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UNITED STATES DISTRICT COURT
 SOUTHERN DISTRICT OF CALIFORNIA

TRIAL JUDGE Marilyn L. Huff

COURT REPORTER Lynnette Lawrence

SYNBIAS PHARMA

(Appellant/Appellee)

Plaintiff

vs

SOLUX CORPORATION

(Appellant/Appellee)

Defendant

CIVIL NO. 11-CV-3035-H (JMA)

NOTICE OF APPEAL (Civil)

Notice is hereby given that SOLUX CORPORATION

Plaintiff ☒ Defendant above named, hereby appeals to the United States Court

of Appeals for the: (check appropriate box)

Ninth Circuit

☒ Federal Circuit

from the: (check appropriate box)

Order (describe) Dismissing
 Solux's Infringement
 Counterclaims for Lack of
 Standing; and Order Dismissing
 Case for Lack of Subject Matter
 Jurisdiction
 (See Attachment 1)

☒ Final Judgment

☒

entered in this proceeding on the 4th day of September, 2013.

Transcripts required ☒ Yes ☐ No.

Date civil complaint filed: December 29, 2013.

Date: September 24, 2013

s/Richard E. McCarthy
 Signature

United States District Court
SOUTHERN DISTRICT OF CALIFORNIA

SYNBIAS PHARMA,

Plaintiff/Counterdefendant,

V.

JUDGMENT IN A CIVIL CASE

SOLUX CORPORATION,

Defendant/Counterclaimant.

CASE NUMBER: 11-cv-3035-H (JMA)

☐

Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

☒

Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED

The Court dismisses Solux's counterclaims for lack of standing and dismisses Synbias' complaint for lack of subject matter jurisdiction.

September 4, 2013

Date

W. Samuel Hamrick, Jr.

Clerk

s/ S. Yaptangco

(By) Deputy Clerk

ENTERED ON September 4, 2013

11-cv-3035-H (JMA)

EXHIBIT 1

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8 **UNITED STATES DISTRICT COURT**
9 **SOUTHERN DISTRICT OF CALIFORNIA**
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11 **SYNBIAS PHARMA,**
12 **Plaintiff/Counterdefendant,**
13 **vs.**
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15 **SOLUX CORPORATION,**
16 **Defendant/Counterclaimant.**
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CASE NO. 11-CV-3035-H
(JMA)

ORDER DISMISSING
SOLUX'S INFRINGEMENT
COUNTERCLAIMS FOR
LACK OF STANDING; and

ORDER DISMISSING CASE
FOR LACK OF SUBJECT
MATTER JURISDICTION

[Doc. No. 40.]

20 On February 4, 2013, Synbias Pharma ("Synbias") filed a motion for summary
21 judgment on Solux Corporation's ("Solux") counterclaims of infringement of U.S.
22 Patents 7,053,191 ("the '191 patent"), 7,485,707 ("the '707 patent"), and 7,388,083
23 ("the '083 patent") (collectively "the patents-in-suit"). (Doc. No. 103.) On July 19,
24 2013, Solux filed an opposition. (Doc. No. 149.) On August 12, 2013, Synbias filed
25 a reply. (Doc. Nos. 178, 183.) The Court held a hearing on August 20, 2013. Matthew
26 Lowrie and Kevin Littman appeared for Synbias. James Sakaguchi and Neal Cohen
27 appeared for Solux.

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Background¹

This is a patent infringement action involving patents that claim inventions relating to methods of producing anthracycline antibiotics—compounds that are used as first-line chemotherapy drugs for treating a range of cancers. (Doc. No. 46 ¶4.) Synbias is a Ukrainian company that manufactures and produces various active pharmaceutical ingredients, including anthracycline antibiotics. (Doc. No. 77-7 ¶5.) The patents-in-suit list three Synbias employees as inventors: Victor Matvienko; Alexey Matvyeyev; and Alexander Zabudkin (collectively "The Synbias Inventors"). (Doc. No. 1, Exs. A-C.) The fourth listed inventor is Aleksandr Itkin ("A. Itkin"), an executive of Solux. (*Id.*)

On June 16, 2011, Synbias filed a lawsuit in California Superior Court in San Diego County against Solux and two of its executives, Dmitry Itkin ("D. Itkin") and his brother A. Itkin, alleging causes of action, among others, of breach of contract, fraud, and breach of fiduciary duty. (Doc. No. 209-30 ("State Second Amend. Compl." or "State SAC") ¶¶47-59.) A central issue in the state action is whether Solux owns the patents-in-suit. The patents-in-suit list Solux as the owner by assignment, (Doc. No. 1, Exs. A-C,) but Synbias alleges that Solux fraudulently induced the Synbias inventors to assign their rights to Solux. (State SAC ¶¶56-59.)

On December 29, 2011, Synbias filed a complaint in this Court seeking a declaratory judgment of non-infringement of the patents-in-suit and a declaratory judgment that the patents-in-suit are invalid and unenforceable. (Doc. No. 1 ("Compl.")). On March 26, 2012, the Court denied Solux's motion to dismiss the declaratory judgment claims for lack of jurisdiction. (Doc. No. 17.) Thereafter, Solux filed an answer and asserted infringement counterclaims. (Doc. No. 19.)

On November 7, 2012, Solux filed a motion for partial summary judgment, arguing that Synbias either is estopped under the doctrine of assignor estoppel or lacks standing to assert its declaratory judgment claims that the patents-in-suit are invalid and

¹For general background on the parties and the patents-in-suit, see the Court's order denying Solux's motion for partial summary judgment. (Doc. No. 99 at pp. 2-5.)

unenforceable. (Doc. No. 40.) On January 17, 2013, the Court denied Solux's motion for partial summary judgment "without prejudice to Solux renewing its motion after the development of a more complete record." (Doc. No. 99 at p. 11.) In opposing the partial summary judgment motion, Synbias asserted that it was at least a co-owner of the patents-in-suit, and Solux's failure to join Synbias in its counterclaims deprived Solux of standing to assert its infringement counterclaims. (Doc. No. 77 at p. 16); see Israel Bio-Engineering Project v. Amgen, Inc., 475 F.3d 1256, 1264 (Fed. Cir. 2007) ("Where one co-owner possesses an undivided part of the entire patent, that joint owner must join all the other co-owners to establish standing."). The Court declined to *sua sponte* grant Synbias summary judgment on Solux's infringement counterclaims, but the Court permitted Synbias to file a summary judgment motion. (Doc. No. 99.) Additionally, the Court ordered the parties to show cause why the case should not be dismissed for lack of subject matter jurisdiction given Synbias' position that it is at least a co-owner of the patents-in-suit. (*Id.*)

Synbias filed its summary judgment motion on February 4, 2013. (Doc. No. 103.) On February 15, 2013, the Court granted the parties' joint request to extend the deadline for Solux to file its opposition to June 7, 2013, to allow Solux to conduct discovery. (Doc. No. 110.) On May 15, 2013, the Court again extended the deadline for Solux to file its opposition to accommodate Solux's discovery requests. (Doc. No. 118.) On July 19, 2013, Solux filed a timely opposition.²

Discussion

I. Subject Matter Jurisdiction

"Federal courts are of courts of limited jurisdiction. They possess only that power authorized by Constitution and statute." Kokkonen v. Guardian Life Ins. Co. of America, 511 U.S. 375, 377 (1994). "Subject-matter jurisdiction can never be waived or forfeited." Gonzalez v. Thaler, 132 S. Ct. 641, 648 (2012) (noting that an objection

²The Court grants Synbias' motion to file its proposed memorandum decision under seal. (Doc. No. 219)

1 to a court's subject matter jurisdiction "may be resurrected at any point in the litigation,
2 and a valid objection may lead a court midway through briefing to dismiss a complaint
3 in its entirety"). A dispute is presumed to lie "outside this limited jurisdiction, and the
4 burden of establishing the contrary rests upon the party asserting jurisdiction."
5 Kokkonen, 511 U.S. at 377 (internal citations omitted); Lanza v. Ashcroft, 389 F.3d
6 917, 930 (9th Cir. 2004) ("There is a general presumption against federal court review,
7 and the burden of establishing the contrary rests on the party asserting jurisdiction.").
8 Additionally, federal courts "have an independent obligation to determine whether
9 subject-matter jurisdiction exists, even in the absence of a challenge from any party."
10 Arbaugh v. Y&H Corp., 546 U.S. 500, 514 (2006). "[W]hen a federal court concludes
11 that it lacks subject-matter jurisdiction, the court must dismiss the complaint in its
12 entirety." Id.

13 "If subject-matter jurisdiction turns on contested facts, the trial judge may be
14 authorized to review the evidence and resolve the dispute on her own." Arbaugh, 546
15 U.S. at 514; Robinson v. United States, 586 F.3d 683, 685 (9th Cir. 2009); see also
16 Cedars-Sinai Medical Center v. Watkins, 11 F.3d 1573, 1583-84 (Fed. Cir. 1993). "If,
17 however, a decision of the jurisdictional issue requires a ruling on the underlying
18 substantive merits of the case, the decision should await a determination of the merits
19 either by the district court on a summary judgment motion or by the fact finder at the
20 trial." 5B C. Wright & A. Miller, Federal Practice and Procedure § 1350 (3d ed. 2004);
21 Safe Air for Everyone v. Meyer, 373 F.3d 1035, 1039 (9th Cir. 2004).

22 To assert its infringement counterclaims, Solux must plead and prove sole patent
23 ownership. Hall v. Bed Bath & Beyond, Inc., 705 F.3d 1357, 1362 (Fed. Cir. 2013)
24 (noting that to plead a patent infringement claim, a patentee must "(1) allege ownership
25 of the patent, (2) name each defendant, (3) cite the patent that is allegedly infringed, (4)
26 state the means by which the defendant allegedly infringes, and (5) point to the sections
27 of the patent law invoked."); Phonometrics, Inc. v. Hospitality Franchise Systems, Inc.,
28 203 F.3d 790, 794 (2000). If Solux is not the sole owner, the Court must dismiss the

1 counterclaims for lack of standing. Israel Bio-Engineering, 475 F.3d at 1264. With
2 these principles in mind, the Court turns to the summary judgment motion.

3 **II. Summary Judgment**

4 “Under Rule 56(c), summary judgment is proper ‘if the pleadings, depositions,
5 answers to interrogatories, and admissions on file, together with the affidavits, if any,
6 show that there is no genuine issue as to any material fact and that the moving party is
7 entitled to a judgment as a matter of law.’” Celotex Corp. v. Catrett, 477 U.S. 317, 322
8 (1986) (quoting Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 247 (1986)). As to
9 materiality, “[o]nly disputes over facts that might affect the outcome of the suit under
10 the governing law will properly preclude the entry of summary judgment.” Anderson,
11 477 U.S. at 248. At the summary judgment stage, the judge’s function is not to weigh
12 the evidence and determine the truth of the matter but to determine whether there is a
13 genuine issue for trial. Id. at 249. In making a determination on summary judgment,
14 the evidence of the nonmovant is to be believed, and all reasonable inferences are to be
15 drawn in his favor. McGinley v. Franklin Sports, Inc., 262 F.3d 1339, 1348 (Fed. Cir.
16 2001); Rockwell Int’l Corp. v. United States, 147 F.3d 1358, 1362 (Fed. Cir. 1998).
17 The court resolves pure questions of law on a summary judgment motion, however.
18 See, e.g., Medina v. Cram, 252 F.3d 1124, 1127 (10th Cir. 2001); Faust v. U.S., 101
19 F.3d 675, 678-79 (Fed. Cir. 1996).

20 A party seeking summary judgment bears the initial burden of establishing the
21 absence of a genuine issue of material fact. Celotex, 477 U.S. at 323. The moving
22 party can satisfy this burden in two ways: (1) by presenting evidence that negates an
23 essential element of the nonmoving party’s case; or (2) by demonstrating that the
24 nonmoving party failed to establish an essential element of the nonmoving party’s case
25 on which the nonmoving party bears the burden of proving at trial. Id. at 322-23.
26 “Disputes over irrelevant or unnecessary facts will not preclude a grant of summary
27 judgment.” T.W. Elec. Serv., Inc. v. Pacific Elec. Contractors Ass’n, 809 F.2d 626, 630
28 (9th Cir. 1987). Once the moving party establishes the absence of genuine issues of

1 material fact, the burden shifts to the nonmoving party to set forth facts showing that
2 a genuine issue of disputed fact remains. Celotex, 477 U.S. at 322. “The ‘opponent
3 must do more than simply show that there is some metaphysical doubt as to the material
4 fact.’” Kennedy v. Allied Mut. Ins. Co., 952 F.2d 262, 265-66 (9th Cir. 1991) (citing
5 Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 586 (1986)).

6 **A. Patent Ownership**

7 Patent ownership “is a question of who owns legal title to the subject matter
8 claimed in a patent.” Beech Aircraft Corp. v. EDO Corp., 990 F.2d 1237, 1248 (Fed.
9 Cir. 1993). “State statutory and common law have long been recognized as governing
10 the ownership of patent property.” DDB Techs., L.L.C. v. MLB Advanced Media, L.P.,
11 517 F.3d 1284, 1296 (Fed. Cir. 2008); see also Jim Arnold Corp. v. Hydrotech Sys.,
12 Inc., 109 F.3d 1567, 1572 (Fed. Cir. 1997) (“[T]he question of who owns the patent
13 right and on what terms typically is a question exclusively for state courts.”). Similarly,
14 the law of a foreign jurisdiction may determine ownership of the subject matter claimed
15 in a U.S. patent. See Akazawa v. Link New Tech. Int’l, Inc., 520 F.3d 1354, 1357 (Fed.
16 Cir. 2008) (applying Japanese law to determine intestate ownership of a patent because
17 the inventor was a Japanese resident at the time of his death); Int’l Nutrition Co. v.
18 Horphag Research Ltd., 257 F.3d 1324, 1329 (Fed. Cir. 2001) (concluding that the
19 district court did not abuse its discretion in granting comity to a French court’s
20 determination that an assignment of a U.S. patent was invalid under French law). While
21 state or foreign law generally governs the issue of patent ownership, “‘the question of
22 whether a patent assignment clause creates an automatic assignment or merely an
23 obligation to assign is intimately bound up with the question of standing in patent
24 cases,’ and therefore [courts] have treated it as a matter of federal law.” Sky Techs.
25 LLC v. SAP AG, 576 F.3d 1374, 1379 (Fed. Cir. 2009) (quoting DDB Techs., 517
26 F.3d at 1290)).

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1 **1. Assignment from the Inventors**

2 Solux is listed as the owner by assignment of the patents-in-suit. (Doc. No. 1,
3 Exs. A-C.) As a matter of U.S. patent law, it is permissible for inventors to assign their
4 patent rights in inventions to third parties. See, e.g., Board of Trustees of Leland
5 Stanford Junior University v. Roche Molecular Sys., Inc., 583 F.3d 832, 842 (2009).
6 Yet, an assignment may be invalid under the law of the particular jurisdiction governing
7 patent ownership. See Horphag Research, 257 F.3d at 1327, 1329-31 (enforcing a
8 French court judgment invalidating an assignment of patent rights because unilateral
9 assignment of jointly held patent rights was contrary to French law); Jim Arnold Corp.
10 v. Hydrotech Systems, Inc., 108 F.3d 1567, 1577 (Fed. Cir. 1997) (noting that an
11 assignment of patent rights may be null and void "under a provision of applicable state
12 law").

13 **i. Initial Ownership**

14 Synbias argues that its employees, the Synbias inventors, were not collectively
15 the sole owners of the inventions claimed in the patents-in-suit at the time they
16 purportedly assigned their rights to Synbias. The Court agrees. The parties do not
17 dispute that the patented subject matter was created by the Synbias inventors, while they
18 were employees of Synbias, and while working in Synbias' facilities in the Ukraine.
19 Solux's expert agrees with Synbias that Ukraine law governs initial ownership of the
20 inventions. (Doc. No. 148 ("Paliashvili Decl.") ¶6 ("[T]he intellectual property rights
21 to the inventions described and claimed in the [patents-in-suit] . . . are governed by
22 Ukraine law.")) As such, the Court applies Ukraine law to determine initial ownership
23 of the patents-in-suit.³ Akazawa v. Link New Tech. Int'l, Inc., 520 F.3d at 1357.

24 Inventions that arise of out an employment relationship between an inventor
25

26
27 ³ Rule 44.1 of the Federal Rules of Civil Procedure provides that in determining
28 foreign law a "court may consider any relevant material or source, including testimony,
whether or not submitted by a party or admissible under the Federal Rules of Evidence.
The court's determination must be treated as a ruling on a question of law."

1 employee and his employer are "service inventions" under Ukrainian law.⁴ (Doc. No.
2 62 ("Butler Decl.") ¶¶5-6.) Article 429 of the Ukrainian Civil Code governs initial
3 ownership of the intellectual property rights of a service invention. (Id. ¶17.) Under
4 Article 429, initial ownership of a service invention is determined by the employment
5 contract, and in the absence of such a contract, the employer and the inventor jointly
6 hold the intellectual property rights. (Id. ¶18.) Synbias submitted copies of
7 employment agreements between Synbias and the inventors which provide that Synbias
8 is the initial owner of the inventions, and the inventors state in their declarations and in
9 their depositions that they signed the agreements in 2001, prior to the purported
10 assignments to Solux. (Doc. No. 70 ("Zabudkin Decl.") ¶¶8-9, Exs. 1-3; Doc. No. 170-
11 2, Ex. G.) Solux argues that these agreements are without effect because they were
12 recently created by Synbias for purposes of this litigation. Solux provides minimal
13 support for this assertion. In any event, the parties' factual dispute is not material under
14 Ukrainian law, since even if Synbias failed to execute proper employment agreements
15 with the inventors, Synbias was initially at least a co-owner of the patented subject
16 matter under Article 429. (Butler Decl. ¶18.)

17 **ii. Assignment under Article 9**

18 The parties dispute whether ownership later passed from Synbias to the inventors
19 under Article 9 of the Ukrainian Patent Law. Article 9(2) requires employee inventors
20 to provide written notification to their employer "disclosing the essence of the invention
21 (or utility model) sufficiently clearly and fully." (Butler Decl. ¶11.) Once the employee
22 inventor provides written notice, the employer must decide to file for a patent, transfer
23 patent rights to another, or preserve the invention as confidential. (Id. ("Article 9(3)").)
24 If the employer fails to choose any of these three options within four months of
25 receiving written notice, patent rights in the invention automatically pass to the
26 employee owners. (Id.)

27
28 ⁴Solux's expert agrees that "the contributions of the Synbias Inventors to the
Inventions were 'service inventions.'" (Paliashvili Decl. ¶8.)

1 Synbias argues that ownership of the patents-in-suit did not pass to the inventors
2 because it never received written notification. (Doc. No. 70 ("Zabudkin Decl.") ¶14.)
3 Zabudkin and Matvienko both state in their declarations that they did not provide
4 Synbias with written notice as required under Article 9.⁵ (Doc. No. 68 ("Matvienko
5 Decl.") ¶14; Zabudkin Decl. ¶14.)

6 Solux does not argue that the inventors provided written notice to other
7 executives or directors of Synbias. Rather, Solux argues that Alexandr Zabudkin, as
8 Synbias's executive director, was high enough within Synbias such that his knowledge
9 constituted proper notice on behalf of Synbias. The Court disagrees. The Supreme
10 Court of Ukraine recently held that an inventor cannot properly notify himself given the
11 obvious conflict of interest. (Butler Decl. ¶24, Ex. 29 ("Rivneazot Decision").) Solux's
12 expert notes that the Rivneazot decision dealt with proper notice under an employment
13 contract, not proper notice under Article 9. (Paliashvili Decl. ¶46.) Yet, Synbias
14 submitted employment agreements in which the Synbias inventors agreed to provide
15 written notice to Synbias of their inventions so that Synbias could take appropriate
16 action. (See Zabudkin Decl. Ex. 3 (Appendix No. 2 to Company Order No. 10, signed
17 by Zabudkin) ("If the research is successful, the Employee [Zabudkin] shall give the
18 Employer [Synbias] notification in writing about the Invention created and attach a
19 comprehensive description of the invention that is sufficient for the purposes of
20 registration.") Under the agreements, notice to an inventor would plainly be
21 insufficient. (Butler Decl. ¶24.)

22 Additionally, the Court is not persuaded that the conflict-of-interest analysis
23 employed by the Ukrainian Supreme Court only applies in the context of notice under
24 an employment agreement. Article 9 provides that ownership of patent rights in a
25 service invention automatically passes from an employer to the inventor if the employer
26 fails to take certain actions. (Butler Decl. ¶11.) If notice to an inventor were sufficient,
27

28 ⁵The third inventor, Matvyeyev, passed away in 2012. (Doc. No. 170 at p. 21.)

1 the inventor could simply wait out the clock until he possessed full ownership based on
2 his own inaction. The conflict-of-interest is immediately apparent from the face of
3 Article 9. Thus, written notice to the inventors fails either under the employment
4 agreements or under Article 9. The record does not reveal any writing purporting to
5 assign Synbias' ownership rights to the inventors, and under either U.S. or Ukrainian
6 law, assignments of patent interests must be in writing. Sky Techs., 576 F.3d at 1379;
7 (Butler Decl. ¶59.) Accordingly, Synbias remained at least a co-owner of the patents-
8 in-suit.

9 2. Ownership under the EXP Contract

10 Solux argues that, even if Synbias partially owned patent rights in the claimed
11 inventions, Synbias assigned its rights to Solux pursuant to a development contract. (D.
12 Itkin Decl., Ex. 1 ("the EXP Contract").) The Court disagrees. The EXP contract only
13 assigned "know-how," not patent rights.⁶ (Id.) Under the EXP contract, Solux agreed
14 to pay Synbias \$150,000 to develop new manufacturing methods for doxorubicin
15 hydrochloride, epirubicin hydrochloride, and idarubicin hydrochloride—chemical
16 compounds described in the patents-in-suit.⁷ (Id.) Article 7.2 grants Solux "property
17 right[s] to Manufacturing Method of chemical substances developed under the present
18 contract." (Id.) Yet, Article 7.1 defines the "Manufacturing Method of chemical
19 substances [as] intellectual product - 'know-how.'" (Id.) Additionally, Article 7.3
20 provides Solux with "the right to make any actions following [sic] from rights of
21 possession, using and the order [sic] Manufacturing Method of chemical substances

22
23 ⁶ Because Article 11.3 provides that the arbitration of disputes is governed by the
24 law of the Ukraine, the Court applies Ukrainian law in interpreting the EXP Contract.
25 See Hilgraeve Corp. v. Symantec Corp., 265 F.3d 1336, 1340, 1344-45 (Fed. Cir. 2001)
26 (applying Ontario law in interpreting an agreement transferring "know-how" and
technical expertise). Under Ukrainian law, the contract language governs the
relationship of the parties, and extrinsic evidence is inadmissible to contradict
unambiguous contract terms. (3d Littman Decl., Ex. 44 ("Paliashvili Deposition").)

27 ⁷The parties submitted different versions of the EXP contract, each claiming that
28 their version is the effective agreement. This dispute is not material as the text of
Article 7 (limiting the property transferred to "know-how") and Article 9 (requiring
confidentiality) is identical in either party's version.

1 ('know-how').” (*Id.*) Like in U.S. law, "know-how" is a property interest distinct from
2 patent rights under Ukrainian law. (Paliashvili Decl. ¶18 (“Article 1 of the Law of
3 Ukraine No. 1560-XII ‘On Investment Activity’ . . . states know-how is ‘technical,
4 technological, and other knowledge, but not patented.’”) Further, the EXP contract
5 would be internally inconsistent if it transferred patent rights as Article 9 prohibits both
6 Solux and Synbias from disclosing the manufacturing methods developed under the
7 contract to third parties. (D. Itkin Decl., Ex. 1.) Subject to certain exceptions not
8 applicable here, U.S. patent applications are generally published by the PTO. *See* 35
9 U.S.C. § 122. Accordingly, the EXP contract did not effect a transfer of patent rights
10 from Synbias to Solux.

11 **3. Judicial Estoppel**

12 In the state litigation, Solux filed a notice of removal. Synbias filed a motion to
13 remand arguing that it lacked standing to assert its sole federal claim of correction of
14 inventorship under 35 U.S.C. § 256 because it lacked legal ownership of the patents-in-
15 suit. (Case No. 11-cv-1625, Doc. No. 6.) Solux now argues that Synbias is estopped
16 in this case from asserting that it is at least a co-owner based on arguments in the prior
17 case before another judge of this Court.

18 “Judicial estoppel is an equitable doctrine that prevents a litigant from
19 ‘perverting’ the judicial process by, after urging and prevailing on a particular position
20 in one litigation, urging a contrary position in a subsequent proceeding—or at a later
21 phase of the same proceeding—against one who relied on the earlier position.” *Sandisk*
22 *Corp. v. Memorex Prods.*, 415 F.3d 1278, 1290 (Fed. Cir. 2005); *see Hamilton v. State*
23 *Farm Fire & Cas. Co.*, 270 F.3d 778, 782 (9th Cir. 2001). The Supreme Court has
24 identified three factors to guide the court’s decision to apply judicial estoppel: (1) the
25 party’s later position must be clearly inconsistent with the earlier position; (2) the party
26 must have succeeded in persuading a court to adopt the earlier position in the earlier
27 proceeding, such that it would create the perception that either the first or second court
28 was misled; and (3) the courts consider whether the party seeking to assert an

1 inconsistent position would derive an unfair advantage or impose an unfair detriment
2 on the opposing party if not estopped. New Hampshire v. Maine, 532 U.S. 742, 750-51
3 (2001). In addition, the Ninth Circuit “has restricted the application of judicial estoppel
4 to cases where the court relied on, or ‘accepted,’ the party’s previous inconsistent
5 position.” Hamilton, 270 F.3d at 783. But, the Supreme Court has noted that these
6 factors “do not establish inflexible prerequisites or an exhaustive formula for
7 determining the applicability of judicial estoppel. Additional considerations may
8 inform the doctrine’s application in specific factual contexts.” New Hampshire, 532
9 U.S. at 751. “It is within the trial court’s discretion to invoke judicial estoppel and
10 preclude an argument.” Sandisk, 415 F.3d at 1290; see also New Hampshire, 532 U.S.
11 at 750 (“[J]udicial estoppel ‘is an equitable doctrine invoked by a court at its
12 discretion.’”).

13 Here, Synbias is not estopped from asserting an ownership interest. In its motion
14 to remand, Synbias claimed that it was a beneficial owner. (Doc. No. 6-1 at p. 7
15 (Synbias "claims beneficial ownership of [the patents-in-suit].") Additionally, Synbias'
16 position—that Solux is not a sole owner—is not inconsistent with its prior position of
17 beneficial ownership. Further, the Court granted Solux over five months to conduct
18 discovery to oppose Synbias' motion, and the Court requested briefing on the
19 jurisdictional issue. Moreover, estoppel is an equitable doctrine. As such, the Court
20 concludes that application of estoppel in this context is inappropriate since it would
21 confer patent jurisdiction in federal court where it does not exist. Israel Bio-
22 Engineering, 475 F.3d at 1264; see also Kokkonen, 511 U.S. at 377 (“Federal courts are
23 of courts of limited jurisdiction. They possess only that power authorized by
24 Constitution and statute.”) As such, the Court exercises its discretion and determines
25 that application of judicial estoppel is not warranted.

26 In sum, Synbias was at least a co-owner of the inventions under Ukrainian law
27 and its ownership interests did not pass to the inventors prior to the purported
28 assignments. Additionally, Solux did not obtain an assignment from Synbias under the

1 EXP contract. As such, the Court dismisses Solux's counterclaims for lack of standing.
2 Israel Bio-Engineering, 475 F.3d at 1264.

3 **III. Declaratory Judgment Claims**

4 Dismissal of Solux's counterclaims leaves Synbias' declaratory claims as the only
5 remaining claims in this litigation. Federal courts have subject matter jurisdiction over
6 claims for declaratory relief as long as "the dispute [is] definite and concrete, touching
7 the legal relations of parties have adverse legal interests." MedImmune, Inc. v.
8 Genentech, Inc., 549 U.S. 118, 127 (2007) (quotations omitted). "An 'adverse legal
9 interest' requires a dispute as to a legal right—for example, an underlying legal cause of
10 action that the declaratory defendant could have brought or threatened to bring." Arris
11 Grp., 639 F.3d at 1374; see also Microchip Tech. Inc. v. Chamberlain Grp., Inc., 441
12 F.3d 936, 943 (Fed. Cir. 2006) ("Without an underlying legal cause of action, any
13 adverse economic interest that the declaratory plaintiff may have against the declaratory
14 defendant is not a legally cognizable interest sufficient to confer declaratory judgment
15 jurisdiction."). Here, the legal cause of action underlying Synbias' declaratory claims
16 was Solux's claim for patent infringement. (Doc. No. 19.) As Solux lacks standing to
17 assert infringement, there is no underlying legal cause of action that Solux could have
18 brought or threatened to bring. Arris Grp., 639 F.3d at 1374. As such, this Court lacks
19 subject matter jurisdiction over Synbias' declaratory claims because the parties no
20 longer have adverse legal interests. Accordingly, the Court dismisses Synbias'
21 complaint in its entirety. Arbaugh v. Y&H Corp., 546 U.S. at 514.

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1 **Conclusion**

2 For the foregoing reasons, the Court dismisses Solux's counterclaims for lack of
3 standing, Israel Bio-Engineering, 475 F.3d at 1264, and dismisses Synbias' complaint
4 for lack of subject matter jurisdiction. Arbaugh v. Y&H Corp., 546 U.S. at 514. As
5 such, the parties may proceed with their state court action to resolve their business
6 disputes, involving allegations of breach of contract, breach of fiduciary duty, and
7 fraud. (State SAC ¶¶47-59; D. Itkin Decl. ¶7 (contending that Solux and Synbias
8 entered into a joint venture); 11-cv-1625, Doc. No. 6-1 at p. 2 (claiming that Solux was
9 Synbias' agent).)

10 **IT IS SO ORDERED.**

11 Dated: August 30, 2013

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13 MARILYN L. HUFF, District Judge
14 UNITED STATES DISTRICT COURT
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