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**UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION**

DR. JAMES M. SWANSON, an individual

Plaintiff,

v.

ALZA CORPORATION, a corporation,

Defendant.

Civil Case No. 4:12-cv-04579-PJH

**ALZA CORPORATION'S REPLY IN
SUPPORT OF ITS CORRECTED
MOTION TO DISMISS THE FIRST
AMENDED COMPLAINT PURSUANT
TO FEDERAL RULES OF CIVIL
PROCEDURE 12(b)(1) & 12(b)(6)**

**DATE: February 13, 2013
TIME: 9:00 a.m.
COURTROOM: 3, 3rd Floor
JUDGE: Hon. Phyllis J. Hamilton**

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I. INTRODUCTION

In opposing ALZA Corporation's Corrected Motion to Dismiss the First Amended Complaint,¹ Plaintiff submits materials alleged to support standing to assert correction-of-inventorship claims for the ALZA patents. But these documents prove the opposite: even assuming that Swanson brought an inventive contribution to the December 6, 1993 ALZA meeting (which ALZA disputes), the unambiguous agreement he signed in advance of that meeting assigned any inventions relating to the consultancy to ALZA. Swanson thus has no pecuniary interest in the ALZA patents, and therefore no standing to assert his correction of inventorship claim, which should be dismissed. Moreover, because all Swanson's claims rest upon his flawed inventorship claim, his Amended Complaint should be dismissed in its entirety.

The inequitable conduct and patent invalidity claims asserted in the Amended Complaint must be dismissed for the independent, dispositive reason that Swanson fails to establish the requisite Article III standing to challenge the validity or enforceability of the patents.

Finally, once the federal claims are dismissed, the Court must likewise dismiss the claims based on California law for lack of supplemental jurisdiction over those claims. Most of these claims are independently ripe for dismissal based on obvious pleading deficiencies. Accordingly, ALZA's Corrected Motion should be granted in its entirety.

II. ARGUMENT

A. The Evidence Shows Swanson Assigned Any Interest in the Patents to ALZA, and Thus Lacks Standing to Correct Inventorship.

1. No Evidentiary Hearing Is Required to Determine Swanson's Standing.

Swanson argues that because ALZA's Corrected Motion challenged the facts underlying jurisdiction, this Court *must* hold an evidentiary hearing to determine disputed jurisdictional facts. Opp'n at 3. In addition, he argues that because the jurisdictional and substantive issues

¹ Docket No. 45, referred to in this Reply Brief as the "Corrected Motion."

are intertwined, ALZA (not Swanson) would bear the burden to show that there is no disputed jurisdictional fact. *Id.* Swanson is incorrect on both counts.

First, nothing requires the Court to hold an evidentiary hearing to determine jurisdictional facts. *St. Clair v. City of Chico*, 880 F.2d 199, 201-02 (9th Cir. 1989).² If a party fails to produce a preponderance of evidence supporting jurisdiction based on the written record alone, the Court need only provide that party an opportunity to be heard before dismissal. *Id.* If the Court finds there is a dispute of jurisdictional facts based on the evidence, it “may” hold an evidentiary hearing to determine those facts. 5B Charles Alan Wright & Arthur R. Miller, Fed. Practice and Procedure § 1350 at 74 (“[The court] may allow discovery to be completed on the issue and order a further hearing to be held before ruling on the Rule 12(b)(1) motion.”). Regardless, the Court is not required to accept the allegations in the complaint as true—particularly when, as here, those allegations are inconsistent and contradictory. *See id.* at 50 (“[O]nce a factual attack is made on the federal court’s subject matter jurisdiction, the district judge is not obliged to accept the plaintiff’s allegations as true and may examine the evidence to the contrary. . . .”). In fact, even in a facial challenge (limited to the facts as alleged), due to the importance of establishing jurisdiction, contradictory or conclusory allegations are not credited. *Id.* at 48 (“[A]rgumentative (as opposed to reasonable) inferences favorable to the pleader will not be drawn and conclusory allegations or conclusions of law will not be credited.”). As demonstrated below, the Court need not conduct an evidentiary hearing because—as the evidence submitted by the parties unambiguously shows—the 1993 agreement that Swanson executed specifies that “all inventions . . . aris[ing] out of or relat[ing]” to his consultancy belong to ALZA. *See* DiMuzio Decl. In Support of Corrected Motion (Dkt. No. 45-1) (“DiMuzio Decl.”) at Ex. 1, p. 2.

² In support of the alleged requirement of an evidentiary hearing, Swanson cites to *McLachlan v. Bell*, 261 F.3d 908, 909 (9th Cir. 2001). However, in that case, the Ninth Circuit affirmed dismissal of a complaint *without* an evidentiary hearing to resolve disputed facts. *Id.*

1 *Second*, the summary judgment standard and related burdens apply only if the question
 2 of jurisdiction is inextricable from the merits of the case. *Augustine v. U.S.*, 704 F.2d 1074,
 3 1077 (9th Cir. 1983) (when determination of the merits cannot be separated from determination
 4 of jurisdictional facts, a motion to dismiss for lack of jurisdiction should be treated as a motion
 5 for summary judgment; otherwise, the jurisdictional question and related factual disputes should
 6 be decided first, and no presumption of truth attaches to the plaintiff's allegations).³ In this
 7 case, however, there is no reason that Swanson's assignment of any alleged interest in the
 8 ALZA patents cannot be determined separately from the merits of his claims (i.e., whether he
 9 invented anything). As demonstrated below, the unambiguous language of the 1993 agreement
 10 between Swanson and ALZA reveals that Swanson has no ownership interest in any alleged
 11 invention related to the consultancy—a conclusion further confirmed by the additional exhibits
 12 to Swanson's Opposition. Accordingly, accepting, for purposes of deciding jurisdiction,
 13 Swanson's allegations that he came to ALZA with the concept of a once-a-day dosage form for
 14 releasing an ascending dose of methylphenidate (*see* Am. Compl. ¶¶ 32-33, 36, 42-43, 89, 103),
 15 dismissal is proper, the veracity of Swanson's inventorship-related allegations notwithstanding.

16 **2. The 1993 Consulting Agreement Is Judicially Noticeable.**

17 Swanson objects to ALZA's request for judicial notice of the 1993 Consulting
 18 Agreement he signed in which he pledged to assign any invention that arose out of or related to
 19 the consultancy to ALZA. Swanson does not deny that he signed the agreement, that its plain
 20 language contains an assignment obligation, or that it is, generally, the type of evidence that can
 21 be considered by courts in resolving a Rule 12(b)(1) factual challenge to jurisdiction. *See, e.g.,*
 22 *St. Clair*, 880 F.2d at 202 (affirming district court's reliance on "extra-pleading material" in
 23 determining 12(b)(1) factual challenge). Instead, Swanson's sole objection to the request for
 24

25 ³ In *Augustine*, jurisdiction depended on when the statute of limitations began to run on a failure-
 26 to-diagnose medical malpractice claim. 704 F.2d at 1079. Both the claim and the jurisdictional
 27 question depended on deciding when the plaintiff learned that his doctors' failure to treat his
 28 tumor led to his later injuries, and on whether (and when) his doctors did diagnose his illness.
Id. Thus, there was no way to separate jurisdiction from the merits. *Id.*

notice is that he disputes the agreement’s validity “due to the fraudulent manner in which it was procured.” Opp’n at 2.

In support of this “fraud” argument, Swanson vaguely cites to the fraud count of the Amended Complaint. There, Swanson makes two unfounded assertions concerning the 1993 Consulting Agreement: (1) that ALZA’s attorney should have advised Swanson to retain his own counsel to evaluate the agreement or to present it to the University of California, Irvine (“UC”) lawyers for review (*see, e.g.*, Am. Compl. ¶ 122), and (2) that ALZA should have been more familiar with the patent assignment practices of UC than Swanson himself (*see* Am. Compl. at ¶¶ 116-117). Neither charge is relevant to ALZA’s request for judicial notice.

As an initial matter, Swanson provides no authority (and ALZA is aware of none) in support of the fanciful theory that ALZA had an obligation to advise Swanson—a counterparty to a contract—to seek counsel during its negotiation.⁴ As to the notion that ALZA should have known the invention assignment practices of UC Irvine (Am. Compl. ¶¶ 116, 117), Swanson alleges no facts whatsoever to support such a contention. Moreover, Swanson himself attaches his employment agreement with UC to his Opposition, and as shown in Section II.A.3., below, that agreement expressly permitted Swanson to engage in outside consulting activities—such as the consulting activities for ALZA that he warranted to ALZA in his 1993 Consulting Agreement he could undertake. Accordingly, Swanson raises no valid objection to the Court’s taking judicial notice of the 1993 Consulting Agreement.

3. The Additional Agreements Swanson Submitted in Opposition Confirm His Lack of Standing to Bring Inventorship Claims.

Straining to avoid a conclusion that his lack of a pecuniary interest in the ALZA patents destroys jurisdiction in this case, Swanson attaches two additional agreements with his

⁴ Notably, Swanson does not bring a claim to invalidate the 1993 agreement based on fraudulent inducement—nor could he. Swanson does not allege that ALZA or its attorney made any knowing misrepresentation to him with the intention of deceiving him and upon which he reasonably relied in signing the Consulting Agreement. Accordingly, Swanson alleges none of the fraudulent inducement elements. *Stewart v. Ragland*, 934 F.2d 1033, 1043 (9th Cir. 1991).

1 employer, UC. But these agreements prove the opposite: they *confirm* that he has no pecuniary
2 interest in ALZA's patents (assuming *arguendo* that he invented anything).

3 In his 1980 employment agreement with UC, Swanson agreed to a carve-out of the
4 obligation to assign invention rights to the University: any invention rights that resulted "from
5 permissible consulting activities without use of University facilities" were expressly excluded.
6 See Bathurst Decl. In Support of Opp'n (Dkt. No. 50) ("Bathurst Decl."), Ex. 1 at p. 3 of PDF.
7 In other words, there were exceptions to the general requirement to assign inventions to UC; one
8 exception is permissible consulting activities conducted without University resources.

9 The consulting work Swanson performed for ALZA falls within this exception, as
10 demonstrated by the second agreement between Swanson and UC that he attaches to his
11 Opposition. That document, dated October 24, 2012, reflects Swanson's representation that his
12 alleged invention was *not* made using any University resources, putting aside the resources used
13 during the clinical studies he conducted for ALZA (in 1994-95). Bathurst Decl. Ex. 2 at 1
14 ("(3) Your representation that with the exception of research performed at UC Irvine under the
15 Alza clinical trial agreement relating to the above-referenced Invention, *no University*
16 *resources, funds or time were involved.*") (Emphasis added).

17 In his Amended Complaint, Swanson alleges that he possessed the elements of claim 1
18 of the '129 patent *before* he ever spoke to anyone at ALZA, and brought them to his first
19 meeting with ALZA in December 1993. Specifically, Swanson asserts that "his own ideas from
20 the first meeting at ALZA in Palo Alto, CA about the methylphenidate concentrations after
21 multiple doses were the important bases for the '129 patent." Am. Compl. ¶ 33. He further
22 alleges that:

23 "[i]n ALZA's Reply Brief, ALZA falsely represents before the Federal
24 Circuit that 'The claimed invention is directed to a novel and nonobvious
25 way of treating ADHD. It rests on the inventors' surprising discovery that
26 an ascending [methylphenidate] (MPH) plasma concentration profile met
the long-felt need for an effective, once-daily ADHD treatment method.'
In fact, Dr. Swanson brought that 'surprising discovery' to ALZA at
ALZA's headquarters in Mountain View, CA on December 6, 1993."

27 Am. Compl. ¶ 36 (internal citation omitted). In later paragraphs, Swanson goes on to claim that
28 he possessed all the elements of Claim 1 of the '129 patent before he signed the 1993

Consulting Agreement with ALZA. Here is a comparison of claim 1 of the '129 patent versus what Swanson claims he knew when he arrived at ALZA on December 6, 1993:

Claim 1 of '129 Patent	Allegation from Amended Complaint (emphasis added)
A method for treating Attention-Deficit Disorder . . . in a patient, wherein the method comprises administering a pharmaceutically acceptable composition comprising methylphenidate and pharmaceutically acceptable carrier to said patient	Am. Compl. ¶ 37: Dr. Swanson's research prior to meeting with ALZA focused on the treatment of ADHD in children, the subject matter of the patents at issue.
in a manner that achieves a substantially ascending methylphenidate plasma drug concentration	Am. Compl. ¶42: Importantly, before ever meeting with anyone from ALZA , Dr. Swanson knew the optimal pattern for treatment of ADHD was three times a day dosing. Dr. Swanson presented his findings to the ALZA group about the plasma concentrations of methylphenidate and its major metabolite (ritalinic acid) of this regime that produced substantially ascending methylphenidate plasma concentrations across the day . Dr. Swanson brought this knowledge to the meeting at ALZA in Palo Alto, CA and it did not emerge based on discussions with anyone from ALZA, who by their own admissions knew little about ADHD or its treatment.
over a time period of about 8 hours following said administration.	Am. Compl. ¶ 43: " Dr. Swanson also recommended at the December 6, 1993 meeting at ALZA in Palo Alto, CA the need for a once a day pill. His recommendation included a pill with effects lasting for a school day. With early morning dosing, this would be longer than 8 hours (the duration for twice a day (BID) dosing regimen of immediate release methylphenidate) and more in line with a 12-hour duration of the three times a day (TID) regime that he had used in his early work on the pharmacokinetic (PK) properties of this drug.

In other words, Swanson alleges that he brought his alleged invention (treating ADHD using ascending plasma profiles of methylphenidate over a time period of about 8 hours) to ALZA in December 1993—well before clinical studies began in 1994.⁵ Thus, as confirmed by the October 2012 letter from UC to Swanson (Bathurst Decl. Ex. 2), this alleged invention did not involve UC resources, funds or time, and thus falls within the exclusion of his 1980

⁵ Again, ALZA disputes that Swanson invented the invention claimed in the ALZA patents; ALZA's Corrected Motion instead focuses on what Swanson has alleged, as those allegations and the evidence submitted by the parties suffice to demonstrate his lack of jurisdiction.

employment agreement. Accordingly, Swanson's UC employment agreement is irrelevant to whether Swanson had or has a pecuniary interest in the ALZA patents. Instead, the 1993 Consulting Agreement that Swanson signed prior to his initial ALZA meeting applies, and clearly assigns all rights in any invention "which ar[o]se out of or relate[s] to this consultancy" to ALZA. *See* DiMuzio Decl. at Ex. 1, p. 2.⁶ Therefore, based solely on Swanson's contentions (and further confirmed by the evidence he mistakenly relies upon to support his contentions) that he brought inventive ideas generated without use of UC resources to ALZA on December 6, 1993, this Court should conclude that any such inventions are the property of ALZA based on the unambiguous language of the Consulting Agreement Swanson executed. Accordingly, Swanson has no pecuniary interest in the ALZA patents, and Count 1 of Swanson's Amended Complaint should be dismissed with prejudice.⁷

B. An Inventorship Dispute Does Not Confer Standing to Sue for Invalidity or Unenforceability.

Swanson alleges that because ALZA was "was continuously engaged in litigations on patents, where Dr. Swanson's *inventorship* was at issue," these litigations "exposed [Swanson] to injury in fact if the court determined that he was not an *inventor*," and that, as a result, there was "a pending substantial controversy between the parties" regarding "his *inventorship* rights." Opp'n at 9-10 (emphasis added). Thus, the only interest Swanson claims in ALZA's patents is in being named as an inventor to them. Swanson, therefore, fails to address ALZA's argument that because he has never alleged that he uses or plans to use the ALZA patents, or that ALZA has taken steps to enforce its patents against him, he fails to assert a controversy between ALZA and himself relating to the validity or enforceability of those patents. *MedImmune, Inc. v.*

⁶ Notably, Swanson also represented in the 1993 Consulting Agreement that he was legally able to enter into it *and* that it would not conflict with any agreement, arrangement or understanding to which Swanson was already bound. DiMuzio Decl. at Ex. 1, p. 2.

⁷ If, despite these unambiguous agreements and representations, the Court nevertheless believes that disputed facts related to jurisdiction remain, ALZA respectfully requests (a) an evidentiary hearing on jurisdiction, and (b) a brief period of fact discovery limited to Swanson's assignment obligations.

1 *Genentech, Inc.*, 549 U.S. 118, 127 (2007). In support, ALZA cited several cases holding that
 2 in factual situations indistinguishable from this one, courts have rejected similar attempts by
 3 alleged inventors to bring invalidity and inequitable conduct claims. *See FMC Corp. v.*
 4 *Guthery*, No. 07-5409 (JAP), 2009 U.S. Dist. LEXIS 32950, at *23-25 (D.N.J. Apr. 17, 2009);
 5 *Sensitron, Inc. v. Wallace*, 504 F. Supp. 2d 1180, 1185 (D. Utah 2007); *Maxwell v. Stanley*
 6 *Works*, No. 3:06-0201, 2006 U.S. Dist. LEXIS 98913 at *9-10 (M.D. Tenn. July 11, 2006).

7 Swanson fails to distinguish this authority. He states that in *Sensitron*, there was “no
 8 ongoing suit between parties where inventorship of the plaintiff and putative inventor was at
 9 issue, as is the case here.” Opp’n at 11. But in *Sensitron*, there were inventorship claims and
 10 counterclaims between the two parties. 504 F. Supp. 2d at 1182.⁸ The court in *Sensitron* found
 11 that a decision about patent validity or unenforceability would not resolve any active dispute
 12 between the parties because there was no allegation that either party infringed the other’s
 13 patents. “[A]bsent some potential activity by the counterclaiming Defendant which could
 14 potentially constitute infringement, or some ongoing injury which, if removed, could result in
 15 infringement, [the inequitable conduct counterclaim] is not justiciable.” *Id.* at 1185. *Sensitron*,
 16 therefore, is indistinguishable from this case. Likewise, the court in *Guthery* found, separately
 17 from its dismissal of the inventorship claim due to laches, that counterclaims for invalidity or
 18 unenforceability are “nonjusticiable when considered in the context of a § 256 inventorship
 19 action.” *Guthery*, 2009 U.S. Dist. LEXIS 32950, at *23 (citing *Sensitron*).

20 The one case Swanson cites in support of his contention that he has standing to challenge
 21 the validity or enforceability of the ALZA patents discusses a different principle: that an entity
 22 seeking to add an inventor to a patent must show that it did not have deceptive intent when it
 23 failed to name the inventor in the first place. *Stark v. Advanced Magnetics, Inc.*, 119 F.3d 1551,
 24

25 ⁸ To the extent Swanson is referring to the *Kremers* litigation as the “ongoing suit,” Swanson
 26 does not explain how the issue of the patents’ infringement by third parties would confer
 27 standing on Swanson to contest their validity and enforceability; but, in any event, the *Kremers*
 28 litigation is concluded, and there is no other “ongoing” or current litigation between ALZA and
 any third party involving any of the ALZA patents.

1555 (Fed. Cir. 1997). This statement relates to an action by the patent holder to correct inventorship, not an action by the alleged inventor to invalidate or hold unenforceable a patent he claims he invented. *Stark* merely confirms that a party accused of infringement may raise defenses of invalidity or unenforceability due to intentional failure to name an inventor. Accordingly, *Stark* does not alter the Supreme Court's conclusion in *Medimmune* regarding Article III standing. Because Swanson does not assert that he practices, or has any intention of practicing, the ALZA patents, or that ALZA has taken any step towards enforcing its patents against him, he lacks standing to challenge their validity or enforceability. Accordingly, Counts 7 and 8 of the Amended Complaint should be dismissed, with prejudice.

C. Swanson's State Claims Should Likewise Be Dismissed.

1. Dismissal of Federal Claims Requires Dismissal of State Claims.

Swanson does not deny that if the Court dismisses his federal claims, his state claims must also be dismissed.⁹ *See* Corrected Mot. at 10. However, even if the Court finds that Swanson has standing to bring a federal claim, many of his state claims should be dismissed for the independent reason that, despite having had two opportunities to adequately plead them, Swanson has failed to do so.

2. Swanson's Breach of Fiduciary Duty Claim Should Be Dismissed.

Swanson's Opposition emphasizes that the only fiduciary duty he claims ALZA owed him is somehow derived from an alleged fiduciary duty between ALZA's outside counsel and Swanson. Swanson asserts that ALZA provided its outside counsel to represent him in responding to discovery in the *Kremers* litigation. In his Opposition and Amended Complaint, Swanson concedes that this "representation" was of an exceedingly limited nature: ALZA's counsel served one set of objections to discovery for Swanson. *See* Am. Compl. ¶ 161 ("ALZA, Sidley and Ashby *sought* to represent Dr. Swanson at his depositions, and filed objections on his

⁹ Of course, this includes Swanson's fraud claim (Count 2). Although ALZA did not move to dismiss the fraud claim under Rule 12(b)(6), it moved to dismiss it for lack of jurisdiction if the federal claims are dismissed.

1 behalf and delayed Dr. Swanson's deposition for as long as possible.") (Emphasis added).
 2 Regardless of whether any attorney-client relationship and related duty arose between ALZA's
 3 outside counsel and Swanson based on his admittedly limited interactions with the attorneys,
 4 Swanson cites no authority for his novel idea that the duties imposed by law in an attorney-
 5 client relationship are automatically transferred to a third party paying for the attorney.

6 All of the authority Swanson relies on relates to the distinct and inapplicable rule that
 7 courts have the inherent power to sanction a party when his attorney misses a deadline or
 8 engages in litigation misconduct. *See, e.g., O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.,*
 9 *Ltd.*, 449 Fed. Appx. 923, 930 (Fed. Cir. 2011). For example, in *O2 Micro*, the defendant's
 10 attorney willfully violated a court discovery order. *Id.* The Federal Circuit found no abuse of
 11 discretion when the district court responded to this by sanctioning the party with exclusion of its
 12 expert's testimony. *Id.* All of the other cases cited by Swanson (Opp'n at 13) are similarly
 13 irrelevant. These cases provide no support for Swanson's theory that the fiduciary duty owed to
 14 a client by a lawyer may be imposed on a third party funding the representation.¹⁰

15 Swanson's allegations of breach are likewise conclusory and insufficient. As discussed
 16 in the Corrected Motion (at 12-13), ALZA could not breach a duty that arose in 2011 by acts
 17 and omissions completed in 2005. The only other breach Swanson identifies is a failure to
 18 provide legal advice. The idea that ALZA could breach a fiduciary duty to Swanson by failing
 19 to provide him with legal advice about his alleged patent rights—which, if extant, would be

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 23 ¹⁰ *Link v. Wabash R.R.Co.*, 370 U.S. 626, 631-633 (7th Cir. 1986) (dismissal for failure to
 24 prosecute); *Pomeroy v. United States*, 39 Fed. Cl. 205, 209-210 (Fed. Cir. 1997) (same);
 25 *Pioneer Inv. Servs. Co. v. Brunswick Assoc. Ltd. P'ship*, 507 U.S. 380, 396 (1993) (attorney's
 26 failure to meet a deadline may bar claim); *United States v. 8136 S. Dobson St.*, 125 F.3d 1076,
 27 1084 (7th Cir. 1997) (same); *Tolliver v. Northrop Corp.*, 786 F.2d 316, 319 (7th Cir. 1986)
 28 (same as *Link*); *Brown v. Fed'n of State Med. Bds. of the United States*, No. 82 C 7398, 1986
 U.S. Dist. LEXIS 26154, at *17 (N.D. Ill. Apr. 29, 1986) (granting Rule 11 attorney's fee
 sanctions against party who was the "catalyst" in prolonging "meritless claim[s]"); *Neal v.*
Xerox Corp., 991 F. Supp. 494, 500 (E.D. Va. 1998) (dismissing case for failure to comply with
 statute of limitations).

adverse to ALZA’s patent rights—simply makes no sense. *See* Am. Compl. ¶ 163 (“ALZA . . . had a fiduciary duty toward Dr. Swanson to advise him about his inventorship rights”)

Swanson pleads no facts showing that he formed a fiduciary relationship with ALZA itself, or that ALZA breached any duty owed to him. As discussed in ALZA’s Corrected Motion, California law imposes no automatic fiduciary duty running from a hiring party to an independent contractor. *See Gilman v. Dalby*, 176 Cal. App. 4th 606, 614 (2009) (listing formal fiduciary relationships under California law). Swanson has alleged no facts showing that ALZA “assume[d] duties beyond those of mere fairness and honesty” or endeavored to “act on behalf of [Swanson], giving priority to [Swanson’s] . . . best interest” *Comm. on Children’s Television, Inc. v. Gen. Foods Corp.*, 35 Cal. 3d 197, 222 (1983). Because ALZA pointed out similar problems with Swanson’s first attempt at pleading a breach of fiduciary duty claim, he is clearly unable to overcome these basic insufficiencies. *See* Mot. to Dismiss, Dkt. No. 22, at 9-11. Accordingly, Count 3 should be dismissed with prejudice.

3. The Impossibility of Fraudulent Concealment of Public Facts Warrants Dismissal of Count 4.

Swanson attempts to resuscitate his fraudulent concealment claim by distracting the Court with time-bars applicable to different claims (fraud and inventorship). ALZA has not moved to dismiss Swanson’s inventorship or fraud claims based on laches or the statute of limitations beginning when ALZA’s patents issued. Instead, ALZA has moved to dismiss Swanson’s fraudulent concealment claim for the obvious reason that, once the patents (or their applications) published, ALZA could not have concealed its identification of inventors. Swanson cites no authority to contradict the argument that one cannot plausibly allege intentional concealment (or misrepresentation) of public facts. As a result, Swanson’s fraudulent concealment claim should fail.

Swanson relies primarily on a Ninth Circuit case relating to when the statute of limitations began to run on a fraud claim. *Gen. Bedding Corp. v. Echevarria*, 947 F.2d 1395, 1397-98 (1991). The Ninth Circuit noted the presumption that the plaintiff was on notice of the patent when it issued, but found that because the plaintiff had been misled about the fact that its

own officer was the true inventor on the patent (which did not name him), “a reasonable person might not infer from the patent’s existence that fraud had occurred.” *Id.* at 1397-98. If anything, this holding confirms ALZA’s argument: there can be no plausible fraudulent concealment of a public fact such as a patent issuing because the world is on constructive notice of the issuance.¹¹ Swanson’s protestations about when he first appreciated what the ALZA patents claim are irrelevant to this question because a fraudulent concealment claim requires facts showing a duty to disclose information. Swanson does not explain how ALZA could have a duty to inform him that he was not named as an inventor on ALZA’s patents after 2005 when this became public knowledge.

4. Swanson’s Unfair Competition Claim Should Be Dismissed.

Swanson argues that his unfair competition claim should survive this Corrected Motion because, even though he neglected to plead any financial injury to himself as a result of the unfair competition, he incorporated allegations of harm from other portions of the Amended Complaint, and this should suffice. Opp’n at 16. But each cause of action requires a short, plain statement of *all* its elements to meet the requirements of Federal Rule of Civil Procedure 8(a). *Sparling v. Hoffman Constr. Co., Inc.*, 864 F.2d 635, 640 (9th Cir. 1988) (finding fraud claim properly dismissed when the elements could be found only upon examination of every cause of action).

Even if Swanson’s reliance on pleading by incorporation is valid, he fails to assert why either he or UC would have been injured based on the allegedly unfair competition. Swanson’s claim is that, by failing to name him as “at least a co-inventor” on the disputed patents, ALZA deprived UC of “compensation” for “exclusive rights.” Am. Compl. ¶¶ 211, 212. However, assuming *arguendo* that Swanson was an actual inventor and that UC should have been a co-

¹¹ Swanson’s reliance on *Guthery* is also misplaced. *Guthery* relates to the laches period for a correction of inventorship claim, for which “the period of delay is measured from when the claimant had actual notice of the claim or would have reasonably expected to inquire about the subject matter.” *Advanced Cardiovascular Sys., Inc. v. SciMed Life Sys., Inc.*, 988 F.2d 1157, 1161 (Fed. Cir. 1993).

owner of the ALZA patents (ALZA disputes both), ALZA did not need “exclusive rights” from UC or Swanson to sell drugs that practiced the patents. It is well-established that joint patent owners have an independent right to practice a patent, and are not entitled to a royalty based on co-owners’ use. *See* 35 U.S.C. § 262 (“In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States . . . without the consent of and without accounting to the other owners.”) Accordingly, no matter what alleged harm Swanson identifies in other counts of the Amended Complaint, he fails to allege a loss of money or property to himself resulting from ALZA’s alleged unfair competition. Thus, Count 5 should be dismissed with prejudice.

5. Swanson’s Unjust Enrichment Claim Is Not Legally Cognizable.

Swanson’s unjust enrichment claim should also be dismissed. Swanson does not address the authority holding that this is not a valid claim under California law.¹² Swanson does assert a separate argument that his unjust enrichment claim should not be preempted by federal law if the “theory of recovery was based on a discrete transaction allegedly tainted by misrepresentation of sole inventorship of [a] patent.” *Opp’n* at 18.¹³ In fact, the Federal Circuit has held that unjust enrichment claims brought by an alleged co-inventor seeking a share of payments for patent use (as Swanson claims) are preempted by Federal patent law. *See Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1376-81 (Fed. Cir. 2005). “The district court . . . reasoned that 35 U.S.C. § 262 precluded Ultra-Precision from obtaining an ‘accounting’ from joint inventors.” *Id.* at 1376. The Federal Circuit affirmed, holding that because the patent holder was free to use the patent without paying alleged co-owners, allowing

¹² As ALZA argued in its Corrected Motion (at n. 5), Swanson’s failure to oppose this argument in ALZA’s first Motion to Dismiss, and the Court’s Order of November 2, 2012, bar re-assertion of this claim.

¹³ Swanson does not identify the “discrete transaction” to which he refers.

1 an unjust enrichment claim to recover money for the patent's use would frustrate the patent
2 laws. *Id.* at 1381.¹⁴

3 As in *Ultra-Precision*, Swanson claims a share of ALZA's proceeds from use of its
4 patents. ("ALZA's unjust enrichment includes what Dr. Swanson and the Regents would have
5 otherwise received from ALZA in return for exclusive rights to the '129 patent, the '373 patent,
6 and the '798 patent." Am. Compl. ¶ 236.) Even if Swanson was a co-owner of the ALZA
7 patents, ALZA would not need to pay him for "exclusive rights" in order to use the patents.
8 Thus, even if unjust enrichment was still a viable claim in California, it would be preempted in
9 any event. Swanson's unjust enrichment claim (Count 6) should therefore be dismissed with
10 prejudice.

11 **6. Swanson's Declaration of Ownership Claim Should Be Dismissed.**

12 Swanson alleges that he is entitled to "a declaration that as between Dr. Swanson and
13 ALZA, Dr. Swanson is at least a legal and equitable co-owner of the '129 patent, the '798
14 patent, and the '373 patent and to an order that ALZA must execute any necessary documents to
15 confirm formally Dr. Swanson's ownership of the '129 patent, the '798 patent, and the '373
16 patent." Opp'n. at 18. In response to ALZA's motion to dismiss the count as preempted by
17 federal patent law, Swanson argues that there is a genuine dispute over ownership of these
18 patents "which raises state law statutory and contract questions." *Id.* The case he cites for that
19 proposition, *Kucharczyk*, is inapposite. In *Kucharczyk*, the Court faced a straight-forward
20 dispute between the University and faculty members requiring contract interpretation under
21 California state law. *Kucharczyk* did not involve allegations of improper inventorship.

22 Unlike the cases cited in his brief, Swanson does not allege ownership rights based on a
23 contractual dispute. To the contrary, his ownership claim depends entirely on a determination
24

25 ¹⁴ The case Swanson cites, *Shum v. Intel Corp.*, 630 F. Supp. 2d 1063, 1079 (N.D. Cal. 2009), is
26 in accord with *Ultra-Precision*. The *Shum* court concluded the unjust enrichment claim was not
27 preempted because it sought restitution for sale of a company based on a misrepresentation of
28 sole patent ownership. *Id.* at 1079-80. The court reasoned that § 262 did not speak to this
alleged conduct. *Id.* at 1079.

regarding his alleged inventorship. As such, it is preempted by federal patent law. *See Smith v. Healy*, 744 F. Supp. 2d 1112, 1130 (D. Or. 2010) (“Plaintiffs’ proposed conversion claim does not concern Plaintiffs’ tangible property but rather their intangible idea . . . therefore . . . Plaintiffs’ proposed conversion claim would be preempted by [federal] patent law.”). *See also Gen. Elec. Co. v. Wilkins*, 2011 U.S. Dist. LEXIS 81479, at *26-28 (E.D. Cal. July 26, 2010) (finding conversion claim preempted where the counter claimant alleged that the counter defendant wrongfully interfered with counter claimant’s ownership interest as an inventor in certain patents). Because Count 9 depends on Swanson’s alleged inventorship, it is preempted by federal patent law and should be dismissed.

7. Constructive Trust Is A Remedy, Not A Stand-Alone Claim, and Should Thus Be Dismissed.

As Swanson concedes, a “constructive trust is an equitable *remedy*.” *See* Opp. at 20 (emphasis added). Swanson cites no authority to support a constructive trust claim as a stand-alone count. Without a separate basis for imposing the remedy of a constructive trust, Count 10 should be dismissed for failure to state a claim. While Swanson miscasts ALZA’s argument as predicated on dismissal of his fraud and fraudulent concealment claims (which, as shown above, should be dismissed), his Opposition provides no justification for maintaining constructive trust as a stand-alone claim.

Further, because the imposition of a constructive trust would necessarily involve a determination regarding Swanson’s alleged inventorship rights, Count 10 is preempted by federal patent law and should be dismissed on this separate ground.

III. CONCLUSION.

For the foregoing reasons, ALZA respectfully requests that the Amended Complaint be dismissed.

DATED: January 9, 2013

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