

No. 18-_____

IN THE
Supreme Court of the United States

PAUL ANDREW LEITNER-WISE,
Petitioner,

v.

LWRC INTERNATIONAL, LLC, *et al.*
Respondents.

**On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

MATTHEW AUGUST LEFANDE
ATTORNEY AT LAW PLLC
Counsel of Record
4585 North 25th Road
Arlington VA 22207
(202) 657-5800
matt@lefande.com

Attorney for Petitioner

QUESTIONS PRESENTED

The plain language of 35 U.S.C. § 100 (d) identifies a “patentee” as “to whom the patent was issued but also the successors in title to the patentee.”

1. If the original inventor of the patent “to whom the patent was issued” is expressly included in the definition of “patentee” under 35 U.S.C. § 100 (d), does that person maintain statutory standing to sue for infringement under 35 U.S.C. § 281 (“[a] patentee shall have remedy by civil action for infringement of his patent”)?

2. If the original inventor of the patent assigns such patent to another party subject to a royalty agreement, is such assignment, and any subsequent assignment, contingent upon payment of the agreed upon royalties?

3. If no royalties are ever paid in furtherance of the assignment agreement, is the assignment devoid of consideration, illusory and unenforceable?

4. If an assignment of a patent mis-identifies the inventor to defraud that inventor of royalties, is that assignment void and unenforceable?

5. If the Federal Circuit is presented with a fundamental issue of law as to the standing of an inventor to sue under Title 35 and that court does not provide any explanation for its affirmance, does it violate or undermine its mandate under 28 U.S.C. § 1295 “to reduce the widespread lack of uniformity

and uncertainty of legal doctrine that exist[ed] in the administration of patent law”? H.R. REP. No. 97-312, p. 23 (1981).

TABLE OF CONTENTS

QUESTIONS PRESENTED.....i

TABLE OF CONTENTS.....iii

TABLE OF AUTHORITIES.....v

PETITION FOR A WRIT OF CERTIORARI.....1

OPINIONS BELOW.....1

JURISDICTION1

STATUTES INVOLVED.....1

INTRODUCTION.....2

STATEMENT OF THE CASE3

REASONS FOR GRANTING THE WRIT

I. 35 U.S.C § 100 (d) expressly confers standing upon Leitner-Wise as the original inventor.....9

II. Leitner-Wise conferred rights to his patent but only in consideration a royalty agreement....12

III. The subsequent assignment of Leitner-Wise's patent was fraudulent and without consideration.....14

IV. The Federal Circuit's failure to explain its decision in obvious conflict with the plain language of the statute perpetuates a lack of uniformity and certainty in the administration of patent law.....16

CONCLUSION.....21

APPENDIX A

Denial of the Petitioner’s Motion for Rehearing *en banc*App. 1a

APPENDIX B

Judgment of the United States Court of Appeals
.....App. 3a

APPENDIX C

Decision of the United States District Court
.....App. 5a

TABLE OF AUTHORITIES

Cases

<i>Abbott Laboratories v. Diamedix Corp.</i> , 47 F.3d 1128 (Fed. Cir. 1995).....	9
<i>Advanced Video Techs. LLC v. HTC Corp.</i> , 879 F.3d 1314 (Fed. Cir. 2018).....	14
<i>Alfred E. Mann Foundation for Science Research v. Cochlear Corporation</i> , 604 F.3d 1354 (Fed. Cir. 2010).....	9-10
<i>Alice Corp. Pty. Ltd. v. CLS Bank Int'l</i> , 134 S. Ct. 2347 (2014).....	20, 21
<i>Amdocs (Isr.) Ltd. v. Openet Telecom, Inc.</i> , 841 F.3d 1288 (Fed. Cir. 2016).....	20
<i>Arachnid, Inc. v. Merit Industries, Inc.</i> , 939 F.2d 1574 (Fed. Cir. 1991).....	9, 11
<i>AsymmetRx, Inc. v. Biocare Medical</i> , 582 F.3d 1314 (Fed Cir. 2009).....	9
<i>Bank Markazi v. Peterson</i> , 136 S. Ct. 1310 (2016).....	17
<i>Board of Trustees of the Leland Stanford Junior Univ. v. Roche Molecular Sys.</i> , 563 U.S. 776 (2011).....	10

<i>Bowie v. Maddox</i> , 642 F.3d 1122 (D.C. Cir. 2011).....	17
<i>Bybee v. City of Paducah</i> , 22 Fed. Appx. 387 (6 th Cir. 2001).....	17
<i>Cascades Projection LLC v. Epson America, Inc.</i> , 864 F.3d 1309 (Fed. Cir. 2017).....	19
<i>Chan v. Yang</i> , 673 Fed. Appx. 1009 (Fed. Cir. 2017).....	18
<i>Christianson v. Colt Industries Operating Corp.</i> , 486 U.S. 800 (1988).....	18
<i>Couveau v. American Airlines, Inc.</i> , 218 F.3d 1078 (9 th Cir. 2000).....	17
<i>Crown Die & Tool Co. v. Nye Tool & Machine Works</i> , 261 U.S. 24 (1923).....	11
<i>DaimlerChrysler Corp. v. Cuno</i> , 547 U.S. 332 (2006).....	17
<i>Derfiny v. Pontiac Osteopathic Hosp.</i> , 106 Fed. Appx. 929 (6 th Cir. 2004).....	17
<i>Elec. Power Group, LLC v. Alstom S.A.</i> , 830 F.3d 1350 (Fed. Cir. 2016).....	20
<i>Evident Corp. v. Church Dwight Co., Inc.</i> , 399 F.3d 1310 (Fed. Cir. 2005).....	10

<i>Gayler v. Wilder</i> , 51 U.S. 477 (1851).....	10
<i>Griffin v. Oceanic Contractors, Inc.</i> , 458 U.S. 564 (1982).....	11
<i>Indep. Wireless Tel. Co. v. Radio Corp. of Am.</i> , 269 U.S. 459 (1926).....	11
<i>INS v. Yueh-Shaio Yang</i> , 519 U.S. 26 (1996).....	21
<i>Intellectual Property Dev. v. TCI Cablevision</i> , 248 F.3d 1333 (Fed. Cir. 2001).....	10-13
<i>Leak Surveys, Inc. v. FLIR Systems, Inc.</i> , 672 Fed. Appx. 995 (Fed. Cir. 2017).....	18-19
<i>LWRC International, LLC v. SIG Sauer, Inc.</i> , 1:11-cv-00152-WDQ (D. Md. 2011).....	6
<i>Marbury v. Madison</i> , 5 U.S. 137 (1803).....	17
<i>Memorylink Corp. v. Motorola Solutions, Inc.</i> , 773 F.3d 1266 (Fed. Cir. 2014).....	14
<i>Morrow v. Microsoft Corp.</i> , 499 F.3d 1332 (Fed. Cir. 2007).....	10, 11
<i>My First Shades v. Baby Blanket Suncare</i> , 914 F. Supp. 2d 339 (E.D.N.Y. 2012).....	12-13

<i>NLRB v. Enterprise Leasing Co. Southeast, LLC</i> , 722 F.3d 609 (4 th Cir. 2013).....	17
<i>Noel Canning v. NLRB</i> , 705 F.3d 490 (D.C. Cir. 2013).....	17
<i>Pratt v. Paris Gas Light & Coke Co.</i> , 168 U.S. 255 (1897)).....	18
<i>Prima Tek II v. A-Roo Co.</i> , 222 F.3d 1372 (Fed. Cir. 2000).....	9
<i>Rates Technology, Inc. v. Mediatix Telecom, Inc.</i> , 688 F.3d 742 (Fed. Cir. 2012).....	19
<i>Ridge Runner Forestry v. Veneman</i> , 287 F.3d 1058 (Fed. Cir. 2002).....	15
<i>SGS-Thomson Microelectronics, Inc. v. International Rectifier Corp.</i> , 31 F.3d 1177 (Fed. Cir. 1994).....	10, 16
<i>Six Wheel Corp. v. Sterling Motor Truck Co.</i> , 50 F.2d 568 (9 th Cir. 1931).....	11
<i>Solomons v. United States</i> , 137 U.S. 342 (1890).....	10
<i>Speedplay, Inc. v. Bebop, Inc.</i> , 211 F.3d 1245 (Fed. Cir. 2000).....	9

TecSec, Inc. v. International Business Machines Corp.,
731 F.3d 1336 (Fed. Cir. 2013).....19

United States v. Dubilier Condenser Corp.,
289 U.S. 178 (1933)10

United States v. Woods,
885 F.2d 352 (6th Cir. 1989).....17

United States National Bank of Oregon v. Independent Insurance Agents,
508 U.S. 439 (1993).....11

Vadino v. A. Valey Engineers,
903 F.2d 253 (3d Cir. 1990)17

Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA,
944 F.2d 870 (Fed. Cir. 1991).....12

Statutes

28 U.S.C. § 1295.....i

28 U.S.C. § 1332.....8

28 U.S.C. § 1338.....18

28 U.S.C. § 2201.....8

35 U.S.C. § 100.....i, 3, 9, 11, 19, 20

35 U.S.C. § 144.....	18
35 U.S.C. § 271.....	8
35 U.S.C. § 281.....	i, 3, 9, 20

Court Rules

FED. CIR. R. 36.....	19, 20, 21
----------------------	------------

Legislative Materials

H.R. REP. NO. 97-312.....	i-ii, 18
---------------------------	----------

Treatises

Karl N. Llewellyn, THE COMMON LAW TRADITION: DECIDING APPEALS (1960).....	20
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PETITION FOR A WRIT OF CERTIORARI

Petitioner seeks a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The Judgment of the Court of Appeals, App. 3a, is reported at 711 Fed. Appx. 646. The order denying a petition for rehearing *en banc*, App. 1a, is unreported. The decision of the United States District Court for the District of Maryland, App. 5a, is unreported.

JURISDICTION

The Judgment of the Court of Appeals was entered on February 12, 2018. App. 3a. A petition for rehearing *en banc* was denied on March 30, 2018. App. 1a.

STATUTES INVOLVED

28 U.S.C. § 1295
35 U.S.C. § 100 (d)
35 U.S.C. § 281

INTRODUCTION

Petitioner Paul Leitner-Wise is the named inventor in United States Patent No. 7,461,581 (the '581 patent). Leitner-Wise entered into a contract in which he agreed to assign his patent rights in the '581 patent to his employer in exchange for royalties as a percentage of sales for the products utilizing the patent. His employer subsequently assigned this patent to Respondent LWRC International, LLC. Respondent LWRC International, LLC has made millions off of the '581 patent and even sued Respondent Sig Sauer, Inc. for infringement. Leitner-Wise has never received compensation for his assignment from any party.

Any assignment of Leitner-Wise's intellectual property was solely pursuant to, and in consideration of, this royalty contract. At no point has either Respondent demonstrated any additional consideration paid to excuse this contractual obligation to pay Leitner-Wise royalties on his invention. Absent such a demonstration of compensation or consideration, such subsequent assignments would be necessarily the product of illusory contracts and Leitner-Wise remains the rightful owner of his invention.

35 U.S.C. § 100 (d) identifies the inventor of the patent “to whom the patent was issued” as a “patentee”. The plain language of 35 U.S.C. § 281 confers standing upon Leitner-Wise as such a “patentee” to sue for infringement of his invention.

STATEMENT OF THE CASE

In 2004, Leitner-Wise invented a “Self-Cleaning Gas Operating System for a Firearm”, United States Patent No. 7,461,581 (the '581 patent), a self-regulating short-stroke piston operating system for AR-15 type self-loading rifles. Leitner-Wise is the founder of the Leitner-Wise Rifle Company, Inc., a Virginia Corporation known as LWRC formed for the purposes of manufacturing and selling rifles of his design. In 2005, Leitner-Wise sold LWRC and entered into an Employment Agreement with the new owners of the company.

Such Employment Agreement provided Leitner-Wise would be paid a royalty of one half of one percent on the net sale price of each product containing the invention. App.6a-7a. The agreement further provided payment of royalties would not be withheld or terminated for any reason. *Id.*

Leitner-Wise left employment with LWRC. on October 31, 2006. On that date, Leitner-Wise assigned the pending '581 patent to LWRC. Such assignment was made solely in furtherance of the royalty agreement described above. Such consideration for the assignment was the ongoing compensation due to Leitner-Wise described above.

Following cessation of his employment with LWRC, unknown persons removed all copies of Leitner-Wise's contracts from his possessions at the company's offices and all copies of the employment agreement were thereafter believed by Leitner-Wise

to be lost. On information and belief, such removal of the contracts from Leitner-Wise's possessions was intended to deprive him of evidence of this Employment Agreement and the residual benefits of the agreement following his departure from LWRC.

On April 18, 2008, LWRC. assigned the '581 patent to Respondent LWRC International, LLC. Such assignment falsely identified the inventor as the ASSIGNOR, Leitner-Wise Rifle Company, Inc. Because of the false representations therein, the assignment was defective on its face. Because of the false representations therein, the assignment was, and is, null and void. Such (re-)assignment in 2008 was made without the knowledge or authority of the inventor, Leitner-Wise. Such (re-)assignment in 2008 was made without due consideration of the existing compensation agreement with royalties due to Leitner-Wise.

On information and belief, such false identification of the inventor within the 2008 assignment was for the sole purpose of avoiding disclosure of Leitner-Wise's ongoing right to royalties on the patent and to further deprive Leitner-Wise of the residual benefits of his Employment Agreement with LWRC which survived his termination of employment.

On January 18, 2011, Respondent LWRC International, LLC filed suit in the United States District Court in Maryland against Respondent SIG Sauer, Inc. Within this lawsuit, Respondent LWRC International, LLC alleged, *inter alia*:

6. LWRCI is the owner of United States Patent No. 7,461,581 (“the '581 patent”), entitled “Self-Cleaning Gas Operating System For A Firearm” and has the right to sue for infringement and collect damages for such infringement...

7. Defendant Sig Sauer has been and is infringing, contributing to the infringement of, and/or inducing the infringement of the '581 patent by, among other things, making, using, selling, and/or offering for sale autoloading rifles with their associated gas operating system, including rifle models #SIG516 PATROL and #SIG516 PRECISION MARKSMAN, within the territorial boundaries of the United States and this judicial District without the consent, license or authorization of LWRCI, and will continue to do so unless enjoined by this Court.

8. Upon information and belief, Defendant Sig Sauer's infringement of the '581 patent has been and is willful.

Complaint, *LWRC International, LLC v. SIG Sauer, Inc.*, 1:11-cv-00152-WDQ (D. Md. 2011).

On information and belief, attorneys for, or employees of, Respondent SIG Sauer, Inc. in the course of investigating Respondent LWRC International, LLC's claims in the 2011 case, discovered the fraud committed in the 2008 assignment of the '581 patent. On information and

belief, attorneys for, or employees of, Respondent SIG Sauer, Inc. in the course of investigating Respondent LWRC International, LLC's claims in the 2011 case determined that the 2008 assignment of the '581 patent was invalid. In Respondent SIG Sauer, Inc.'s Answer and Counterclaim, SIG claimed the '581 patent to be invalid. On information and belief, attorneys for Respondent SIG Sauer, Inc. then informed Respondent LWRC International, LLC of the evidence of the fraud committed in the 2008 assignment of the '581 patent and the now evident mutual infringement of Leitner-Wise's patent. On information and belief, the Respondents conspired to discontinue such litigation amicably as to avoid further disclosure of the fraudulent 2008 assignment and to continue such infringement unimpeded.

On June 17, 2011, the Respondents stipulated to a protective order before the United States District Court. On information and belief, the Respondents employed such protective order for the sole purpose of protecting the fraudulent assignment from public disclosure and from disclosure to Leitner-Wise. On information and belief, such stipulation to the protective order was an affirmative act in furtherance of the conspiracy between the Respondents to hide the fraudulent 2008 assignment from the public and Leitner-Wise and to continue their mutual infringement on the '581 patent. On August 1, 2011, the Respondents stipulated to the dismissal of their case before the United States District Court. On information and belief, such stipulation to the dismissal was an additional affirmative act in furtherance of the conspiracy between the Respondents to hide the fraudulent 2008

assignment from the public and Leitner-Wise and to continue their mutual infringement on the '581 patent. Neither Respondent has ever paid Leitner-Wise for the value received from the ongoing use of this intellectual property.

In late November 2014, an attorney working for Leitner-Wise on immigration matters, discovered a copy of the lost Employment Agreement. The attorney later provided the agreement to Leitner-Wise. Leitner-Wise filed this lawsuit in the United States District Court for the District of Maryland on June 29, 2016, asserting jurisdiction under 35 U.S.C. § 271, 28 U.S.C. § 1332 and 28 U.S.C. § 2201. Leitner-Wise asserted claims for Patent Infringement, Unjust Enrichment and Breach of Contract. Both Respondents moved for summary dismissal on September 6, 2016. Leitner-Wise timely opposed both Motions. The District Court granted summary dismissal on February 28, 2017. Leitner-Wise timely appealed.

The Federal Circuit ordered briefing and conducted an oral argument on February 7, 2018. Five days later, the Federal Circuit affirmed without opinion. Leitner-Wise made a timely petition for rehearing. That petition was denied again without opinion on March 30, 2018.

REASONS FOR GRANTING THE WRIT**I. 35 U.S.C § 100 (d) expressly confers standing upon Leitner-Wise as the original inventor.**

“The Patent Act of 1952 provides that a civil action for infringement may be brought by ‘a patentee.’” *Abbott Laboratories v. Diamedix Corp.*, 47 F.3d 1128, 1132 (Fed. Cir. 1995) (quoting 35 U.S.C. § 281). “The statute defines ‘patentee’ to include the party to whom the patent was issued and the successors in title to the patent, 35 U.S.C. § 100 (d), and has been interpreted to require that a suit for infringement ordinarily be brought by a party holding legal title to the patent.” *Abbott Laboratories*, 47 F.3d at 1132 (citing *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574, 1578-79 (Fed. Cir. 1991)). Accord, *AsymmetRx, Inc. v. Biocare Medical*, 582 F.3d 1314, 1318 (Fed. Cir. 2009).

Leitner-Wise is not a successor or predecessor licensee. See *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245 (Fed. Cir. 2000) and *Prima Tek II v. A-Roo Co.*, 222 F.3d 1372 (Fed. Cir. 2000) (both cases only addressing standing of successor licensees). He is the original inventor and a patentee as named as such under 35 U.S.C. § 100 (d). The majority of authorities which have been recited in this case speak to the ability of a predecessor licensee to maintain standing. See *Alfred E. Mann Foundation for Science Research v. Cochlear Corporation*, 604 F.3d 1354, 1359 (Fed. Cir. 2010) (“[t]ypically, we are

confronted with cases in which an exclusive licensee sues an accused infringer, and we must decide whether the licensee has been granted rights sufficient to confer standing.”) See also *SGS-Thomson Microelectronics, Inc. v. International Rectifier Corp.*, 31 F.3d 1177 (Fed. Cir. 1994) (unpublished case primarily relied upon by the District Court to find Leitner-Wise's lack of standing, also involving the standing of a successor assignee, not an inventor). None of these cases negate the express statutory standing of the original inventor, particularly where he asserts an ongoing interest in royalty payments on his invention. “[R]ights in an invention belong to the inventor.” *Board of Trustees of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 563 U.S. 776, 786 (2011) (quoting *Gayler v. Wilder*, 51 U.S. 477, 493 (1851) (“the discoverer of a new and useful improvement is vested by law with an inchoate right to its exclusive use, which he may perfect and make absolute by proceeding in the manner which the law requires”); *Solomons v. United States*, 137 U.S. 342, 346 (1890) (“whatever invention [an inventor] may thus conceive and perfect is his individual property”); *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188 (1933) (an inventor owns “the product of [his] original thought”). “As the grantee of exclusionary rights, this plaintiff is injured by any party that makes, uses, sells, offers to sell, or imports the patented invention.” *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1340 (Fed. Cir. 2007) (citing *Evident Corp. v. Church Dwight Co., Inc.*, 399 F.3d 1310, 1313 (Fed. Cir. 2005); *Intellectual Property Dev. v. TCI Cablevision*, 248 F.3d 1333, 1346 (Fed. Cir. 2001). “[T]hese exclusionary rights 'must be enforced

through or in the name of the owner of the patent,' and the patentee who transferred these exclusionary interests is usually joined to satisfy prudential standing concerns." *Morrow*, 499 F.3d at 1340 (quoting *Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 467, 469 (1926)).

"The word 'patentee' includes *not only* the patentee to whom the patent was issued *but also* the successors in title to the patentee." 35 U.S.C. § 100 (d) (emphasis added). "A statute's plain meaning must be enforced... and the meaning of a statute will typically heed the commands of its punctuation." *United States National Bank of Oregon v. Independent Insurance Agents*, 508 U.S. 439, 454 (1993). "This law's plain meaning is not 'demonstrably at odds with the intentions of its drafters'". *United States National Bank*, 508 U.S. at 463 n.11 (quoting *Griffin v. Oceanic Contractors, Inc.*, 458 U.S. 564, 571 (1982)). "[T]he act of invention itself vests an inventor with a common law or 'natural' right to make, use and sell his or her invention absent conflicting patent rights in others (and in certain circumstances, may similarly vest such rights in an employer of the inventor), a patent on that invention is something more." *Arachnid, Inc.*, 939 F.2d at 1578. "A patent in effect *enlarges* the natural right, adding to it the *right to exclude others* from making, using or selling the patented invention." *Id.* (citing *Six Wheel Corp. v. Sterling Motor Truck Co.*, 50 F.2d 568, 571 (9th Cir. 1931) (emphasis in *Arachnid*)). See also *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24, 40-41 (1923).

II. Leitner-Wise conferred rights to his patent but only in consideration a royalty agreement.

The license of a patent may be subject to conditions and provisions. A patent is “a bundle of rights which may be divided and assigned, or retained in whole or part.” *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 875 (Fed. Cir. 1991). If an inventor licenses the use of a patent conditioned on the payment of royalties, he retains an interest “in all substantial rights” to that patent sufficient to maintain standing to defend that interest and to sue for infringement. The conclusion that “Leitner-Wise waived all of his rights to the royalty payments anticipated by the Employment Agreement when, in 2006, he signed the severance documents associated with his departure from LWRC”, App. 20a-21a, is flatly contradicted by the language of the Employment Agreement, which expressly states his rights to royalties would survive such severance.

“The title of the transfer in the agreement does not determine what type of agreement it is, rather a court looks to the kinds of rights that are transferred to determine the licensor and licensee's status.” *My First Shades v. Baby Blanket Suncare*, 914 F. Supp. 2d 339, 347 (E.D.N.Y. 2012) (quoting *Intellectual Prop.*, 248 F.3d at 1344 (“The title of the agreement at issue, which uses the term 'license' rather than the term 'assignment,' is not determinative of the nature of the rights transferred under the agreement; actual consideration of the rights transferred is the linchpin of such a

determination.”)). In this case, the assignments of intellectual property already occurred in the same document which spoke to Leitner-Wise's right to royalty payments. “[T]he Executive hereby irrevocably signs and transfers to the Employer any and all right, title, or interest that the Executive may have in the Intellectual Property under copyright, patent, trade secret and trademark law...” and “[t]he Executive further agrees to... execute such documents as may be necessary or appropriate (i) in the event that the Employer desires to seek copyright, patent or trademark protection, or other analogous protection relating to the Elected Intellectual Property...”. Contract dated April 11, 2005.

Any subsequent execution of assignments was an existing obligation under the April 11, 2005 agreement, the same agreement which provided the royalty payments.¹ Compare the words of the contract “[p]ayment of royalties under this section shall not be withheld or terminated regardless of any Termination of the Executive for any reason” and App. 24a, the District Court's opinion, which simply ignored this express provision of survival to state “the release provision is unambiguous and the relief

¹ In subsequent litigation with a different party, an assignment dated August 5, 2005 of the same pending patent was produced for the first time in discovery this year. The Respondents' claim that Leitner-Wise gave up any right to royalties in the 2006 assignment is wholly defeated by the fact that Leitner-Wise could not somehow assign the same rights a second time under different terms. See App. 20a, 24a-25a. The first assignment was not produced until after the one year limitation on newly discovered evidence had already expired in this case. This matter should be remanded for discovery and trial on this point alone.

that Plaintiff seeks now, enforcement of a royalty provision in his 2005 employment contract, is clearly foreclosed by the 2006 termination letter.” The royalty agreement expressly survived his leaving employment with the company and there is no mention whatsoever that any consideration was paid for his royalty interests. Any kind of claim of waiver of Leitner-Wise's rights to royalties for the '581 patent again leads to an illusory obligation devoid of consideration thereof. “Consideration is a basic requirement of a contract”. *Memorylink Corp. v. Motorola Solutions, Inc.*, 773 F.3d 1266, 1270 (Fed. Cir. 2014) (citing *Melena v. Anheuser-Busch, Inc.*, 847 N.E.2d 99, 109 (Ill. 2006)).

In the absence of a valid license, Leitner-Wise was entitled to sue for infringement. If the royalty agreement Leitner-Wise executed provided for such assignment in furtherance of the agreement, it cannot be reasonably interpreted that Leitner-Wise forfeited such royalties by fulfilling such obligations under the agreement. What is unclear now is why were the parties in, for example, *Advanced Video Techs. LLC v. HTC Corp.*, 879 F.3d 1314 (Fed. Cir. 2018), afforded such a straightforward analysis of contract law in an extensive opinion by this Court, but the issue was completely ignored by both the District Court and the Federal Circuit.

III. The subsequent assignment of Leitner-Wise's patent was fraudulent and without consideration.

On April 18, 2008, Leitner-Wise Rifle Company, Inc. assigned the '581 patent to Appellee

LWRC International, LLC. Such assignment falsely identified the inventor as the ASSIGNOR, Leitner-Wise Rifle Company, Inc. *Id.* Because of the false representations therein, the assignment was defective on its face. Because of the false representations therein, the assignment was, and is, null and void. Such (re-)assignment in 2008 was made without the knowledge or authority of the inventor, Leitner-Wise. “Such (re-)assignment in 2008 was made without due consideration of the existing compensation agreement with royalties due to Leitner-Wise. Pl.’s Ex. B.” Compl. at 6. “On information and belief, such false identification of the inventor within the 2008 assignment was for the sole purpose of avoiding disclosure of Leitner-Wise’s ongoing right to royalties on the patent and to further deprive Leitner-Wise of the residual benefits of his Employment Agreement with Leitner-Wise Rifle Company, Inc. which survived his termination of employment.” *Id.* “Any assignment of the ’581 patent by Leitner-Wise was for compensation on an ongoing basis, including the payment of royalties to Leitner-Wise.” Compl. at 9.

Absent such a demonstration of compensation or consideration, such subsequent assignments would be necessarily the product of illusory contracts. To say that Leinter-Wise bargained for good and valuable royalties on the ’581 patent and agreed that Leitner-Wise Rifle Company, Inc. “desires to exercise ownership rights” over the ’581 patent would render any subsequent relinquishment of those royalty rights for assignment of the same patent, without additional consideration, unilateral and illusory. An illusory promise is “words in

promissory form that promise nothing; they do not purport to put any limitation on the freedom of the alleged promisor, but leave his future action subject to his own future will, just as it would have been had he said no words at all.” *Ridge Runner Forestry v. Veneman*, 287 F.3d 1058, 1061 (Fed. Cir. 2002). The Respondents offered nothing which would indicate that Leitner-Wise was somehow obligated to assign his rights to the '581 patent other than in exchange for the royalties bargained for in the April 11, 2005 employment agreement.

IV. The Federal Circuit's failure to explain its decision in obvious conflict with the plain language of the statute perpetuates a lack of uniformity and certainty in the administration of patent law.

In affirming the District Court's decision without any opinion whatsoever, the Federal Circuit ignored the plain language of 35 U.S.C. § 100 (d) identifying the original inventor as a patentee with standing to sue for infringement. The District Court itself acknowledged itself to be on unsteady ground in denying Leitner-Wise standing in conflict with the statute.

Here, while both Defendants ultimately prevailed, the Court's decision on the patent infringement claim turned on an unpublished decision by the Federal Circuit, finding that the retention of royalty rights does not provide a former patent holder with standing to bring a claim.

App.31a (apparently referencing *SGS-Thomson Microelectronics*, 31 F.3d 1177).

In the face of such uncertainty, the Federal Circuit eschewed its own obligations incumbent to its non-discretionary appellate jurisdiction to explain its decision, particularly given the importance of the issues and the extensive argument offered by the parties.

“It is emphatically the province and duty of the judicial department to say what the law is. Those who apply the rule to particular cases, must of necessity expound and interpret that rule.” *Noel Canning v. NLRB*, 705 F.3d 490, 506 (D.C. Cir. 2013) (quoting *Marbury v. Madison*, 5 U.S. 137, 177 (1803)). Accord, *Bank Markazi v. Peterson*, 136 S. Ct. 1310, 1322-23 (2016); *DaimlerChrysler Corp. v. Cuno*, 547 U.S. 332, 340-341 (2006); *NLRB v. Enterprise Leasing Co. Southeast, LLC*, 722 F.3d 609, 639 (4th Cir. 2013). “This is of the very essence of judicial duty.” *Marbury*, 5 U.S. at 177. See *Derfiny v. Pontiac Osteopathic Hosp.*, 106 Fed. Appx. 929, 936 (6th Cir. 2004) (unpublished, quoting *United States v. Woods*, 885 F.2d 352, 354 (6th Cir. 1989) (noting that “when a motion for summary judgment is granted,[] without any indication as to the specific facts and rules of law supporting the court’s decision, it is difficult, except in the simplest of cases, for an appellate court to review such a decision.”). Accord, *Bybee v. City of Paducah*, 22 Fed. Appx. 387 (6th Cir. 2001) (unpublished decision); *Bowie v. Maddox*, 642 F.3d 1122, 1132 (D.C. Cir. 2011); *Couveau v. American Airlines, Inc.*, 218 F.3d 1078, 1081 (9th Cir.

2000); *Vadino v. A. Valey Engineers*, 903 F.2d 253, 257-259 (3d Cir. 1990)).

Upon Leitner-Wise's presentment of an appeal in the proper form, and the Federal Circuit's own decision that the issues merited oral argument, there can be little dispute that Leitner-Wise raised significant issues of federal law warranting an informed decision on the merits. “[A] case is one 'arising under' federal patent law 'the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws.’” *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 807-08 (1988) (quoting *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897)).

[O]ne of Congress' objectives in creating a Federal Circuit with exclusive jurisdiction over certain patent cases was “to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist[ed] in the administration of patent law.” H.R. REP. No. 97-312, p. 23 (1981)... Congress determined the relevant focus... when it granted jurisdiction to the Federal Circuit over “an appeal from... a district court... if the jurisdiction of *that court* was based... on section 1338.” 28 U.S.C. § 1295 (a)(1) (emphasis added).

Christianson, 486 U.S. at 813-14.

There has been considerable controversy recently over the Federal Circuit's failure to abide by 35 U.S.C. § 144's requirement that the Court provide an “opinion, which shall... govern further proceedings in this case.” See, e.g., *Chan v. Yang*, 673 Fed. Appx. 1009 (Fed. Cir. 2017) *cert. denied* 199 L. Ed. 2d 528 (2018); *Leak Surveys, Inc. v. FLIR Systems, Inc.*, 672 Fed. Appx. 995 (Fed. Cir. 2017) *cert. denied* 138 S. Ct. 325 (2017); *Cascades Projection LLC v. Epson America, Inc.*, 864 F.3d 1309 (Fed. Cir. 2017). The same logic applied to non-PTO appeals remains equally sound. Leitner-Wise and the public at large are entitled to an explanation of the panel's refusal to abide by the plain language of 35 U.S.C. § 100 (d) otherwise granting the inventing patentee the right to sue without further qualification.

The Federal Circuit has repeatedly stated that a Rule 36 Judgment does no more than merely affirm the result of the District Court's judgment. See *TecSec, Inc. v. International Business Machines Corp.*, 731 F.3d 1336 (Fed. Cir. 2013); *Rates Technology, Inc. v. Mediatix Telecom, Inc.*, 688 F.3d 742 (Fed. Cir. 2012). It does not endorse or reject any specific part of the reasoning below. *Rates Technology*, 688 F.3d at 750.

In the underlying decision, the District Court ignored multiple theories of relief and relied upon a factual conclusion which Leitner-Wise properly disputed, that he had assigned all of his rights to the patent to another party. The District Court never addressed whether Leitner-Wise had an express categorical right under 35 U.S.C. § 100 (d), or did not. It did not address that, by Leitner-Wise's

allegations, there was no assignment for consideration and any such assignment was illusory and unenforceable, that Leitner-Wise remained entitled to royalties and therefore maintained a justiciable interest in the patent, and that the subsequent assignment was defective and fraudulent.

If the District Court never opined upon these issues, then the Federal Circuit could not claim without opinion under Rule 36 that the District Court's "findings [were] not clearly erroneous", or that "the record supports summary judgment". 35 U.S.C. § 100 (d) defines a "patentee" to include the "patentee to whom the patent was issued". In this case, Leitner-Wise was the patentee to whom the patent was issued. Then why is he not a "patentee" entitled to sue under 35 U.S.C. § 281? Herein, the Federal Circuit eschews the definition of a patentee. We would like to know why.

Instead of a definition, then, the decisional mechanism courts now apply is to examine earlier cases in which a similar or parallel descriptive nature can be seen—what prior cases were about, and which way they were decided. See, e.g., [*Elec. Power Group, LLC v. Alstom S.A.*, 830 F.3d 1350, 1353-54 (Fed. Cir. 2016)]. That is the classic common law methodology for creating law when a single governing definitional context is not available. See generally Karl N. Llewellyn, *THE COMMON LAW TRADITION: DECIDING APPEALS* (1960). This more flexible approach is also the approach employed by the Supreme Court. See [*Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct.

2347, 2355-57 (2014)]. We shall follow that approach here.

Amdocs (Isr.) Ltd. v. Openet Telecom, Inc., 841 F.3d 1288, 1295 (Fed. Cir. 2016).

The Federal Circuit's precedent commands us to follow the prior cases “when a single governing definitional context is not available”. *Id.* Herein, Title 35 provides a “single governing definitional context” and yet herein, the Federal Circuit refuses to follow it. There cannot be a more compelling circumstance to demand an “opinion [with] precedential value” *than when a court deviates from the plain language of a controlling statute*. FED. CIR. R. 36. Deviating from Congress's plain language cannot support a decision which is in any way “clear and unassailable”. “The text will not bear such a reading.” *INS v. Yueh-Shaio Yang*, 519 U.S. 26, 30 (1996). Direction is needed to draw the line as to where the *patentee* who, by statutory definition includes the *patentee*, is not the *patentee*. It compels the conclusion that the Federal Circuit's decision is not any kind of decision on the merits, but arbitrary and capricious.

CONCLUSION

For these reasons, and for such other reasons as this honorable court finds to be good and sufficient cause, Paul Andrew Leitner-Wise’s petition for certiorari should be GRANTED and the decision of the Federal Circuit reversed with instructions to reinstate his lawsuit in the District Court.

Respectfully submitted, this 28th day of June,
2018,

Matthew August LeFande
Attorney at Law PLLC
Counsel of Record
4585 North 25th Road
Arlington VA 22207
(202) 657-5800
matt@lefande.com

Attorney for the Petitioner

APPENDIX

TABLE OF CONTENTS

APPENDIX A

Denial of Petition for Rehearing.....1a

APPENDIX B

Opinion of the Federal Circuit.....3a

APPENDIX C

Memorandum Opinion of the District Court.....12a

**United States Court of Appeals
for the Federal Circuit**

PAUL ANDREW LEITNER-WISE,
Plaintiff-Appellant

v.

LWRC INTERNATIONAL, LLC, SIG SAUER INC.,
Defendants-Appellees

2017-1852

Appeal from the United States District Court for the
District of Maryland in No. 8:16-cv-02430-GJH, Judge
George Jarrod Hazel.

**ON PETITION FOR PANEL REHEARING AND
REHEARING EN BANC**

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK,
MOORE, O'MALLEY, REYNA, WALLACH, TARANTO,
CHEN, HUGHES, and STOLL, *Circuit Judges*.

PER CURIAM.

O R D E R

Appellant Paul Andrew Leitner-Wise filed a combined petition for panel rehearing and rehearing en banc. The petition was referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on April 6, 2018.

FOR THE COURT

March 30, 2018

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

**United States Court of Appeals
for the Federal Circuit**

PAUL ANDREW LEITNER-WISE,
Plaintiff-Appellant

v.

LWRC INTERNATIONAL, LLC, SIG SAUER INC.,
Defendants-Appellees

2017-1852

Appeal from the United States District Court for the
District of Maryland in No. 8:16-cv-02430-GJH, Judge
George Jarrod Hazel.

JUDGMENT

MATTHEW AUGUST LEFANDE, Matthew August
LeFande Attorney at Law PLLC, Arlington, VA,
argued for plaintiff-appellant.

NOAM BARAK FISCHMAN, Polsinelli PC,
Washington, DC, argued for defendant-appellee
LWRC International, LLC. Also represented by
DANIEL JOSEPH DONOHUE.

LAURA CARROLL, Burns & Levinson, LLP, Boston,
MA, argued for defendant-appellee Sig Sauer Inc.
Also represented by ERIC G.J. KAVIAR.

THIS CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

PER CURIAM (PROST, *Chief Judge*, MOORE and
CHEN, *Circuit Judges*).

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

February 12, 2018
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
Southern Division**

PAUL ANDREW LEITNER-WISE,
Plaintiff,

v.

LWRC INTERNATIONAL, LLC, et al.,
Defendants.

Case No.: GJH-16-2430

MEMORANDUM OPINION

Plaintiff Paul Andrew Leitner-Wise brings this case against Defendants LWRC International, LLC ("LWRCI") and Sig Sauer, Inc. ("Sig Sauer") alleging patent infringement, breach of contract and unjust enrichment in relation to his 2004 invention or a "Self-Cleaning Gas Operating System for a Firearm." ECF No. 1. Pending before the Court are Defendant Sig Sauer's Motion to Dismiss, ECF No. 14, and Defendant LWRCI's Motion to Dismiss, or in the Alternative, for Summary Judgment. ECF No. 15. These issues have been fully briefed and a hearing is unnecessary. Loc. R. 105.6 (D. Md. 2016). For the reasons stated below, the Court will grant Defendant Sig Sauer, Inc.'s Motion to Dismiss in full and Defendant LWRCI's Motion to Dismiss as it relates to the patent infringement claim. Furthermore, the Court will convert LWRCI's Motion to Dismiss into a

Motion for Summary Judgment with respect to the breach of contract and unjust enrichment claims, and will grant LWRCI's Motion for Summary Judgment as to those claims.

I. BACKGROUND¹

In 2004, Plaintiff created a "Self-Cleaning Gas Operating System for a Firearm." a self-regulating short-stroke piston operating system for AR-I5 type self-loading rifles. and was subsequently awarded a patent for his invention by the U.S. Patent Office ("the '581 patent"). ECF No. 1 ¶ 19; ECF No. 1-1. Plaintiff founded a company named Leitner-Wise Rifle Company, Inc. ("LWRC"), which he then sold in 2005. ECF No. 1 ¶¶ 21-22. On April 11, 2005. Plaintiff was retained by LWRC as an executive and entered into an employment agreement defining the terms of their relationship. ECF No. 1 at ¶ 22; *see also* ECF No. 1-2. The employment agreement contained a provision acknowledging that Plaintiff had

developed certain Intellectual Property prior to the execution of this Agreement which Employer desires to exercise ownership rights....Employer will separately pay a royalty of one half of one percent (.05%) on the net sale price of each product containing a previously patented or patentable or otherwise protected device developed by the Executive....

¹Unless stated otherwise, all facts are taken from Plaintiffs Complaint or documents attached to and relied upon in the Complaint, and are accepted as true.

Payment of royalties under this section shall not be withheld or terminated regardless of any Termination of the Executive for any reason.

ECF No. 1 ¶ 23; *see also* ECF No. 1-2 at 8.² Plaintiff left his employment with LWRC on October 31, 2006, and on the same date, assigned the pending '581 patent to his former employer. ECF No. 1 ¶ 24; *see also* ECF No. 1-3. The Assignment stated that

[i]n consideration of the sum of One Dollar (\$1.00) or equivalent and other good and valuable consideration paid to...Paul Leitner-Wise, the undersigned, hereby sell(s) and assign(s) to Leitner-Wise Rifle Company, Inc...their entire right, title and interest...in the invention known as "Self Cleaning Gas Operating System for a Firearm."

ECF No. 1-3.

² Pin cites to documents filed on the Court's electronic filing system (CM/ECF) refer to the page numbers generated by that system.

Contemporaneously with his departure, Plaintiff executed additional contracts with LWRC.³ On October 31, 2006, Plaintiff signed a document entitled "Termination of Employment" which included a provision releasing LWRC "from any and all claims.... including, but not limited to, all claims arising out of [Plaintiff's] employment, all claims arising out of the Employment Agreement....[and] all breach of contract and other common law claims." ECF No. 15-6 at 1-2. An additional contract entitled "Intellectual Property Assignment Agreement By And Between Paul Leitner-Wise and Leitner-Wise Rifle Co. Inc." (hereinafter, "Intellectual Property Agreement") included a provision stating that [Leitner-Wise] hereby transfers and assigns to [LWRC] all of [Leitner-Wise's] right, title and interest to any and all Intellectual Property ownership interest [Leitner-Wise] may have throughout the world in and to the Assigned Intellectual Properties." ECF No. 15-8 at 2. "Assigned Intellectual Properties" is separately defined in the contract to include the '581 patent. See ECF No. 15-8 at 1.7. Furthermore, a section in the same contract entitled "Payment and Communication," stated that "the consideration for

³Defendant LWRCI attached these additional contracts to its Motion to Dismiss, or in the Alternative, for Summary Judgment. As explained *infra*, the Court will convert the Motion to Dismiss into a Motion for Summary Judgment with respect to the breach of contract and unjust enrichment claims. Therefore, it is appropriate to consider these documents with respect to those claims, viewed in the light most favorable to the Plaintiff. The Court will not consider the facts in this paragraph as they relate to Sig Sauer's claims or LWRCI's patent infringement claim.

the assignment and other rights granted to [LWRC] under this Agreement consists of good and valuable consideration, the sufficiency of which is hereby acknowledged by [Leitner-Wise] pursuant to a separate Equities Purchase Agreement, and the consummation of the transactions contemplated thereby, there being no further consideration *or royalty payable* in respect thereof" ECF No. 15-8 at 3 (emphasis added).⁴ This contract was also signed by Plaintiff on October 31, 2006, the same day that the '581 patent was assigned to LWRC. ECF No. 15-8 at 6; *see also* ECF No. 1-3.

On April 18, 2008. LWRC assigned the '581 patent to Defendant LWRCI. ECF No. 1 ¶ 29; ECF No. 1-4.⁵ Plaintiff claims that this assignment was made without due consideration of the royalties entitled to him pursuant to his employment agreement with LWRC, which he claims survived his termination from LWRC. *Id.* ¶¶ 34-35. Plaintiff states that neither LWRCI nor Sig Sauer ever paid him for the value received from their ongoing use of the intellectual property contained within the '581 patent. *Id.* ¶ 48.

⁴ The Equities Purchase Agreement was also attached to Defendant's motion, though the Court need not rely on it to reach its decision. See ECF No. 15-9.

⁵ Plaintiff's Complaint includes additional allegations about the 2008 assignment of the patent, claiming that the assignment was defective and then fraudulently concealed, referencing a prior patent infringement case between LWRCI and Sig Sauer in support of his claim. However, these allegations do not affect the Court's reasoning because, having already assigned his right to LWRC in 2006, any defects in a subsequent assignment of the patent do not support any claim Plaintiff might have to the patent.

Plaintiff initiated this case on June 29, 2016, asserting claims of patent infringement and unjust enrichment against both LWRCI and Sig Sauer, as well as a claim of breach of contract against LWRCI alone. ECF No. 1. On September 6, 2016, Sig Sauer filed a Motion to Dismiss, arguing that the case should be dismissed pursuant to either Rule 12(b)(1) for lack of standing, because Plaintiff had relinquished his rights to the '581 patent, or pursuant to 12(b)(6) for failure to state a claim. ECF No. 14. The same day, LWRCI filed a Motion to Dismiss, or in the Alternative, for Summary Judgment, echoing Sig Sauer's arguments that the case could be dismissed either for lack of standing or for failure to state a claim. ECF No. 15. Both Defendants also requested that the Court award them attorneys' fees and costs associated with drafting their respective motions. ECF No. 15-1 at 17-20; ECF No. 14-1 at 21-22.

On September 22, 2016, Plaintiff filed a Consolidated Opposition to Defendants' Motions to Dismiss, arguing that Plaintiff's right to receive royalties provided him with standing to assert a patent infringement claim. ECF No. 18. Plaintiff also argues that converting LWRCI's Motion into a Motion for Summary Judgment is inappropriate because the documents on which LWRCI relies are not authenticated. ECF No. 18 at 5. On October 11, 2016, Defendants filed their Replies in support of their respective Motions. ECF Nos. 19 (Sig Sauer) & 20 (LWRCI).

II. STANDARDS OF REVIEW

A. Motion to Dismiss Pursuant to Rule 12(b)(1).

"[C]ourts generally analyze issues of standing pursuant to Rule 12(b)(1)" *Borlo v. Navy Fed. Credit Union*, 458 B.R. 228, 231 (D. Md. 2011), which governs motions to dismiss for lack of subject matter jurisdiction. Fed. R. Civ. Pro. 12(b)(1). "It is well established that before a federal court can decide the merits of a claim, the claim must invoke the jurisdiction of the court." *Miller v. Brown*, 462 F.3d 312, 316 (4th Cir. 2006) (citation omitted). Once a challenge is made to subject matter jurisdiction, the plaintiff bears the burden of proving that the Court has subject matter jurisdiction. *See Evans v. B. F. Perkins Co.*, 166 F.3d 642, 647 (4th Cir. 1999) (citation omitted); *see also Ferdinand-Davenport v. Children's Guild*, 742 F. Supp. 2d 772, 777 (D. Md. 2010). The court should grant a Rule 12(b)(1) motion "only if the material jurisdictional facts are not in dispute and the moving party is entitled to prevail as a matter of law." *Evans*, 166 F.3d at 647.

B. Motion to Dismiss Pursuant to Rule 12(b)(6)

To survive a motion to dismiss invoking 12(b)(6), "a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009) (citing *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 570, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007)). "A claim has facial plausibility when the

plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Iqbal*, 556 U.S. at 678. "Threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice." *Id.* (citing *Twombly*, 550 U.S. at 555) ("a plaintiff's obligation to provide the 'grounds' of his 'entitle[ment] to relief requires more than labels and conclusions, and a formulaic recitation of a cause of action's elements will not do.").

Fed. R. Civ. P. 12(b)(6)'s purpose "is to test the sufficiency of a complaint and not to resolve contests surrounding the facts, the merits of a claim, or the applicability of defenses." *Presley v. City of Charlottesville*, 464 F.3d 480, 483 (4th Cir. 2006) (citation and internal quotation marks omitted). When deciding a motion to dismiss under Rule 12(b)(6), a court "must accept as true all of the factual allegations contained in the complaint." and must "draw all reasonable inferences [from those facts] in favor of the plaintiff." *E. I. du Pont de Nemours & Co. v. Kolon Indus.*, 637 F.3d 435, 440 (4th Cir. 2011) (citations and internal quotation marks omitted). The Court need not, however, accept unsupported legal allegations, see *Revene v. Charles County Comm'rs*, 882 F.2d 870, 873 (4th Cir. 1989), legal conclusions couched as factual allegations, *Papasan v. Allain*, 478 U.S. 265, 286, 106 S. Ct. 2932, 92 L. Ed. 2d 209 (1986), or conclusory factual allegations devoid of any reference to actual events. *United Black Firefighters of Norfolk v. Hirst*, 604 F.2d 844, 847 (4th Cir. 1979).

C. Converting Motion to Dismiss to Motion for Summary Judgment

LWRCI's motion is styled as a Motion to Dismiss or, in the Alternative, for Summary Judgment under Fed. R. Civ. P. 56. If the Court considers materials outside the pleadings, as the Court does here, the Court must treat a motion to dismiss as one for summary judgment. Fed. R. Civ. P. 12(d). When the Court treats a motion to dismiss as a motion for summary judgment. "[a]ll parties must be given a reasonable opportunity to present all the material that is pertinent to the motion." *Id.* When the moving party styles its motion as a "Motion to Dismiss or, in the Alternative, for Summary Judgment," as is the case here, and attaches additional materials to its motion, the nonmoving party is, of course, aware that materials outside the pleadings are before the Court, and the Court can treat the motion as one for summary judgment. *See Laughlin v. Metropolitan Wash. Airports Auth.*, 149 F.3d 253, 260-61 (4th Cir. 1998). Further, the Court is not prohibited from granting a motion for summary judgment before the commencement of discovery. *See* Fed. R. Civ. P. 56(a) (stating that the court "shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact" without distinguishing pre-or post-discovery).

However, summary judgment should not be granted if the nonmoving party has not had the opportunity to discover information that is essential to his opposition to the motion. *Anderson v. Liberty*

Lobby. Inc., 477 U.S. 242, 250 n.5, 106 S. Ct. 2505, 91 L. Ed. 2d 202, (1987). If the nonmoving party feels that the motion is premature, that party can invoke Fed. R. Civ. Pro. 56(d). See *Celotex Corp. v. Catrett*, 477 U.S. 317, 326, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986). Under Rule 56(d), the Court may deny a motion for summary judgment if the non-movant shows through an affidavit that, for specified reasons, he or she cannot properly present facts, currently unavailable to him or her, that are essential to justify an opposition. Fed. R. Civ. Pro. 56(d). "[T]he failure to file an affidavit [*10] . . . is itself sufficient grounds to reject a claim that the opportunity for discovery was inadequate." *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 244 (4th Cir. 2002) (citations omitted). But a failure to file an affidavit may be excused "if the nonmoving party has adequately informed the district court that the motion is premature and that more discovery is necessary" and the "nonmoving party's objections before the district court served as the functional equivalent of an affidavit." *Id.* at 244-45 (citations and internal quotation marks omitted).

Here, Plaintiff has not filed an affidavit under Rule 56(d) or made an equivalent showing of the need for more discovery. Plaintiffs main argument that summary judgment is inappropriate is that the contracts on which LWRCI relies are not authenticated. ECF No. 18 at 5. However, this allegation is belied by the fact that LWRCI's filing was accompanied by a declaration from R. Kevin Bernstein, the Vice President of Strategy of LWRCI, authenticating the documents in question by declaring that the attached were true and correct

copies of the contracts. ECF No. 15-2. The declaration further states that the documents were found in the records of RifTech, LLC, a company which owns a controlling interest in LWRCI, and were maintained in the ordinary course of business. *Id.* "[M]ultiple courts have concluded that 'a company receiving a document from another business can lay a sufficient foundation where it, acting in the regular course of its business, integrates the received record into its own business records, relies on it in its day to day operations and surrounding circumstances indicate trustworthiness.'" *Sheet Metal Workers' Local Union No. 100 Washington, D.C. Area Pension Fund v. W. Sur. Co.*, 187 F. Supp. 3d 569, 586 n.14 (D. Md. 2016) (quoting *Bank of N.Y. Mellon v. Adams*, No. 5:13-CV-245-BO, 2014 U.S. Dist. LEXIS 105408, 2014 WL 3810631. at *1 (E.D.N.C. Aug. 1, 2014)). Plaintiff's own Complaint states that LWRC assigned the '581 patent to LWRCI. ECF No. 1 ¶ 29. Therefore, it is reasonable that business records relating to the assignment from Plaintiff to LWRC would have passed to LWRCI in conjunction with the second assignment. As Plaintiff has not tiled an affidavit under Rule 56(d) or proffered any other grounds that summary judgment is unwarranted at this time, the Court will convert LWRCI's Motion to Dismiss into a motion for Summary Judgment with respect to the claims of breach of contract and unjust enrichment.

D. Motion for Summary Judgment

Summary judgment is appropriate if "materials in the record, including depositions, documents, electronically stored information,

affidavits or declarations, stipulations.... admissions, inter-rogatory answers, or other materials," Fed. R. Civ. P. 56(c), show that there is "no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a): *see also Celotex Corp.*, 477 U.S. at 322. The party moving for summary judgment bears the burden of demonstrating that no genuine dispute exists as to material facts. *Pulliam Inv. Co. v. Cameo Properties*, 810 F.2d 1282, 1286 (4th Cir. 1987). If the moving party demonstrates that there is no evidence to support the nonmoving party's case, the burden shifts to the nonmoving party to identify specific facts showing that there is a genuine issue for trial. *See Celotex*, 477 U.S. at 322-23. A material fact is one that "might affect the outcome of the suit under the governing law." *Spriggs v. Diamond Auto Glass*, 242 F.3d 179, 183 (4th Cir. 2001) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986)). A dispute of material fact is only "genuine" if sufficient evidence favoring the nonmoving party exists for the trier of fact to return a verdict for that party. *Anderson*, 477 U.S. at 248. However, the nonmoving party "cannot create a genuine issue of material fact through mere speculation or the building of one inference upon another." *Beale v. Hardy*, 769 F.2d 213, 214 (4th Cir. 1986).

When ruling on a motion for summary judgment, "[t]he evidence of the non-movant is to be believed, and all justifiable inferences are to be drawn in his favor." *Anderson*, 477 U.S. at 255. However, if the non-movant's statement of the facts is "blatantly contradicted by the record, so that no

reasonable jury could believe it, the court should not adopt that version of the facts for the purposes of ruling on a motion for summary judgment." *Scott v. Harris*, 550 U.S. 372, 380, 127 S. Ct. 1769, 167 L. Ed. 2d 686 (2007).

III. DISCUSSION

A. Patent Infringement Claim

Plaintiff claims both Defendants have infringed upon his '581 patent by making, using, selling and offering for sale self-loading rifles that incorporate the "Leitner-Wise self-regulating short-stroke piston system" without his consent, license or authorization. ECF No. 1 ¶¶ 56-57. He claims that as the inventor of the '581 patent and as an assignor who maintains a royalty interest in the patent, he has standing to bring a claim of patent infringement. *Id.* ¶ 54. Defendants argue that Plaintiff lacks standing to bring this claim based on his 2006 written assignment of his "entire right, title and interest" in the '581 patent to LWRC, ECF No. 14-1 at 9-11; ECF No. 15-1 at 8-10; *see also* ECF No. 1-3.

Only a patentee may bring a civil action for patent infringement. *See* 35 U.S.C. § 281. "Patentee" is defined as "not only the patentee to whom the patent was issued but also the successors in title to the patentee." *Id.*, § 100(d). Because the patent laws themselves define "patentee" and thus, who has standing to bring a case, Federal Circuit case law on standing controls the analysis. *See Taylor Publ'g Co. v. CTP Innovations, LLC (In re CTP Innovations, LLC)*, No. 14-CV-3884-MJG, 2016 U.S. Dist. LEXIS

165684, 2016 WL 6996738, at *2 (D. Md. 2016) (citing *Paradise Creations, Inc. v. UV Sales, Inc.*, 315 F.3d 1304, 1308 (Fed. Cir. 2003)).⁶

As long as the agreement is in writing, interests in patents are assignable. *See* 35 U.S.C. § 261. Thus, a patent holder may grant a portion of their interests in a patent to another party, for example through a non-exclusive license to sell the patented product, while retaining other interests, such as the right to sue for infringement. *See Sicom Sys. v. Agilent Techs., Inc.*, 427 F.3d 971, 976 (Fed. Cir. 2005)("[t]he owner of a patent or the owner's assignee can commence an action for patent infringement, but a licensee alone cannot...unless the licensee holds 'all substantial rights' in the patent. A nonexclusive license confers no constitutional standing on the licensee to bring suit or even to join a suit with the patentee because a nonexclusive licensee suffers no legal injury from infringement.") (internal citations omitted). Yet, when the assignment is for all rights or all substantial rights, "the transferee—and not the transferor is the effective owner for purposes of standing." *Azure Networks. LLC v. CSR PLC*, 771 F.3d 1336, 1342 (Fed. Cir. 2014) (judgment vacated on other grounds). When a party holds this core bundle of rights, "it alone has standing to sue for infringement." *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1340 (Fed. Cir. 2007).

⁶ The Federal Circuit has exclusive jurisdiction over appeals in patent cases. *See* 28 U.S.C. 1295.

Therefore, when there has been a written assignment of a patent, the Court examines whether the assignment transferred "all substantial rights" or if certain rights were retained by the assignor. *See id.* at 1339-40. "In construing the substance of the assignment, a court must carefully consider the intention of the parties and the language of the grant." *Israel Bio-Eng'g Project v. Amgen. Inc.*, 475 F.3d 1256, 1265 (Fed. Cir. 2007) (citing *Vaupel Textihnaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 874 (Fed. Cir. 1991)).

Here, the assignment in question states that Plaintiff "sell(s) and assign(s) to Leitner-Wise Rifle Company. Inc....their entire right, title and interest" in the '581 patent. ECF No. 1-3. The unambiguous language in this grant demonstrates an intent to transfer, without reservation, all rights in the '581 patent from Plaintiff to LWRC.⁷ There is no reference to a license agreement as the Plaintiff now alludes to in his Opposition motion, or to any reservation of substantial rights. Furthermore, the Federal Circuit has implied that this exact language signifies a transfer of all substantial rights in the patent to the assignee. *See SGS-Thomson Microelectronics v. International Rectifier Corp.*, 31 F.3d 1177 at *5 [published in full-text format at 1994 U.S. App. LEXIS 17418] (Fed. Cir. 1994)(unpublished).

⁷ The Court observes that Merriam-Webster lists "all" as the first synonym for "entire." See Merriam-Webster, "Entire." <http://www.merriam-webster.com/thesaurus/entire> (last visited February 16, 2017).

Even if the Court were to construe the language in the assignment stating that Plaintiff was relinquishing his rights to the patent "[i]n consideration of the sum of One Dollar (\$1.00) or equivalent *and other good and valuable* consideration." ECF No. 1-3 (alteration and emphasis added), to refer to the royalties that Plaintiff was owed pursuant to the employment agreement executed the prior year, that would not save his claim. The retention of a right to royalties does not limit the assignment unless the retention of royalty rights was a reservation of a substantial right, such as the right to exclude others from making the patented product. *See SGS-Thomson Micro-electronics*, 31 F.3d at *5. Here, the plain language of the assignment transferring the "entire right, title and interest" shows that there was no reservation of a substantial right. Thus, the Court finds that the unambiguous language of the assignment demonstrates that Plaintiff transferred all rights to LWRC in 2006, depriving him of standing to bring this claim. Defendants' motions are therefore granted as to Plaintiff's patent infringement claim.

B. Breach of Contract

Next, Plaintiff alleges that by accepting the assignment of the '581 patent from LWRC, LWRCI assumed the underlying obligation to pay royalties to Plaintiff, as laid out in his 2005 employment contract with LWRC. ECF No. 1 ¶ 69. By failing to pay those royalties, Plaintiff claims that LWRCI breached their contract with him. *Id.* ¶¶ 70, 72. LWRCI denies this allegation, submitting evidence that Plaintiff waived all of his rights to the royalty payments when he left

LWRC in 2006, two years before LWRCI gained the rights to the '581 patent. ECF Nos. 15-6 (Termination Letter); 15-8 (Intellectual Property Assignment Agreement).

Plaintiff has not specified whether he is bringing his breach of contract claim under Maryland or Virginia state law. "When choosing the applicable state substantive law while exercising diversity or supplemental jurisdiction, a federal district court applies the choice of law rules of the forum state." *Danner v. Int'l Freight Sys. of Wash., LLC*, 855 F. Supp. 2d 433, 447 (D. Md. 2012) (quoting *Ground Zero Museum Workshop v. Wilson*, 813 F. Supp. 2d 678, 696 (D. Md. 2011)), Maryland is the forum state for this Court and thus, Maryland's choice of law rules apply. Under Maryland law, "contract claims are ordinarily governed by the law of the state where the contract was made ("*lex loci contractus*")", unless the parties to the contract agreed to be bound by the law of another jurisdiction." *Id.* (citing *American Motorists Ins. Co. v. ARTRA Group*, 338 Md. 560, 573, 659 A.2d 1295 (1995))(alteration in the original). Here, the employment agreement was executed in Virginia and states that Virginia law governs its interpretation. ECF No. 1-2 at 10. Plaintiff has offered no argument for why this provision is unenforceable or why application of Virginia law would be inappropriate. Thus, the Court will apply Virginia law in interpreting the contract.

Under Virginia law, "[t]he elements of a breach of contract action are (1) a legally enforceable obligation of a defendant to a plaintiff: (2) the

defendant's violation or breach of that obligation: and (3) injury or damage to the plaintiff caused by the breach of obligation." *Ramos v. Wells Fargo Bank, NA*, 289 Va. 321, 323, 770 S.E.2d 491 (2015) (citation omitted). When interpreting a contract, the Virginia Supreme Court has instructed courts to "to construe a document according to its plain terms if it is clear and unambiguous on its face," without looking for meaning "beyond the instrument itself." *Ott v. L & Holdings, LLC*, 275 Va. 182, 187, 654 S.E.2d 902 (2008). Evidence outside the document itself known as parol evidence, is only appropriate if the document is ambiguous and review of additional information is needed to "determine the intent of the parties." *Id.*

In the present case, Plaintiff has failed to put forward any evidence of the existence of a legally enforceable obligation between him and Defendant LWRCI. He states that his 2005 employment agreement with LWRC, which included a provision entitling him to royalty payments on the net sale of certain products, should impose a continuing legal obligation upon LWRCI to make royalty payments. However, he fails to address the evidence that LWRCI has submitted, showing that he signed away his rights to royalty payments in 2006 when he left his employment with LWRC.

A basic concept of contract law is that contracts are not set in stone and can be modified by the assent of the parties. *See Medlin & Son Constr. Co. v. Matthews Grp., Inc.*, No. 160050, 2016 Va. Unpub. LEXIS 26, 2016 WL 7031843, at *5 (Va. 2016) (citation omitted) [B]y the rules of the common

law....it is competent for the parties to a simple contract in writing, before any breach of its provisions, either altogether to waive, dissolve, or abandon it, or add to, change, or modify it, or vary or qualify its terms, and thus make a new one."). Here. Defendant LWRCI submitted a document titled "Termination of Employment," signed by Plaintiff on October 31, 2006. *See* ECF No. 15-6. 6. The document notes that it relates to the [t]ermination of [Plaintiff's] employment pursuant to that certain employment agreement, dated April 11, 2005, by and between [LWRC and Plaintiff]." 2016 Va. Unpub. LEXIS 26, [WL] at 1. LWRCI states, and it seems logical, that this is a reference to the employment agreement, between the same parties executed on April 11, 2005, which Plaintiff attached to his initial pleadings. *See* ECF No. 1-2. The first provision of the October 31 termination letter is a release, stating that in exchange for LWRC releasing Plaintiff from any claims they might have against him, the execution of an Equities Purchase Agreement, and "other good and valuable consideration" Plaintiff "unconditionally release[s] and discharge[s] [LWRC].... from any and all claims...including, but not limited to, all claims arising out of [Plaintiff's] employment, all claims arising out of the Employment Agreement....[and] all breach of contract and other common law claims." ECF No. 15-6 at 1-2.

According to his Complaint, Plaintiffs right to receive a royalty payment arises out of his 2005 employment agreement. ECF No. 1 ¶¶ 23-26.

Like the terms of any contract, the scope and meaning of a release agreement ordinarily is governed by the intention of the parties as expressed in the document they have executed. When the contract is lawful and the language is free from ambiguity, the agreement furnishes the law that governs the parties.

Berczek v. Erie Ins. Grp., 259 Va. 795, 799, 529 S.E.2d 89 (2000) (internal citations omitted). Here, the release provision is unambiguous and the relief that Plaintiff seeks now, enforcement of a royalty provision in his 2005 employment contract, is clearly foreclosed by the 2006 termination letter.

Plaintiff, despite having ample time, has not put forward any facts to show that the Defendant's interpretation of these contracts is incorrect. Plaintiff has failed to put forward even an affidavit asserting that, as a signatory to these documents, he has a different interpretation of their meaning than the interpretation LWRCI has put forward. Nor has Plaintiff made a showing of what discovery he would need to address any alleged flaws in these contracts.

The unambiguous and unchallenged language of this contract alone would sever Plaintiff's royalty rights. However, Defendant LWRCI submits an additional contract, the Intellectual Property Agreement, which Plaintiff also signed, specifically relinquishing his right to royalties in the '581 patent. The Intellectual Property Agreement stated that "[Leitner-Wise] hereby transfers and assigns to

[LWRC] all of [Leitner-Wise's] right, title and interest to any and all Intellectual Property ownership interest [Leitner-Wise] may have throughout the world in and to the Assigned Intellectual Properties." ECF No. 15-8 at 2. "Assigned Intellectual Properties" is separately defined in the contract to include the '581 patent. See ECF No. 15-8 at 1.7. In a section entitled "Payment and Communication," the contract stated that "the consideration for the assignment and other rights granted to [LWRC] under the agreement consists of good and valuable consideration, the sufficiency of which is hereby acknowledged by [Leitner-Wise] pursuant to a separate Equities Purchase Agreement...there being no further consideration or *royalty payable* in respect thereof." ECF No. 15-8 at 3 (emphasis added). The unambiguous language of this contract again demonstrates that Plaintiff contracted away his royalty rights in the '581 patent over a decade ago.

As with the termination letter, Plaintiff fails to put forward any evidence contradicting the plain language of the contract and Defendant's reasonable interpretation of it.⁸ Based on the record before it, the Court finds that there is no genuine dispute of material fact regarding the existence of a legal obligation between Plaintiff and LWRC to make royalty payments in relation to the '581 patent. Thus, Defendant LWRCI's Motion for Summary Judgment

⁸ Plaintiff's allegation that Defendant failed to attach a portion of the Equities Purchase Agreement is irrelevant to the Court's decision, as the Court need not rely on the Equities Purchase Agreement to decide this case.

is granted as to the breach of contract claim.⁹

C. Unjust Enrichment

Finally, the Court turns to Plaintiffs unjust enrichment claims against both Sig Sauer and LWRCI. As with the breach of contract claim, Plaintiff fails to specify whether he is bringing his unjust enrichment claims under Maryland or Virginia law. However, the Court need not resolve this issue because, regardless of which law he invokes, Plaintiff has failed to state a claim for unjust enrichment.

⁹ In addition to failing to state a claim, Plaintiffs unjust enrichment cause of action is also likely pre-empted by federal patent law, especially where, as is the case with his claim against Sig Sauer, it is plead alone and not in the alternative to a breach of contract claim. See *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1335 (Fed. Cir. 1998) (overruled on other grounds) ("If a plaintiff bases its tort action on conduct that is protected or governed by federal patent law, then the plaintiff may not invoke the state law remedy, which must be preempted for conflict with federal patent law."): see also *GIV, LLC v. IBM*, No. CIV. A. 3:07CV067-HEH, 2007 U.S. Dist. LEXIS 30168, 2007 WL 1231443, at *4 n.6 (E.D. Va. 2007) ("The proper claim for the misappropriation of patented technology is patent infringement, not unjust enrichment. Unjust enrichment claims based on state law are generally preempted by federal patent law alter the patent issues, unless the patentee can show the infringer obtained an incremental benefit from the information it received before the patent issued over and above what the public received from the published patent.").

To state a claim for unjust enrichment under Virginia state law, Plaintiff would need to establish that "(1) [Plaintiff] conferred a benefit on [defendant] (2) [Defendant] knew of the benefit and should reasonably have expected to repay [plaintiff]: and (3) [Defendant] accepted or retained the benefit without paying for its value." *Schmidt v. Household Fin. Culp., II*, 276 Va. 108, 116, 661 S.E.2d 834 (2008). Maryland requires Plaintiff to make an almost identical showing, stating that a Plaintiff must allege that "(1) the plaintiff confer[red] a benefit on the defendant: (2) the defendant kn[ew] or appreciate[d] the benefit: and (3) the defendant's acceptance or retention of the benefit under the circumstances would be inequitable without the paying of value in return." *Mona v. Mona Elec. Group, Inc.*, 176 Md. App. 672, 712-13, 934 A.2d 450 (Md. Ct. Spec. App. 2007).

Addressing first the allegations as they apply to Defendant Sig Sauer, Plaintiff has put forward no facts to show that he conferred a benefit on Sig Sauer. While Plaintiff alleges generally that Sig Sauer benefited from the intellectual property contained within the '581 patent, he provides no facts to support the conclusion that Sig Sauer knew of or appreciated those benefits prior to October 31, 2006. As discussed *supra*, on that date, Plaintiff assigned his "entire right, title and interest" in the '581 patent to LWRC. ECF No. 1-3. Thus, as Sig Sauer correctly points out, Plaintiff could not confer any benefit to them after October 31, 2006, because he had no benefit to provide to them after his assignment of the patent. See *Sensormatic Sec. Corp. v. Sensormatic Elecs. Corp.* 249 F. Supp. 2d 703, 709 (D. Md. 2003)

(dismissing unjust enrichment claim, holding that "[plaintiff] must plead that it provided a benefit to [defendant] and it has not done so, nor does it appear that it could.") (alteration and emphasis in the original). Thus. Defendant Sig Sauer's Motion to Dismiss is granted as to Plaintiffs unjust enrichment claim.

Similarly, Plaintiff fails to establish a claim of unjust enrichment against Defendant LWRCI. As discussed above in relation to Plaintiff's breach of contract claim, the contracts submitted by Defendant unambiguously indicate that upon execution of the Intellectual Property Agreement in 2006, Plaintiff was left without any rights in the '581 patent. *See* ECF No. 15-8 at 2 ("[Leitner-Wise] hereby transfers and assigns to [LWRC] all of [Leitner-Wise's] right, title and interest to any and all Intellectual Property ownership interest [Leitner-Wise] may have throughout the world in and to the Assigned Intellectual Properties.").¹⁰ Thus, Plaintiff has failed to demonstrate a genuine dispute of material fact regarding his contention that he conferred a benefit upon LWRCI. Therefore. Defendant LWRCI's Motion for Summary Judgment will be granted with respect to Plaintiffs claim of unjust enrichment.

¹⁰ Assigned Intellectual Properties" is defined in the contract to include the '581 patent. *See* ECF No. 15-8 at 2.

D. Defendants' Request for Attorneys' Fees and Costs

Defendants also request that the Court award attorneys' fees and costs associated with defending this case, pursuant to either 35 U.S.C. § 285, authorizing reasonable attorney's fees to the prevailing party in "exceptional" patent infringement cases, or under the "inherent powers" of the Court.¹¹ An "exceptional" case is one that "stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749. 1756, 188 L. Ed. 2d 816 (2014). "A movant must establish an exceptional case by a preponderance of the evidence." *Astornet Techs. v. Bae Sys.*, No. 14-CV-0245, 201 F. Supp. 3d 721, 2016 U.S. Dist. LEXIS 102260, 2016 WL 4141006, at *3 (D. Md. 2016) (citing *Octane*, 134 S. Ct. at 1758). In addition to any sanctions provided by statute, the Court's inherent powers allow fee-shifting for "willful disobedience of a court order" or "when the losing party has 'acted in bad faith, vexatiously, wantonly, or for oppressive reasons....'" *Octane*, 134 S. Ct. at 1758 (citing *Alyeska Pipeline Service Co. v.*

¹¹ Defendant Sig Sauers reference to 35 U.S.C. § 285 appears to be a conflation of 28 U.S.C. § 1927 (counsel's liability for excessive costs) and 35 U.S.C. § 285 (award of attorney's fees to prevailing party in patent cases). As Defendant goes on to cite *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756, 188 L. Ed. 2d 816 (2014), which addressed the later statute, the Court will interpret its request as one for attorney's fees pursuant to 35 U.S.C. § 285.

Wilderness Society, 421 U.S. 240, 258-259, 95 S. Ct. 1612, 44 L. Ed. 2d 141 (1975)).

Here, while both Defendants ultimately prevailed, the Court's decision on the patent infringement claim turned on an unpublished decision by the Federal Circuit, finding that the retention of royalty rights does not provide a former patent holder with standing to bring a claim. While Defendants highlight additional pleading deficiencies in Plaintiffs complaint, such as a failure to specify whether Plaintiff was alleging direct or indirect infringement. Defendant Sig Sauer itself points out that the pleading standard on which Plaintiff incorrectly relied was abrogated only six months prior to the tiling of the case. Therefore, although the Court fully acknowledges the time and expense required to produce the Defendants' well-written briefs, it finds that they have failed to make a sufficient showing that this is an "exceptional case" allowing financial recovery for their labors.

The Court next turns to Defendants' request for sanctions under the court's inherent authority. Although this authority "extends to a full range of litigation abuses" including bad faith, *see Thomas v. Ford Motor Co.*, 244 F. App'x 535, 538 (4th Cir. 2007), it "must be exercised with restraint and discretion." *Kreischer v. Kerrison Dry Goods*, 229 F.3d 1143 (4th Cir. 2000) (quoting *Chambers v. NASCO, Inc.*, 501 U.S. 32, 44, 111 S. Ct. 2123, 115 L. Ed. 2d 27 (1991)) (unpublished). Here, the Court declines to exercise its discretion to award attorneys' fees where there is no evidence of affirmative falsehoods submitted to the court and the case is

being resolved promptly, prior to the time and expense of discovery proceedings. Thus, Defendants request for attorneys' fees is denied.

IV. CONCLUSION

For the foregoing reasons, Defendant Sig Sauer's Motion to Dismiss, ECF No. 14, is granted and Defendant LWRCI's Motion to Dismiss or in the Alternative, for Summary Judgment, ECF No. 15, is granted. A separate Order follows.

Dated: February 28, 2017

/s/ George J. Hazel

GEORGE J. HAZEL

United States District Judge