Inc.)	(not applicable)	(not applicable)	By merger, title would transfer to merged entity, Deltapoint (a.k.a. Site Technologies, Inc.)
February 11, 2005 Assign-ment of '352 and '494 patents (Exhibit 14)	Deltapoint (a.k.a. Site Technologies, Inc.)	*defunct and/or non-existent* entity Libertech (a.k.a. Site/Technologies/ Inc.)	Egger	None
February 22, 2005 Assignment of '352, '494 and '571 patents (Exhibit 15)	Deltapoint (a.k.a. Site Technologies, Inc.)	Egger	SRA	None

[#]See Argument below.

As demonstrated above, Egger never acquired the patents-in-suit and therefore had no rights to transfer to SRA. Nonetheless, Egger and SRA persist in relying on the 2005 Assignment to exploit the patents-in-suit and to attempt to wrongfully enforce them against Defendants.

For example, when the '494 patent expired for failure to pay maintenance fees on November 4, 2006, Egger, acting as President of SRA, submitted a Petition to Accept Unintentionally Delayed Payment of Maintenance Fee in an Expired Patent (Exhibit 16). In the accompanying statement declaring ownership (titled "Statement Under 37 C.F.R. 3.73(b)") (Exhibit 17), as required by USPTO regulations, Egger declared that SRA was "the assignee of the entire right, title, and interest" to the '494 patent. In this statement, SRA relied on the 2005 Assignment to establish ownership without disclosing that the assigning entity was defunct and/or had ceased to exist and did not own the patents, and that Egger had no authority to execute it. Even more, SRA further misrepresented the chain of title by omitting the slashes in the name of Site/Technologies/Inc. (i.e., Libertech) so that it appeared to be the same entity as Site Technologies, Inc. (i.e., Deltapoint). SRA would not have been able to make the required showing of ownership without these misrepresentations and falsehoods.

On November 21, 2007, SRA filed this action against Defendants. In its complaint, SRA averred that it was "the assignee of all right, title, and interest in and to" the '352 patent, and "the assignee of the '494 patent."[8] As further explained below, SRA has no standing to bring this action, and consequently the Court lacks subject matter jurisdiction.

III. ARGUMENT

A. Applicable Law

It is a basic principle of patent law that a party who lacks legal ownership of or substantially all the rights to a patent is without standing to sue for infringement of that patent. *See Lans v. Digital Equip. Corp.*, 252 F.3d 1320, 1328 (Fed. Cir. 2001) ("If a party lacks title to a patent, that party 'has no standing to bring an infringement action' under that patent.") (citing *FilmTec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568, 1571 (Fed. Cir. 1991)). By statute, the assignment of a patent from one party to another must be done in writing. 35 U.S.C. § 261 ("Application for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing."); *see also Enzo APA & Son, Inc.*, 134 F.3d at 1093 (holding that a virtual assignment, just like actual assignments, must be in writing).

Without standing to bring an action for infringement, there is no subject matter jurisdiction over the claim, requiring the action to be dismissed. *Intellectual Prop. Dev., Inc. v. TCI Cablevision of CA, Inc.*, 248 F.3d 1333, 1345 (Fed. Cir. 2001), *cert. denied*, 534 U.S. 895 (2001). Once a defendant asserts lack of subject matter jurisdiction in a motion to dismiss, the

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[8] See ¶¶ 10, 15 and 20 of Plaintiff's Complaint. SRA did not aver that it had any rights to the '571 patent.

plaintiff bears the burden of establishing that the court has the requisite subject matter jurisdiction over the dispute. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992). Because federal courts have limited jurisdiction, it is presumed that a suit lies outside these limits, and accordingly the burden of establishing federal jurisdiction rests on the party seeking the federal forum. *Howery v. Allstate Ins. Co.*, 243 F.3d 912, 916 (5th Cir. 2001).

B. SRA And Egger Never Acquired The Patents-In-Suit

It is undisputed that SRA's alleged rights are entirely derivative of Egger's. It is also undisputed that, as of June 1996, Libertech (a.k.a. Site/Technologies/Inc.) was the sole owner of the patents-in-suit based on assignments from the named inventors. Thus, the only issue is what rights, if any, Egger obtained from Libertech (a.k.a. Site/Technologies/Inc.) based on (1) the 1998 Assignment and (2) the 2005 Assignment.

1. The 1998 Assignment Did Not Transfer Title

Plaintiff cannot establish standing based on the 1998 Assignment because the patents were not owned by the transferor, Site Technologies, Inc. (referred to as Deltapoint herein). Instead, the patents were owned by Libertech, a subsidiary of Deltapoint who was not even a party to the 1998 Assignment. (See Exhibit 10). As a result, the 1998 Assignment could not have transferred title to Egger.

Under the Patent Act, patent assignments must be in writing to be effective. 35 U.S.C. § 261. Although Deltapoint owned all the shares of Libertech in 1998, there is no written assignment on record at the U.S. Patent Office that transfers title in the patents from Libertech to Deltapoint. In the absence of such a written conveyance to Deltapoint prior to the 1998 Assignment, Libertech, and not its parent Deltapoint, remained the sole owner of the patents-in-suit.[9]

[9] Defendants are unaware of any assignment from Libertech to Deltapoint and have asked Plaintiff's counsel to provide documents establishing chain of title. Rather than do so, Plaintiff's counsel has pointed to statements in two of Deltapoint's SEC filings and alluded to other unspecified documents. In the first SEC filing, Deltapoint suggested that its stock purchase agreement (Exhibit 6) included "all outstanding assets of" Libertech. But, this

Moreover, Libertech's mere status as a subsidiary of Deltapoint also did not vest Deltapoint with ownership of the patents. To the contrary, the distinctiveness of each corporate entity must be respected. As the Supreme Court explained in *Dole Food Co. v. Patrickson*, "[a] corporate parent which owns the shares of a subsidiary does not, for that reason alone, own or have legal title to the assets of the subsidiary." 538 U.S. 468, 475 (2003).

Likewise, the Federal Circuit has held that the owner of a patentee does not itself have standing to sue for patent infringement. *Lans*, 252 F.3d at 1328. The plaintiff in *Lans* was the sole owner of a non-operational holding company which held legal title to the asserted patents. *Id.* at 1324-25. The Federal Circuit affirmed that there was no jurisdiction because the plaintiff lacked standing. *Id.* at 1328; *see also LDM Techs., Inc. v. Rowen-Waters Group, LLC*, No. 02-73520, 2005 WL 2449300, at *2 (E.D. Mich. Sept. 28, 2005) ("[T]here is no authority which confers standing on a parent company to file a patent suit on behalf of its subsidiary").

Because the sole owner of a patentee has no standing to sue for patent infringement, such a parent also cannot by assignment grant a third party sufficient title to do so. Thus, Deltapoint (a.k.a. Site Technologies, Inc.), despite being Libertech's (a.k.a. Site/Technologies/Inc.'s) parent by virtue of having acquired all of Libertech's shares (see Exhibit 6), could not, and did not, transfer any rights to the patents-in-suit to Egger by way of the 1998 Assignment.

In fact, SRA and Egger conceded this point when Egger concocted the fraudulent 2005 Assignment, in which he declared that, as of that date, Site/Technologies/Inc. (i.e., Libertech) was "the owner of the patent(s) identified on Schedule A" namely the '352 and '494 patents and

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statement did not even mention the patents-in-suit, and moreover mischaracterized the stock purchase agreement (Exhibit 6) as an asset purchase. In the second SEC filing, Deltapoint stated that, on September 30, 1998, it had "consummated the sale of its V-Search technology and related patents" for $100,000. This document, too, fails to establish a valid transfer of the patents from Libertech to Deltapoint. Deltapoint subsequently retreated from this representation, reporting to the bankruptcy court that it had received only $80,000 from Egger. (Exhibit 9). Regardless of the factual discrepancies in these documents, neither is a written conveyance establishing an unbroken chain of title from Libertech to Egger. Plaintiff cannot rely on inaccurate SEC filings to bridge a gap in the chain of title. (As discussed below, the absence of such a link motivated Egger to create such a document in February 2005, albeit a fraudulent one.)

then purported to transfer "the entire right, title, and interest in and to the Patents" to himself. (Exhibit 14). In other words, despite the alleged 1998 sale of the "V-Search" technology to Egger by the parent Deltapoint, its subsidiary Libertech (a.k.a. Site/Technologies/Inc.) retained all rights to the patents at that time.

2. The 2005 Assignment Transferred No Rights

Given that the 1998 Assignment did not convey the patents-in-suit to Egger, SRA must rely on the 2005 Assignment (Exhibit 14). Egger executed this document himself on behalf of Libertech as its supposed President and purported to assign the '352 and '494 patents (but not the '571 patent) to himself as an individual. However, the 2005 Assignment failed to transfer any rights to Egger for the simple reasons that, by February 11, 2005, Libertech was defunct and/or did not exist, and even if it did, it no longer owned the patents and Egger was not its President.

Exhibits 11 and 12 to this motion indicate that this Delaware corporation (Libertech, a.k.a. Site/Technologies/Inc.) merged into a California corporation (Deltapoint, a.k.a. Site Technologies, Inc.) on December 21, 2000. By operation of Delaware law, Del. Code tit. 8, § 259(a), Libertech, the owner of the patents before the merger, would have then ceased to exist. A purported assignment by a non-existent entity that cannot own any property is obviously null and void. Furthermore, all of Libertech's property would have been subsumed by the entity emerging from the merger, Deltapoint, a California corporation. *See* Cal. Corp. Code § 1107(a) and at page 5 above. Thus, after the merger on December 21, 2000, Deltapoint (a.k.a. Site Technologies, Inc.) would have owned the patents-in-suit.

On February 11, 2005, Egger also could not have been President of the defunct and/or non-existent Libertech. Egger had previously transferred all his shares in Libertech to Deltapoint pursuant to the 1997 Stock Exchange Agreement (*see* in particular § I.1.c of Exhibit 6 at 1-2). In the merger documents (Exhibits 11 & 12), Deltapoint declared that, immediately prior to the merger, Deltapoint owned all shares in Libertech. Nothing suggests that Egger was ever made President of Libertech after Deltapoint acquired ownership of all stock in Libertech in 1997. In any event, no President of Libertech could have so transferred the patents to himself without the approvals required by law, i.e., consent of the board of directors (then no longer existing) and pertinent approvals under bankruptcy law.[10]

Indeed, the 2005 Assignment appears to be nothing more than a fiction concocted by Egger to bridge the missing link in the chain of title.[11] Egger appears to have been fully aware that the purported 1998 Assignment was ineffective and resolved to take title instead by pretending to be President of the defunct and/or non-existent Libertech. But a party cannot take by assignment more rights than the assignor had. *TM Patents, L.P. v. Int'l Bus. Machs. Corp.*, 121 F. Supp. 2d 349, 365 (S.D.N.Y. 2000) ("[A]n assignee [cannot obtain] any title better than the assignor had."). Hence, SRA, like Egger, did not obtain any rights to the patents-in-suit by way of the 2005 Assignment. It was nothing more than a sham transaction perpetrated upon the USPTO, and ultimately Defendants and this Court.

3. No Document Grants SRA Title

Because neither the 1998 Assignment nor the duplicitous 2005 Assignment conveyed the patents-in-suit to Egger, SRA did not acquire any rights to the patents from Egger and consequently has no standing to bring this action. Absent subject matter jurisdiction, this case must be dismissed. *Intellectual Prop. Dev., Inc.*, 248 F.3d at 1345.

IV. CONCLUSION

For the reasons stated, this Court lacks subject matter jurisdiction over this case. The case should be dismissed.

[10] See Footnote 4.

[11] Plaintiff's counsel has not provided any explanation for the 2005 Assignment.

Dated: July 16, 2008

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing document has been served on July 16, 2008 on all counsel of record who are deemed to have consented to electronic service via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/Thomas B. Walsh, IV
Thomas B. Walsh, IV

Exhibit 2

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

SOFTWARE RIGHTS ARCHIVE, LLC,	§	
	§	
Plaintiff,	§	
	§	**Civil Action No. 2:07-cv-511-TJW**
v.	§	
	§	
GOOGLE INC., YAHOO! INC.,	§	
IAC SEARCH & MEDIA, INC., AOL LLC,	§	**JURY TRIAL DEMANDED**
and LYCOS, INC.,	§	
	§	
Defendants.	§	

PLAINTIFF'S RESPONSE TO DEFENDANTS' MOTION TO DISMISS

PLAINTIFF'S RESPONSE TO DEFENDANTS' MOTION TO DISMISS

Plaintiff Software Rights Archive, LLC ("Plaintiff" or "SRA") files this Response to Defendants' Motion to Dismiss, and shows the Court as follows:

I. SUMMARY OF ARGUMENT

For nearly 10 years, no one questioned that the patents-in-suit were the property of Daniel Egger (and, hence, the plaintiff, SRA). Now, in an effort to evade the jurisdiction of this Court, the Defendants seek to bootstrap an incomplete reading of corporate documents to undo an assignment that all parties intended, consummated, described publicly and have subsequently ratified. Defendants' motion to dismiss consciously disregards the contemporaneous documents demonstrating that Egger acquired the patents long before he assigned them to SRA. Defendants' motion to dismiss should be denied.

Defendants' central contention—that Egger did not acquire the patents-in-suit before February 2005—is not only wrong, it is contradicted by numerous company documents, sworn SEC filings, emails, sworn declarations, and common sense. For multiple independent reasons, Egger acquired the patents before February 2005:

- In July 1997, Site/Technologies/Inc. ("Site/Tech")[1], the undisputed owner of the patents at the time, transferred the patents to its parent company Site Technologies, Inc. ("Site Tech").[2] In September 1998, Site Tech assigned the patents to Daniel Egger through a bill of sale and assignment. Egger thus acquired the patents in September 1998.
- Defendants claim that the true owner of the patents in September 1998 was Site/Tech, not Site Tech. Defendants are wrong, but even if Defendants were correct, Egger still would have acquired the patents in September 1998 because Site/Tech was bound by the September 1998 assignment to Egger. The assignment was executed by the CEO

[1] Site/Technologies/Inc., the subsidiary, was known as "Libertech, Inc." prior to August 1996, when it was subsequently acquired by DeltaPoint, Inc. For the sake of consistency, this brief refers to Libertech, Inc. and Site/Technologies/Inc. as "Site/Tech."

[2] Site Technologies, Inc., the parent, originally was known as "DeltaPoint, Inc." It changed its name from "DeltaPoint, Inc." to "Site Technologies, Inc." in October 1997—three months after it acquired Site/Technologies/Inc. For the sake of consistency, this brief refers to DeltaPoint, Inc. and Site Technologies, Inc. as "Site Tech."

of Site/Tech; Site/Tech was the alter ego of Site Tech; and Site/Tech had authorized Site Tech to assign the patents to Egger in Site Tech's name.

- Finally, even assuming that title was not transferred in September 1998, Egger undoubtedly acquired the patents at the latest in December 2000. By that time—Defendants themselves admit—Site Tech would have acquired the patents from its subsidiary Site/Tech even if it had not done so previously. Thus, by late 2000, Egger would have acquired the patents from Site Tech by operation of the after-acquired title doctrine.

Because Egger acquired the patents before February 2005, his transfer to SRA was effective.

As a final note, Defendants falsely accuse Egger of fraud and misconduct. Defendants' effort is irrelevant to their motion, and unavailing in any event. It is irrelevant because the February 2005 assignment from Site/Tech to Egger has nothing to do with the chain of title in this case. It is unavailing because that assignment, which merely functioned as replacement for a lost assignment, has been fully ratified by Site/Tech. In short, Defendants' attempts to smear Egger should be disregarded.

II. STATEMENT OF FACTS

Egger invented search engines employing link analysis, and SRA owns the patents-in-suit. The early history of the patents-in-suit is undisputed. In June 1993, Egger applied for what would become the '352 Patent. *Ex. 1.* In November 1993, Egger assigned the June 1993 patent application to Libertech, Inc. ("Libertech"). *Ex. 2.* In May 1996, Egger and two colleagues applied for what would become the '494 and '571 Patents. *Ex. 3.* In June 1996, Egger and his colleagues assigned the May 1996 patent application to Libertech. *Ex. 4.* In August 1996, Libertech changed its name to Site/Technologies/Inc. ("Site/Tech"). *Ex. 5.* Site/Tech was acquired by DeltaPoint, Inc. ("DeltaPoint"), which later changed its name to Site Technologies, Inc. and will be referred to herein as "Site Tech."

A. In July 1997, Site/Tech, the undisputed owner of the patents-in-suit at the time, transferred the patents to Site Tech.

In July 1997, Site Tech acquired Site/Tech in what was intended to be a *de facto* merger transaction that placed all the stock and, separately, all of the assets of Site/Tech (including the patents-in-suit) in Site Tech. For tax reasons, the parties structured the acquisition as a stock exchange with a distribution of assets into the parent, rather than as a formal merger. *See Ex. 6* ("The transaction must be structured as a stock exchange, rather than a merger, to make it taxable."). The parties, though, also intended to merge the operations and assets of Site/Tech into Site Tech, as confirmed by Site Tech's CEO and documents executed in connection with the transaction. *See, e.g., Ex. 7*, ¶ 2 ("The purpose of this transaction was to merge the business of Site/Tech into DeltaPoint, Inc."); *Ex. 8* ("DeltaPoint intends to continue the business of Site after the date hereof and integrate such business into DeltaPoint's ongoing business.").

Because the parties intended to merge the operations of Site/Tech into Site Tech without a formal merger, just three days before the acquisition, Site/Tech amended its certificate of incorporation to make the anticipated stock exchange trigger the liquidation preferences and distribution provisions of Site/Tech. *See Ex. 10* ("In the event of ... a sale of all or substantially all of ... the stock of the corporation, ... such event shall be treated as a liquidation ...."); *Ex. 9* (Site/Tech special board minutes, referencing liquidation); *Ex. 6* ("This will require an amendment to the company's articles to make it absolutely clear that an exchange is a liquidation."). These provisions mandated "distributions to the shareholders of the corporation." *Ex. 10*. Specifically, following payment of a sum of money to the preferred stockholders, "the entire remaining assets and funds of the corporation legally available for distribution, if any, shall be distributed ratably among the [preferred stock]holders .... Thereafter, any remaining assets and funds legally available for distribution hereunder shall be distributed solely to the holders of the Common Stock." *Ex. 10.* The stock exchange agreement prescribed that Site Tech (then still known as DeltaPoint) would become the sole stockholder of Site/Tech following the stock exchange. *See Ex. 11.* Thus, Site/Tech's amended certificate of incorporation operated to distribute its patents and other assets to its sole shareholder Site Tech upon consummation of the stock exchange and subsequent stock distribution. *See Ex. 7,* ¶ 2 ("In this transaction, DeltaPoint directly acquired all outstanding stock of Site/Tech and all of the then-existing assets of the company, including its patents and trademarks.").

After the acquisition, Site Tech repeatedly confirmed that it had acquired the patents from Site/Tech. In five separate SEC filings, Site Tech reported: "On July 11, 1997, the Company acquired the shares of Site/technologies/inc. ("Site") for an aggregate purchase price of $638,000.... In exchange the Company's received *all outstanding assets* of Site." *See Exs. 12-16* (emphasis supplied). Further, in each of three separate SEC filings, Site Tech repeated six times that it had acquired specific technologies through its acquisition of Site/Tech. *See Exs. 13-15*; *see also Ex. 16* (making four such statements). For example: "In July 1997, the Company acquired Site/technologies/inc. ... pursuant to which the Company acquired, among other things, SiteSweeper 1.0, a Web site quality control and maintenance product." *Exs. 13-16.* Likewise, Site Tech updated its balance sheet to reflect its acquisition of Site/Tech's assets: "The pro forma condensed balance sheet reflects the effects of the acquisition of Site based upon the fair market value of *the acquired assets* and liabilities on July 11, 1997...." *Exs. 12-16* (emphasis supplied). Most pointedly, in a 1998 SEC filing, Site Tech reported that it had acquired the patents-in-suit as part of the Site/Tech acquisition: "[The] V-Search technology and related patents ... was technology that the Company acquired in the Site Tech Acquisition." *Ex. 17.*

B. After July 1997, Site Tech and Site/Tech merged corporate personalities.

Following the July 1997 acquisition, Site Tech and Site/Tech merged corporate personalities. For starters, Site Tech changed its name from "DeltaPoint, Inc." to "Site Technologies, Inc.," effectively adopting the persona of the *de facto* merged subsidiary. *Ex. 7*, ¶ 2; *Ex. 18*; *Ex. 23*. Site Tech also adopted Site/Tech's trademarks, email addresses, web address, and developed and sold Site/Tech's former products as its own. *Ex. 7*, ¶ 2. The companies also merged principal offices; Site/Tech moved its principal office from North Carolina to Site Tech's principal office in California. *Ex. 19*.

Site/Tech's operations also merged into Site Tech. *Ex. 7*, ¶ 2. Site/Tech no longer maintained adequate capitalization, having no significant assets or equity. *See Ex. 20*. Site/Tech took no money in loans, and its stock structure consisted of fewer than 1,000 shares—all owned by Site Tech. *Ex. 21*; *Ex. 22*; *Ex. 7*, ¶ 2. Site/Tech had no separate employees. *Ex. 11*; *Ex. 7*, ¶ 2. Instead, all of Site/Tech's employees prior to the stock exchange either left the company or became Site Tech employees following the stock exchange. *Ex. 11*; *Ex. 7*, ¶ 2. Site Tech conducted Site/Tech's few remaining business affairs on Site/Tech's behalf. For example, Site Tech prepared and maintained Site/Tech's tax records. *Ex. 7*, ¶ 2. Site/Tech also did not segregate its corporate records from those of Site Tech. *Ex. 7*, ¶ 3. In fact, Site/Tech maintained no corporate records at all. *Ex. 7*, ¶ 3. Further, Site/Tech disregarded corporate formalities. For example, it held no director meetings or shareholder meetings. *Ex. 7*, ¶ 3. It made no decisions, and took no actions, separate from Site Tech. *Ex. 7*, ¶ 3. Site/Tech also engaged in no business activity of its own. *Ex. 7*, ¶¶ 2, 3. It designed nothing, produced nothing, marketed nothing, and sold nothing. *Ex. 7*, ¶ 2. It had no significant costs or revenues. *Ex. 7*, ¶ 2; *Ex. 20*. Indeed, Site/Tech maintained no bank account separate from Site Tech's bank account. *Ex. 7*, ¶ 3. Site/Tech did not segregate any assets from Site Tech's assets. *Ex. 7*, ¶ 3.

Finally, Site Tech exercised complete control over Site/Tech. Site Tech owned 100% of Site/Tech's stock. *Ex. 11*. Site Tech's directors and officers were Site/Tech's directors and officers. *Ex. 11*, ¶ 5.7; *Ex. 28*. In short, Site Tech made all of Site/Tech's decisions and took all of Site/Tech's actions. Site/Tech and Site Tech merged corporate personalities.

C. In September 1998, Site Tech sold and assigned the patents-in-suit to Egger, and Site/Tech was bound by the assignment.

In September 1998, Site Tech and Egger entered into a Bill of Sale, Assignment and License Agreement ("the assignment"), to which Site/Tech also was bound, that sold and assigned the patents-in-suit to Egger. *Ex. 24*. Site Tech represented to Egger that Site Tech had specifically warranted in 1998 that it was transferring "good and marketable title," that it was the "sole owners," and that it had "full right to convey the entire interest" in the patents. *Ex. 24*. Egger executed the assignment on his own behalf. *Ex. 24*. Jeffrey Ait, the CEO of Site/Tech and Site Tech, executed the assignment on behalf of both companies. *Ex. 7*, ¶ 6. Indeed, Site/Tech had authorized Ait to assign the patents to Egger in Site Tech's name. *Ex. 7*, ¶ 6. The intent of all parties was to transfer the patents-in-suit to Daniel Egger, who paid $100,000 for the patents-in-suit. *Ex. 7*, ¶¶ 5-6. Ait later delivered the technology and physical property to Egger. *Ex. 17*; *Ex. 7*, ¶ 6. Neither Site/Tech nor Site Tech thereafter represented that it owned the patents-in-suit. *Ex. 7*, ¶ 6.

D. In December 2000, Site/Tech formally was merged into Site Tech and transferred all its remaining assets to Site Tech.

In December 2000, Site/Tech formally was merged into Site Tech. *Exs. 29-31*. Site/Tech thereby transferred whatever assets it possessed at that point to Site Tech. Therefore, if Site/Tech still possessed the patents-in-suit in December 2000, Site Tech undoubtedly owned them from that point forward. Defendants agree. *See* Defendants' Motion at 5, 11.

III. ARGUMENT AND AUTHORITIES

A. Egger acquired the patents in September 1998.

Egger acquired the patents in September 1998 in accordance with a Bill of Sale, Assignment and License Agreement. *Ex. 24.*

1. Site Tech owned the patents in September 1998, having acquired them from Site/Tech in July 1997.

Site Tech acquired the patents from Site/Tech in connection with Site Tech's July 1997 acquisition of Site/Tech. Defendants incorrectly assert that the July 1997 acquisition involved only a stock transfer. *See* Defendants' Motion, at 9, n.9. To the contrary, Site/Tech also transferred its assets, including the patents. *See, e.g., Ex. 7,* ¶ 2.

a. Site Tech acquired the patents by operation of law.

Federal Circuit law recognizes that patents can be conveyed by operation of law:

> We conclude that the district court's focus solely on section 261 was erroneous. Section 154 of Title 35 states that "[e]very patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States...." 35 U.S.C. § 154(a)(1) (emphasis added). As both parties note, patent ownership may be transferred by assignment, and section 261 addresses such a transfer – requiring assignments to be in writing. See 35 U.S.C. § 261. However, there is nothing that limits assignment as the only means for transferring patent ownership. Indeed, the case law illustrates that ownership of a patent may be changed by operation of law.

Akazawa v. Link New Tech. Int'l, Inc., 520 F.3d 1354, 1356 (Fed. Cir. 2008) (emphasis omitted).

In this case, Site/Tech transferred its patents to Site Tech by operation of law through its certificate of incorporation. Three days before the stock exchange between the two companies, Site/Tech's board amended Site/Tech's certificate of incorporation to make the sale of Site/Tech's stock to Site Tech a triggering event for purposes of distribution in accordance with the company's distribution preferences: "In the event of ... a sale of all or substantially all of ... the stock of the corporation, ... such event shall be treated as a liquidation, dissolution or winding up within the meaning of this Section." *See Ex. 10.* The phrase "the stock of the corporation" previously was not present in Site/Tech's restated certificate of incorporation, and had to be added to make the upcoming stock acquisition by Site Tech a deemed "liquidation event" within the meaning of the certificate of incorporation.[3] *See Ex. 10.*

Site Tech's acquisition of Site/Tech's stock triggered a liquidation event under Site/Tech's amended certificate of incorporation, which in turn resulted in the distribution of Site/Tech's assets, including the patents-in-suit, to Site Tech.[4] Several of Site Tech's contemporaneous SEC filings—all of which Defendants incorrectly and cavalierly dismiss as "inaccurate"—confirm that "[i]n exchange [Site Tech] received all outstanding assets of [Site/Tech]." *See, e.g., Ex. 12.*

The deemed liquidation event mandated a distribution of assets in accordance with the liquidation preferences of the certificate of incorporation, which provided:

> In the event of any liquidation, dissolution, or winding up of the corporation (or the deemed occurrence of such event pursuant to subsection (d) below), either voluntary or involuntary, *distributions to the shareholders* of the corporation *shall be made* in the following manner:

Ex. 10 (emphasis supplied). The Stock Exchange Agreement further provided that preferred stock and treasury stock of Site/Tech was cancelled, leaving the common stock transferred to Site Tech as the only stock left in the company. *See Ex. 11.* Since only common stock of Site/Tech remained, § IV.(B)2b of the Amended Certificate was invoked, resulting in a distribution of the assets to DeltaPoint, the sole common stockholder:

> (b) Distribution after Payment of Liquidation Preferences. Thereafter, *any remaining assets* and funds legally available for distribution hereunder *shall be*

[3] The amendment to the certificate of incorporation ("Amended Certificate") was included as an exhibit to the purchase agreement. The Amended Certificate, with this new triggering mechanism, became effective on July 11, 1997—the same day Site Tech acquired Site/Tech's stock. *Ex. 10.*

[4] On July 3, 1997, Site/Tech's Steve Mendel wrote: "The transaction must be structured as a stock exchange, rather than a merger, to make it taxable. This will require an amendment to the company's articles to make it absolutely clear that an exchange is a liquidation." *Ex. 6.*

> *distributed* solely to the holders of the Common Stock in a manner such that the remaining amount distributed to each holder of Common Stock ...

Ex. 10 (emphasis supplied). Thus, immediately after the stock exchange, Site/Tech distributed its assets, including the patents-in-suit, to Site Tech.

A similar and recent case from this District applied the holding of *Akazawa* and found that legal title to patents transferred by operation of state law in a foreclosure proceeding. *See Sky Techs. LLC v. SAP AG*, 2008 WL 2775487, *1 (E.D. Tex. July 15, 2008). In denying the defendants' motion to dismiss for lack of standing, Judge Folsom held that "ownership of a patent may be changed by operation of law." *See Ex. 25*, *Sky Technologies LLC v. SAP AG*, Civil Action No. 2:06-CV-440 (DF), Order dated June 4, 2008, at 10. Judge Folsom further noted that the Federal Circuit's recent holding in *Akazawa* rejects the argument that a writing is required to fully transfer legal title when an operation of law conveys title. *See id.* at 18. Accordingly, the *Sky Technologies* court determined and found that a security agreement and subsequent foreclosure transferred the patent by operation of law. *See id.*

In this case, the controlling Delaware law specifically provides that assets may be transferred upon a distribution of the type provided in the Amended Certificate. Section 173 of Delaware's General Corporate Law allows for the payment of dividends in kind. The statute allows dividends to be paid "in cash, in property, or in shares of corporation's capital stock." 8 Del. C. 1953, § 173. In this case, the patents transferred by operation of law.

The distribution of Site/Tech's assets to Site Tech as part of the July 1997 transaction has been confirmed numerous times in sworn, written certifications by Site/Tech's officers and by

Site Tech (at that time still named "DeltaPoint") in SEC filings, press releases, and in a declaration attached to this Response:[5]

- "On July 11, 1997, the Company acquired the shares of Site/technologies/inc. ("Site") for an aggregate purchase price of $638,000.... *In exchange the Company's received all outstanding assets of Site.* The Company will record the expense related to purchased in-process technology of approximately $500,000 during the third quarter of 1997." *Ex. 12* (emphasis supplied).

- "On July 11, 1997, the Company acquired the shares of Site/technologies/inc. ("Site") for an aggregate purchase price of $638,000.... In exchange the Company acquired all the outstanding shares *and assets* of Site." *Ex. 16* (emphasis supplied).

- "In exchange the Company acquired all the outstanding shares *and assets* of Site." *Ex. 13* (emphasis supplied).

- "In exchange the Company acquired all the outstanding shares *and assets* of Site." *Ex. 14* (emphasis supplied).

- "In exchange the Company acquired all the outstanding shares *and assets* of Site." *Ex. 15* (emphasis supplied).

- The SEC filings further call out specific assets that were acquired during the acquisition: "Increase in Accounts Receivable is equal to Site's accounts receivable of $8,000 at 7/11/97 *which Deltapoint acquired.*"; "Increase in Property and Equipment is equal to Site's property and equipment of $67,000 at 7/11/97 *which Deltapoint acquired.*" *Ex. 12* (emphasis supplied).

- "On September 30, 1998, [Site Tech] consummated the sale of its V-Search technology and related patents [i.e. the Patents]. *This was technology that the Company acquired in the [Site/Tech] Acquisition.* The Company sold the assets relating to V-Search in cash to Daniel Edgar [*sic*]. The Company received a cash payment of $100,000." *Ex. 17* (emphasis supplied).

Each of these SEC filings was certified by Jeffrey Ait, the Chief Executive Officer of both the parent Site Tech and the subsidiary Site/Tech.[6] *Ex. 7*, ¶ 6. These post-conveyance affirmations are strong evidence of the transfer. *See COR Mktg. & Sales, Inc. v. Greyhawk Corp.*, 994 F.

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[5] For example: "In July 1997, the Company acquired Site/technologies/inc. . . . pursuant to which the Company acquired, among other things, SiteSweeper 1.0, a Web site quality control and maintenance product." *Exs. 13-16.* The assets were added to the balance sheet of Site Tech: "The pro forma condensed balance sheet reflects the effects of the acquisition . . . based upon the fair market value of the acquired assets and liabilities on July 11, 1997, as if such acquisition had been consummated on June 30, 1997." *Exs. 12-16.*

[6] The patents-in-suit were specifically listed as an asset in the schedules to the Stock Exchange Agreement. *Ex. 33.* Furthermore, Site Tech's 1998 sale of the V-Search technology and patents to Daniel Egger is also described in Site Tech's 10-QSB filed on September 30, 1998. *Ex. 17.*

Supp. 437, 444 (W.D.N.Y. 1998) (considering post-transaction statements as evidence of an assignment).

Site Tech also warranted that it had legal title to the patents-in-suit in two further documents: the 1998 Bill of Sale to Daniel Egger and the 1998 Assignment to Daniel Egger. *See Ex. 24.* Both warranties further corroborate the SEC filings that the assets, including the patents-in-suit, were transferred from the subsidiary to the parent in connection with the 1997 acquisition.[7]

b. <u>Site Tech acquired the patents by written conveyance</u>.

Further, even if Section 261's writing requirement did apply, it was satisfied because the distribution clause in the certificate of incorporation constitutes a written conveyance instrument. The Federal Circuit has specifically stated that written transfers of patents through stock ownership and other successorship transactions satisfy Section 261:

> 35 U.S.C. § 261 provides that "applications for patent, patents, or any interest therein" are assignable "by an instrument in writing." The patent statutes allow the instrument that assigns "any interest" to take the form of a patent license or any other written instrument that transfers patent rights. The type of written instrument (e.g., license or assignment agreement, *dissolution agreement*, or *merger agreement*) and the factual context in which the instrument is created is irrelevant—this does not provide a basis for divorcing the standing analysis from the patent statutes.

Morrow v. Microsoft Corp., 499 F.3d 1332, 1338 n.3 (Fed. Cir. 2007) (emphasis supplied).

Here, the written instrument stated as follows:

> In the event of any liquidation, dissolution, or winding up of the corporation (or the deemed occurrence of such event pursuant to subsection (d) below), either voluntary or involuntary, *distributions to the shareholders* of the corporation *shall be made* in the following manner ... *any remaining assets* [after satisfying

[7] The 1998 Bill of Sale to Egger warranted, "Seller [Site Tech] warrants that it hereby transfers good and marketable title to the Purchased Assets, free and clear of all liabilities, mortgages, liens, pledges, charges, security interests, encumbrances, or title retention agreements of any kind or nature." *Ex. 24.* The 1998 Assignment warranted: "[Assignor] is the sole owner of Patent number 5,544,352," and "THE UNDERSIGNED HEREBY covenants and agrees that it has full right to convey the entire interest herein assigned, and that it has not executed, and will not execute, any agreement in conflict herewith." *Ex. 24.*

> liquidated preferences] and funds legally available for distribution hereunder *shall be distributed* solely to the holders of the Common Stock...

Ex. 10.[8]

The patents-in-suit were transferred in 1997 from Site/Tech to Site Tech by an operation of law endorsed by *Akazawa* and through the writing requirement satisfied by the distribution clause of the certificate of incorporation as evidenced by the subsequent SEC filing.

c. Site Tech acquired the patents by ratification.

Alternatively, Site/Tech transferred the patents to Site Tech in connection with the July 1997 acquisition by virtue of the ratification doctrine. Under this doctrine, where a board of directors has notice of a transfer, does not object to the transfer, and retains the fruits of the transfer, it is held as a matter of law to have approved the transfer by ratification. *See Hannigan v. Italo Petrol. Corp. of Am.*, 47 A.2d 169, 171-72 (Del. 1945). Here, all the parties to the July 1997 acquisition, including Site/Tech's board, intended that Site/Tech would distribute all its assets as a dividend to the common stockholder, which was Site Tech, as part of the acquisition. Indeed, the Site/Tech board of directors amended its certificate of incorporation to achieve this very purpose. Further, it is undisputed that Site/Tech did not object to the transfer—which is hardly surprising, as the board members were the same for both companies—when Site Tech repeatedly represented in public filings that it had acquired the patents from Site/Tech. *Ex. 11*, ¶ 5.7. Finally, it is undisputed that the Site/Tech board retained the fruits of the acquisition. Thus, the Site/Tech board ratified the July 1997 transfer of the patents from Site/Tech to Site Tech. *See, e.g., CarrAmerica Realty Corp. v. Kaidanow*, 321 F.3d 165, 173 (D.C. Cir. 2003)

[8] General conveyances of "all assets" of a company are operative to convey patents. *See, e.g., CMS Indus., Inc. v. L.P.S. Int'l, Ltd.*, 643 F.2d 289, 292 (5th Cir. 1981) ("In February 1973, all assets of Stoplifter were transferred to Stop-Loss, Inc. (Stop-Loss) another majority-held subsidiary of SEE. It is undisputed that whatever rights in the patents existed in Stoplifter were validly transferred to Stop-Loss."); *Intel Corp. v. Broadcom*, 173 F. Supp. 2d 201, 209 (D. Del. 2001); *Surfer Internet Broadcasting of Mississippi v. XM Satellite Radio, Inc.*, 2008 WL 1868426, *1 (N.D. Miss. 2008); *Mechmetals Corp. v. Telex Comp. Prods., Inc.*, 709 F.2d 1287, 1290 (9th Cir. 1983).

(applying Delaware law, the Court held "that the Board took necessary steps to ratify the issuance of the shares at the December 1998 Board meeting, at least through implied ratification.").

2. Even assuming Site Tech did not own the patents in September 1998, the subsidiary Site/Tech also was bound by the assignment to Egger.

Even if Defendants were correct that Site/Tech, not Site Tech, was the owner of the patents in September 1998, it makes no difference because Site/Tech was bound to Site Tech's September 1998 sale and assignment to Egger.

a. Site/Tech was bound because it was the alter ego of Site Tech.

Site/Tech was bound to the 1998 Bill of Sale and Assignment because Site/Tech and Site Tech were in substance the same entity. Alter ego is determined under the law of the state of incorporation. *See Davaco, Inc. v. AZ3, Inc.*, 2008 WL 2243382, *1 (N.D. Tex. May 30, 2008). In this case, Delaware law provides that separate corporate entities will be disregarded "in the interest of justice, when such matters as fraud, contravention of law or contract, public wrong, or where equitable consideration among members of the corporation require it…." *Pauley Petrol. Inc. v. Continental Oil Co.*, 239 A.2d 629, 633 (Del. 1968). Delaware applies the same factors to determine alter ego that have been applied in the Fifth Circuit and other jurisdictions. *Compare Alberto v. Diversified Group, Inc.*, 55 F.3d 201, 205-06 (5th Cir. 1995) (applying Delaware alter ego factors) *and TIP Sys., LLC v. SBC Operations, Inc.*, 536 F. Supp. 2d 745, 754-55 (S.D. Tex. 2008) (alter ego factors applied in patent case).

Here, Site/Tech and Site Tech had an alter ego relationship after the July 1997 *de facto* merger; the following factors overwhelmingly demonstrate the alter ego relationship:

- Site/Tech was wholly-owned by Site Tech. *Ex. 11.*
- Site Tech and Site/Tech had *identical* directors and officers. *Id.*

- Site Tech and Site/Tech had the same business department. *Ex. 7*, ¶ 2. Site/Tech had no employees or operations of its own; instead, all of Site/Tech's operations were conducted through Site Tech. *Id.*

- Site Tech and Site/Tech filed consolidated financial statements and Site Tech filed Site/Tech's tax returns on its behalf. *Id.*

- Site Tech financed Site/Tech. *Id.* In fact, Site/Tech had negligible assets from which to operate. *See Ex. 20*; *Ex. 7*, ¶ 2.

- Site Tech did not cause Site/Tech's incorporation. However, Site/Tech wholly owned Site Tech and turned it into a shell entity after acquiring it. *Ex. 11.*

- Site/Tech had essentially no assets, it had no equity, it took no money in loans, and its stock structure consisted of fewer than 1,000 shares—all owned by Site Tech. *Ex. 7*, ¶ 2; *Exs. 20-22.*

- Site Tech directly employed all of Site/Tech's former employees and paid virtually all its expenses. *Ex. 7*, ¶ 2.

- Site/Tech did not receive any independent business; its sole source of revenue in fact was royalties paid it by Site Tech. Site/Tech had no further business—it designed nothing, produced nothing, marketed nothing, and sold nothing. *Id.* It had no significant costs or revenues. *Id.*

- Site Tech used, and represented that it owned, all of Site/Tech's assets. *Id.*

- Site/Tech had no independent daily operations; all its daily operations were assumed by Site Tech following the stock exchange. *Id.*

- Site/Tech failed to observe such formalities; it neither kept separate books and records nor held shareholder meetings nor held board meetings. *Id.* ¶ 3.

- Site/Tech's directors and officers took orders from Site Tech and acted in Site Tech's interest; the companies had the same directors and officers. *Ex. 11.*

- The person who signed the bill of sale and assignment was Jeffrey Ait, a director and the CEO of both Site Tech and Site/Tech. *Ex. 7*, ¶ 1.

- Site Tech changed its name from "DeltaPoint" to "Site Technologies, Inc." to adopt the persona of "Site/Technologies/Inc." *Ex. 7*, ¶ 2; *Ex. 18*; *Ex. 23*. Site Tech and Site/Tech employed the same website and email addresses. *Ex. 7*, ¶ 2.

- Site Tech and Site/Tech had the same bank account. *Ex. 7*, ¶ 3.

- Site Tech represented that it was liable for the debts of Site/Tech and assumed Site/Tech's liabilities in connection with the stock exchange. *Exs. 12-16.*

- Site/Tech moved its principal office from North Carolina to Site Tech's office in California. *Ex. 19.*

In short, the two entities were "one and the same." *Cf. Equitable Trust Co. v. Gallagher*, 99 A.2d 490, 493 (Del. 1953). Therefore, the patents-in-suit were transferred to Egger by the 1998 bill of sale and assignment, or any of the subsequent acts confirming the transfer of the patents-in-suit to Egger.

Further, if this Court were to disregard the evidence demonstrating that the parent Site Tech owned the patents when it sold them to Egger, finding an alter ego relationship would be necessary to prevent an injustice to Egger. Site Tech represented and warranted to Egger that it had and was transferring title to the patents. *Ex. 24.* The assignment benefited all three parties. For Site Tech and Site/Tech, it provided $100,000 in needed funds. *Ex. 17.* For Egger, it returned to him the rights to his inventions, into which he had invested his personal funds and years of his life. The assignment also harmed no one's interests. In other words, it created net social value. All three entities also intended the assignment—and still intend it today. *See Ex. 7*, ¶ 6. From 1998 to today, nobody has ever disputed the assignment, except for Defendants.

The alter ego doctrine and the interests of justice dictate that Site/Tech was bound by the Bill of Sale and Assignment and subsequent confirmations.

b. <u>Site/Tech was bound to the assignment, because it had authorized Site Tech to assign the patents to Egger in Site Tech's name</u>.

Agency principles also dictate that Site/Tech was bound by the 1998 Bill of Sale and Assignment. Specifically, Site/Tech had authorized Site Tech to assign the patents to Egger in Site Tech's name.

Patent assignments are subject to rules of construction that apply to contracts generally, and the manifest intention of the parties is of primary concern in construing the assignment. *See Nicolson Pavement Co. v. Jenkins*, 81 U.S. 452, 456 (1871) ("An assignment of an interest in an invention secured by letters-patent, is a contract, and like all other contracts is to be construed so as to carry out the intention of the parties to it."); *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 874 (Fed. Cir. 1991).

Jeffrey Ait, as the CEO of Site/Tech and as a director of Site/Tech, was an authorized agent for Site/Tech. *See Ex. 7,* ¶ 6. Furthermore, Ait was explicitly authorized by both the parent Site Tech and the subsidiary Site/Tech to sell the patents-in-suit to Daniel Egger in either party's name. *See Id.* Ait regularly exercised control over the former property of the subsidiary Site/Tech, and engaged in more than one transaction in the name of Site Tech disposing of assets that were obtained during the acquisition of Site/Tech. *See Id.* As an agent of the subsidiary Site/Tech, Ait's knowledge and his acts concerning this transaction are imputed to Site/Tech.

Because Ait's knowledge and acts are imputed to Site/Tech, Site/Tech made repeated representations to Daniel Egger and to the public at large that the parent company Site Tech owned the patents, and therefore had the authority to sell the patents:

- In multiple SEC filings and accounting statements, Ait represented that Site Tech, acquired all assets, including the patents, of Site/Tech and described assets allegedly belonging to Site/Tech as assets of Site Tech. *Ex. 12-16.*
- Ait executed a warranty of title in the Bill of Sale indicating that the parent corporation Site Tech owned the patents and was transferring valid title to Daniel Egger. *Ex. 24.*

The actions of the agents of both Site Tech and Site/Tech also give rise to an agency relationship between Site/Tech and Site Tech with respect to the sale of the patents-in-suit to Egger. As such, Site/Tech would be bound to the 1998 Assignments as a party under the doctrines of actual authority, apparent authority, and ratification.

(i) Site Tech had the actual authority from Site/Tech to transfer the patents in its own name.

An agency relationship need not be an explicit agreement, but also is found when there are facts and circumstances giving rise to a relationship that should affect the legal relations of the parties. Under California law, an agent need not hold himself out as an agent to bind a principal. *Porter v. Arthur Murray, Inc.*, 249 Cal. App. 2d 410, 420 (Cal. Ct. App. 1967) ("one may be the agent of another without holding himself out to be such agent."). Similarly, a contract is enforceable against a principal even though the principal is not a named party to the instrument.[9]

California Civil Code § 2299 provides: "[A]n agency is actual when the agent is really employed by the principal."[10] Actual authority "is such as a principal intentionally confers upon the agent, or intentionally, or by want of ordinary care, allows the agent to believe himself to possess." Cal. Civ. Code § 2316 (2008).

Ait, the CEO and a director of the subsidiary Site/Tech as well as the parent company Site Tech, executed a conveyance transferring the patents-in-suit to Egger. *Ex. 24.* This represents an explicit written directive from an authorized agent of Site/Tech for Site Tech to convey the patents in the name of Site Tech to Egger, thereby creating a special agency between

[9] The fact that the 1998 Bill of Sale and Assignment is in the name of Site Tech is not an obstacle to applying California agency law to bind Site/Tech. *Sterling v. Taylor*, 152 P.3d 420, 430 (Cal. 2007) (omission of the actual owner of the properties from contract for the sale of land was permissible because a contract made in the name of an agent may be enforced against an undisclosed principal); *Sumner v. Flowers*, 279 P.2d 772, 774 (Cal. Ct. App. 1955) ("'The contract of the agent is the contract of the principal, and he may sue or be sued thereon, though not named therein....,'" quoting *Ford v. Williams*, 62 U.S. 287, 289 (1858)). California law has no prohibition against allowing agents to transact in their own name in cases of special agencies—and the agency at issue is a special agency to sell the patents-in-suit, not one of general terms. Cal. Civ. Code §§ 2297, 2322 (2008). Furthermore, when an agent is vested with control over the property and the right to receive payment for that property, the agent has "ostensible authority to deal with the property of his principal as his own," including transacting in his own name. Cal. Civ. Code §§ 2026, 2069 (2008); *see Pacific Fin. Corp. v. Foust*, 285 P.2d 632, 634-35 (Cal. 1955) (finding that the principal is bound under California Civil Code Section 2069 despite the agent's transacting in his own name). Accordingly, under agency principles, Site/Tech was bound as a party to the 1998 Bill of Sale and Assignment and transferred legal title to Daniel Egger.

[10] Because Site Tech was a California company, California law applies to determine agency. Restatement (Second) of Conflicts of Laws § 292(2) ("local law of the state where the agent dealt with the third person").

the entities for the purpose of selling the patents.[11] *See id.* §§ 2297, 2299. Furthermore, Ait has declared that it was the intent of both entities to transfer the patents to Daniel Egger and that Site/Tech had authorized Site Tech to convey the patents to Egger in its own name through the 1998 Bill of Sale. *Ex. 7*, ¶¶ 6-7. As such, Site/Tech is bound as a party to the 1998 Bill of Sale and Assignment, and the patents-in-suit were conveyed to Egger. *See Kothmann Enters., Inc. v. Trinity Indus., Inc.*, 394 F. Supp. 2d 923, 941-42 (S.D. Tex. 2005).[12]

Furthermore, Site Tech owned 100% of the outstanding stock of Site/Tech. *Ex. 21*; *Ex. 22*; *Ex. 7*, ¶ 2. Thus, Site Tech, as a 100% shareholder, had the power and authority to transfer the assets of Site/Tech, further strengthening the conclusion that Site Tech was an agent for Site/Tech. *See also* Del. Code Ann. tit. 8, § 271(a) & (c) (2008)[13] (indicating that every corporation has the right to "lease or exchange all or substantially all of [the] property and assets" of its wholly owned subsidiaries).[14]

(ii) Site Tech also had the ostensible or apparent authority to transfer the patents-in-suit.

Site/Tech also is bound to the 1998 Bill of Sale and Assignment under the doctrine of ostensible or apparent authority.

California Civil Code Section 2317 provides: "Ostensible authority is such as a principal, intentionally or by want of ordinary care, causes or allows a third person to believe the agent to

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[11] At a minimum, it would also represent a failure of ordinary care by Site/Tech allowing Site Tech to believe it had the authority of Site/Tech to transfer the patents to Daniel Egger, which would also create actual authority by the subsidiary for the parent to transfer the patents to Daniel Egger.

[12] Courts have bound a corporation to the acts of an affiliated company if the intent of the parties was clear. In *Kothmann Enterprises*, the Court granted summary judgment in favor of the plaintiff regarding ownership of a patent, even though the plaintiff had obtained a written assignment of rights from an affiliated corporation that did not yet possess legal title. 394 F. Supp. 2d at 941-42. The court relied on evidence that both corporations had a single, common owner, and it was clear from the documents that the owner intended to transfer rights in patent to plaintiff. Here, the same intent of the parties is clear: Egger was to receive full legal title to the patents-in-suit in exchange for $100,000. *See Ex. 7*, ¶ 6.

[13] Delaware law applies because Site/Tech is a corporation duly formed and incorporated in Delaware.

[14] Further, "the property and assets of the corporation include the property and assets of any subsidiary of the corporation . . ." Del. Code Ann. tit. 8, §271(c) (2008).

possess." Under California law, a principal is bound by the acts of his agent, under a merely ostensible authority, to those persons only who have in good faith, and without want of ordinary care, incurred a liability or parted with value, upon the faith thereof. Cal. Civ. Code § 2334 (2008).

Under the doctrine of apparent authority, a principal may be bound to a contract entered into by an actor who was not considered an agent by the principal at the time if the principal made manifestations that would cause a third party to reasonably believe that the actor had authority to enter into the transaction.[15]

Site/Tech's repeated representations through Ait, Site/Tech's CEO, that Site Tech owned the patents-in-suit and had the authority to transfer those patents in its name created a reasonable belief by Egger that Site Tech had both the authority and the right to transfer the patents in its name. Having cloaked Site Tech with the authority to sell the patents in the 1998 Bill of Sale and Assignment, Site/Tech is bound to the 1998 Bill of Sale and Assignment. *See People Express Pilot Merger Comm. v. Texas Air Corp.*, 1987 WL 18450, *4 (D.N.J. 1987), *aff'd*, 958 F.2d 364 (3d Cir.), *cert. denied*, 506 U.S. 864 (1992) (finding that two parent companies acted

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[15] Restatement of Agency (Third) § 2.03 (emphasis added) provides:

> Apparent authority is the power held by an agent *or other actor* to affect a principal's legal relations with third parties when a third party reasonably believes the actor has authority to act on behalf of the principal and that belief is traceable to the principal's manifestations. . . . *The definition in this section does not presuppose the present or prior existence of an agency relationship as defined in § 1.01.*

See also Borders Online, LLC v. State Bd. of Equalization, 129 Cal. App. 4th 1179, 1191 (Cal. Ct. App. 2005) (principal is bound by agency relationship regardless of its "subjective belief"); *Scholastic Book Clubs, Inc. v. State Bd. of Equalization*, 207 Cal. App. 3d 734, 737-38 (Cal. Ct. App. 1989) ("based on conduct and circumstances" agent acted with apparent authority by distributing offer sheets and forwarding orders to principal); *Dep't of Banking & Fin. v. Davis*, 416 N.W.2d 566, 569-70 (Neb. 1987) (undisclosed principal, the assignee of a mortgage, granted "the apparent authority to act as its agent" to original mortgagee by allowing original mortgagee "to represent itself as mortgagee with full ownership of the mortgage and the secured debt and full authority to service the debt"); *McDaniel v. Hensons', Inc.*, 493 S.E.2d 529, 530 (Ga. Ct. App. 1997) (jury question whether agent had either actual or apparent authority on behalf of undisclosed principal in contracting for improvements to land owned by principal); *Handy v. C.I.T. Corp.*, 197 N.E. 64, 67 (Mass. 1935) (automobile dealer who was in fact agent of undisclosed principal had apparent authority as to transactions in usual and ordinary course of business conducted with third party who reasonably believed agent to be owner).

with apparent authority to bind their subsidiaries because, in one instance, the negotiator was president of both the parent and the subsidiary, and in the other, the parent and the subsidiary had "sufficiently overlapping directorship, management, and employee staff.").

In a similar case, *Regency Centers, L.P. v. Civic Partners Vista Village I, LLC*, California law was applied to find an implied agency relationship to manifest the parties' intentions. 2008 WL 2358860, at *13 (Cal. Ct. App. June 11, 2008). In that case, Regency Centers, L.P. intended to exercise an option granted to it by Civic, and Civic was aware of Regency Centers, L.P.'s intentions. *Id.* Regency Centers, L.P. sent a letter to Civic on "Regency Centers *Corporation*" letterhead, however, exercising the option in the name of "RRG" – Regency *Realty Group, Inc.*, an affiliate of Regency Centers, L.P. *Id.* Civic argued that Regency Centers, L.P. was not a party to the contract. *Id.* The trial court disagreed, and the California Court of Appeals affirmed. Both courts looked beyond the specific names in the contract to the intentions of the parties and the surrounding circumstances. As the trial court stated,

> Here, RRG exercised the option RCLP had been assigned the real property, and I believe that, in effect, that would be tantamount to a typographical error.... Here, in effect, I would find that RRG was an implied agent of RCLP. There was no confusion, no surprise, no effect upon the defendants whatsoever, and otherwise, it would elevate form over substance beyond belief.

Id. Affirming the trial court, the court of appeals continued,

> The trial court's reformation of the notice of intent to exercise the option did not change the agreement. The court merely corrected the notice to reflect the agreement and assumption that the Regency entity which owned the interest in the company, RCLP, sent notice it intended to exercise the option.

Id. at *14. In this case, Site/Tech is bound to the Bill of Sale and Assignment under agency principles given the authority that Site/Tech invested in Site Tech.

(iii) Site/Tech has ratified the 1998 and 2005 Assignments.

Under California law, "[a]n agency may be created, and an authority may be conferred, by ... a subsequent ratification." Cal. Civ. Code § 2307 (2008). In addition to having an agent of the corporation signing the instrument warranting title of the patents-in-suit in the parent, Ait (and therefore Site/Tech) physically delivered the V-Search computer code and other goods that were the subject of the 1998 Bill of Sale to Daniel Egger, thereby evidencing a ratification by Site/Tech of the 1998 Bill of Sale and Assignment.[16] Ait also has declared that Site/Tech believed it was bound by the 1998 Bill of Sale and Assignment and had ratified the acts of Site Tech and the obligations of the 1998 Bill of Sale and Assignment. *Ex. 7*, ¶¶ 5, 6, 7. Ait also has explicitly ratified the 1998 Assignments and the 2005 Assignment in writing. *Ex. 7*, ¶ 7; *see also* SEC statements, *Ex. 17*. As such, Site/Tech is bound as a party to the Bill of Sale and the Assignment, and the patents-in-suit were conveyed to Egger.

B. The undisputed facts demonstrate that, at the latest, Egger acquired the patents in December 2000.

Site/Tech was merged into Site Tech on December 21, 2000, when it was formally merged into Site Tech. *See Exs. 29-31*. This merger operated to convey any assets remaining in Site/Tech into Site Tech, including any residual rights in the patents-in-suit, if they existed.[17] Even Defendants explicitly concede in their Motion that the assets of Site/Tech—specifically

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[16] California Civil Code Section 2311 states, "RATIFICATION OF PART OF A TRANSACTION. Ratification of part of an indivisible transaction is a ratification of the whole." Cal. Civ. Code § 2311 (2008); *Scholastic Book Clubs*, 207 Cal. App. 3d at 737 ("By accepting the orders, the payment and shipping the merchandise shipping the merchandise appellant clearly and unequivocally ratified the acts of the teachers [implied agents] and confirmed their authority as appellant's agents or representatives.").

[17] *See Morrow*, 499 F.3d at 1338 n.3 (Fed. Cir. 2007) ("The patent statutes allow the instrument that assigns 'any interest' to take the form of a patent license or any other written instrument that transfers patent rights. The type of written instrument (e.g., license or assignment agreement, dissolution agreement, or *merger agreement*) and the factual context in which the instrument is created is irrelevant-this does not provide a basis for divorcing the standing analysis from the patent statutes.") (emphasis supplied).

including the patents-in-suit—were transferred in full to Site Tech pursuant to this 2000 merger, and resided in Site Tech as of December 2000:

- "As a consequence of the December 2000 merger documents, all the assets of [Site/Tech] – including title to the patents-in-suit – would have become the property of the surviving entity, [Site Tech]." Defendants' Motion, at 5.
- "Furthermore, all of Libertech's property would have been subsumed by the entity emerging from the merger, Deltapoint, a California corporation. *See* Cal. Corp. Code § 1107(a) and at page 5 above. Thus, after the merger on December 21, 2000, Deltapoint (a.k.a. Site Technologies, Inc.) would have owned the patents-in-suit." *Id.*, at 11.

Under the longstanding doctrine of after-acquired title, where an assignor of patents later acquires legal title to them, the patents immediately convey to the assignee upon the assignor's subsequent acquisition of the patents. This has been the law for well over a century. In *Gottfried v. Miller*, the assignor sold the assignee a patented machine, thereby "warrant[ing] not only the title to the machine itself, but the right to use it." 104 U.S. 521, 527 (1881). The assignor "did not acquire any interest in the patent until long after the date of his sale to [the assignee]," however. *Id.* The Supreme Court held that the assignor's after-acquired title inured to the assignee. *See id.* The Supreme Court held that the assignor's "previous sale to [the assignee] of a machine embodying his patented invention ... estopped him from prosecuting [the assignee] for an infringement of the patent by the use of the machine.... [The assignee] ... acquired a right to use the machine which could not have been controverted by [the assignor]." *Id.*

Similarly, in the 1951 case of *Taylor Engines, Inc. v. All Steel Engines, Inc.*, the assignors assigned an exclusive license to the assignee. 192 F.2d 171, 173 (9th Cir. 1951). Only later did the assignors acquire the actual right to exclusively license the patents. *Id.* The Ninth Circuit held that the assignor's after-acquired title inured to the assignee.

> We ... base our decision on the broad equitable principle that where one purports, for value, to convey title to personal property which he does not own, ... [and] the

> grantor subsequently acquires such title to personalty[,] equity will enforce the grantee's interest to prevent unjust enrichment of the grantor.

Id. at 174.

This principle has been consistently recognized. *See, e.g., Brush Elec. Co. v. Cal. Elec. Light Co.*, 52 F. 945, 963-64 (9th Cir. 1892) ("The sale of a patent right contains an implied warranty as to title, and an after-acquired title obtained by the vendor inures to the vendee."); *Faulks v. Kamp*, 3 F. 898, 901-02 (S.D.N.Y. 1880) ("It is a familiar law, and has been for a long time, that a warranty of title or right draws to it any after-acquired right or title of the warrantor, and carries it to the benefit of the person to whom the warranty runs. So whatever right, if any, the defendants acquired to the invention covered by this patent, enured directly to the benefit of the [buyers]."); *Curran v. Burdsall*, 20 F. 835, 836 (N.D. Ill. 1883) (following *Gottfried* and *Faulks*); *cf. Mills Novelty Co. v. Monarch Tool & Mfg. Co.*, 49 F.2d 28, 31 n.3 (6th Cir.) ("where a pending- or contemplated-patent application is assigned, but later the patent somehow issues to the inventor assignor, he would hold the legal title in trust for the earlier assignee, particularly as the monopoly was not in existence when the first assignment was made; and there are many cases applying this principle to rights in inventions."), *cert denied*, 284 U.S. 662 (1931). In 125 years, this principle has never been overruled.

Thus, even assuming this Court rejected all the previously discussed independent grounds for finding that Site Tech transferred the patents in 1998, and instead agreed with Defendants that Site Tech first acquired the patents in December 2000, Egger acquired the patents at that time—over four years before he conveyed them to SRA. Site Tech had specifically warranted in 1998 that it was transferring "good and marketable title," that it was the "sole owners," and that it had "full right to convey the entire interest" in the patents. *Ex. 24*. This result is consistent with the principles of estoppel and fraud underlying the after-acquired title doctrine—were Site

Tech permitted to take $100,000 from Daniel Egger, warrant title and nonetheless keep title following the merger, the result would be an injustice on the parties, and intended by none of them. If, as Defendants assert, the 1997 acquisition itself did not convey title to Site Tech, as intended by the officers, directors and shareholders of Site/Tech and Site Tech, the 2000 merger did. Upon the merger of Site/Tech into Site Tech, any remaining rights in the patents-in-suit conveyed immediately to Egger. Accordingly, Egger unquestionably obtained full legal title as of December 2000, well before his assignment to SRA in 2005 and the filing of this lawsuit. SRA thus has full legal standing, and Defendants' Motion should be denied.

C. Defendants misrepresent the February 2005 Assignment from Site/Tech to Egger.

Defendants accuse Daniel Egger of fraud and improper intent regarding the execution of and claimed reliance on an assignment between Site/Tech and Egger executed on February 11, 2005 (the "2005 Assignment"). As a threshold matter, this assignment is irrelevant to the issues raised by Defendants' motion, because SRA does not rely on it to establish its chain of title.

But moreover, the 2005 Assignment was fully approved and ratified by Site/Tech, and it has been confirmed by Site/Tech that the 2005 Assignment fairly represented the intent of the parties and the transaction. *See Ex. 7*, ¶¶ 7-8. Defendants' reckless allegations of fraud relating to the 2005 Assignment are also directly contradicted by the sworn testimony of Christopher Lynch, the attorney who drafted and advised Egger to execute and file the 2005 Assignment. *Ex. 32*, ¶¶ 2-6. The purpose of filing the 2005 Assignment was not to correct any defect in the name of the party on the instrument, as Defendants erroneously allege. *Id.*, ¶ 3. Neither Lynch nor Egger recognized any defect at the time of the 2005 Assignment. *Id.* Rather, the 2005 Assignment was filed and recorded as replacement for the then-lost 1998 Assignment. When the 1998 bill of sale and assignment was eventually located, it was filed in July 2006. *Id.*

D. Defendants' assertion that the Site Tech bankruptcy extinguished Egger's rights to the patents-in-suit is wrong.

Defendants appear to assert that Egger's rights to the patents-in-suit were somehow extinguished during Site Tech's bankruptcy proceedings. This assertion also is incorrect for multiple reasons:

1. <u>If Site/Tech held the patents, then bankruptcy did not defeat Egger's rights</u>.

Assuming that Defendants are correct that the subsidiary Site/Tech held the patents during 1999 and through June 15, 2000, the patents were not part of the Site Tech bankruptcy estate; a wholly-owned subsidiary's property is not part of the parent's estate for bankruptcy purposes, where only the parent is in bankruptcy. *See In re Holywell Corp.*, 118 B.R. 876, 879 (S.D. Fla. 1990) ("In general, and absent unusual circumstances, the property of a debtor's subsidiary is not considered property of the debtor by virtue of the debtor's sole ownership of the subsidiary."). Following the merger in December 2000, the assets of Site Tech's subsidiary (which was not a debtor in the bankruptcy case) would not have become property of the estate, subject to the jurisdiction of the bankruptcy court. *In re Network Cancer Care, L.P.* 197 Fed. Appx. 284, 285 (5th Cir. 2006) (finding that a bankruptcy court's jurisdiction is more limited post-confirmation and generally exists for "matters pertaining to the implementation or execution of the plan").

2. <u>If Site Tech held the patents, then bankruptcy did not defeat Egger's rights</u>.

Assuming that the parent Site Tech had held the patents before bankruptcy, the 1998 sale and assignment already had occurred and Site Tech (and Site/Tech) no longer owned the patents-in-suit. In numerous contexts, from SEC filings to its bankruptcy schedules, Site Tech represented that it did not own the patents, but rather, had assigned them to Daniel Egger. Indeed, the Disclosure Statement to the Plan that Defendants rely upon to argue that the bankruptcy divested Egger of his ownership rights explicitly recognized the transfer to Daniel Egger. *Ex. 26*; *see Ex. 34* ("In September, the Company also sold its V-Search technology and related patents."). Similarly, the Schedules did not list the patents as property of the estate, even though it listed nearly every other IP asset that the company owned. *Ex. 35*. Likewise, Site Tech bankruptcy documents expressly listed all the "core technology assets" the company owned; the list nowhere included the patents-in-suit. *Ex. 36*. This further evidences an intent to abandon the property to Daniel Egger. Confirmation of the plan is *res judicata* that the property was not in the estate and had belonged to Daniel Egger. Furthermore, Egger, who would have been a creditor of Site Tech's given Defendants' allegations, had no notice whatsoever that Site Tech purportedly contested its conveyance to him—which it did not—and claimed to still own the patents-in-suit. The patents-in-suit were not part of Site Tech's bankruptcy estate.

In addition, Egger was not given notice of the bankruptcy as a creditor, and the patents were not listed on the bankruptcy schedules as assets of the bankruptcy estate. Under those circumstances, the bankruptcy proceeding cannot act to divest Egger of rights under the bill of sale and assignment. It is well-settled that "the bankruptcy code cannot be construed to effectively divest someone of property which is rightfully theirs." *Curtis Mfg. Co., Inc. v. Plasti-Clip Corp.*, 933 F. Supp. 107, 114 (D.N.H. 1995), *rev'd on other grounds*, 135 F.3d 778 (Fed. Cir. 1998) (internal modifications omitted). Under 11 U.S.C. § 541, a debtor cannot bring into the estate equitable title to a patent that it does not own. *See id.* "Because the debtor does not own an equitable interest in property he holds in trust for another, that interest is not 'property of the estate.'" *Begier v. IRS*, 496 U.S. 53, 59 (1990); *see also* 11 U.S.C. § 541(d); *In re Shepard*, 29 B.R. 928, 932 (Bankr. M.D. Fla. 1983) ("[W]here a debtor holds only bare legal title to property without any equitable interest, bare legal title is all that becomes property of the estate.").

In 1999 and through June 15, 2000, Site Tech did not hold both legal and equitable title to the patents-in-suit. Specifically, because Site Tech already had contracted and conveyed the patents-in-suit to Egger, Site Tech had transferred equitable title to Egger. Under such circumstances, nothing in Site Tech's bankruptcy proceedings could have extinguished Egger's rights to the patents-in-suit. As one court put it, "a bankruptcy court's jurisdiction [to determine rights] does not extend to property that is not part of a debtor's estate." *Rutherford Hosp., Inc. v. RNH P'ship*, 168 F. 3d 693, 699 (4th Cir. 1999).

Further, in their Motion, Defendants emphasize that Section 14.2 of the Plan provides that the Debtors' assets again vested "free and clear of any liens, claims, encumbrances, Claims of Creditors and Interests of Equity Security Holders." The relevant language provides only that no claims or liens attach to the property itself. *See In re Penrod*, 50 F.3d 459, 463 (7th Cir.1995) (holding that section 1141(c) covers liens and "that unless the plan of reorganization, or the order confirming the plan, says that a lien is preserved, it is extinguished by the confirmation"); *In re Worldcom Corp.*, 382 B.R. 610 (Bankr. S.D.N.Y. 2008) (same); *In re Regional Bldg. Sys.*, 251 B.R. 274, 287 n.21 (Bankr. D.Md. 2000) ("discharge impacts only the collection of the debt 'as a personal liability of the debtor,'" whereas § 1141(c) restricts "collection of the debt via enforcement of a lien"). The Plan does not provide that claims are voided against a debtor. Given that Site Tech did not have title to the patents during the bankruptcy, having transferred title to Egger, the only relevant property of the estate would be the underlying contracts. SRA does not assert a lien on those rights. It merely seeks to assert that *in personam* rights exist against the post-confirmation debtor.

Moreover, Egger's claim to the patents-in-suit would survive the bankruptcy under the very terms of Site Tech's plan of reorganization. Section 14.3 of that plan stated, "Due to the liquidating nature of this Plan and pursuant to Bankruptcy Code 1141(d)(3), the entry of the

Confirmation Order shall not act as a discharge of any debt of the Debtor that arose prior to Confirmation, except to the extent that such debt is paid under the Plan." *Ex. 27.* In other words, contrary to Defendants' supposition, Egger's claim to the patents was not discharged by the bankruptcy.[18] To the extent that the claim was not paid under the plan—which it indisputably was not—it survived the bankruptcy.

Finally, even if the bill of sale and assignment were somehow rejected in the bankruptcy proceeding, "the parties to the contract can waive the breach and reinstate the contract, just as they could under state law." *In re Lockwood*, 2008 WL 943025, *4 n.5 (Bankr. N.D. Cal. Apr. 7, 2008). In this case, and after the bankruptcy, Site Tech has confirmed by its actions and the declaration of its CEO that its intent was to sell and assign the patents-in-suit to Egger. *Ex. 7*, ¶¶ 5 and 6.

Thus, Egger acquired the patents-in-suit no later than December 2000.

IV. CONCLUSION

Defendants' Motion is without merit; the patents-in-suit were properly transferred, and SRA has full legal standing to bring this action. In essence, the Motion asks the Court to undo a host of transactions. It is more than an assertion of a technical defect in title—it avers that the patents-in-suit have somehow dissipated into the ether, so that Defendants' infringement can never be challenged. Such claims should be rejected, and have been rejected when raised elsewhere:

> [The accused infringer's] only defense states that before the '994 patent issued, [the inventor] assigned equitable future rights in his invention to his research laboratory, and that those equitable rights got lost when [the laboratory] dissolved. It would be unfair to allow [the accused infringer] to hide behind the

[18] Defendants make much of the fact that, under Section 14.2 Site Tech's plan of reorganization, "[a]ll property of the Debtor, *except as otherwise provided in this Plan*, shall be free and clear of any liens, claims, encumbrances, Claims of Creditors and Interests of Equity Security Holders." This provision does not contradict Section 14.3 of Site Tech's plan of reorganization. To the contrary, it expressly carves out an exception for the rights "otherwise provided in this Plan," including debts not paid under the plan.

> putative rights of a nonparty, especially where, as here, neither side contends that such a party exists.
>
> The law favors ownership of patents, and while that ownership may be gossamer as in the case at bar, it has not devolved, as [the accused infringer] says, on an unidentified third party.

Kahn v. Gen. Motors Corp., 33 U.S.P.Q.2d 2011, 2014 (S.D.N.Y. 1995), *aff'd*, 77 F.3d 457 (Fed. Cir. 1996).

For the reasons enumerated above, SRA asks that Defendants' Motion be denied in its entirety, and for such other and further relief to which it may show itself entitled.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3) on August 25, 2008.

Lee L. Kaplan

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

SOFTWARE RIGHTS ARCHIVE, LLC,	§	
	§	
Plaintiff,	§	
	§	**Civil Action No. 2:07-cv-511-TJW**
v.	§	
	§	
GOOGLE INC., YAHOO! INC., IAC SEARCH & MEDIA, INC., AOL LLC, and LYCOS, INC.,	§	**JURY TRIAL DEMANDED**
	§	
	§	
Defendants.	§	

DECLARATION OF LEE L. KAPLAN

I, Lee L. Kaplan, under penalty of perjury, hereby make the following declaration:

"1. My name is Lee L. Kaplan. I am over eighteen (18) years of age and am fully competent to make this Declaration. I have personal knowledge of the facts herein and they are true and correct.

2. I am an attorney representing Plaintiff Software Rights Archive, LLC in this matter.

3. Exhibit 1 to this declaration is a true and correct copy of the August 6, 1996 5,554,352 Patent.

4. Exhibit 2 to this declaration is a true and correct copy of the November 9, 1993 Assignment of the Method and Apparatus for Indexing, Searching and Displaying data from Egger to Libertech.

5. Exhibit 3 to this declaration are true and correct copies of patent 5,832,494, dated November 3, 1998 and patent number 6,233,571 dated May 15, 2001.

6. Exhibit 4 to this declaration is a true and correct copy of the June 18, 1996 Assignment from Egger/Cannon/Sauers to Site/Tech.

7. Exhibit 5 to this declaration is a true and correct copy of the August 22, 1996 Name Change from "Libertech, Inc." to "Site/Technologies/Inc."

8. Exhibit 6 to this declaration is a true and correct copy of the July 3, 1997 Email from Mendel to Egger et al.

9. Exhibit 7 to this declaration is a true and correct copy of the August 18, 2008 Declaration of Jeffrey Franklin Ait.

10. Exhibit 8 to this declaration is a true and correct copy of the Noncompetition Agreement entered into in connection with the July 1997 acquisition.

11. Exhibit 9 to this declaration is a true and correct copy of the July 8, 1997 Special Telephonic Meeting of the Board of Directors of Site/Technologies/Inc. amending the Certificate of Incorporation.

12. Exhibit 10 to this declaration is a true and correct copy of the July 11, 1997 Site/Tech Certificate of Amendment of the Certificate of Incorporation with a copy of the Restated Certificate of Incorporation of Libertech Inc.

13. Exhibit 11 to this declaration is a true and correct copy of the July 1997 Stock Exchange Agreement.

14. Exhibit 12 to this declaration is a true and correct copy of the July 11, 1997 Site Technologies Inc. 8-K/A.

15. Exhibit 13 to this declaration is a true and correct copy of the September 29, 1997 Site Technologies Inc. SB-2/A.

16. Exhibit 14 to this declaration is a true and correct copy of the October 1, 1997 Site Technologies Inc. SB-2/A.

17. Exhibit 15 to this declaration is a true and correct copy of the October 2, 1997 Site Technologies Inc. SB-2/A.

18. Exhibit 16 to this declaration is a true and correct copy of the October 8, 1997 Site Technologies Inc. 424B1

19. Exhibit 17 to this declaration is a true and correct copy of the September 30, 1998 Site Technologies Inc. 10QSB.

20. Exhibit 18 to this declaration is a true and correct copy of the January 19, 1998 Site Technologies, Inc. 8-K.

21. Exhibit 19 to this declaration is a true and correct copy of the December 31, 1998 North Carolina Annual Report for Site/Technologies/Inc.

22. Exhibit 20 to this declaration is a true and correct copy of the Site/Technologies/Inc. 1998 tax return.

23. Exhibit 21 to this declaration is a true and correct copy of the July Site/technologies/inc. Amended Certificate of Incorporation.

24. Exhibit 22 to this declaration is a true and correct copy of the July 11, 1997 Action by Unanimous Written Consent of the Board of Directors of Site/technologies/inc. board meeting amending Certificate of Incorporation.

25. Exhibit 23 to this declaration is a true and correct copy of the October 24, 1997 Minutes of the Regular Board Meeting of the Board of Directors of DeltaPoint, Inc. changing the Company's name from DeltaPoint, Inc. to Site Technologies, Inc.

26. Exhibit 24 to this declaration is a true and correct copy of the September 1998 Bill of Sale, Assignment and License Agreement.

27. Exhibit 25 to this declaration is a true and correct copy of the June 4, 2008 Sky Technologies Order.

28. Exhibit 26 to this declaration is a true and correct copy of the Form 7. Statement of Financial Affairs filed February 18, 2000.

29. Exhibit 27 to this declaration is a true and correct copy of the April 25, 2000 Debtor's First Amended Plan of Reorganization.

30. Exhibit 28 to this declaration is a true and correct copy of the July 11, 1997 Written Consent of the Sole Stockholder of Site/technologies/inc. of the Removal and Appointment of directors.

31. Exhibit 29 to this declaration is a true and correct copy of the December 21, 2000 Action by Written Consent of the Sole Director and Stockholder of Site Technologies, Inc. of the Resolution merging Site Technologies, Inc. with site/technologies/inc.

32. Exhibit 30 to this declaration is a true and correct copy of the December 21, 2000 Certificate of Ownership merging Site/Technologies/Inc. into Site Technologies, Inc.

33. Exhibit 31 to this declaration is a true and correct copy of the December 29, 2000 Certificate of Ownership and Merger merging Site/Technologies/Inc. into Site Technologies, Inc.

34. Exhibit 32 to this declaration is a true and correct copy of the August 19, 2008 Declaration of J. Christopher Lynch.

35. Exhibit 33 to this declaration is a true and correct copy of the July 11, 1997 Site Disclosure Schedule.

36. Exhibit 34 to this declaration is a true and correct copy of the April 25, 2000 Debtor's First Amended Disclosure Statement.

37. Exhibit 35 to this declaration is a true and correct copy of the February 18, 1999 Declaration concerning Debtor's Schedules, along with Schedules F –H.

38. Exhibit 36 to this declaration is a true and correct copy of the February 11, 1999 Notice of Motion and Motion to Sell Assets Out of the Ordinary Course of Business (11 U.S.C. § 363(b)) and Free and Clear of Liens, Claims, Encumbrances and Interests (11 U.S.C. § 363(f)).

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Lee L. Kaplan
Executed on August 25, 2008
Houston, Texas

Exhibit 3

CRAIG M. PRIM (077820)
JANICE M. MURRAY (099996)
STEPHEN T. O'NEILL (115132)
MURRAY & MURRAY
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3030 Hansen Way, Suite 200
Palo Alto, CA 94304-1009
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Attorneys for Debtor

FILED
APR 25 2000
KEENAN G. CASADY, CLERK
United States Bankruptcy Court
San Jose, California

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

In re: Site Technologies, Inc., dba DeltaPoint, Inc., Debtor. EIN No.: 77-0212760	Case No. 99-50736-JRG-11 Chapter 11

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DEBTOR'S FIRST AMENDED PLAN OF REORGANIZATION

Dated April 25, 2000

otherwise be canceled and extinguished on the Distribution Date.

6.5 Class 5 Interests (Options and Warrants). The holders, as of the Effective Date, of outstanding unterminated options and warrants to acquire the Debtor's common stock shall receive nothing under the Plan and their respective interests shall otherwise be canceled and extinguished on the Effective Date.

7. MEANS FOR IMPLEMENTATION OF THE PLAN

7.1 Liquidation Proceeds; Remaining Assets. Proceeds from the sale of the StarBase stock, the auction and the Blum compromise will be the primary source of funds for execution of the Plan. Any other assets of the Debtor (e.g., Avoidance Claims) shall be liquidated as appropriate, except for those assets which the Responsible Person determines to be burdensome or of inconsequential value, which assets will be abandoned.

7.2 Disbursement of Funds. The Debtor shall make the payments to all creditors with Allowed Claims. The Debtor shall wire transfer the balance of funds designated for shareholders to the Transfer Agent with appropriate instructions from the Responsible Person directing the Transfer Agent to make a pro rata distribution to shareholders of record as of the Distribution Date.

7.3 Responsible Person.

A. Jeffrey F. Ait ("Ait"), the Debtor's Chief Executive Officer and Chief Financial Officer, shall be designated as the Responsible Person. The Responsible Person shall be compensated on an hourly basis at an hourly rate not to exceed $200.00 from and after the Effective Date. The Responsible Person may, in his discretion, employ such other persons as may be necessary to assist him in this Case. In the event that Ait is unable to serve as the Responsible Person, the Debtor's Board of Directors will appoint an individual to serve as the Responsible Person.

B. The Responsible Person, on behalf of the Debtor, is authorized to liquidate the remaining assets of the Bankruptcy Estate and/or abandon such assets as the Responsible Person determines to be burdensome or of inconsequential value to the Bankruptcy Estate. The Responsible Person may enforce any claims and prosecute any causes of action,

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favor of the Bankruptcy Estate, including, without limitation, any actions under Sections 510, 542, 543, 544, 545, 547, 548 and 549 of the Bankruptcy Code.

C. The Responsible Person may review and object to Claims and Interests, enter into compromises to allow and satisfy Disputed Claims and Disputed Interests and settle and liquidate any claim or cause of action that the Debtor may have against a third party.

D. The Responsible Person is authorized to retain, employ and utilize such professionals as may be necessary without further approval of the Bankruptcy Court.

E. The Responsible Person shall review and approve the Distribution amounts to Creditors and to the Transfer Agent (on behalf of shareholders of record as of the Distribution Date) and shall be responsible for making, or causing to be made, Distributions pursuant to the Plan. .

F. The Responsible Person shall be responsible for moving for the entry of a final decree in this case and preparing and filing status reports as may be required by the Bankruptcy Court in connection with the final decree. The Responsible Person shall be discharged from all duties and responsibilities of the Plan upon the issuance of the final decree. The Responsible Person shall be entitled to destroy all records in his possession upon entry of the final decree, except such corporate formation documents, minutes and other records as the Responsible Person considers to be material and original executed copies of documents filed with the Securities and Exchange Commission, all of which shall be retained for five (5) years, and tax returns and related records, which shall be retained for six (6) years; provided, however, that in any event, such records as required by the Internal Revenue Service shall be retained at least until April 15, 2004.

G. The Responsible Person shall do all things necessary and appropriate to assist the Debtor in fulfilling the duties and obligations of the Debtor under the Plan and fully administering the Bankruptcy Estate as required by the Plan, the Confirmation Order, the Bankruptcy Code and the Bankruptcy Rules.

7.4 <u>Expedited Procedure for Compromise of Controversy, Sale or Abandonment</u>. Subject to the notice procedures set forth in this Section, the Responsible Person is authorized to

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(i) enter into binding compromises to allow and satisfy Disputed Claims and Disputed Interests or settle and liquidate any claim or cause of action of the Debtor, (ii) sell the Debtor's remaining assets, and/or (iii) abandon property of the Bankruptcy Estate which the Responsible Person determines to be burdensome or of inconsequential benefit to the Bankruptcy Estate. The Responsible Person shall mail written notice of any such compromise, disposition, or abandonment to the twenty (20) largest unsecured creditors, the U.S. Trustee and those parties who have filed a written request that all notices be mailed to them. If no party serves on the Responsible Person and Debtor's counsel a written objection or demand for a hearing on the compromise, disposition, or abandonment within ten (10) days of mailing of such notice, the compromise, disposition or abandonment shall be effective, final and binding on all Creditors, Equity Security Holders, and other parties in interest in this Case without further approval or action by the Court. The time for serving written objections shall not be extended pursuant to Rule 9006(f) of the Bankruptcy Rules. If timely notice of an objection to the compromise, disposition or abandonment is served on the Responsible Person and Debtor's counsel, the Responsible Person shall (i) withdraw the proposed compromise, disposition or abandonment wherein it will be without force and effect, or (ii) move for the approval of the compromise, disposition or abandonment on notice to the twenty (20) largest unsecured creditors, the U.S. Trustee and those parties who have filed a written request that all notices be mailed to them.

7.5 Corporate Formalities. The Responsible Person is authorized on behalf of the Debtor to execute all instruments, agreements and documents and to take all action by the Debtor necessary to effectuate the provisions of the Plan without further action by the Debtor's board of directors or shareholders.

7.6 Compensation and Reimbursement of Professionals. All professionals shall be entitled to payment of their post-Confirmation fees and reimbursement of expenses on a monthly basis. Professionals shall serve a detailed statement of unpaid fees and expenses on the Responsible Person. If there is no objection to the requested fees and expenses within ten (10) days of service by the professional, the Responsible Person shall pay the requested amount in full. If the Responsible Person objects to a portion of the fees or expenses submitted by any

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professional, the Responsible Person shall timely pay the undisputed portion of such fees and expenses and shall reserve monies in the amount of the disputed fees and expenses pending resolution of said objection by (i) written agreement between the party requesting such fees and expenses and the disputing party, or (ii) resolution of the disputed amount by the Bankruptcy Court pursuant to a Final Order. Professionals shall not otherwise be required to file applications for Court approval of post-Confirmation fees and expenses.

7.7 Amendment of Charter to Prohibit the Issuance of Non-Voting Equity Securities. Pursuant to the requirements of Section 1123(a)(6) of the Bankruptcy Code, the Certificate of Incorporation of the Debtor shall be, and it hereby is deemed amended as of the Effective Date to conform to the Bankruptcy Code provision which prohibits the issuance of non-voting equity securities and requires, among other things, the distribution of voting power equitably among the classes of voting securities.

7.8 Unclaimed Property. With respect to each Allowed Claim and Allowed Interest, the existence of Unclaimed Property on the 90th day following a Distribution shall cause the respective Allowed Claim or Allowed Interest to be disallowed, and the amount of the Unclaimed Property shall become available for distribution pursuant to the Plan.

7.9 Dissolution of Corporation. Pursuant to authority contained in Section 1400 of the California Corporations Code, the Debtor shall be dissolved and its corporate existence terminated without further corporate action upon the entry of a final decree in this case pursuant to Rule 3022 of the Bankruptcy Rules. The Confirmation Order shall be deemed an order authorizing and directing the Responsible Person to file a certificate of dissolution as required by Section 1401 of the California Corporations Code and the Responsible Person shall file such certificate concurrently with the request for entry of a final decree.

8. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 Assumption of Executory Contracts. Except as previously provided by Bankruptcy Court order, no other executory contract or unexpired lease will be assumed by the Debtor.

8.2 Rejection of Executory Contracts and Unexpired Leases. Without admitting the

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18. CONCLUSION

The Debtor urges Creditors and Interest holders to carefully consider the Plan and the Disclosure Statement, to vote on the Plan and to return their ballots no later than May 30, 2000 to the following:

Murray & Murray
A Professional Corporation
Attn: Janice M. Murray, Esq.
3030 Hansen Way, Suite 200
Palo Alto, CA 94304-1009

Dated: ~~April~~ 25, 2000

SITE TECHNOLOGIES, INC.
A California corporation

By [signature]
Jeffrey F. Ait
Chief Executive Officer

MURRAY & MURRAY
A PROFESSIONAL CORPORATION

By [signature]
Janice M. Murray
Attorneys for Debtor

MURRAY & MURRAY
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Exhibit 4

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

SOFTWARE RIGHTS ARCHIVE, LLC,	§	
	§	
Plaintiff,	§	
	§	**Civil Action No. 2:07-cv-511-TJW**
v.	§	
	§	
GOOGLE INC., YAHOO! INC., IAC SEARCH & MEDIA, INC., AOL LLC, and LYCOS, INC.,	§	**JURY TRIAL DEMANDED**
	§	
Defendants.	§	

PLAINTIFF'S SUR-RESPONSE TO DEFENDANTS' MOTION TO DISMISS

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Statutes

Plaintiff Software Rights Archive, LLC ("SRA") files this Sur-Response to Defendants' Motion to Dismiss.

I. INTRODUCTION

The dispositive question regarding standing in this case is this: Did Daniel Egger acquire the patents-in-suit? The answer, *as a matter of law*, is yes:

- As a matter of law, Egger acquired the patents in September 1998, when he executed a Bill of Sale and Assignment with Site Technologies, Inc. ("Site Tech").
  - The Northern District of California Bankruptcy Court has already so found over eight years ago, and questions relating to a confirmed bankruptcy plan are barred from reconsideration by the doctrine of res judicata.
  - Every party with personal knowledge agrees that Egger acquired the patents from Site Tech in September 1998.
    - Daniel Egger: "I signed [the Bill of Sale and Assignment], Jeff [Ait] signed it, I paid him the money, I bought the patents . . . ." (Ex. 1, at 45.)
    - Jeffrey Ait: "On September 16, 1998, Site Tech sold and assigned, among other things, U.S. Patent No. 5,544,352, and related applications and future patents . . . to Daniel Egger." (Ex. 2, ¶ 5.) "At the time of the execution of the 1998 Bill of Sale and Assignment that assigned the Patents to Daniel Egger, I was the CEO of both Site Tech and Site/Tech and was fully authorized by both companies to assign the Patents to Daniel Egger." (Ex. 2, ¶ 6.) Furthermore, "After the July 11, 1997 acquisition, Site/Tech lacked any substantial independent operation or business from that of Site Tech. It did not design, produce, market, or sell anything, and it had no significant independent costs or revenues." (Ex. 2, ¶ 2.) "[T]hat's what I would classify as a shell." (Ex. 3, at 108.)
    - Site Tech: "On September 30, 1998 . . . [Site Tech] consummated the sale of its V-Search technology and related patents. . . . The Company sold the assets relating to V-Search in cash to Daniel [Egger]. The Company received a cash payment of $100,000." (Ex. 4.)
    - Site/Tech: "After the sale, neither Site Tech entity carried the Patents on their books and both recognized the validity of the 1998 Bill of Sale and Assignment . . . . Site/Tech . . . ratified the 1998 Bill of Sale and Assignment and Site Tech's authority and right to transfer the patents in those documents on behalf of all Site Tech entities a long time ago." (Ex. 2, ¶ 6.)
- As a matter of law, Egger acquired the patents at the latest in December 2000. Under the after-acquired title doctrine, if an assignor assigns property to an assignee without

> having title and thereafter acquires title to the property, the property vests in the assignee at the moment that the assignor acquires title. Here, it is undisputed that Site Tech assigned the patents to Egger in September 1998 and that Site Tech at the latest acquired title to the patents in December 2000.

This issue is ripe for definitive resolution. This Court should find as a matter of law that Egger acquired the patents, SRA owns the patents, and SRA has standing to bring this case.

II. ARGUMENT AND AUTHORITIES

A. As a Matter of Law, Egger Acquired the Patents in September 1998, When He Executed a Bill of Sale and Assignment with Site Tech.

1. The Northern District of California Bankruptcy Court has already found that Egger acquired the patents from Site Tech in September 1998, and reconsideration of this finding is barred by res judicata.

a. Under the doctrine of res judicata, it is settled as a matter of law that Egger acquired the patents in September 1998.

The law is well-settled: "Once a bankruptcy plan is confirmed, it is binding on all parties and all questions that could have been raised pertaining to the plan are entitled to *res judicata* effect." *Trulis v. Barton*, 107 F.3d 685, 691 (9th Cir. 1995).[1] Likewise, statements in the debtor's schedules are conclusively binding on the debtor. *Superior Crewboats, Inc. v. Primary P & I Underwriters*, 374 F.3d 330, 334 (5th Cir. 2004) (reversing lower court's refusal to bar debtor's claim because debtor failed to list claim as asset on its bankruptcy schedules).[2]

---

[1] *See also In the Matter of Howe*, 913 F.2d 1138, 1147 (5th Cir. 1990); *In re Int'l Nutronics, Inc.*, 28 F.3d 965, 969 (9th Cir. 1994); *Tally v. Fox Film Corp.*, 88 F.2d 212, 223 (9th Cir. 1937) (barring relitigation of whether a pre-petition transaction violated securities law because the prior transaction was recognized by the Trustee and set forth in the bankruptcy petition); *In re Pardee,* 193 F.3d 1083, 1085 (9th Cir. 1999) ("Great Lakes' failure to object to the plan or to appeal the confirmation order constitutes a waiver of its right to collaterally attack the confirmed plan postconfirmation on the basis that the plan contains a provision contrary to [law]." (internal quotation marks omitted)); *In re Chattanooga Wholesale Antiques, Inc.*, 930 F.2d 458 (6th Cir. 1991) (holding that although bank was incorrectly treated as secured creditor under confirmed bankruptcy plan, payments made to bank were authorized under bankruptcy plan and were not avoidable).

[2] *See also Coastal Plains, Inc. v. Mims*, 179 F.3d 197, 205 (5th Cir. 1999); *Roberts v. Roberts*, 241 Fed. Appx. 420, 421-22 (9th Cir. 2007) (barring debtor from asserting that creditor lacked standing because debtor listed creditor in its schedules); *Stroh v. Grant*, 34 Fed. Appx. 562, 565 (9th Cir. 2002) (barring debtor from asserting that it owned an interest in a partnership after failing to list the partnership interest in its schedules); *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d 778, 783-84 (9th Cir. 2001) (barring

Here, Defendants' entire standing challenge may be rejected as a matter of law based on this undisputed fact: Site Tech's bankruptcy filings repeatedly and explicitly represented to the bankruptcy court, to creditors, and to interested parties that neither it nor Site/Tech possessed any interest in the patents, but that Site Tech had transferred the patents to Egger in September 1998.[3] In its court-approved First Amended Disclosure Statement, Site Tech wrote, "In September 1998, the Company also sold its V-Search technology and related patents." (Ex. 5, § 5.5; Ex. 6, at 2.) Again, in its Statement of Financial Affairs, it listed under penalty of perjury:

10. Other transfers

None ☐ a. List all other property, other than property transferred in the ordinary course of business or financial affairs of the debtor, transferred either absolutely or as security within one year immediately preceding the commencement of this case. (Married debtors filing under chapter 12 or chapter 13 must include transfers by either or both spouses whether or not a joint petition is filed, unless the spouses are separated and a joint petition is not filed.)

NAME AND ADDRESS OF TRANSFEREE, RELATIONSHIP TO DEBTOR	DATE		DESCRIBE PROPERTY TRANSFERRED AND VALUE RECEIVED
Savoir Technology Group, Inc. 254 Hacienda Avenue Campbell, CA 95008	12/28/98 1/29/99	$150,000 $ 50,000	Security interest in all assets
Daniel Egger 2027 W. Club Blvd. Durham, NC 27705	9/15/98	$80,000	V-Search Technology

(Ex. 7.) This is a verified statement that Egger acquired the patents before the bankruptcy and that the patents had belonged to Site Tech, not Site/Tech. Finally, in its Schedules, Site Tech deliberately excluded the patents-in-suit from the lists of current property of the estate, even though it included every other patent asset it acquired from Site/Tech. (Ex. 9, at 3.) Site Tech never amended its schedules following its merger with Site/Tech to reflect any claim of

debtor from asserting that it had a cause of action because it failed to list the policy as an asset on its bankruptcy schedules).

[3] In determining the provisions and meaning of a plan for purposes of res judicata, the court considers the disclosure statement and any other bankruptcy filings incorporated into the plan or confirmation order. *In re Sugarhouse Realty, Inc.*, 192 B.R. 355, 363 and n.15 (E.D. Pa. 1996) (citing multiple cases). The Plan (Ex. 8, at 1) specifically refers to the Disclosure Statement for a prior history of the Debtor's transactions and for the creditor in deciding whether to accept the plan.

ownership of the patents or any recognition that the patents became part of its bankruptcy estate. (Ex. 6.)

Thus, Site Tech's bankruptcy filings definitively raised the issue in the bankruptcy proceedings of who owned the patents, and the responsibility fell on Site/Tech and the other parties, to the extent they disagreed with Site Tech, of objecting to the bankruptcy plan and other filings and asserting that the transfer to Egger in September 1998 was defective and/or that someone other than Egger rightfully owned the patents. It is undisputed that neither Site/Tech nor anyone else objected to Site Tech's plan, disclosure statement, and schedules, and it is further undisputed that the Northern District of California Bankruptcy Court relied on the bankruptcy record and entered a confirmation order in the case.[4] This being so, as a matter of law the bankruptcy court order and other filings, along with the administration of the bankruptcy, bind Site Tech and Site/Tech and operate as a final judgment regarding Egger's acquisition of the patent in September 1998.[5] Further consideration of the issue is barred by res judicata.

Application of res judicata is particularly appropriate here because neither Site Tech nor Site/Tech has ever contested the September 1998 assignment to Egger. Rather, both have repeatedly affirmed the validity and operation of that transaction. Indeed, Jeffrey Ait, the CEO of Site Tech and Site/Tech and the Responsible Person under the Site Tech bankruptcy plan, has submitted testimony to these proceedings and executed further conveyances in support of Egger's ownership of the patents. Further, application of the doctrine is the only way to avoid manifest unfairness to Egger and to avoid violating Egger's bankruptcy and due process rights. Egger had a meritorious claim to the patents, having paid $100,000 for them and having received

[4] Notably, as required by 11 U.S.C. § 1125, the bankruptcy court had also previously approved Site Tech's disclosure statement as containing "adequate information" to enable creditors to decide whether to vote for or against the plan.

[5] Site/Tech was a creditor that approved the plan and was merged into Site Tech. (Ex. 10 (listing Site/Tech as a creditor).)

two warranty assignments to them. His acceptance of the plan and decision not to litigate ownership of the patents or seek modification of the plan was based on the fact that the bankruptcy plan and schedules all provided that the patents were transferred to him in 1998 and that no party in interest to the bankruptcy contested his ownership of them. Similarly, Egger's decision not to assert substantial claims against Site Tech for breach of contract and breach of title warranties, or alternatively, to assert his rights to the patents, was also based on the fact that the plan recognized his ownership of the patents. Failure to apply res judicata here would deny Egger notice that his patent rights were being challenged and would deny him an opportunity to assert his rights in the bankruptcy, to oppose or modify the plan, or to seek allowance of a claim against Site Tech for the substantial breach of contract/title warranty damages he suffered.[6]

In contrast, giving preclusive effect to the bankruptcy court's recognition that Egger had acquired the patents would create no unfairness to Site Tech's other creditors or interest holders, because all those parties were given notice of the assignment to Egger at all stages of the bankruptcy process. Furthermore, Site Tech's general unsecured creditors received payment in full, with additional funds flowing to equity. (Ex. 5.) Failing now to afford the preclusive effect to the Egger assignment would entitle Egger to a substantial claim against the estate for the failure to deliver his patents, threatening the significant recovery already received by creditors

[6] *In re Snug Enters.*, 169 B.R. 31, 33 (Bankr. E.D. Va. 1994); *In re Forklift LP Corp.*, 363 B.R. 388, 397 (Bankr. D. Del. 2007) (holding that it would be unfair to deprive creditors of their rights "where plan provisions do not explicitly take those rights away. If a plan explicitly puts a creditor on notice that it is in danger of losing its rights and the creditor fails to act to protect its rights, then rigid application of the plan seems justified. However, where it is more difficult or impossible for the creditor to realize that the Plan threatens its statutory rights, it is inequitable to punish the creditor for failing to object."); *In re Miller*, 253 B.R. 455, 459 (Bankr. N.D. Cal. 2000) (holding that if a confirmed bankruptcy plan is ambiguous as whether a debt is discharged, "[t]he ambiguity in the plan should be resolved against the Debtor because Debtor drafted the plan.").

and junior equity holders. (Ex. 6.)[7]

Therefore, it is settled under res judicata that Egger acquired the patents from Site Tech in September 1998. On this basis alone, this Court should rule as a matter of law that Egger owned the patents-in-suit, that SRA owns the patents, and that SRA possesses standing to bring this case.

b. Defendants' argument that res judicata does not apply because there was no adversary proceeding is wrong.

Defendants assert that res judicata does not apply to Egger's ownership of the patents because no adversary proceeding occurred as to the issue. (Ex. 11, at 25.) Defendants are wrong. The case Defendants themselves cite, *In re Golden Plan of California, Inc.*, 829 F.2d 705 (9th Cir. 1986), as well as Bankruptcy Rule 7001, directly contradict Defendants' position. *Golden Plan* and Bankruptcy Rule 7001 only restrict a debtor or trustee from *setting aside* a creditor's (such as Egger's) property rights without giving the creditor an opportunity to defend himself in a proceeding. (This is a further significant reason why the bankruptcy plan could not have divested Egger of the patents.) Neither *Golden Plan* nor Bankruptcy Rule 7001 prevents a debtor from agreeing to *recognize* a creditor's valid property rights. Debtors and trustees routinely accept claims and liens and concede property rights when putting forward a plan, setting forth schedules of assets and transfers, abandoning property, and administering a bankruptcy. These determinations are conclusively binding on the debtor without any need for an adversary proceeding.

c. Defendants' argument that Paragraph 14.2 of the bankruptcy plan somehow overrules the bankruptcy court's confirmation of Egger's ownership is also wrong.

---

[7] The writing requirement of 35 U.S.C. § 261 provides no obstacle to the transfer of patents by virtue of a bankruptcy, bankruptcy plan, or proceeding in equity. *See Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1337 (Fed. Cir. 2007).

Defendants argue that, despite the bankruptcy court's confirmation of Egger's rights, Paragraph 14.2 of the bankruptcy plan vests the patents in Site Tech free and clear of any claim by Egger. Defendants are wrong. Paragraph 14.2 provides that "all property of the debtor" will revest in the debtor free and clear of creditors' and interest holders' claims on the "Effective Date" of the plan. (Ex. 8., at 19.) The "Effective Date" of the plan was July 16, 2000.[8] Thus, Site Tech's property as of July 16, 2000 revested free and clear on that date. Defendants themselves admit, however, that Site Tech did not own the patents on July 16, 2000. Rather, under Defendants' argument, Site Tech acquired the patents only on December 21, 2000, when it merged with Site/Tech. (Ex. 12.) Paragraph 14.2 therefore could not have operated to vest the patents free and clear in Site Tech.

2. Site Tech owned the patents in September 1998, because it had acquired them from Site/Tech in July 1997 by operation of the liquidation provision in Site/Tech's charter.

a. The Northern District of California Bankruptcy Court has already found that Site Tech acquired the patents from Site/Tech in July 1997, and reconsideration of this issue is barred by res judicata.

As noted above, it is well-settled that "[o]nce a bankruptcy plan is confirmed, it is binding on all parties and all questions that could have been raised pertaining to the plan are entitled to *res judicata* effect." *Trulis*, 107 F.3d at 691. This principle mandates that this Court uphold the Northern District of California Bankruptcy Court's finding that the patents transferred in liquidation from Site/Tech to Site Tech in July 1997. Site Tech's bankruptcy disclosure statement expressly indicates that intellectual property of Site/Tech transferred to Site Tech through the July 1997 acquisition: "In July 1997, [Site Tech] acquired the technology to develop

[8] The plan defines the Effective Date as eleven calendar days after the Confirmation Date. (*Id.* at 6:25.) The Confirmation Order was entered on July 5, 2000. (Ex. 27.) Thus, the Effective Date was July 16, 2000.

SiteSweeper 2.0 . . . ." (Ex. 5. at § 5.4.) Further, Schedule B lists products, trademarks, and patents pertaining to SiteSweeper and SiteMarks that Site Tech acquired from Site/Tech:

21. Patents, copyrights, and other intellectual property. Give particulars.		Intellectual property for QuickSite product, SiteSweeper product, SiteMaster product, WebTools product, SiteMarks product, WebAnimator product and Graphic Tools product Trademark held for SiteSweeper, applications pending for SiteMaster and QuickSite in Europe All source files for intellectual product resides at 380 El Pueblo Road, Scotts Valley, CA 95066		1,000,000.00

(Ex. 9, at 21.) Site Tech acquired these patents from Site/Tech before the bankruptcy, and did so through the Certificate of Incorporation liquidation provision in July 1997. Furthermore, neither Site/Tech nor any other party objected to Site Tech's representations that it had acquired Site/Tech's intellectual property, despite the fact that Site Tech sold SiteSweeper and other intellectual property to Starbase during the bankruptcy for $8.3 million. These assets represented $1 million of the $1.4 million of the value of Site Tech's assets initially set forth in the schedules. Thus, the sale of these assets represented a substantial amount of the consideration received by Starbase and resulted in 100% of the creditors' claims' being paid with interest. (Ex. 5, at 10 and 20.). Furthermore, several contracts related to the marketing and distribution of Site/Tech's SiteSweeper product were also sold to Starbase. (Ex. 13, at 1-2.)

Thus, the bankruptcy plan and the principal distributions in the bankruptcy relied heavily on the efficacy of the July 1997 asset transfer from Site/Tech to Site Tech. Because those transfers are settled and Site Tech's bankruptcy estate has been administered, it is too late now to challenge, based on supposed defects in documentation, whether in fact Site Tech acquired particular properties. 11 U.S.C. § 1127(b) (barring modifications of a plan after "substantial consummation").

In short, the bankruptcy order constitutes a final judgment that the liquidation provision operated to transfer Site/Tech's patent rights to Site Tech, and further consideration of the issue is barred by res judicata. On this basis alone, this Court should find as a matter of law that Site Tech owned the patents when it assigned them to Egger in September 1998, that SRA owns the patents today, and that SRA possesses standing to bring this suit.

b. The terms of the liquidation provision demonstrate that it effectuated an automatic transfer of the patents to Site Tech.

Defendants claim that no transfer occurred pursuant to the liquidation provision in Site/Tech's certificate of incorporation, because the liquidation provision did not automatically transfer the patents, but instead merely set the stage for a transfer that never occurred. Defendants are wrong. By its very terms, the liquidation provision effectuated an automatic transfer of the patents, with no further action necessary, from Site/Tech to Site Tech. The provision directs, in mandatory language, the distribution of all of Site/Tech's assets: "[T]he entire remaining assets and funds of the corporation legally available for distribution, if any, *shall be distributed* ratably among the [preferred stock]holders . . . . Thereafter, any remaining assets and funds legally available for distribution hereunder *shall be distributed* solely to the holders of the Common Stock." (Ex. 14 (emphasis supplied).) And it spells out in precise terms exactly how the distribution is to be effectuated—first, a "ratable" distribution, and then, a distribution of all remaining assets "solely" to Site Tech, the sole remaining stockholder. It thus resembles the self-executing provisions in *Akazawa v. Link New Technology International Inc.*, 520 F.3d 1354 (Fed. Cir. 2008), and *Sky Technologies, LLC v. SAP AG*, No. 2:06-cv-440 (DF) (E.D. Tex. Aug. 25, 2008), which also spelled out precisely how they were to operate and left no discretion to any administrator. And it differs from the vague provisions that Defendants cite in *Pharm-Eco Laboratory, Inc. v. Immtech International, Inc.*, No. Civ. A. 18246, 2001 WL

220698 (Del. Ch. Feb.26, 2001.), which did not specify how the distribution was to occur and therefore was held not to call for an automatic distribution. (Ex. 11, at 7-8.) Furthermore, under 37 C.F.R. § 3.56, conditional assignments based upon the fulfillment of future condition are sufficient to transfer patents and are treated as absolute assignments by the PTO. Here, the liquidation provision mandates a transfer upon fulfillment of a condition: "*In the event of any liquidation* . . . distributions to the shareholders of the corporation *shall be made* . . . ." (Ex. 14 (emphasis supplied).) Thus, the presence of a condition subsequent further distinguishes the liquidation provision from the language in *Pharm-Eco Laboratory*, where the Court found that the clause was merely a statement of future intent to transfer the patent. Likewise, language describing the transfer of "all assets" is sufficient to transfer patents even though the patents are not specifically identified. (Ex. 15, at n.8.)

That the liquidation provision effectuated an automatic transfer is further corroborated by abundant sworn evidence that Defendants have not even attempted to controvert. Jeffrey Ait, the CEO of Site Tech and Site/Tech following the liquidation, and one of the core parties involved in the negotiation of the July 1997 acquisition, affirmed to the SEC no fewer than six times that Site Tech had acquired the patents through the liquidation—for example: "[The patented technology] was technology that [Site Tech] acquired in the [Site/Tech] Acquisition." (Ex. 15, at 10.) Ait likewise subsequently testified under oath that "In this transaction, [Site Tech] directly acquired . . . all of the then-existing assets of [Site/Tech], including its patents . . . ." (Ex. 2, ¶ 2.) In the ten years since Site Tech's acquisition of Site/Tech and since Ait first made this representation, not one Site/Tech employee, officer, or director, or any other person with first-hand knowledge of the negotiations in July 1997 ever disputed this sworn testimony. To the contrary, Ait's sworn testimony stands unchallenged.[9]

Finally, Defendants argue that the transfer did not occur because no affirmative acts were taken, as supposedly required by Delaware General Corporation Law §§ 275-285 (wind up and dissolution provisions). These arguments fail because the transfers occurred by operation of a mandatory conveyance clause in Site/Tech's certificate of incorporation, not because of an actual statutory wind up under the DGCL.

3. Even if the patents belonged to Site/Tech in September 1998, as Defendants claim, Egger still would have acquired the patents at that time, because Site/Tech was bound by the Bill of Sale and Assignment.

a. Site/Tech was Site Tech's alter ego in September 1998.

In its opening brief, SRA identified over twenty core commonalities between Site/Tech and Site Tech that demonstrated that the entities were alter egos in September 1998. (Ex. 15, at 13-14.) Defendants offer various responses, but all of them crumble under scrutiny.

- Defendants point out that Site/Tech's 1998 and 1999 tax returns reflect earnings of $18,920 in 1998 and $50,381 in 1999. (Ex. 11, at 16.) Site/Tech did not earn those sums through any independent business operations, however, but rather acquired them from Site Tech through a passive internal royalty structure that had been established during the July 1997 acquisition. (Ex. 16, at 17.) Indeed, the tax returns reflect no further revenues, demonstrating that Site/Tech had no independent operations in 1998 and 1999. Those tax returns also were not prepared by Site/Tech, but rather by Site Tech, because Site/Tech had no employees of its own. (Ex. 2, ¶ 2 ("[T]he former employees of Site/Tech became the employees of Site Tech . . . . Site

[9] In its opening brief, SRA also demonstrated that the patents transferred from Site/Tech to Site Tech pursuant to 35 U.S.C. § 261 and the ratification doctrine. (Ex. 15, at 11-13) Defendants' sole response was the response addressed here—that the liquidation provision did not operate to transfer the patents to Site Tech. Because, as already explained, Defendants are wrong, and the liquidation provision did in fact operate to transfer the patents to Site Tech, Defendants' § 261 and ratification arguments fail.

Tech maintained Site/Tech's tax records.") Further, the tax returns were prepared not in 1998 and 1999, but in 2001, because it was only in 2001 that anyone even realized that Site/Tech still existed. (Ex. 3, at 104-05.) Thus, the tax returns actually support a finding of alter ego.

- Defendants also claim that Site/Tech "retained offices and three employees in North Carolina after it became Site Tech's subsidiary . . . ." (Ex. 11, at 16.) This claim is false. As Ait testified, "I agreed to keep [the three employees] employed for one year in North Carolina but as employees of [Site Tech] not as employees of [Site/Tech]." (Ex. 3, at 107.) Furthermore, "Site Tech adopted and employed Site/Tech's . . . property as its own . . . ." (Ex. 2, ¶ 2.) Again, the evidence supports a finding that Site/Tech and Site Tech were alter egos.

- Defendants claim that Site/Tech "released a software product under its name." (Ex. 11, at 16.) This claim is irrelevant, because it concerns the relationship between Site Tech and Site/Tech in August 1997 (the date of the release), a mere month after Site Tech's acquisition of Site/Tech, whereas the operative date for determining alter ego is September 1998, over a year later. Defendants proffer no evidence that Site/Tech was engaged in any product development in September 1998. Defendants' claim is also disingenuous, because the press release on which Defendants rely contains numerous indications that Site Tech was already well on its way to converting Site/Tech into a shell. The headline of the press release states, "DeltaPoint and Site/technologies/inc. deliver SiteSweeper 2.0 . . . ." (Ex. 17.) The press release also quotes only DeltaPoint employees, evidencing the fact that all of Site/Tech's employees had already integrated into DeltaPoint. (Ex. 17.) The press release further states that "DeltaPoint plans to release SiteSweeper 2.0 on the company's Web site," negating Defendants' assertion that Site/Tech was engaged in business activity. (Ex. 17.) Finally, the press release nowhere discusses Site/Tech's business, but instead describes DeltaPoint's business in a section called "About DeltaPoint," and also nowhere provide Site/Tech's contact information, but instead provides DeltaPoint's contact information, evidencing the fact that DeltaPoint absorbed Site/Tech's business operations. (Ex. 17.) Finally, Site Tech's sworn bankruptcy filings and SEC statements make clear that the released Site Sweeper 2.0 technology was actually a product of Site Tech, not Site/Tech. (Ex. 5, at 5.4 ("In July 1997, [Site Tech] acquired the technology to develop SiteSweeper 2.0 . . . ."); Ex. 26.)

- Defendants claim that "Ait set the record straight at his deposition, testifying that Site/Tech was ***not*** a shell entity after its acquisition by Site Tech." (Ex. 11, at 16 (emphasis in original).) This shamelessly mischaracterizes Ait's deposition testimony. Ait testified only that, to the extent that a "shell entity" owns no assets whatsoever, and to the extent that Site/Tech did own "desks, chairs, and computers" following its acquisition by Site Tech, Site/Tech was not a "shell entity" in September 1998. (Ex. 3, at 110.) Ait repeatedly insisted that, under a more reasonable definition of "shell entity," Site/Tech was a shell entity in September 1998: "Q. Wouldn't you agree, based on what we have seen here today, Mr. Ait, that [Site/Tech] was not a shell entity in 1998 or 1999? A. No, I don't agree with that. There was no business carried out by [Site/Tech]. . . . Q. . . . [Y]our opinion and belief, as you sit here today under oath, was that [Site/Tech] was a shell entity in 1998? A. Yes, [Site/Tech] was a wholly-owned subsidiary that did no business. I don't know what you classify as a shell but that's what I would classify as a shell." (Ex. 3, at 108.)

- Finally, Defendants note that Site Tech and Site/Tech did not "intentionally use[] their corporate structure to defraud Egger." (Ex. 11, at 17.) Delaware law does not require fraud to demonstrate alter ego, however, but instead requires only one of several types of injustices: "[C]orporate entities . . . may be disregarded . . . . in the interest of justice, when such matters as fraud, contravention of law or contract, public wrong, or where equitable consideration among members of the corporation require it, are involved." *Pauley Petrol. Inc. v. Continental Oil Co.*, 239 A.2d 629, 633 (Del. 1968). Here, the corporate distinction between Site Tech and Site/Tech should be disregarded in the interest of justice, to prevent contravention of contract, and in view of equitable considerations. Site/Tech had no independent ownership, directors, officers, employees, property, offices, business dealings, business departments, financial statements, headquarters, products, corporate records, bank accounts, director meetings, shareholder meetings, or operations in September 1998, when Egger bought the patents. (Ex. 2, ¶¶ 2-3.) Site/Tech was essentially an empty shell completely controlled by Site Tech. (Ex. 2, ¶ 2.) Site Tech represented—and to this day affirms through Ait —that it owned the patents-in-suit. (Ex. 2, ¶ 5.) Egger paid $100,000 out of his personal funds for the patents, and Site Tech accepted the money. (Ex. 2, ¶ 5.) Site Tech warranted that "it hereby transfers good and marketable title to the Purchased Assets." (Ex. 18.) Both Site Tech and Site/Tech intended the patents to be assigned to Egger, and Site/Tech authorized Site Tech to execute the assignment. (Ex. 2, ¶ 6.) Site Tech affirmed to the SEC that it had sold the patents to Egger. (Ex. 4.) On behalf of both Site Tech and Site/Tech Ait also ratified the assignment and disclaimed ownership of the patents in Egger's favor. (Ex. 2, ¶¶ 6-7.) Nobody with any interest in the patents has ever disputed the assignment. To strip Egger of his patent rights would be contrary to every party's intentions, contrary to contract, and contrary to every party's stated interests.

b. Site Tech was Site/Tech's authorized agent for purposes of transferring the patents to Egger.

In its opening brief, SRA demonstrated that Jeffrey Ait, the CEO of Site Tech and Site/Tech in September 1998, signed the Bill of Sale and Assignment and assigned the patents to Egger on behalf of both entities. Defendants now argue that Ait was wearing only his "Deltapoint hat" when executing the assignment and therefore could not have bound Site/Tech. (Ex. 11, at 20.) Defendants misstate the facts. Ait's detailed testimony demonstrates that he wore both his "Site Tech hat" and his "Site/Tech hat" while negotiating, executing, performing, and discussing the assignment to Egger. (Ex. 2, ¶ 6-7.) Through the Bill of Sale and Assignment, he granted Site Tech the authority to assign the patents to Egger on Site/Tech's behalf.[10] Through repeated representations on Site/Tech's behalf before, during, and after the assignment, he led Egger to believe that Site Tech possessed authority to assign the patents in its own name. And through the Bill of Sale and Assignment, through representations to Egger, through statements made to the SEC, and through sworn testimony given thereafter, he ratified, on Site/Tech's behalf, Site Tech's assignment of the patents to Egger.

B. Even If Egger Did Not Acquire the Patents in September 1998, He Acquired Them as a Matter of Law in December 2000, When Defendants Claim Site Tech Acquired Title Thereto.

1. Defendants' claim that title does not pass immediately and automatically to the assignee under the after-acquired title doctrine is wrong.

Defendants argue that after-acquired title does not transfer immediately and automatically to the assignee under the after-acquired title doctrine, and therefore, Daniel Egger could not have acquired the patents without bankruptcy court intervention. Defendants' assertion is contrary to hornbook law. After-acquired title conveys to the assignee *eo instante*—at the instant that the assignor acquires the title—and automatically, without any court intervention.[11]

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[10] California Civil Code § 2309 deals with conferring actual authority where the party asserts that it was an explicit agent for the principal. This would not have application to SRA's apparent or ostensible authority theories of agency which pertain to situations where there is not an explicit agency agreement. Furthermore, even assuming that, as Defendants contend, the "equal dignities rule" called for Site/Tech to confer authority on Site Tech in writing, Site/Tech's conferral of authority on Site Tech comported with this rule.

[11] *See, e.g., Cherry v. Farmers Royalty Holding Co.*, 160 S.W.2d 908, 910 (Tex. 1942) ("The Court of Civil Appeals held that . . . the mineral interests . . . passed *eo instante* to the defendants. By such holding it applied the familiar rule known as the doctrine of after-acquired title . . . ." (citations omitted)); *Chevron U.S.A., Inc. v. State*, 993 So.2d 187, 2008 WL 4118905, at *14 n.4 (La. Sept. 8, 2008) ("[T]itle to property sold to another by a vendor who only later acquires title vests immediately upon sale in the vendee." (citations omitted)); *Frain v. Burgett*, 50 N.E. 873, 876 (Ind. 1898) ("The title acquired by the grantor who has conveyed by warranty inures *eo instanti* that he gains the title to his grantee, and vests in

2. Defendants' claim that the bankruptcy extinguished Egger's rights is wrong.

a. The Bill of Sale and Assignment were not executory contracts and were not rejected in the Site Tech bankruptcy.

Defendants argue that the bankruptcy extinguished Egger's rights to the patents, because it rejected the Bill of Sale and the Assignment. Defendants are wrong. As a threshold matter, the Assignment was a separate agreement from the Bill of Sale, because it was a conveyance instrument with its own signature, and it was never rejected.[12] (Ex. 18.) While the Bill of Sale appears on the schedule of executory contracts, the Assignment does not. See Schedule G Executory Contracts and Leases. This stands to reason, since only the Bill of Sale contained an executory software license agreement with Site Tech as licensor. (Ex.18, § 7.) The debtor listed all of its licenses as executory contracts. (Ex. 19.) The Assignment is a conveyance instrument that was not executory and therefore was not scheduled as an executory contract and could not be rejected as an executory contract.

Under § 365 of the Bankruptcy Code, bankruptcy courts may only reject "executory"

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him." (citations omitted)); Corpus Juris Secundum (Estoppel) § 25 (2008) ("As a general rule, estoppel has the effect of vesting after-acquired title in the grantee automatically and instantly, by operation of law, without further conveyance and without the intervention of any court." (citations omitted)).

Defendants misread *Mills*, wrongly attributing a quote as pertaining to the after-acquired title doctrine when it actually pertains to fraudulent transfer. *Mills Novelty Co. v. Monarch Tool & Manuf. Co.*, 49 F.2d 28 (6th Cir. 1931) ("[T]hrough fraud or mistake, a grant is made to A which should have been made to B . . . ."). In fact, immediately following Defendants' cited passage, *Mills* itself recognizes that title transfers immediately in the patent application context. *See id.* This idea of immediate transfer is what *Mills* reasoned "should be deemed to rest upon the principles by which a deed with warranty will convey in law [i.e., legal title] an after-acquired title." *See id.* Defendants also misread *Taylor Engines, Inc. v. All Steel Engines, Inc.*, 192 F.2d 171, 174 (9th Cir. 1951). Defendants rely on *dictum* stating that "[t]he equitable claim of the Nevada corporation could have been cut off by a sale to a bona fide purchaser." (Defs.' Reply, at 27.) This *dictum* is inapposite because a *bona fide* purchaser for value can "cut off" a claim by any earlier assignee, whether that assignee obtains full legal and equitable title, or only the latter. *See* 35 U.S.C. § 261. Moreover, California courts have adhered to the *eo instante* rule both before and after *Taylor*. *See Brush Elec. Co. v. Calif. Elec. Light Co.*, 52 F. 945, 963 (9th Cir. 1892) ("The sale of a patent right contains an implied warranty as to title, and an after-acquired title obtained by the vendor inures to the vendee."). In fact, the California legislature has codified the doctrine in the real property context. *See* CAL. CIV. CODE § 1106 (2008).

[12] The Bill of Sale was executed by Jeffrey Ait as Chief Executive Officer of Site Tech. The Assignment was separately executed by Sharon Fugitt as secretary of Site Tech.

obligations of the debtor, and federal law defines an "executory" obligation as one "on which performance is due to some extent on *both* sides." *Horton v. Rehbein*, 60 B.R. 436, 440-42 (9th Cir. 1986). Bankruptcy law holds that "executory contracts are those in which the obligations of *both* parties are so far unperformed that the failure of either to complete performance would constitute a material breach excusing the performance of the other." *Id.*

Furthermore, both the Bill of Sale and the Assignment contain language of complete and immediate assignment of full legal title to the Patents to Egger. Under bankruptcy law, an unperformed obligation to convey legal title is not an executory obligation. *See Horton*, 60 B.R. at 441 (9th Cir. 1986) ("The fact that a vendor retains legal title and must in the future convey it to the debtors does not render the contract executory any more than the duty of the holder of a promissory note to return the note when the debt is satisfied makes it executory" (internal quotation marks omitted)); *see Mitchel v. Streets*, 882 F.2d 233 (7th Cir. 1989) ("In our view, the delivery of a legal title is a mere formality and does not represent the kind of significant legal obligation that would render the contract executory."); *In re Kane*, 248 B.R. 216, 224 (1st Cir. 2000); *In re Belmonte*, 240 B.R. 843, 851 (Bankr. E.D. Pa 1999); *In re Walker*, 227 B.R. 870, 872 (Bankr. S.D. Ind. 1998). In *Horton*, the Ninth Circuit specifically considered whether a contract for deed's unperformed conveyance of legal title was an executory obligation:

> As a practical matter, the vendor performs no duties after the execution and deposit of title documents with the escrow agent. The vendor cannot terminate the agreement and recover possession of the property unless there is a material breach by the buyer. Unless a contract is executory on both sides, it cannot be an executory contract.

60 B.R. at 440. The Assignment is an absolute conveyance that forever relinquishes title to the Patents. As in *Horton*, once the deed was placed in escrow, no further action was required of Site Tech, and legal title would be transferred by operation of law and beyond the control of the

debtor.[13] Further, Egger took possession of the patents and continued to prosecute the applications, pay the legal bills, and improve the property by obtaining two new patents.[14] Under *Horton*, the Assignment was not an executory contract by reason of any unperformed duty to convey legal title, and was not and could not be rejected by Site Tech.

b. Even if the Bill of Sale and Assignment were rejected in the Site Tech bankruptcy, that still would not extinguish Egger's right to the legal title to the patents.

Even if the Bill of Sale and Assignment were rejected in the Site Tech bankruptcy, that still would not bar operation of the after-acquired title doctrine. This is because—it is undisputed—Egger acquired at least equitable title to the patents through the Bill of Sale and Assignment. *See Morrow v. Microsoft Corp.*, 2004 WL 1781010, *4 (N.D. Cal. 2004) ("Even if the patentee's transfer of rights does not vest legal title in the successor, it may constitute a transfer of equitable title."). The subsequent rejection of contracts in 2000 does not change the fact that Egger had already received equitable title in 1998.

Equitable title is not merely an equitable claim; it is a vested property right in the grantee. *See Ligon v. City of Detroit,* 739 N.W.2d 900, 906 (Mich. App. 2007) ("[T]his equitable interest . . . was a preexisting vested property right"); *In re Marriage of Perkins*, 2004 WL 112598, at *2 (Tex. App.—Amarillo Jan. 23, 2004) ("[E]quitable title is a property right."). It is transferred at the moment that a conveyance with warranty of title is executed. *See Cook v. U.S.,* 37 Fed. Cl. 435, 440 (Fed. Cl. 1997) ("[T]he date of acceptance of the purchase price . . . is the legal date of vesting of equitable title, a protected property right."); *Burk Royalty Co. v. Robbins Title Ptr,* 117

[13] In situations where legal title had not yet been conveyed, delivery of legal title has been described as a "mere formality," and not "the kind of significant legal obligation that would render the contract executory." *See Mitchell v. Streets*, 882 F.2d 233, 235 (7th Cir. 1989). While some cases in other jurisdictions hold that conveyance of title can be executory, in those cases, no conveyance instrument had been executed as of the date of filing, which is a substantial act of performance required of the seller. It is undisputed that the assignments occurred here long before filing, and were listed on the bankruptcy schedules available to all interested parties.

[14] *Horton*, 60 B.R. at 441 and n. 5 (noting possession and improvement to the property as a relevant fact).

F.3d 1417 (5th Cir. 1997). It may be transferred to third parties. *See Faulks v. Kamp*, 3 F. 898, 901-02 (S.D.N.Y. 1880). And with it comes the right to receive legal title once the grantor acquires legal title. *See id.* The Federal Circuit has repeatedly recognized the doctrine of equitable title with respect to patents.[15]

Under bankruptcy law, an assignee who possesses equitable title to property is entitled to possess the legal title to that property whenever the assignor obtains it, even if the underlying assignment contract is rejected. Defendants cite no authority for the proposition that a § 365 rejection unwinds an absolute conveyance. To the contrary, a contract is rejected to limit a debtor's burden for future performance, but does not rescind that which has already occurred. As one court explained:

> Even if the Agreement was executory, Debtor misinterprets the effects of rejection. Debtor believes rejection will restore its ownership rights to the servicing rights, and consequently the ability to resell the rights. . . . A fully executed contract cannot be rescinded. Debtor is attempting, through rejection, to regain what it has already sold, but without restoring the parties to the status quo ante. Instead of returning the purchase price, Debtor proposes leaving MVB holding a general unsecured claim for $4 million. Contrary to Debtor's argument, rejection of an executory contract constitutes a breach of such contract . . . . Moreover, rejection does not affect executed portions of an executory contract.

In re DMR Fin. Servs., Inc., 274 B.R. 465, 472 (E.D. Mich. 2002) (internal citations and modifications omitted); *see Rudaw/Empirical Software Prods. Ltd. v. Elgar Elecs. Corp.*, 83 B.R. 241, 246 (Bankr. S.D.N.Y. 1988) ("[R]ejection of an executory contract is not the equivalent of rescission. . . . [R]ejection does not give the debtor the right to recover property

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[15] The Federal Circuit recognizes that equitable title to a patent can be conveyed in various circumstances, commonly including: (1) when a patent is subject to an agreement to assign (*see, e.g., Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1576 (Fed. Cir. 1991)); or (2) where a warranty deed purports to convey full title, but full title is lacking in the grantor (*see, e.g., Kahn v. Gen. Motors Corp.*, 77 F.3d 457, 458-59 (Fed. Cir. 1996)). The Federal Circuit has acknowledged the following definition of equitable title with respect to patents: "Equitable title may be defined as "the beneficial interest of one person whom equity regards as the real owner, although the legal title is vested in another." BLACK'S LAW DICTIONARY 1486 (6th ed. 1990); *see Arachnid*, 939 F.2d at 1578 n.3.

sold and transferred to the other party. . . . Such property does not revert to the debtor as a result of the debtor's rejection of an executory contract.").

Likewise, under bankruptcy law, equitable property interests held by assignees do not become part of the bankruptcy estate and therefore cannot be extinguished in the bankruptcy:

> Property in which the debtor holds, as of the commencement of the case, only legal title and not an equitable interest . . . sold by the debtor but as to which the debtor retains legal title . . . becomes property of the estate . . . only to the extent of the debtor's legal title to such property, but not to the extent of any equitable interest in such property that the debtor does not hold.

11 U.S.C. § 541(d); *see Curtis Mfg. Co., Inc. v. Plasti-Clip Corp.*, 933 F. Supp. 94 (D.N.H. 1995) ("Curtis, as the owner of a misappropriated patent, would have taken only its legal title to the patent through the bankruptcy proceedings, and thus plaintiffs' equitable interest was neither encumbered, diminished, nor discharged upon confirmation of the plan.").[16] Thus, when faced with the issue of whether a bankruptcy debtor that acquired title could hold legal title notwithstanding a previous conveyance, the Southern District of Texas held:

> Corpus also argues that when the bankruptcy court dismissed the bankruptcy, title to the property re-vested in the Arriagas and became subject to execution by him. Again, he misunderstands the law. Title subsequently acquired by a person who had previously conveyed that property with warranty instantly passes to the purchaser. .... Even if the Arriagas did not convey good title at the sale, following the bankruptcy, Compean's title was perfected.

U.S. v. Compean, 2006 WL 1737536, at *3 (S.D. Tex. June 23, 2006) (citations omitted).[17]

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[16] *See also U.S. v. Whiting Pools, Inc.*, 462 U.S. 198, 204 (1983); *Cent. Trust Co. v. Shepard*, 29 B.R. 928, 932 (Bankr. M.D. Fla. 1983) ("Under the Bankruptcy Code, where a debtor holds only bare legal title to property without any equitable interest, bare legal title is all that becomes property of the estate."); *Univ. Bonding Ins. Co. v. Gittens and Sprinkle Enters., Inc.*, 960 F.2d 366, 371 (3rd Cir. 1992) ("[Bankruptcy law] simply does not authorize a trustee to distribute other people's property among a bankrupt's creditors."); *Matter of Quality Holstein Leasing*, 752 F.2d 1009 (5th Cir.1985); *Matter of TTS, Inc.*, 158 B.R. 583, 584 (D. Del. 1993) (holding that when debtor holds only legal title to property with beneficial interest being held by another party, that property is included in debtor's estate only to extent of debtor's legal title to property, not to extent of any interest in property that debtor does not hold.); *In re Encinas*, 27 B.R. 79, 80-81 (Bankr. D. Or. 1983) (same).

[17] The Supreme Court's holding in *Bush v. Person*, 59 U.S. 82 (1855), is consistent with this ruling. In *Bush*, the Supreme Court held that under the Bankruptcy Act, the debtor's personal discharge did not

Indeed, in this instance, even Site Tech's legal title to the patents-in-suit never became—and never could have become—part of the bankruptcy estate.[18] By Defendants' own argument, Site Tech did not receive legal title to the patents until December 2000, after the confirmation of the plan in July 2000. (Ex. 20, at 5.) Property acquired post-confirmation is not property of the estate.[19] Indeed, the bankruptcy estate ceases to exist upon confirmation of a plan and vests in the debtor.[20] Furthermore, the automatic stay does not protect post-confirmation assets not subject to the plan.[21] Thus, even under Defendants' theory, neither legal nor equitable title to the patents became part of the bankruptcy estate, or subject to the automatic stay.[22]

Thus, Egger's equitable title to the patents—and his right to the legal title to the patents once Site Tech obtained it—would not have been extinguished in the bankruptcy even if Site Tech had rejected the Bill of Sale and Assignment. Moreover, Site Tech's legal title to the patents—which, according to Defendants, it acquired only in December 2000—never became a

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affect application of the doctrine of after-acquired title. *See id.* at 83-84. Even more compelling, in this matter, the bankruptcy schedules acknowledged and ratified the prior transfer to Egger, and did not discharge it in any sense. Nor was there even a discharge of any kind granted to the debtor. In *Old Republic Insurance Co. v. Currie*, 665 A.2d 1153, 1155 (N.J. Super. Ch. 1995), likewise, the court noted that "even if the mortgagor's personal liability for the debt which is secured by the mortgage has been extinguished by bankruptcy, the warranty obligation [under the after acquired property doctrine] is not nullified and he must produce the property."

[18] It should be further noted that since legal title of the Patents was not in the bankruptcy estate, the debtor's strong arm powers as a lien creditor would be inapplicable to Egger's property interest.

[19] *See* 11 U.S.C. § 541(a) (property of the estate is "all legal and equitable interests of the debtor in property as of the *commencement* of the case"); *Am. Bankers Ins. Co. of Fla. v. Maness*, 101 F.3d 358, 362 (4th Cir. 1996) ("Generally, property not owned at the time of the petition but only subsequently acquired by the debtor does not become property of the bankruptcy estate"); *Palmer v. Vogel*, 57 B.R. 332 (Bankr W.D. Va. 1986).

[20] 11 U.S.C. § 1142; *Haw v. Graue*, 158 B.R. 965, 970(S.D. Tex. 1993)("Plan confirmation dissolves the bankruptcy estate"); *Greenley Energy Holdings of Penn. v. Stone*, 110 B.R. 173, 180 (Bankr. E.D. Penn 1990); Plan, par. 14.2.

[21] *See U.S. Dep't of Air Force v. Carolina Parachute Corp.*, 907 F.2d 1469, 1474 (4th Cir. 1990) ("[T]here can be no further application of the automatic stay after confirmation"); *In re Allen*, 300 F.3d 1055, 1059 (9th Cir.2002); *In re Barker-Fowler Electric Co.*, 141 B.R. 929, 938 (Bankr. W.D. Mich. 1992); *In re Hakim*, 244 B.R. 820, 822 (Bankr.N.D.Cal.1999)("In the Chapter 11 context, whether the automatic stay terminates upon operation of law depends on whether or not a plan has been confirmed").

[22] *Accord Barker-Fowler*, 141 B.R. at 938 (after confirmation of the plan the automatic stay lifts); *Calderon v. Commodore Holdings Ltd.*, 2004 WL 385062, at *1 (S.D.N.Y. Mar. 1, 2004) (same).

part of the bankruptcy estate and therefore vested immediately and automatically in Egger pursuant to the after-acquired title doctrine.

3. Defendants' claim that Egger's supposedly unclean hands bar application of the after-acquired title doctrine mischaracterizes Egger's actions, ignores fundamental requirements of the unclean hands doctrine, and flies in the face of equity.

Defendants argue that application of the after-acquired title doctrine in this case is barred by the doctrine of unclean hands because Egger supposedly filed a fraudulent assignment ("the 2005 Assignment") with the PTO. (Ex. 11, at 28.) Defendants mischaracterize what occurred in February 2005 and ignore fundamental principles of the unclean hands doctrine.

In February 2005, Egger's attorney, Chris Lynch, discovered that Egger's September 1998 Bill of Sale and Assignment had never been recorded with the PTO, and he instructed Egger that he had to provide notice of that transaction to the PTO immediately. (Ex. 1, at 96; Ex. 21, ¶ 4.) Egger could not immediately locate the Bill of Sale and Assignment, so Lynch prepared the 2005 Assignment for Egger's signature. (Ex. 1, at 82; Ex. 21, ¶ 4.) At the time of signing, Lynch told Egger that he was authorized as the former President of Site/Tech to execute the document as a placeholder for the Bill of Sale and Assignment. (Ex. 1, at 110.; Ex. 21, ¶ 5.) Further, Egger did not realize that there was a difference between "Site Tech"—the assignor named in the Bill of Sale and Assignment—and "Site/Tech"—the assignor named in the 2005 Assignment. (Ex. 1, at 90.) The central message that Egger and Lynch intended to communicate through the 2005 Assignment—that Egger had purchased the patents from Site Tech—was true. Therefore, Egger signed it without revision. (Ex. 21, ¶ 4.) Egger's deposition testimony shows that Egger's intention was not, as Defendants claim, to defraud Site/Tech by assigning to himself patents that Site/Tech owned. Egger's testimony demonstrates that his intention was merely to provide notice, in the manner advised to him by his attorney, of patents that he had already acquired from Site Tech: "My understanding was that nothing was actually transferred or assigned by this document, this was purely for notice. . . . I was told by my attorney, Chris Lynch, that this was the correct form to provide this notice, and he gave it to me this way and I relied on his advice and I signed it and we filed it." (Ex. 1, at 80-82.) Chris Lynch has also attested to Egger's intentions: "The purpose of the 2005 assignment was . . . to bring the PTO ownership records current with what we believed to be the actual state of ownership, that is, ownership by Daniel Egger." (Ex. 22, at 117.)

The truth of Egger's testimony is further confirmed by the testimony of Jeffrey Ait, the former CEO of Site/Tech, the very person whom Defendants claim Egger defrauded: "The 2005 assignment was within the intent of all the parties to the transaction and fairly represented the transaction." (Ex. 2, ¶ 8.) Ait further ratified the 2005 assignment by both Site Tech entities. (Ex. 2, ¶ 7.) Consistent with Egger's stated intention of merely providing notice of rights he owned since 1998, Egger also subsequently located and filed—so as to make the PTO records perfectly clear and complete—the Bill of Sale and Assignment that actually transferred the patent rights to him. (Ex. 24.) Attached to this brief is a contemporaneous email corroborating that Egger had initially misplaced the Bill of Sale and Assignment, but later located and filed those documents. This disproves Defendants' theory that the 2005 Assignment was created to correct the name of the party in the Bill of Sale and Assignment. (Ex. 23.)

In short, Egger did not deceive anyone in an attempt to fraudulently acquire the patents-in-suit. Egger's supposed unclean hands did not harm Site/Tech, the supposedly defrauded party. No other party was harmed either. Defendants were not harmed. Egger later transferred the patents to SRA, the present owner, and it is undisputed that SRA is without blame. Therefore, as a threshold matter, the equities hardly favor the remedy that Defendants seek—stripping SRA of the patents-in-suit. To the contrary, that remedy would be draconian.

Defendants' also ignore fundamental principles associated with the unclean hands doctrine. First, Defendants must show willful misconduct by the party requesting relief from the Court. *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 655 (N.D. Ill. 2002) (Conduct of non-party is irrelevant to the doctrine of unclean hands which "prevents plaintiffs from obtaining relief for conduct in which they themselves participated."); *Sec. Pacific Mortg. and Real Estate Servs., Inc. v. Canadian Land Co.*, 690 F. Supp. 1214, 1224 (S.D.N.Y. 1988). It is undisputed that SRA, the plaintiff in this case, has engaged in no misconduct whatsoever. Further, Egger has never controlled or owned SRA, which was formed in 2006—well *after* the 2005 Assignment—following the purchase of the patents by a third party. Rather, SRA and its parent company paid over a million dollars to acquire the patents from Egger and Software Rights Archive, Inc. Applying unclean hands here therefore would strip the patents from SRA, an innocent purchaser who paid value, and allow a party that misstated its ownership of a patent to benefit from its misstatement and keep both the patents and the money. This outcome is inconsistent with any principle of equity.

Second, the doctrine applies only where a party seeks equitable relief from a court: "The unclean hands doctrine is used to defeat an undeserving plaintiff's claim *for equitable relief* against a defendant that he has injured. *Positive Black Talk Inc. v. Cash Money Records, Inc.*, 394 F.3d 357, 379 (5th Cir. 2004) (emphasis supplied). Since the after-acquired title doctrine works automatically, by operation of law, without intervention of the Court, SRA is not seeking any equitable relief from this Court.

Third, "[t]he alleged wrongdoing of the plaintiff does not bar relief unless the defendant can show that he has personally been injured by the plaintiff's conduct." *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 863 (5th Cir. 1979); *see Bank of Saipan v. CNG Fin. Corp.*, 380 F.3d 836, 842 (5th Cir. 2004) ("[T]he unclean hands defense is inapplicable altogether where the plaintiff's sins do not affect or prejudice the defendant.") (applying Texas law); *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 796-97 (5th Cir. 1999) ("[W]here the harm done to the defendant is not serious and can be otherwise corrected, the unclean hands maxim should not be applied." (internal quotation marks omitted)) (applying Texas law). Here, it is undisputed that Defendants have not been injured by the 2005 Assignment.

Fourth, "courts of equity . . . do not close their doors because of plaintiff's misconduct, whatever its character, that has no relation to anything involved in the suit . . . ." *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S 240, 245 (1933). Here, the 2005 Assignment has no bearing whatsoever on infringement, validity, or any other issue in this case. Most importantly, it has nothing to do with standing. It occurred seven years *after* the Bill of Sale and Assignment on which SRA relies for title and through which Egger acquired the patents. (Ex. 18 and Ex. 25.) He did not acquire them via the 2005 Assignment, nor has Egger or SRA ever taken the position in this Court or in any other proceeding that he received title through the 2005 Assignment. Rather, because the 2005 Assignment was merely intended to provide *notice* of patents rights that Egger already had, it really is extraneous to Egger's acquisition and disposition of the patents. Indeed, as a mere notice document, the 2005 Assignment is a document with no legal effect; it is settled law that merely filing a notice of patent ownership at the PTO does not operate to establish or transfer any patent rights. *See Kaempe v. Myers*, 367 F.3d 958, 965 (D.C. Cir. 2004) ("[R]ecordation is a ministerial act and reflects no determination as to the legal validity of the document filed or its effect, if any, on title to the patent or patent application."). Thus, Defendants' unclean hands argument must be denied.

III. <u>CONCLUSION</u>

Defendants' motion to dismiss should be denied, and this Court should hold as a matter of law that SRA owns the patents-in-suit and has standing to bring this case.

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3) on December 15, 2008.

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