

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

DR. JAMES M. SWANSON,

Plaintiff,

v.

ALZA CORPORATION,

Defendant.

No. C 12-4579 PJH

**ORDER GRANTING MOTION TO  
DISMISS IN PART AND DENYING  
IT IN PART**

Defendant's motion for an order dismissing the first amended complaint for lack of subject matter jurisdiction and failure to state a claim came on for hearing before this court on February 20, 2013. Plaintiff Dr. James M. Swanson appeared by his counsel Gerald P. Dodson and K. Brian Bathurst, and defendant ALZA Corporation ("ALZA") appeared by its counsel Kurt G. Calia and Elena M. DiMuzio. Having read the parties' papers and carefully considered their arguments and the relevant legal authority, the court hereby GRANTS the motion in part and DENIES it in part as follows and for the reasons stated at the hearing.

**BACKGROUND**

Plaintiff Dr. James M. Swanson alleges that he invented what is claimed in three patents that are presently assigned to defendant ALZA – U.S. Patent No. 6,930,129 B2 ("the '129 patent"); U.S. Patent No. 8,163,798 B2 ("the '798 patent"); and U.S. Patent No. 6,919,373 B1 ("the '373 patent"). In the present action, Dr. Swanson seeks an order declaring that he is the true inventor of the three patents, and a directive to the Commissioner of the United States Patent and Trademark Office ("PTO") instructing him to

1 issue a certificate of correction; or, in the alternative, seeks a declaratory judgment of  
2 invalidity and unenforceability.

3 Dr. Swanson is Emeritus Professor of Pediatrics at the University of California Irvine.  
4 He began his employment with the University of California ("UC") on June 1, 1980. At that  
5 time, per the standard practice at most institutions of higher learning in the U.S., Dr.  
6 Swanson agreed to assign all rights to his inventions to the Regents of the University of  
7 California ("the Regents"). In return for his assignment, Dr. Swanson was entitled to  
8 receive a royalty for his inventions. He also agreed to provide the Regents – not a party  
9 herein – with a percentage of any recovery from this action.

10 On December 6, 1993, Dr. Swanson met with a group of people at ALZA's Northern  
11 California headquarters to present his work on attention-deficit/hyperactivity disorder  
12 ("ADHD"). He asserts that he spoke to the ALZA group for two hours about his work on  
13 stimulant medication using methylphenidate, and also spoke about the pharmacokinetics  
14 and behavioral time course of various drugs used for treatment of ADHD, describing the  
15 problems with each drug and their formulations.

16 Dr. Swanson alleges that prior to the December 6, 1993 meeting, he had spent more  
17 than 15 years engaged in the study and treatment of ADHD, with emphasis on the  
18 treatment of ADHD in children. He asserts that he had developed procedures for  
19 monitoring the cognitive effects of medication using methylphenidate, and that he also  
20 participated in pioneering the development of improved methods for measuring the plasma  
21 concentration of methylphenidate and its metabolite, in order to relate plasma  
22 concentrations to clinical efficacy. In addition, he collaborated on work on the biochemical  
23 and genetic factors related to ADHD.

24 Prior to the December 6, 1993 meeting, ALZA required Dr. Swanson to sign a  
25 consulting agreement. According to Dr. Swanson, this consulting agreement pertained to  
26 the treatment of ADHD in children, which had nothing to do with ALZA's business activities,  
27 as ALZA was only a drug delivery company at that time. Dr. Swanson claims that he was  
28 expressly told prior to the December 6, 1993 meeting that no one at ALZA was an expert or

1 had much knowledge about ADHD or the treatment for the disorder, and that he should  
2 give a comprehensive overview of his prior 15 years' experience working with treatment of  
3 children with ADHD, including his recommendations for treatment.

4 Dr. Swanson asserts that despite knowing that he was a UC employee and was  
5 obligated to assign all rights to his inventions to the Regents, ALZA did not advise him to  
6 consult with an attorney before signing the consulting agreement or to give the Regents an  
7 opportunity to review the agreement before he signed it.

8 Dr. Swanson alleges that following the December 6, 1993 meeting, he had  
9 numerous conference calls and meetings discussing work that he and ALZA would be  
10 jointly performing, in which ALZA would confirm his recommendations for treatment of  
11 children with ADHD. ALZA named him the principal investigator in the first study and he  
12 wrote much of the protocol. He was also the first person to analyze the data that resulted  
13 from that first study.

14 Dr. Swanson wrote up the report and presented it to ALZA on December 6, 1994.  
15 According to Dr. Swanson, the data confirmed his recommendations, which made him "very  
16 excited" and which also pleased the ALZA scientists. On January 13, 1995, he presented  
17 ALZA with a final report.

18 After January 13, 1995, Dr. Swanson helped develop the protocol for ALZA's second  
19 study. He claims that after January 13, 1995, until at least October 17, 1995, he was  
20 instructed by ALZA not to disclose any information about his work with ALZA until ALZA  
21 had an opportunity to file patent applications. ALZA filed provisional patent applications on  
22 October 17, 1995, September 30, 1996, and November 12, 1996.

23 The three ALZA patents at issue in this case are entitled "Methods and Devices for  
24 Providing Prolonged Drug Therapy," and are directed at "maintaining a desired therapeutic  
25 drug effect over a prolonged therapy period." The '129 patent was issued on August 6,  
26 2005, and is a continuation of an application filed on February 19, 1999 (now the '373  
27 patent), which was a continuation in part of an application filed on April 30, 1998  
28 (abandoned), which was a continuation in part of an application filed on August 19, 1997

(abandoned), which was a continuation of an application filed on July 31, 1997. The '798 patent was issued on April 24, 2012, and is a continuation of an application filed on March 8, 2001 (now the '129 patent). The '373 patent was issued July 19, 2005.

All three patents show ALZA as the assignee and list as inventors a number of the ALZA employees that Dr. Swanson identifies as having been present at the December 6, 1993 meeting. Dr. Swanson alleges that he is the inventor of certain claims in the provisional applications, in the applications that led to the three patents, and in the three patents themselves. He asserts that ALZA did not acknowledge his contributions on the patents because it did not want to have to pay a royalty to the Regents for exclusive use of his inventions.

Dr. Swanson claims the he did not discover that ALZA had obtained patents for what he believes to be his inventions until April 2011, when he was deposed in connection with the litigation of ALZA v. Kremers Urban, LLC, Case No. 10-23-LPS (D. Del.) ("the Kremers litigation"), at which time he asserts he first became aware of the claims in the '129 patent.

Dr. Swanson filed the original complaint in this action on August 30, 2012, and filed the first amended complaint ("FAC") on November 14, 2012. In the FAC, Dr. Swanson asserts ten causes of action – (1) correction of inventorship of the '129, '798, and '373 patents under 35 U.S.C. § 256; (2) fraud; (3) breach of fiduciary duty; (4) fraudulent concealment; (5) unfair competition under Business and Professions Code § 17200; (6) unjust enrichment; (7) declaratory judgment of invalidity of the '129 patent, the '798 patent, and the '373 patent under 35 U.S.C. § 102(f); (8) declaratory judgment of unenforceability of the three patents for inequitable conduct; (9) declaration of ownership of the three patents; and (10) constructive trust.

ALZA now seeks an order dismissing the FAC for lack of subject matter jurisdiction, pursuant to Federal Rule of Civil Procedure 12(b)(1), based on lack of standing to pursue the federal patent claims; and/or an order dismissing the third, fourth, fifth, sixth, ninth, and tenth causes of action for failure to state a claim, pursuant to Federal Rule of Civil Procedure 12(b)(6).

**DISCUSSION**

## B. Motion to Dismiss for Lack of Subject Matter Jurisdiction

## 1. Legal standard

Federal courts are courts of limited jurisdiction, possessing only that power authorized by Article III of the United States Constitution and statutes enacted by Congress pursuant thereto. See Bender v. Williamsport Area Sch. Dist., 475 U.S. 534, 541 (1986). Federal courts have no power to consider claims for which they lack subject-matter jurisdiction, see Chen-Cheng Wang ex rel. United States v. FMC Corp., 975 F.2d 1412, 1415 (9th Cir. 1992), and are under a continuing duty to dismiss an action whenever it appears that the court lacks jurisdiction. Spencer Enters., Inc. v. United States, 345 F.3d 683, 687 (9th Cir. 2003).

The Constitution limits the federal judiciary power to designated “cases” and “controversies.” U.S. Const., Art. III, § 2. Thus, federal courts can determine only those matters that arise in the context of a genuine “case” or “controversy” within the meaning of Article III. SEC v. Medical Committee for Human Rights, 404 U.S. 403, 407 (1972). The burden of establishing that a cause lies within this limited jurisdiction rests upon the party asserting jurisdiction. Kokkonen v. Guardian Life Ins. Co. of America, 511 U.S. 375, 377 (1994); see also Tosco Corp. v. Communities for a Better Env't, 236 F.3d 495, 499 (9th Cir. 2001).

Standing is a critically important jurisdictional limitation. It is “an essential and unchanging part of the case-or-controversy requirement of Article III. Lujan v. Defenders of Wildlife, 504 U.S. 555, 560 (1992). Standing is not subject to waiver, and must be considered by the court even if the parties fail to raise it. See United States v. Hays, 515 U.S. 737, 742 (1995). The burden is on the party who seeks the exercise of jurisdiction in his or her favor to “clearly . . . allege facts demonstrating that he is a proper party to invoke judicial resolution of the dispute.” Id. at 743.

To establish a “case or controversy” within the meaning of Article III, a plaintiff must, at an “irreducible minimum,” show an “injury in fact” which is concrete and not conjectural,

1 a causal causation between the injury and defendant's conduct or omissions, and a  
2 likelihood that the injury will be redressed by a favorable decision. Lujan, 504 U.S. at 560-  
3 61; see also Allen v. Wright, 468 U.S. 737, 751 (1984).

4 2. ALZA's motion

5 ALZA argues that the FAC should be dismissed in its entirety because Dr. Swanson  
6 lacks standing to bring the federal claims presented, and the court therefore has no  
7 jurisdiction over those claims, and no supplemental jurisdiction over the state law claims.

8 With regard to the first cause of action for correction of inventorship, ALZA notes  
9 that Dr. Swanson alleges in the FAC that he assigned "all rights to his inventions" to his  
10 employer, UC; but that he also alleges that he was retained as a consultant by ALZA, and  
11 that prior to his first meeting with ALZA in December 1993, he signed a consulting  
12 agreement that would purportedly unfairly benefit ALZA with respect to the control of any  
13 intellectual property that he provided or would provide to ALZA.

14 ALZA asserts that if, as Dr. Swanson claims, UC owns all rights and interest in the  
15 patents-in-suit, then he has no financial interest in the ownership of the patents, and  
16 therefore lacks standing to seek correction of inventorship. Alternatively, ALZA argues, if  
17 Dr. Swanson's consulting agreement with ALZA required him to assign all inventions that  
18 he provided or would provide to ALZA, then ALZA owns them.

19 In order to have standing to correct inventorship under 35 U.S.C. § 256, alleged  
20 inventors must have a concrete financial interest in the relevant patents. Larson v. Correct  
21 Craft, Inc., 569 F.3d 1319, 1326-27 (Fed. Cir. 2009). Where an inventor assigns all of his  
22 interest in an invention to others, he retains "no financial interest in the patents" and  
23 therefore no interest sufficient for him to have standing to pursue a § 256 claim. Id. at  
24 1327. In such a situation, there can be no Article III case or controversy, and no  
25 supplemental jurisdiction over any asserted state law claims. Id. at 1325-26.

26 Nevertheless, even where a plaintiff has assigned all rights in an invention, he may  
27 still have standing to bring a correction of inventorship claim if he can show a "concrete  
28 financial interest" in the patent despite the assignment – for example, the right to receive

1 royalties obtained by licensing the patent, or a share in stock of any new companies formed  
2 around the patents. See Chou v. University of Chicago, 254 F.3d 1347, 1356-57 (Fed. Cir.  
3 2001).

4 Here, ALZA argues, Dr. Swanson alleges that he assigned all rights to UC, and  
5 asserts only that he is “entitled to receive a royalty for his inventions.” ALZA claims that  
6 this reference is too vague to show a “concrete financial interest” sufficient to confer  
7 standing. Moreover, ALZA notes, Dr. Swanson alleges elsewhere in the FAC that he (not  
8 UC) owns the rights to the patents-in-suit, and that he has agreed to provide UC with a  
9 percentage of any recovery from this action. ALZA contends that if UC owes Dr. Swanson  
10 a royalty for his inventions, then it makes no sense that he would be paying UC a portion of  
11 his recovery.

12 As for the consulting agreement between ALZA and Dr. Swanson, ALZA notes that  
13 the agreement – which Dr. Swanson signed before the first meeting in December 1993 –  
14 provides that “[a]ll inventions, know-how, data and information received, generated, or  
15 made, as the case may be, by [Dr. Swanson as consultant] which arise out of or relate to  
16 the consultancy shall be the property of ALZA.” Thus, ALZA asserts, it is clear that  
17 whatever inventions Dr. Swanson believes he brought to ALZA starting in December 1993  
18 are ALZA’s property if they “relate to” the consultancy – which Dr. Swanson claims focused  
19 on “the treatment of ADHD in children.”

20 ALZA disputes that Dr. Swanson invented anything, but argues that based on its  
21 interpretation of Dr. Swanson’s allegations that any ownership interest he may have held  
22 was assigned to either UC or ALZA, he cannot possibly have any financial interest in the  
23 patents and his claims must be dismissed.

24 With regard to the seventh and eighth causes of action seeking a declaratory  
25 judgment of invalidity and unenforceability of the patents-in-suit, ALZA contends that Dr.  
26 Swanson also lacks standing to bring these claims. In order to establish that the court has  
27 declaratory judgment jurisdiction to invalidate the patents or to declare them unenforceable,  
28 a plaintiff’s complaint must show that there is a “substantial controversy, between parties

1 having adverse legal interests, of sufficient immediacy and reality to warrant the issuance  
2 of a declaratory judgment.” MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127  
3 (2007).

4 ALZA argues that the FAC fails to allege that there is any controversy between the  
5 parties regarding the validity or enforceability of the patents – as Dr. Swanson does not  
6 allege that he is engaged in any allegedly infringing behavior, or that ALZA has taken any  
7 action to enforce the patents against him. ALZA contends that without allegations  
8 establishing that there is a dispute between the parties which will be resolved by a  
9 determination of patent validity or enforceability, Dr. Swanson lacks standing to challenge  
10 the validity or enforceability.

11 Finally, ALZA argues that without Article III case-or-controversy jurisdiction over any  
12 federal claim, the court cannot exercise supplemental jurisdiction over the state law claims.  
13 See Larson, 569 F.3d at 1325-26. Thus, dismissal of the claims based on patent law would  
14 require dismissal of the California and state common law claims as well.

15 The court finds that the motion must be DENIED. With regard to the correction of  
16 inventorship claim, there are numerous factual disputes regarding the UC employment/  
17 patent agreement and the ALZA consulting agreement. At a minimum, it is too early in the  
18 case for ALZA to be seeking an interpretation from the court of the provisions of those  
19 agreements, or a determination regarding which of the agreements (if any) governs the  
20 invention claimed by Dr. Swanson.

21 In addition, the argument that Dr. Swanson has no financial interest, and therefore  
22 no standing, also raises factual issues because, for example, the UC employment  
23 agreement plainly contemplated that Dr. Swanson would receive royalties from any  
24 invention of his that was patented by UC; and because it is not clear whether the ALZA  
25 patents emerged from information or work done pursuant to the consulting agreement with  
26 Dr. Swanson, or whether Dr. Swanson had independently completed work while employed  
27 at UC (and before he signed the consulting agreement with ALZA) and then presented it to  
28 ALZA as background information.



1 With regard to whether Dr. Swanson has standing to seek a declaratory judgment of  
2 unenforceability and invalidity, it is true that he does not argue that he plans to use the  
3 patents, or that ALZA has taken steps to enforce the patents against him. Thus, while  
4 there is certainly a dispute between Dr. Swanson and ALZA regarding Dr. Swanson's claim  
5 that he is an inventor of ALZA's patents, it is possible that there may not be a controversy  
6 between the two regarding validity or enforceability. However, as with the question of  
7 standing to assert the inventorship claim, the court finds that in the absence of a developed  
8 record, it is not possible to determine whether Dr. Swanson in fact has standing to seek a  
9 declaratory judgment of unenforceability and invalidity.

10 With regard to invalidity, Dr. Swanson seeks a declaratory judgment that the patents  
11 are invalid under § 102(f) because ALZA derived the invention from him and failed to name  
12 the true inventor. Under § 102(f), a person is not entitled to a patent if he "did not himself  
13 invent the subject matter sought to be patented." 35 U.S.C. § 102(f). With regard to  
14 unenforceability, Dr. Swanson seeks a declaratory judgment that the patents-in-suit are  
15 unenforceable because of inequitable conduct in patent procurement, based on alleged  
16 false representations to the PTO regarding the inventorship of the patents. Given the  
17 nature of the dispute between Dr. Swanson and ALZA concerning inventorship, and the  
18 attending factual disputes, the court finds that Dr. Swanson has made out a prima facie  
19 demonstration of a case or controversy sufficient to allow the case to proceed.

20 In connection with his opposition to ALZA's motion, Dr. Swanson also filed a motion  
21 for jurisdictional discovery and an evidentiary hearing, arguing that as the non-moving  
22 party, he is entitled to both because ALZA converted its Rule 12(b)(1) motion into a "factual  
23 motion" by furnishing "evidence." The court will consider the extent of discovery and other  
24 issues related to the management of the case at the initial case management conference,  
25 the date of which will be set by separate notice from the court.

26 C. Motion to Dismiss for Failure to State a Claim

27 1. Legal standard

28 A motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) tests for the legal

1 sufficiency of the claims alleged in the complaint. Ileto v. Glock, Inc., 349 F.3d 1191,  
 2 1199-1200 (9th Cir. 2003). Review is limited to the contents of the complaint. Allarcom  
 3 Pay Television, Ltd. v. Gen. Instrument Corp., 69 F.3d 381, 385 (9th Cir. 1995). To survive  
 4 a motion to dismiss for failure to state a claim, a complaint generally must satisfy only the  
 5 minimal notice pleading requirements of Federal Rule of Civil Procedure 8, which requires  
 6 that a complaint include a “short and plain statement of the claim showing that the pleader  
 7 is entitled to relief.” Fed. R. Civ. P. 8(a)(2).

8 A complaint may be dismissed under Rule 12(b)(6) for failure to state a claim if the  
 9 plaintiff fails to state a cognizable legal theory, or has not alleged sufficient facts to support  
 10 a cognizable legal theory. Balistreri v. Pacifica Police Dep't, 901 F.2d 696, 699 (9th Cir.  
 11 1990). The court is to “accept all factual allegations in the complaint as true and construe  
 12 the pleadings in the light most favorable to the nonmoving party.” Outdoor Media Group,  
 13 Inc. v. City of Beaumont, 506 F.3d 895, 899-900 (9th Cir. 2007).

14 However, legally conclusory statements, not supported by actual factual allegations,  
 15 need not be accepted. Ashcroft v. Iqbal, 556 U.S. 662, 678-79 (2009). The allegations in  
 16 the complaint “must be enough to raise a right to relief above the speculative level.” Bell  
 17 Atlantic Corp. v. Twombly, 550 U.S. 544, 555 (2007) (citations and quotations omitted). A  
 18 claim has facial plausibility when the plaintiff pleads factual content that allows the court to  
 19 draw the reasonable inference that the defendant is liable for the misconduct alleged.”  
 20 Iqbal, 556 U.S. at 678 (citation omitted). “[W]here the well-pleaded facts do not permit the  
 21 court to infer more than the mere possibility of misconduct, the complaint has alleged – but  
 22 it has not ‘show[n]’ – ‘that the pleader is entitled to relief.’” Id. at 679. In the event  
 23 dismissal is warranted, it is generally without prejudice, unless it is clear the complaint  
 24 cannot be saved by any amendment. See Sparling v. Daou, 411 F.3d 1006, 1013 (9th Cir.  
 25 2005).

26 In addition, while the court generally may not consider material outside the pleadings  
 27 when resolving a motion to dismiss for failure to state a claim, the court may consider  
 28 matters that are properly the subject of judicial notice. Lee v. City of Los Angeles, 250 F.3d

668, 688-89 (9th Cir. 2001); Mack v. South Bay Beer Distributors, Inc., 798 F.2d 1279, 1282 (9th Cir. 1986). The court may also consider exhibits attached to the complaint, see Hal Roach Studios, Inc. V. Richard Feiner & Co., Inc., 896 F.2d 1542, 1555 n.19 (9th Cir. 1989), as well as documents referenced extensively in the complaint and documents that form the basis of a the plaintiff's claims. See No. 84 Employer–Teamster Joint Counsel Pension Trust Fund v. America West Holding Corp., 320 F.3d 920, 925 n.2 (9th Cir. 2003).

Finally, in actions alleging fraud, “the circumstances constituting fraud or mistake shall be stated with particularity.” Fed. R. Civ. P. 9(b). Under Rule 9(b), falsity must be pled with specificity, including an account of the “time, place, and specific content of the false representations as well as the identities of the parties to the misrepresentations.” Swartz v. KPMG LLP, 476 F.3d 756, 764 (9th Cir. 2007) (citations omitted).

“[A]llegations of fraud must be specific enough to give defendants notice of the particular misconduct which is alleged to constitute the fraud charged so that they can defend against the charge and not just deny that they have done anything wrong.” Bly-Magee v. California, 236 F.3d 1014, 1019 (9th Cir. 2001) (citation and quotations omitted). In addition, the plaintiff must do more than simply allege the neutral facts necessary to identify the transaction; he must also explain why the disputed statement was untrue or misleading at the time it was made. Yourish v. California Amplifier, 191 F.3d 983, 992-93 (9th Cir. 1999).

## 2. ALZA's motion

ALZA argues that the third (breach of fiduciary duty), fourth (fraudulent concealment), fifth (§ 17200), sixth (unjust enrichment), ninth (declaration of ownership), and tenth (constructive trust) causes of action should be dismissed for failure to state a claim, pursuant to Rule 12(b)(6).

Dr. Swanson opposes the motion as to these causes of action with the exception of the sixth cause of action for unjust enrichment, which he conceded in his opposition fails to state a claim (although his counsel backed away from that position at the hearing). He also notes that ALZA has not sought dismissal of the second cause of action for fraud, and

1 argues that that claim remains in the case in any event.

2 a. breach of fiduciary duty

3 In the third cause of action for breach of fiduciary duty, Dr. Swanson alleges that  
4 ALZA, and the law firms of Sidley and Ashby & Geddes (not parties herein), assumed a  
5 fiduciary duty towards him based on, among other things, Sidley's and Ashby's  
6 representation of him in the Kremers litigation. Allegedly, at ALZA's behest, Sidley and  
7 Ashby represented Dr. Swanson at his deposition taken in that case, and filed objections  
8 on his behalf and delayed the deposition as long as possible.

9 Dr. Swanson asserts that ALZA, and Sidley and Ashby, "had to be aware of" his  
10 contributions to ALZA's patents, and thus had a duty to investigate whether he was the  
11 inventor of the '129 patent. Dr. Swanson contends that ALZA, and Sidley and Ashby,  
12 breached this duty, as they failed to consult Dr. Swanson about this issue. He alleges  
13 further that ALZA, and Sidley and Austin, had a fiduciary duty to advise him about his  
14 inventorship rights, to advise him about a potential conflict with ALZA, and to advise him to  
15 seek his own counsel, but that they failed to comply with these obligations, thereby  
16 breaching the fiduciary duty they owed to him.

17 ALZA argues that the breach of fiduciary duty claim must be dismissed because Dr.  
18 Swanson fails to plead facts sufficient to support the elements of the claim. To state a  
19 claim for breach of fiduciary duty, a plaintiff must allege facts that, if true, show the  
20 existence of a fiduciary relationship, a breach of the fiduciary duty, and damage proximately  
21 caused by that breach. See Roberts v. Lomanto, 112 Cal. App. 4th 1553, 1562 (2003).  
22 ALZA argues that Dr. Swanson fails to plead facts making it plausible to conclude that it  
23 owed him any duty, or that it breached any duty owed to him.

24 "Before a person can be charged with a fiduciary obligation, he must either  
25 knowingly undertake to act on behalf and for the benefit of another, or must enter into a  
26 relationship that imposes that undertaking as a matter of law." City of Hope Nat'l Med. Ctr.  
27 v. Genentech, Inc., 43 Cal. 4th 375, 386 (2008) (citation and quotation omitted). Thus, in  
28 certain relationships, California law imposes a fiduciary duty. GAB Business Servs., Inc. v.

1 Lindsey & Newsom Claim Servs., Inc., 83 Cal. App. 4th 409, 416 (2000), overruled on other  
2 grounds by Reeves v. Hanlon, 33 Cal. 4th 1140 (2004).

3 However, ALZA asserts, a contractual consulting relationship, such as the one  
4 between Dr. Swanson and ALZA, does not automatically impose a fiduciary duty on any  
5 parties to the contract. Nor, ALZA asserts, is it aware of any authority holding that when a  
6 company offers to provide counsel to represent a consultant for the limited purpose of  
7 responding to discovery or preparing for a deposition, as Dr. Swanson claims ALZA did in  
8 connection with the Kremers litigation, a fiduciary duty is automatically imposed on the  
9 company.

10 In addition, ALZA argues, the FAC does not allege any basis to imply a fiduciary  
11 duty. An implied duty may arise when confidence is imposed by persons in the integrity of  
12 others, if the latter voluntarily accepts or assumes the confidence. Pierce v. Lyman, 1 Cal.  
13 App. 4th 1093, 1101-02 (1991). Here, ALZA contends, the FAC does not allege facts  
14 sufficient to raise an inference that an informal fiduciary relationship existed between Dr.  
15 Swanson and ALZA.

16 In particular, ALZA takes issue with Dr. Swanson's suggestion that because ALZA  
17 offered to provide Dr. Swanson with representation to respond to discovery in a case  
18 involving one of ALZA's products, ALZA thereby took on duties that an attorney might owe  
19 to a client, including a fiduciary duty toward Dr. Swanson to advise him about his  
20 inventorship rights or about a potential conflict with ALZA, or to advise him to seek his own  
21 counsel. ALZA argues that Dr. Swanson does not (and cannot) allege that ALZA is an  
22 attorney, and that in any event, he fails to allege facts showing any informal fiduciary duty  
23 from ALZA to himself.

24 ALZA asserts further that the allegations of breach of fiduciary duty are also  
25 insufficient because they are implausible. In particular, with regard to Dr. Swanson's  
26 contention that ALZA breached its fiduciary duty to him by willfully concealing the omission  
27 of his inventorship from the '129 patent from him, ALZA argues that a party cannot willfully  
28 conceal public facts such as those contained in an issued patent. The '129 patent issued in

1 2005, which was more than five years before the date that Dr. Swanson claims he first  
2 became aware that the patent existed and that he was not named as an inventor. ALZA  
3 contends that it could not breach a duty by willfully concealing information in 2011 that was  
4 published to the world in 2005.

5 The motion is GRANTED in part and DENIED in part. While the court agrees that  
6 the claim is without merit to the extent it alleges what appears to be a fictional relationship  
7 between Dr. Swanson and ALZA, such that ALZA can be found to have owed a fiduciary  
8 duty to Dr. Swanson to advise him of his inventorship rights, and to have breached that  
9 duty as alleged in the FAC, the court also finds that the claim cannot be dismissed to the  
10 extent that it alleges that ALZA and its attorneys owed Dr. Swanson a fiduciary duty in  
11 connection with the representation in the Kremers case, because the facts regarding the  
12 nature of the representation are not clear and may well be disputed.

13 b. fraudulent concealment

14 In the fourth cause of action for fraudulent concealment, Dr. Swanson alleges that  
15 ALZA filed multiple patent applications claiming his inventions while actively concealing that  
16 he was at least a co-inventor on those multiple applications. He asserts that ALZA had an  
17 affirmative duty to disclose the true inventor to the PTO. He also alleges that ALZA,  
18 through its attorneys, represented him while being aware of his contributions to the patents  
19 at issue in the Kremers litigation, and actively concealed this information from him.

20 ALZA asserts that the fraudulent concealment claim must be dismissed for failure to  
21 state a claim because it fails to sufficiently allege a duty by ALZA to disclose information  
22 about prosecution of the patents-in-suit to him, and rests on what ALZA claims is the false  
23 premise that a person can deceive by withholding public information – specifically,  
24 information regarding who is named on a patent as the inventor.

25 To state a claim for fraudulent concealment under California law, a plaintiff must  
26 allege five elements: (1) the defendant concealed or suppressed a material fact, (2) the  
27 defendant was under a duty to disclose that fact to the plaintiff, (3) the defendant concealed  
28 or suppressed the fact with intent to defraud, (4) the plaintiff was unaware of the fact and

1 would not have acted as he did if he had known of the concealed or suppressed fact, and  
2 (5) the plaintiff suffered damage as a result of the concealment or suppression of the fact.  
3 Kaldenbach v. Mutual of Omaha Life Ins. Co., 178 Cal. App. 4th 830, 850 (2009).

4 Here, ALZA argues, Dr. Swanson has not pled facts showing the second element – that  
5 ALZA had a duty to disclose information to him. There are four circumstances in which  
6 nondisclosure or concealment may constitute actionable fraud – (1) when the defendant is  
7 in a fiduciary relationship with the plaintiff; (2) when the defendant has exclusive knowledge  
8 of material facts unknown to the plaintiff; (3) when the defendant actively conceals a  
9 material fact from the plaintiff; or (4) when the defendant makes a partial representation to  
10 the plaintiff while suppressing other material facts. LiMandri v. Judkins, 52 Cal. App. 4th  
11 326, 336 (1997). In addition, because a claim of fraudulent concealment sounds in fraud,  
12 the pleading must comport with Rule 9(b).

13 ALZA asserts that for the reasons stated with regard to the third cause of action for  
14 breach of fiduciary duty, Dr. Swanson has not pled facts showing the existence of a  
15 fiduciary relationship; and that each of the other three circumstances listed above in which  
16 nondisclosure may be actionable presupposes the existence of some other relationship  
17 between the parties – such as “the relationship between seller and buyer, employer and  
18 prospective employee, doctor and patient, or parties entering into any kind of contractual  
19 agreement” – that gives rise to a duty to disclose. See id. at 336-37 (citing Cal. Civ. Code  
20 § 1572(3)).

21 Thus, in ALZA’s view, it is impossible for Dr. Swanson to establish that ALZA  
22 concealed anything from him, or misled him about anything, material or not. ALZA asserts  
23 that the information regarding who was or was not listed on the patents as the inventor has  
24 been freely available to Dr. Swanson and the public, starting, at the latest, in 2005, when  
25 the ‘129 and ‘373 patents issued, and the 2005 application leading to the ‘798 patent was  
26 published.

27 The court finds that the motion must be GRANTED. As indicated above, a  
28 fraudulent concealment claim requires facts showing a duty to disclose. Dr. Swanson has

1 not alleged any facts showing that ALZA had a duty to inform him that he was not named  
 2 as an inventor on the patents, after 2005 when that fact became public knowledge. To the  
 3 extent that Dr. Swanson alleges that ALZA had a duty to inform him of that fact prior to  
 4 2005, any claim for fraudulent concealment is time-barred. See Cal. Code Civ. P. § 338(d)  
 5 (three-year limitations period for claims seeking “relief on the ground of fraud or mistake”).

6 c. unfair competition under § 17200

7 In the fifth cause of action for unfair competition under Business and Professions  
 8 Code § 17200, Dr. Swanson alleges that ALZA has harmed consumers by its “intentional  
 9 and fraudulent business practice” of not naming him as a co-inventor of the applications  
 10 that resulted in the issuance of the patents at issue in this suit, and actively concealing that  
 11 omission; and by its “intentional and fraudulent practice” of requiring him to sign a  
 12 consulting agreement and not advising him to consult with an attorney or to notify the  
 13 Regents prior to signing the consulting agreement.

14 ALZA argues that the § 17200 claim must be dismissed because Dr. Swanson failed  
 15 to allege facts showing that he has standing to bring this claim. In order to establish  
 16 standing to bring a UCL claim, a plaintiff must allege facts showing that he has “suffered  
 17 injury in fact and has lost money or property as a result of the unfair competition.” See Cal.  
 18 Bus. & Prof. Code § 17204. That is, the plaintiff must allege that he has lost “money or  
 19 property” sufficient to constitute an “injury in fact” under Article III of the Constitution. Rubio  
 20 v. Capital One Bank, 613 F.3d 1195, 1203-04 (9th Cir. 2010).

21 Here, ALZA asserts, Dr. Swanson makes no allegation that he lost any money or  
 22 property as a result of the actions of which he complains. Although the FAC alleges that  
 23 California consumers and the University of California have been harmed by the complained  
 24 of activity, ALZA contends that it fails to allege that Dr. Swanson, personally, was harmed  
 25 by ALZA’s acts.

26 ALZA concedes that Dr. Swanson did allege financial harm to himself elsewhere in  
 27 the FAC, but argues that the § 17200 claim should be dismissed regardless, because he  
 28 does not allege in the cause of action itself that he was financially harmed. ALZA also



1 asserts that even if the court accepts Dr. Swanson's pleading by incorporation, he still fails  
 2 to allege why either he or UC would have been injured based on the alleged unfair  
 3 competition.

4 The court finds that the motion must be DENIED. Dr. Swanson alleges throughout  
 5 the FAC that he himself was harmed financially. At this stage of the litigation, it is not  
 6 possible to determine whether Dr. Swanson lost money or property as a result of any action  
 7 by ALZA until a factual record has been developed and the rights of the parties under the  
 8 UC employment/patent agreement and the ALZA consulting agreement have been sorted  
 9 out (as discussed above with regard to the motion to dismiss for lack of subject matter  
 10 jurisdiction).

11 d. unjust enrichment

12 In the sixth cause of action for unjust enrichment, Dr. Swanson alleges that because  
 13 he was not named as an inventor on the patents-in-suit, he and UC were denied the "rights  
 14 and privileges of ownership" of those patents, and ALZA has been unjustly enriched  
 15 thereby.

16 ALZA argues that the unjust enrichment cause of action must be dismissed for  
 17 failure to state a claim, in part because it is duplicative of the inventorship, fraud, and  
 18 fiduciary duty claims, but more importantly, because the growing weight of authority holds  
 19 that unjust enrichment is not a cause of action.

20 In his opposition, Dr. Swanson appeared to concede that under the weight of  
 21 authority, there is no cause of action for unjust enrichment in California. At the hearing,  
 22 however, counsel argued that Dr. Swanson was not making such a concession.

23 The court finds that the motion must be GRANTED. While there is a split within  
 24 California courts regarding whether unjust enrichment is an independent cause of action,  
 25 most recent decisions by the California Court of Appeal have explicitly held that there is no  
 26 such cause of action in California. See Levine v. Blue Shield of California, 189 Cal. App.  
 27 4th 1117, 1138 (2010); Jogani v. Superior Court, 165 Cal. App. 4th 901, 911 (2008); McKell  
 28 v. Washington Mut., Inc., 142 Cal. App. 4th 1457, 1490 (2006); McBride v. Boughton, 123

Cal. App. 4th 379, 387 (2004). In general, California courts have concluded that unjust enrichment is “not a cause of action . . . or even a remedy, but rather a principle, underlying various legal doctrines and remedies. It is synonymous with restitution.” McBride, 123 Cal. App. 4th at 387; see also Melchior v. New Line Prods., Inc., 106 Cal. App. 4th 779, 793 (2003).

e. declaration of ownership

In the ninth cause of action seeking a declaration of ownership of the ‘129, ‘798, and ‘373 patents, Dr. Swanson alleges that an actual controversy exists between himself and ALZA regarding the inventorship of the three patents.

ALZA argues that this cause of action must be dismissed for failure to state a claim because any claim that is dependent on a determination of patent inventorship, such as a misappropriation of patent rights, is preempted by federal patent law. See University of Colo. Found., Inc. v. American Cyanamid Co., 196 F.3d 1366, 1372 (Fed. Cir. 1999) (“the field of federal patent law preempts any state law that purports to define rights based on inventorship”).

In opposition, Dr. Swanson argues that he is legally entitled to a declaration of ownership. He agrees with the Federal Circuit in Cyanamid that “the Patent Act leaves no room for states to supplement the national standard for inventorship,” id., but asserts that this case and the ninth cause of action are not directed at that issue.

Dr. Swanson points to FAC ¶ 268, which alleges that he is entitled to a declaration that as between himself and ALZA, he is at least a legal and equitable co-owner of the three patents-in-suit, and to an order that ALZA must execute any necessary documents to formally confirm his ownership of the three patents. He contends that there is a genuine dispute between the parties over ownership of these patents as a result of the terms of the consulting agreement executed on December 1, 1993, and the Patent Agreement he executed with the Regents in 1980, which he claims raises state law statutory and contract questions.

Dr. Swanson argues that under Board of Trustees of Leland Stanford Junior Univ. v.

1 Roche Molecular Sys., Inc., 583 F.3d 832 (Fed. Cir. 2009), “the question of who owns the  
2 patent rights and on what terms typically is a question exclusively for state courts” –  
3 although this rule has exceptions. See id. at 841. Here, he asserts, the interplay between  
4 the 1993 consulting agreement and the UC patent policy involves more than simply  
5 whether there was an assignment and will ultimately require the court and the factfinder to  
6 resolve issues of inventorship under federal patent law, as well as issues involving state  
7 statutory and contract law.

8 The court finds that the motion must be DENIED. It may well be that this claim is  
9 preempted by federal law, but in the absence of a fully developed record, it is not possible  
10 for the court presently to make that determination.

11 f. constructive trust

12 In the tenth cause of action, Dr. Swanson seeks imposition of a constructive trust as  
13 a remedy for ALZA’s alleged fraudulent conduct. ALZA asserts that under California law, a  
14 constructive trust is an equitable remedy that compels the transfer of wrongfully held  
15 property to its rightful owner, not a standalone cause of action. Moreover, ALZA argues, to  
16 the extent that the constructive trust theory rests on Dr. Swanson’s status as an inventor, it  
17 is preempted by federal patent law.

18 The motion is GRANTED. Under California law, a constructive trust is an equitable  
19 remedy, not a cause of action. See Mattel, Inc. v. MGA Entm’t, Inc., 616 F.3d 904, 908-09  
20 (9th Cir. 2010); Haskell Eng’ing & Supply Co. v. Hartford Acc. & Indem. Co., 78 Cal. App.  
21 3d 371, 375 (1978); see also Kim v. Westmoore Partners, Inc., 201 Cal. App. 4th 267, 277,  
22 n.4 (2011).

23 **CONCLUSION**

24 In accordance with the foregoing, the motion to dismiss the FAC for lack of subject  
25 matter jurisdiction is DENIED. The motion to dismiss the third cause of action for breach of  
26 fiduciary duty is GRANTED in part and DENIED in part. The motion to dismiss the fifth  
27 cause of action under § 17200, and the ninth cause of action for declaration of ownership  
28 for failure to state a claim is DENIED. The motion to dismiss the fourth cause of action for

1 fraudulent concealment, the sixth cause of action for unjust enrichment, and the tenth  
2 cause of action for constructive trust for failure to state a claim is GRANTED.

3  
4 **IT IS SO ORDERED.**

5 Dated: March 12, 2013



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PHYLLIS J. HAMILTON  
United States District Judge