2019-1852, -2323

In The United States Court of Appeals For The Federal Circuit

WHITEWATER WEST INDUSTRIES, LTD., a Canadian Corporation,

Plaintiff – Appellee,

v.

RICHARD ALLESHOUSE, an Individual, YONG YEH, an Individual, PACIFIC SURF DESIGNS, INC., a Delaware Corporation,

Defendants – Appellants.

APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA IN NO. 3:17-cv-00501-DMS-NLS, JUDGE DANA M. SABRAW.

CORRECTED BRIEF OF APPELLEE

J. Rick Taché
Kari L. Barnes
Roger L. Scott
BUCHALTER, A PROFESSIONAL CORPORATION
18400 Von Karman Avenue, Suite 800
Irvine, California 92612
(949) 760-1121
rtache@buchalter.com
kbarnes@buchalter.com
rscott@buchalter.com

Counsel for Appellee

THE LEX GROUP[DC] ♦ 1050 Connecticut Avenue, N.W. ♦ Suite 500, #5190 ♦ Washington, D.C. 20036
(202) 955-0001 ♦ (800) 856-4419 ♦ www.thelexgroup.com

FORM 9. Certificate of Interest **Form 9**
Rev. 10/17

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Richard Alleshouse, et al. **v.** Whitewater West Industries, Ltd.

Case No. 19-1852, 19-2323

CERTIFICATE OF INTEREST

Counsel for the:
☐ (petitioner) ☐ (appellant) ☐ (respondent) ■ (appellee) ☐ (amicus) ☐ (name of party)

Whitewater West Industries, Ltd.

certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
Whitewater West Industries, Ltd.	None	None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court **(and who have not or will not enter an appearance in this case)** are:

J. Rick Taché, Kari L. Barnes, and Roger L. Scott of Buchalter, A Professional Corporation

FORM 9. Certificate of Interest **Form 9**
Rev. 10/17

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47. 4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).

None

5/6/2020
Date

/s/ J. Rick Taché
Signature of counsel

Please Note: All questions must be answered

J. Rick Taché
Printed name of counsel

cc: _____

Reset Fields

TABLE OF CONTENTS

Page

CERTIFICATE OF INTEREST C1

TABLE OF CONTENTS i

TABLE OF AUTHORITIES iv

STATEMENT OF RELATED CASES x

I. INTRODUCTION 1

II. STATEMENT OF THE ISSUES 1

III. STATEMENT OF THE CASE 2

A. Alleshouse Executes The Assignment Provision 2

B. Alleshouse Learns Of Wave Loch's Existing And Future Technologies 4

C. Alleshouse Begins His Competing Venture And Bases His Products On Wave Loch's Existing or Planned Designs 7

IV. STANDARD OF REVIEW 10

V. SUMMARY OF THE ARGUMENT 12

A. The Assignment Provision Is Valid And Enforceable 12

B. Alleshouse Alone Conceived Of The Inventions 14

VI. ARGUMENT 16

A. The District Court Correctly Held That The Assignment Provision Is Valid And Enforceable 16

1. The Assignment Provision Is Valid Under California Labor Code Section 2870 16

a. Section 2870 does not impose a time limit on inventions assignment provisions 16

b. The Assignment Provision complies with Section 2870 19

2. Strict Compliance With Section 2872 Is Not Required To Enforce An Inventions Assignment Provision 22

3. Alleshouse Violated The Assignment Provision As Written 25

4. The Assignment Provision Does Not Violate California's Bar On Non-Competition Agreements 27

5. The District Court correctly applied Section 16600 in light of Section 2870 33

B. Yeh Is Not A Co-Inventor 35

1. Whitewater has standing to challenge Yeh's inventorship 35

2. Appellants challenge only factual determinations regarding inventorship, which are reviewed for clear error 36

3. The District Court's determination that the inventions were conceived "by August 16, 2012," and that Yeh contributed, at most, to reduction to practice, is supported by the record viewed in its entirety 38

a. Yeh did not make a patentable contribution before August 16, 2012 39

b. Alleshouse's notebook, in view of the entire record, establishes Alleshouse's conception 40

c. Alleshouse knew all of Yeh's alleged contributions 43

i. The Nozzle Patent 45

ii. The Ride Patents.....49

d. Alleshouse conceived of the patented inventions before August 16, 2012 54

4. Appellants misconstrue the law regarding corroborative evidence 57

VII. CONCLUSION.....59

CERTIFICATE OF FILING AND SERVICE

CERTIFICATE OF COMPLIANCE

TABLE OF AUTHORITIES

Page(s)

CASES

Alan Van Vliet Enters. v. State Bd. of Equalization,
65 Cal. App. 3d 964 (1977) 23

Altec Indus. v. Walker,
No. C-13-03505 (EDL), 2014 WL 956299 (N.D. Cal. Mar. 6, 2014) 23

Anderson v. City of Bessemer City, N.C.,
470 U.S. 564 (1985).....*passim*

Applera Corp. - Applied Biosystems Grp. v. Illumina, Inc.,
375 F. App'x 12 (Fed. Cir. 2010).....26

Applied Materials, Inc. v.
Advanced Micro-Fabrication Equip. (Shanghai) Co.,
630 F. Supp. 2d 1084 (N.D. Cal. 2009).....31, 32

Armorlite Lens Co. v. Campbell,
340 F. Supp. 273 (S.D. Cal. 1972) 32

Bd. of Trustees of Leland Stanford Junior Univ. v.
Roche Molecular Sys., Inc.,
583 F.3d 832 (Fed. Cir. 2009), *aff'd*, 563 U.S. 776,
131 S. Ct. 2188, 180 L. Ed. 2d 1 (2011).....28, 29

Bd. of Trustees v. Roche Molecular Sys.,
487 F. Supp. 2d 1099 (N.D. Cal. 2007).....33

Bell BCI Co. v. United States,
570 F.3d 1337 (Fed. Cir. 2009) 37, 45

Bell v. A-Leet Leasing Corp.,
863 F.2d 257 (2d Cir. 1988) 53

Botello v. Shell Oil Co.,
229 Cal. App. 3d 1130 (1991).....16

Bozeman Fin. LLC v. Fed. Reserve Bank of Atlanta,
955 F.3d 971 (Fed. Cir. 2020) 18, 22, 27

Cadence Design Sys., Inc. v. Bhandari,
No. C 07-00823 MHP, 2007 WL 3343085 (N.D. Cal. Nov. 8, 2007) 20, 22

City of Oakland v. Pub. Emps' Retirement Sys.,
95 Cal. App. 4th 29 (2002) 19, 23

Coburn v. Sievert,
133 Cal. App. 4th 1483 (2005) 11

Cubic Corp. v. Marty,
185 Cal. App. 3d 438 (1986) 20, 22

Droeger v. Friedman, Sloan & Ross,
54 Cal. 3d 26 (1991) 17

Eastwood v. Molecular Defs. Corp.,
373 F. Supp. 3d 502 (S.D.N.Y. 2019) 35

Eli Lilly & Co. v. Aradigm Corp.,
376 F.3d 1352 (Fed. Cir. 2004) 39, 44

Ethicon, Inc. v. U.S. Surgical Corp.,
135 F.3d 1456 (Fed. Cir. 1998) .....*passim*

First Interstate Bank of Billings v. U.S.,
61 F.3d 876 (Fed. Cir. 1995) 37, 43, 45, 53

Freedom Wireless, Inc. v. Boston Commc'ns Grp., Inc.,
220 F. Supp. 16 (D. Mass. 2002).....17

Garrett Corp. v. U.S.,
422 F.2d 874 (Ct. Cl. 1970).....39, 40

Gen. Elec. Co. v. Wilkins,
750 F.3d 1324 (Fed. Cir. 2014) 47

Hendrickson v. Octagon Inc.,
225 F. Supp. 3d 1013 (N.D. Cal. 2016).....29, 30

Herr-Voss Corp. v. Delta Brands, Inc.,
101 F.3d 714 (Fed. Cir. 1996).....56

Hess v. Advanced Cardiovascular Sys.,
106 F.3d 976 (Fed. Cir. 1997).....11, 36, 51, 55

Huawei Techs. Co. v. Yiren Huang,
No. 4:17-cv-00893, 2019 WL 1978339 (E.D. Tex. May 2, 2019).....31

Hybritech Inc. v. Monoclonal Antibodies, Inc.,
802 F.2d 1367 (Fed. Cir. 1986).....11, 36

Iconix, Inc. v. Tokuda,
457 F. Supp. 2d 969 (N.D. Cal. 2006).....16

In re Jesusa V.,
32 Cal. 4th 588 (2004).....18, 23, 24

Intellectual Ventures I LLC v. Erie Indem. Co.,
850 F.3d 1315 (Fed. Cir. 2017).....10

Keene Corp. v. United States,
508 U.S. 200 (1993).....19, 23

Larson v. Correct Craft, Inc.,
569 F.3d 1319 (Fed. Cir. 2009).....35

Loctite Corp. v. Ultraseal Ltd.,
781 F.2d 861 (Fed. Cir. 1985).....56

Medtronic, Inc. v. Daig Corp.,
789 F.2d 903 (Fed. Cir. 1986).....56

Microsoft Corp. v. Biscotti, Inc.,
878 F.3d 1052 (Fed. Cir. 2017).....12

Mockler v. Multnomah County,
140 F.3d 808 (9th Cir. 1998) 25

Morton v. Mancari,
417 U.S. 535 (1974).....34

Pannu v. Iolab Corp.,
155 F.3d 1344 (Fed. Cir. 1998) 44

People v. Trevino,
26 Cal. 4th 237 (2001).....18, 23

Polaroid Corp. v. Eastman Kodak Co.,
789 F.2d 1556 (Fed. Cir. 1986) 37, 43, 45

Price v. Symsek,
988 F.2d 1187 (Fed. Cir. 1993) 41

Rothschild v. Cree, Inc.,
711 F. Supp. 2d 173 (D. Mass. 2010).....44, 49

Russello v. United States,
464 U.S. 16 (1983) 19

Select Base Materials v. Board of Equal.,
51 Cal.2d 640 (Ct. App. 1959) 24

Singh v. Superior Court,
140 Cal. App. 4th 387 (2006).....34

Singleton v. Wulff,
428 U.S. 106 (1976).....18

Spindelfabrik Suessen-Schurr, Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft,
829 F.2d 1075 (Fed. Cir. 1987) 12

Stark v. Advanced Magnetics, Inc.,
119 F.3d 1551 (Fed. Cir. 1997) 58

Trovan, Ltd. v. Sokymat SA, Irori,
299 F.3d 1292 (Fed. Cir. 2002) 10, 58

UCP Int'l Co. Ltd. v. Balsam Brands Inc.,
785 F. App'x 849 (Fed. Cir. 2019 .....18, 22, 27

Univ. of Colo. Found., Inc. v. Am. Cyanamid Co.,
342 F.3d 1298 (Fed. Cir. 2003) .....*passim*

Univ. of Pittsburgh of Commonwealth Sys. of Higher Educ. v. Hedrick,
573 F.3d 1290 (Fed. Cir. 2009) .....*passim*

Vapor Point LLC v. Moorhead,
832 F.3d 1343 (Fed. Cir. 2016) 10

Victory Carriers, Inc. v. Stockton Stevedoring Co.,
388 F.2d 955 (9th Cir. 1968) 53

STATUTES

35 U.S.C. § 256.....35, 57

Cal. Civ. C. § 1643.....27

Cal. Lab. C. § 2859 16

Cal. Lab. C. § 2870 .....*passim*

Cal. Lab. C. § 2870(a).....20

Cal. Lab. C. § 2871 .....17, 18

Cal. Lab. C. § 2872 .....*passim*

Cal. Bus. § Prof. C. 16600 .....*passim*

RULES

Fed. R. Civ. P. 52 56

Fed. R. Civ. P. 52(a).....12

Fed. R. Evid. 201(b).....48, 52

OTHER AUTHORITY

Holmes, *The Path of the Law*, 10 Harv. L. Rev. 457 (1897).....30

STATEMENT OF RELATED CASES

Appeal number 2019-2323 was consolidated into this appeal, appealing the final judgment of the District Court in case No. 3:17-cv-00501-DMS-NLS. There are no other known pending cases that will directly affect or be directly affected by this Court's decision.

I. INTRODUCTION

After a four day bench trial, the United States District Court for the Southern District of California (the "District Court") found that Defendant and Appellant Richard Alleshouse ("Alleshouse") breached the inventions assignment provision ("Assignment Provision") entered into with the predecessor in interest to Plaintiff and Appellee Whitewater West Industries, Ltd. ("Whitewater") by failing to assign inventions that he began during his employment, but conveniently did not complete until shortly after resigning his position. In addition, the District Court found that Defendant and Appellant Yong Yeh ("Yeh") did not make any inventive contributions to the inventions. As a result, the District Court ordered that the resulting patents, U.S. Patent Nos. 9,044,685, 9,302,189, and 9,592,433 (the "Patents") belonged to Whitewater. For the reasons set forth below, the District Court's findings that the inventions assignment provision complied with California law and that Yeh was not properly named as a co-inventor on the Patents should be affirmed.

II. STATEMENT OF THE ISSUES

1. Whether the District Court properly found that (i) California Labor Code section 2870 does not impose time limitations on inventions assignment provisions, (ii) that the Assignment Provision complied with Section 2870, (iii) that California Labor Code section 2872 does not render void a contract that does not

provide notice regarding the limits of Section 2870, and (iv) that the Assignment Provision does not restrain Alleshouse from engaging in a lawful profession (as prohibited under California Business & Professions Code section 16600) by requiring him to assign inventions contemplated during his employment, but not conceived until after his resignation.

2. Whether (i) the District Court properly granted standing to Plaintiff to challenge Yeh's co-inventorship of the Patents and (ii) the District Court's factual findings that Alleshouse alone, and not Yeh, conceived of the Patents were clearly erroneous.

III. STATEMENT OF THE CASE

Appellants appeal the final judgment of the District Court, holding that Alleshouse had violated his valid contractual obligations to assign inventions back to Wave Loch and its successor-in-interest Whitewater and each of U.S. Patent Nos. 9,044,685 ("'685 Patent"), 9,302,189 ("'189 Patent"), and 9,592,433 ("'433 Patent") be re-assigned to Whitewater and that Yeh be removed as a named co-inventor.

A. Alleshouse Executes The Assignment Provision

Wave Loch, Inc., and later Wave Loch LLC (collectively "Wave Loch") was founded by Thomas Lochtefeld, the "father" of the sheet wave industry. Sheet wave attractions involve flowing water over a stationary surface, which allows riders to perform board-riding tricks in an enclosed system. Whitewater West Industries, Ltd.

("Whitewater") is the world's largest water attraction company. Appellants do not challenge the District Court's ruling that Whitewater is the successor-in-interest to Wave Loch's sheet wave attraction business. Appx0024.

On or about September 10, 2007, Alleshouse was hired as an engineer for Wave Loch. Appx0330-0331. On or about September 8, 2008, Alleshouse entered into a Covenant Against Disclosure and Covenant Not To Compete (the "Agreement"). Appx0095-0099. The Agreement contained the Assignment Provision automatically assigning certain inventions to Wave Loch. Appx0096, § 2(a). The Assignment Provision requires Alleshouse to assign any inventions he creates:

> (a) with the use of Company's time, materials, or facilities; or
>
> (b) resulting from or suggested by Employee's work for Company; or
>
> (c) in any way connected to any subject matter within the existing or contemplated business of the Company.

Appx0096, ¶ 2.a. In addition, the Assignment Provision requires Alleshouse to "promptly disclose to Company all such inventions, improvements, and developments. *Id*. at ¶ 2(c).

B. Alleshouse Learns Of Wave Loch's Existing And Future Technologies

Alleshouse's job description at Wave Loch included "extensive field work on [the] FlowRider and other WaveLoch attractions" as well as "research and design work improving existing rides and developing new rides[.]" Appx2257; Appx0331-0333. Alleshouse's position required him to design, document, and install sheet wave attractions for Wave Loch. Appx2257; Appx0331-0333. Wave Loch's COO, Marshall Myrman testified that, written or not, "it was part of all of our jobs to try and create, co-create, improve." Appx0259 (Trial Tr. at 112:19-22) (emphasis added).

Alleshouse dealt with the technical aspects of all of Wave Loch's products, including its flagship product, the Flowrider. Appx0336, Appx0338. Alleshouse learned of WaveLoch's adjustable nozzle system of the Flowrider rides that allowed water flow to be adjusted across the face of the nozzle, allowing Wave Loch to vary the thickness of the water flow to maximize the rider's experience. Appx0315, Appx0677-0681.[1]

[1] Yeh also admitted that adjustable flow thickness is on every sheet wave, and existed before PSD. Appx0842 (Trial Tr. at 694:5-9). Yeh also confirmed the use of internal walls to direct flow has been known as something in the industry for way over a decade. *Id*. (Trial Tr. at 694:17-19).

Alleshouse was also aware that Wave Loch maintained a patent portfolio related to sheet wave attractions and testified to having worked extensively on the inflatable divider that became the subject of one of those patents. Appx0339-0340 (Trial Tr. at 192:23-193:16) (He "came up with the solution for an inflatable divider. And actually made – you know, made a model of it and then actually, you know, made the flat patterns, heat welded the inflatable bladder…".).

Alleshouse was directly involved in Wave Loch's efforts to counter competitors' new market entries. Appx0254-0259, Appx0271, Appx0675-0676, Appx0316-0317. One of these competitors, Murphy's Waves, introduced a half-pipe shaped ride called the Stingray. Appx0316, Appx0330. Mr. Lochtefeld, visited and rode the Murphy's Waves Stingray, and noted that, among other features, it had "a funnel-type device [between where the rider rides the stingray and the rear rider exit] to funnel the people away from the stairs where people were standing and trying to come in." Appx0673-0674 (Trial Tr. at 525:14-526:18); *see* Appx0005.

"Wave Loch had meetings to improve upon the design of the Stingray ride by making the sidewalls rideable. (Myrman Testimony at 107-12, 124; Lochtefeld Testimony at 527-28; Thatcher Testimony at 169.) Alleshouse participated in these meetings. (Id.) During one of those meetings, Alleshouse stated that he could make

a better half-pipe than Murphy's Stingray. (Thatcher Testimony at 170-71.)." Appx0020.[2]

Simultaneously, Wave Loch was developing a new sheet wave attraction called the WaveOz (a 180-degree punch bowl that uses a radial flow nozzle to direct water). Appx0250-0255, Appx0468-0469. The WaveOz nozzle would create smooth, consistent radial flow. Appx0299 (Trial Tr. at 152:17-24).

Alleshouse was responsible for documenting the WaveOz. Appx0242. As a result, Alleshouse had access to Mr. Vicente's models and drawings of the WaveOz and its nozzle structure, all of which were stored in their shared office and company server. Appx0310-0313, Appx2172, Appx2171, Appx2178. Alleshouse also attended meetings involving the Wave Oz nozzle. Appx2266, Appx0251. Alleshouse knew that all of Wave Oz's existing nozzles have the ability to fine tune the flow. Appx0437.

Oriol Vicente, an engineer at Wave Loch, was the product manager for the WaveOz. Appx0242-0247. Mr. Vicente worked on the WaveOz for years before a buyer was found to fund its complete development. Appx0247-0248.

Much like the WaveOz, Wave Loch always desired to develop a half-pipe ride and planned to do so as soon as funds were available. Appx0676 (Trial Tr. at 528:21-

[2] Appx0330 (Trial Tr. at 183:4-8) (testimony of Alleshouse confirming that Wave Loch and himself looked at the Murphy's Stingray ride during his employment at Wave Loch.)

23) ("Q. Did you plan to build a half-pipe shaped ride in the future? A. Yeah, definitely.").

C. Alleshouse Begins His Competing Venture And Bases His Products On Wave Loch's Existing or Planned Designs

In the summer of 2012, while still employed at Wave Loch, Alleshouse decided to start a competing sheet wave business with his friend and attorney, Yeh. Appx2261; Appx0350, Appx0486-0487, Appx0490, Appx0020. On July 27, 2012, Alleshouse provided notice to Wave Loch that he would resign effective August 3, 2012. Appx1173. On July 30, 2012, while Alleshouse was still employed at Wave Loch, Alleshouse and Yeh discussed their plan to attend the International Association of Amusement Parks and Attractions ("IAAPA") annual expo in Florida in November 2012. Appx2171. Alleshouse acknowledged their need for a new ride design to create "buzz", stating "I'm thinking what that is…." Appx0350, Appx2171.

The day after he left Wave Loch's employment, Alleshouse sent an e-mail to Yeh that he had "gained the ability to start a company on a niche market." Appx2265. On this same day, August 4, 2012, Alleshouse drew an image of a halfpipe in his notebook. Appx1065, Appx0368-0370. On August 14, 2012, Alleshouse drew nozzle flow diagrams with notations for varying flow direction and thickness. Appx1073. Alleshouse's August 14, 2012 entry referred to "Sauerbier 4,792,260," which Appellants' expert testified was a sheet-wave patent he had

prosecuted. Appx1073, Appx0889-0891. On August 16, 2012, Alleshouse diagrammed a half-pipe ride with angled walls and multiple angled nozzles to project water across the entire surface of the ride. Appx1075, Appx0385-0388.

On August 20, 2012, barely two weeks after Alleshouse resigned from Wave Loch, he provided Yeh a strategy for their three products. Appx1061. Two of the products would be direct copies of existing Wave Loch rides. *Id*. The third would be a half-pipe shaped ride, which Alleshouse admitted was designed to be a half-pipe shaped ride "protected by our patents." *Id*.

On or about September 5 and 6, 2012, Alleshouse and Yeh met in person to make working models to use at the IAAPA trade show in November. Appx0406 (Trial Tr. at 258:17-19). Videos and photographs of this model construction is the first evidence of any participation by Yeh.

On October 13, 2012, Appellants filed a provisional patent application claiming inventions for half-pipe ride shapes. Appx1027, Appx1037. On October 24, 2012, Appellants filed a provisional patent application for nozzle structures. Appx1047.

The '685 Patent, titled "Water Attractions Involving a Flowing Body of Water," issued June 2, 2015, and claims priority to a provisional application filed on October 13, 2012. Appx1027. The '189 Patent claims priority to the '685 Patent as a continuation (collectively "the Ride Patents"), and issued April 5, 2016.

Appx1037. The Ride Patents name Alleshouse and Yeh as co-inventors. Appx1027, Appx1037. The Ride Patents claim a ride configuration with rideable sidewalls. *See* Appx1034; *compare* Appx1044.

During examination, the United States Patent and Trademark Office ("USPTO") rejected claims of the '685 Patent based upon water attraction features disclosed by Mr. Lochtefeld in U.S. Pat. Appl. No. 2013/0130815 ("Lochtefeld '815"). Appx1220-1227. To overcome the rejections, the claims were amended to recite either "a plurality of elevated water recovery sections positioned above the plurality of sidewalls" or "additional sidewall areas, opposing or non-opposing, extending from the plurality of sidewall areas," contending that Lochtefeld '815 failed to describe these specific claim features. Appx1207-1216, Appx1193-1197.

During examination, the USPTO rejected claims of the '189 Patent based upon Lochtefeld '815 in view of additional water attraction features disclosed by Mr. Lochtefeld in U.S. Pat. No. 5,738,590 ("Lochtefeld '590"). Appx1310-1316. In response, the claims were amended to recite "a second water recovery section positioned atop the first rideable sidewall." Appx1300-1306, Appx1289-1293.

The '433 Patent, titled "Nozzle Shapes and Configurations for Water Attractions Involving a Flowing Body of Water," issued March 14, 2017, and claims priority to a provisional application filed on October 24, 2012, naming Richard

Alleshouse and Yong Yeh as co-inventors. Appx1047. The '433 Patent describes and claims a nozzle configuration. *Id*.

During examination, the USPTO rejected claims of the '433 Patent based upon water delivery features disclosed either by two patents of Mr. Lochtefeld, U.S. Pat. No. 5,628,584 ("Lochtefeld '584") and U.S. Pat. No. 6,491,589, and/or U.S. Pat. No. 8,893,644 (the "Nakamura '644 Reference"). Appx1456-1465, Appx1421. Appellants amended the claims of the '433 Patent to recite either "wherein the thickness of the orifice in the Z-Y plane is adjustable to different thicknesses along a length of the orifice in the Z-Y plane" or "a plurality of internal walls coupled to sides of the plurality of orifice walls, wherein the plurality of internal walls forms a side angle from a rear plane of the nozzle to the sides of the plurality of orifice walls of the orifice." Appx1445-1452, Appx1417-1425.

IV. STANDARD OF REVIEW

"On appeal from a bench trial, [the Federal Circuit] review[s] a District Court's decision for errors of law and clearly erroneous findings of fact." *Vapor Point LLC v. Moorhead*, 832 F.3d 1343, 1348 (Fed. Cir. 2016) (quoting *Trovan, Ltd. v. Sokymat SA, Irori*, 299 F.3d 1292, 1301 (Fed. Cir. 2002)).

Interpretation of the Assignment Provision is a legal determination reviewed without deference on appeal according to state law. *Intellectual Ventures I LLC v. Erie Indem. Co.*, 850 F.3d 1315, 1320 (Fed. Cir. 2017). The Assignment Provision

is governed by California law. Appx0098, ¶ 10.g. Under California law, "[i]ssues of statutory construction as well as the application of that construction to a particular set of facts are questions of law" subject to *de novo* review. *Coburn v. Sievert*, 133 Cal. App. 4th 1483, 1492 (2005).

"Inventorship is a question of law that we review *de novo*, based on underlying facts which we review for clear error." *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1376 (Fed. Cir. 1986); *Hess v. Advanced Cardiovascular Sys.*, 106 F.3d 976, 980 (Fed. Cir. 1997) ("this court reviews the underlying findings of fact which uphold a district court's inventorship determination for clear error").

"The determination of whether a person is a joint inventor is fact specific" and is thus reviewed for clear error. *Univ. of Colo. Found., Inc. v. Am. Cyanamid Co.*, 342 F.3d 1298, 1308 (Fed. Cir. 2003); *see also, Hess*, 106 F.3d at 981 ("[W]hether particular suggestions and contributions of third persons amount to co-inventorship turns on the facts of the particular case."). "In applying the clearly erroneous standard to the findings of a district court sitting without a jury, appellate courts must constantly have in mind that their function is not to decide factual issues *de novo*." *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 573 (1985) (citations omitted). The "clear error" standard "plainly does not entitle a reviewing court to reverse the finding of the trier of fact simply because it is convinced that it would have decided the case differently. The reviewing court oversteps the bounds of its

duty under Rule 52(a) if it undertakes to duplicate the role of the lower court." *Id*.; *see*, *Microsoft Corp. v. Biscotti, Inc.*, 878 F.3d 1052, 1072–73 (Fed. Cir. 2017) (citing *Anderson*); *Spindelfabrik Suessen-Schurr, Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 829 F.2d 1075, 1077 (Fed. Cir. 1987) (same). "If the district court's account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently." *Anderson*, 470 U.S. at 547.

V. SUMMARY OF THE ARGUMENT

A. The Assignment Provision Is Valid And Enforceable

The undisputed facts establish that, while employed at Wave Loch, Alleshouse had an idea for improved sheet wave inventions, using the knowledge and information he acquired at Wave Loch planned a competing venture, and then departed only to complete the inventions within a matter of weeks.[3] The District Court concluded that "common sense" dictated that the specific inventions at issue were covered by the Assignment Provision and were required to be assigned to Wave Loch's successor in interest, Whitewater. Appx0032.

[3] The District Court concluded the inventions were conceived by August 16, 2012, less than two weeks after Alleshouse left his employment at Wave Loch. Appx0035. Even under Appellants' version of events, the patented inventions were reduced to practice less than 90 days after Alleshouse left his employment.

The District Court did not find, as Appellants contend, that all post-employment inventions must be assigned forever. Instead, it held that the plain language of California Labor Code Section 2870, which sets forth the specific circumstances under which an employer can require the assignment of inventions, does not impose a time limit on inventions assignment provisions and that the Assignment Provision did not interfere with Alleshouse's ability to pursue his chosen profession in violation of California Business & Professions Code section 16600.

The District Court's conclusions are supported by the plain language of Section 2870 and case law interpreting Section 16600. Further, those conclusions resolve any potential conflict between the two statutes to allow an employer to require an employee like Alleshouse, to assign inventions he intentionally avoided disclosing, while protecting honest employees who legitimately conceive of new inventions post-employment.

In an effort to avoid Alleshouse's obligations, Appellants ask the Court to impose a bright line rule—unsupported by statute or case law—that all inventions assignment provisions must end upon the termination of employment. Appellants' position provides shelter to Alleshouse, and employees like him, who time their departures to avoid contractual requirements.

The District Court properly rejected Appellants' arguments, which require reading-in additional language not present in Section 2870.[4] The California legislature knows how to impose a time-limit, but did not do so in Section 2870.

Further, Appellants misread case law interpreting Section 16600, which provides a general ban on non-competition agreements, as barring any post-employment inventions assignments. Those cases invalidate inventions assignment that *assume* post-employment inventions were assignable if they occurred within one-year after employment, regardless of proof. Courts have concluded that such a presumption unfairly targets both honest and dishonest employees. The Assignment Provision makes no such presumption. Instead, Whitewater demonstrated that Alleshouse's inventions were properly subject to assignment.

The District Court's interpretation and application of Section 2870 and Section 16600 were correct. To hold otherwise would incentivize dishonest employees like Alleshouse to withhold their best ideas until they day after they quit, leaving employers with no recourse.

B. Alleshouse Alone Conceived Of The Inventions

The District Court found that "Mr. Alleshouse alone conceived of the inventions and that Mr. Yeh did not make any patentable contributions." Appx0007.

[4] Appellants also ask the Court to add language to California Labor Code Section 2872 to impose a penalty not provided for in the statute, ignoring the lesser penalties considered by the District Court.

Appellants argument that this finding was in error is based on the false premise that the only evidence the District Court considered to determine conception was Alleshouse's notebook. Appellants ignore that, at their request, the District Court amended its findings to expressly state that it "review[ed] all of the evidence presented at trial" and that "[e]ven if, as Defendants argue, the sketches in the notebook did not specify every single element of the patents at issue, it was the totality of the evidence" that supported the District Court's findings. Appx0006-0007.

The District Court's decision that Alleshouse alone conceived of the inventions is based on detailed findings supporting the conclusion that Alleshouse possessed the skill and knowledge of the state of the art supporting each and every element of the Patents before Yeh was ever involved. The record contains ample additional evidence to support those findings.

Further, the determination that Yeh did not make an inventive contribution, that Whitewater overcame any presumption that Yeh was properly named, and each of the other findings Appellants challenge are findings of fact, subject to the clear error standard, not *de novo* review. The District Court's findings are supported by the evidence and cannot be supplanted even if this Court might have found differently.

In sum, the District Court's findings regarding the enforceability of the Assignment Provision and that Alleshouse alone conceived of the inventions must be affirmed.

VI. ARGUMENT

A. The District Court Correctly Held That The Assignment Provision Is Valid And Enforceable

1. The Assignment Provision Is Valid Under California Labor Code Section 2870

a. Section 2870 does not impose a time limit on inventions assignment provisions

The cardinal rule of statutory interpretation is to ascertain the legislative intent so as to effectuate the purpose of the law. *Botello v. Shell Oil Co.*, 229 Cal. App. 3d 1130, 1334 (1991). "If the statutory language is unambiguous, legislative intent is determined from the plain meaning of the language itself." *Id*. at 1335.

Section 2870 does not place any time limitation on inventions assignment provisions. *See*, Cal. Lab. C. § 2870. Interpreting Section 2870 as an inflexible bright line rule limited to inventions demonstrably completed during the course of employment would encourage dishonest employees to withhold their best efforts and ideas from their current employers only to quit and use those ideas in their next endeavor in violation of California public policy. *See, Iconix, Inc. v. Tokuda*, 457 F. Supp. 2d 969, 997 (N.D. Cal. 2006) (finding convincing evidence former employees violated their duty of loyalty under Cal. Labor Code § 2859 by "withholding their

best efforts from their work for Plaintiff, retaining those efforts to serve their own, competing interests, by secretly developing [new technology] instead of using the [new] technologies—or at least disclosing the [new] technologies—to serve [their employer's] needs."). That is exactly what occurred here. Alleshouse was employed as an engineer by Wave Loch for five years without ever contributing to a patented invention. Miraculously, within days of leaving Wave Loch, he documented fully-fledged inventions that led to the issuance of three patents.

Appellants cite no authority that Section 2870 was intended to have a time limit, because none exists.[5] Instead, Appellants attempt to import language from an adjacent section, Section 2871, that refers to the obligation to *disclose*, rather than to *assign* inventions.[6] Section 2871 provides that "[n]othing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of *all of the employee's inventions* made solely or jointly with others

[5] *Freedom Wireless, Inc. v. Boston Commc'ns Grp., Inc.*, 220 F. Supp. 16 (D. Mass. 2002) stated in *dicta*, without analysis, that Section 2870 bars "contracts that are open ended with respect to time *and* subject matter." *Id*. at 18. *Freedom Wireless* did not address time limits, but was decided based on subject matter. *Id*. at 19 (holding the inventions "did not relate to Orbital's methods of conducting business").

[6] Appellants misleadingly cite to the dissent in *Droeger v. Friedman, Sloan & Ross*, 54 Cal. 3d 26, 50 (1991) as allowing Section 2871 to limit Section 2870. *See*, Appellants' Br., ECF No. 29 at 32. Appellants ignore that the majority opinion in *Droeger* refused to impute the limitations from one related statute to another absent specific legislative intent. *Droeger*, 54 Cal. 3d at 43.

during the term of his or her employment…." Cal. Lab. C. § 2871 (emphasis added).[7]

Section 2871's time limitation on a contractual requirement to disclose *all* inventions is not inconsistent with a requirement to assign a narrow range of inventions that meet the requirements of Section 2870 at any time. Taken together these provisions permit an employer to require disclosure of all inventions to ensure that assignable inventions are properly assigned during employment, and permits assignment of an invention that was concealed until after the term of employment.

Further, had the legislature intended to limit Section 2870 in the same manner as Section 2871, it would have done so. Where the California Legislature includes language in one section, but omits it in another, that omission is significant. *In re Jesusa V.*, 32 Cal. 4th 588, 613 (2004) ("Unlike our dissenting colleague, we find this omission significant. It is plain the Legislature knows how to craft a categorical rule . . . when it wants to."); *People v. Trevino*, 26 Cal. 4th 237, 242 (2001) ("When

[7] Appellants also appear to contend that Whitewater violated Section 2871. Appellants never asserted Section 2871 as a basis for invalidity below. As a result, that argument is waived. *Bozeman Fin. LLC v. Fed. Reserve Bank of Atlanta*, 955 F.3d 971, 973 (Fed. Cir. 2020) ("The general rule is 'that a federal appellate court does not consider an issue not passed upon below.'") (citing *Singleton v. Wulff*, 428 U.S. 106, 120 (1976)); *UCP Int'l Co. Ltd. v. Balsam Brands Inc.*, 785 F. App'x 849, 852 (Fed. Cir. 2019) (alternate basis for claim cannot be raised for the first time on appeal). Regardless, the Assignment Provision is consistent with Section 2870 and therefore compliant with Section 2871. Cal. Lab. C. § 2871 ("No employer shall require a provision made void and unenforceable by Section 2870 as a condition of employment or continued employment.").

the [California] Legislature uses materially different language in statutory provisions addressing the same subject or related subjects, the normal inference is that the Legislature intended a difference in meaning."); *see also, Keene Corp. v. United States*, 508 U.S. 200, 208 (1993) ("[W]here Congress includes particular language in one section of a statute but omits it in another ... it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.") (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)).

Plainly, the California legislature knows how to impose a time limit. *City of Oakland v. Pub. Emps' Retirement Sys.*, 95 Cal. App. 4th 29, 51, 115 (2002) (the Legislature "knows how to draft time limits"). The legislature's decision not to include a time limit in Section 2870 cannot be ignored. Thus, the District Court correctly concluded that "the statute permits the assignment of inventions conceived after employment, so long as the inventive idea relates to work performed by the employee for the employer." Appx0029.

b. The Assignment Provision complies with Section 2870

The Assignment Provision directly tracks the language of Section 2870 regarding the permissible scope of inventions that employers may demand be assigned to them. Section 2870 provides:

> (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
>
> (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
>
> (2) Result from any work performed by the employee for the employer.

Cal. Lab. C. § 2870(a).

Thus, an employer may require an employee to assign inventions that fall into any of three categories:

> (i) use the employer's equipment, supplies, facilities, or trade secrets,
>
> (ii) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
>
> (iii) result from any work performed by the employee for the employer.

See, Cadence Design Sys., Inc. v. Bhandari, No. C 07-00823 MHP, 2007 WL 3343085, *5 (N.D. Cal. Nov. 8, 2007) ("Section 2870 contemplates three independent scenarios in which an assignment is valid and enforceable"); *Cubic Corp. v. Marty*, 185 Cal. App. 3d 438, 452 ("we construe the statutory language to cover both the situation where the invention comes within the scope of the

employer's business (actual or demonstrably anticipated) and the situation where the invention was not within the usual scope of the employer's business but resulted from work the employee did for the employer. If either situation is present, then the employer has a right to the invention under an assignment agreement.").

The Assignment Provision is limited to these three categories, requiring Alleshouse to assign only those inventions created:

> (a) with the use of Company's time, materials, or facilities; or
>
> (b) resulting from or suggested by Employee's work for Company;
>
> or
>
> (c) in any way connected to any subject matter within the existing or contemplated business of the Company.

Appx1022, § 2(a). As a result, the District Court correctly found that the Assignment Provision does not exceed the permissible scope of Section 2870.

In an effort to avoid this conclusion, Appellants argue that because the Assignment Provision paraphrases, but does not directly quote from, the statute, it is unenforceable. Specifically, Appellants assert that the phrases "suggested by Employee's work for Company" and "in any way connected to the subject matter within the existing or contemplated business of the Company" are overbroad.

Appellants' Br., ECF No. 29 at 33-34.[8] However, ("Courts interpreting employee assignment provisions in the context of section 2870 have construed the 'related to' phrase broadly." *Cadence Design Sys.*, 2007 WL 3343085 at *5. Section 2870 is broad enough "to cover both the situation where the invention comes within the scope of the employer's business (actual or demonstrably anticipated) and the situation where the invention was not within the usual scope of the employer's business but resulted from work the employee did for the employer. If either situation is present, then the employer has a right to the invention under an assignment agreement." *Cubic Corp.*, 185 Cal. App. 3d at 452. As a result, the Assignment Provision, as written, comports with Section 2870.

2. Strict Compliance With Section 2872 Is Not Required To Enforce An Inventions Assignment Provision

Section 2872 states only that notice must be given that an inventions assignment agreement "does not apply to an invention which qualifies fully under the provisions of § 2870" and "[i]n any suit or action arising thereunder, the burden of proof shall be on the employee claiming the benefits of its provision." Cal. Lab. C. § 2872.[9] Section 2872 does not state that a contract is void if notice is not

[8] Appellants never raised any argument regarding the phrase "in any way connected to the subject matter within the existing or contemplated business of the Company" below. As a result, that argument is waived. *Bozeman Fin. LLC*, 955 F.3d at 973; *UCP Int'l Co. Ltd.*, 785 F. App'x at 852.

[9] Section 2872 has not been amended since its enactment in 1979.

provided, and Appellants cite no authority to support such an interpretation. The only case that has addressed the effect of Section 2872 suggests that a lack of notice is immaterial. *See, Altec Indus. v. Walker*, No. C-13-03505 (EDL), 2014 WL 956299, *14, *19 (N.D. Cal. Mar. 6, 2014) ("the Court doubts that discovery will show that the omission of this mandatory formality was material" and finding that failure to provide Section 2872 notice "does not give rise to fraudulent concealment or fraudulent inducement").

The conclusion that a lack of notice under Section 2872 is immaterial and does not render a contract void is supported by the language—or absence of language—in Section 2872 itself. As noted above, where the California Legislature includes language in one section, but omits it in another, that omission is significant. *In re Jesusa V.*, 32 Cal. 4th at 613; *Trevino*, 26 Cal. 4th at 242; *see also*, *Keene Corp.*, 508 U.S. at 208.

When the legislature wants to do something, it will do so explicitly. *City of Oakland*, 95 Cal. App. 4th at 51 (the Legislature "knows how to draft time limits"); *Alan Van Vliet Enters. v. State Bd. of Equalization*, 65 Cal. App. 3d 964, 970 (1977) (the Legislature "knows how to construct an exclusive definition"); and *People v. Trevino, supra*, 26 Cal. 4th at 241 (the Legislature "knows how to draft a provision to require consideration of the defendant's age or other personal characteristic...."). Here, the Legislature plainly knew how to state when an

inventions assignment contract is void. Section 2870 explicitly states that a contract that does not comply with its provisions is void; Section 2872 does not. Thus, the Legislature did not intend to render a contract void merely because it does not provide notice under Section 2872. *In re Jesusa V.*, *supra*, 32 Cal. App. 4th at 613. Accordingly, the District Court properly refused to invalidate the contract. Appx0008, Appx0027.

The District Court found that a lack of notice under Section 2872 must have some consequence, stating "[c]ertainly, that failure should be considered in analyzing procedural unconscionability." *Id*. However, the District Court concluded that Alleshouse was not prejudiced because, in this case, that failure "does not rise to the level of oppression or surprise required to invalidate the Agreement." *Id.* Thus, the failure to disclose could not invalidate the contract as "procedurally unconscionable." Appellants do not challenge the District Court's finding that the Assignment Provision was not unconscionable.

Another potential consequence of a lack of notice is that the burden of proof in an inventions assignment dispute would remain on the employer rather than the employee. This is supported by the language of Section 2872, which requires the employer to give notice in the first of its two sentences, and places the burden on the employee in the second. Cal. Lab. C. § 2872; *Select Base Materials v. Board of Equal.*, 51 Cal.2d 640, 645 (Ct. App. 1959) ("The various parts of a statutory

enactment must be harmonized by considering the particular clause or section in the context of the statutory framework as a whole."). If, as here, an employer does not provide notice, then the burden does not shift to the employee.[10]

At trial, Whitewater presented substantial evidence that Alleshouse had breached the Assignment Provision. When, following trial, Appellants argued that it was Whitewater's burden to demonstrate breach, the District Court explained that "[e]ven if the burden was on Plaintiff . . . the Court's analysis [that Alleshouse breached the Assignment Provision] would remain the same." Appx0009 (Am. Findings at 9:3-5). Appellants do not challenge the District Court's finding that Alleshouse breached the Assignment Provision, they challenge only the provision's enforceability. As a result, to the extent any error occurred in the application of the burden of proof, it was harmless. *Mockler v. Multnomah County,* 140 F.3d 808, 812-14 (9th Cir. 1998) (improper shifting of burden of proof held harmless when evidence supported verdict for plaintiff in any event).

3. Alleshouse Violated The Assignment Provision As Written

As set forth above, the Assignment Provision is consistent with the requirements of Section 2870, and is not rendered unenforceable by any lack of notice provided for by Section 2872. Appellants misapply this Circuit's opinion in

[10] Whitewater expressly presented this option to the District Court as a possible result of a lack of notice. Appx1775-1776.

Applera Corp. to contend that the District Court erred when it "read the [Assignment Provision] to be consistent with Section 2870." *Applera Corp. - Applied Biosystems Grp. v. Illumina, Inc.*, 375 F. App'x 12, 18 (Fed. Cir. 2010); Appellants' Br., ECF No. 29 at 37.

In *Applera*, the inventions assignment provision was *narrower* than Section 2870 permitted. *Applera*, 375 F. App'x at 18. Applera appealed, arguing that, despite the plain language of the contract, it should nonetheless benefit from the *broader* statutory language of Section 2870. *Id*. at 17. This Circuit explained that California law does not permit a court to broaden a contract to the benefit of the drafting party, because Section 2870 does not provide a "right" to an employer to obtain inventions not assignable on the face of the contract. *Id*.

Unlike *Applera*, Whitewater did not ask the District Court to re-write any language in the Assignment Provision. Whitewater has always maintained that the Assignment Provision, as written, comports with Section 2870. The District Court agreed. Appx0029 ("the assignment provision is consistent with Labor Code section 2870"). The District Court's abbreviated re-statement of the contract's requirements as "only requir[ing] [Alleshouse] to assign inventions resulting from his work at Wave Loch or relating to Wave Loch's business at the time he was there" is consistent with that ruling. It was Appellants who asked the District Court to find that the Assignment Provision was broader than Section 2870 allowed, and the

District Court found that it was not, including finding that the phrase "suggested by" was equivalent to the statutory "relat[ing] to." Appx0028.[11] Referring to Wave Loch's business "at the time he was there" adds little more than common sense. Neither Appellants nor Whitewater have ever contended that the Assignment Provision applies to inventions related to some future business of Wave Loch of which Alleshouse was not aware during his employment.

To the extent the District Court did in fact interpret the Assignment Provision to be consistent with Section 2870, it was at Appellants' specific request: "the Court . . . should interpret the [contract's] intellectual property assignment provisions as no broader than those permitted under Section 2870." Appx2079 at 21:9-15 (citing Cal. Civ. C. § 1643 ("A contract must receive such an interpretation as will make it lawful, operative, definite, reasonable, and capable of being carried into effect, if it can be done without violating the intention of the parties."). Thus, any contractual interpretation the District Court engaged in was proper.

4. The Assignment Provision Does Not Violate California's Bar On Non-Competition Agreements

Having found that the Assignment Provision was valid and enforceable under Section 2870, the District Court then analyzed whether the Assignment Provision

[11]Appellants have waved any argument regarding the phrase "in any way connected to the subject matter within the existing or contemplated business of the Company." *Bozeman Fin. LLC*, 955 F.3d at 973; *UCP Int'l Co. Ltd.*, 785 F. App'x at 852.

was otherwise invalidated by California's general prohibition on contracts in restraint of trade embodied in California Business & Professions Code Section 16600. Appx0029-0030.[12] With respect to Section 16600, the District Court found that the Assignment Provision "does not restrain Mr. Alleshouse from engaging in the sheet wave profession. It only requires him to assign inventions resulting from his work at Wave Loch or relating to Wave Loch's business at the time he was there." Appx0030. [13]

As noted by the District Court, its ruling is consistent with this Circuit's holding in *Bd. of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832 (Fed. Cir. 2009), *aff'd*, 563 U.S. 776, 131 S. Ct. 2188, 180 L. Ed. 2d 1 (2011):

> Stanford argues that section 16600 voids the VCA . . . if it encompasses inventions conceived after employment terminates.

[12] The District Court did *not*, as Appellants assert, find that either Section 16600 generally, or the Assignment Provision specifically, permits an everlasting assignment of inventions untethered to Alleshouse's employment at Wave Loch. The District Court correctly found that Section 2870 "permits the assignment of inventions conceived after employment" in some circumstances. Appx0029. Appellants misstate this holding as an interpretation of Section 16600. Appellants' Br., ECF No. 29 at 46 ("the District Court . . . ruled that § 16600 and § 2870 'permits the assignment . . .'"). Similarly, the District Court's statement that proving "the 'ah ha' or 'light bulb' moment" is a difficult task is an explanation of the "sound reasons . . . Section 2870 does not set temporal limitations," and is not directed at Section 16600. Appx0029 n.5.

[13] The District Court made no mention of, and did not apply the "rule of reason" standard, to which Appellants repeatedly refer without citation to the record. *See*, Appellants' Br. at 46.

*****

> We find no merit in Stanford's arguments. By the plain language of section 16600, only those contracts that prevent "engaging in a lawful profession, trade or business of any kind" are void. Stanford provides no evidence that the VCA restrained Holodniy from engaging in any profession. Indeed, the record shows that Holodniy freely continued his HIV research at Stanford, publishing articles and using the knowledge he obtained from Cetus to further the science behind the patents-in-suit. Nor does Stanford explain how Holodniy's assignment of his rights to Cetus prohibited Holodniy from using any public information in his later research.

Id. at 845–46.[14]

As in *Bd. of Trustees*, Appellants provide no evidence that the Assignment Provision restrained Alleshouse from participating in the sheet wave business with or without the inventions at issue. Appx0407-0408, Appx0760, Appx0899 (Trial Tr. at 259:19-260:18, 612:7-8, 751:8-13).[15]

Further, Section 16600 does not prohibit contracts that prevent a dishonest employee from carefully timing his departure in an effort to avoid contractual requirements. *Hendrickson v. Octagon Inc.*, 225 F. Supp. 3d 1013, 1029 (N.D. Cal.

[14] Appellants note that the VCA in *Bd. of Trustees* was not an employment agreement. Appellants' Br. at 49. *Bd. of Trustees* referenced that distinction as a secondary consideration only after addressing the fundamental requirement that the VCA did not interfere with Holodniy's profession. *Id.*

[15] The District Court's express ruling that Alleshouse was not restrained "from engaging *in the sheet wave profession*" (Appx0030 (emphasis added)) puts to rest Appellants' straw-man argument that the District Court "might have misinterpreted *Stanford* to mean that a restraint is acceptable as long as the employee not restrained from engaging in **all** professions." Appellants' Br. at 49.

2016) ("Players like Wilson are why firms like Octagon (and Relativity) need fee-sharing arrangements that cover contracts signed even after agents have left. Without them, agents taking after Oliver Wendell Holmes's proverbial 'bad man' could hit the jackpot simply by quitting at the right time.") (citing Holmes, *The Path of the Law*, 10 Harv. L. Rev. 457, 459 (1897) ("A man who cares nothing for an ethical rule which is believed and practised by his neighbors is likely nevertheless to care a good deal to avoid being made to pay money ....")). While *Hendrickson* mentions inventions that an employee "created on her own time and dime" as an example of an improper contract (*id*. at 1027), here Alleshouse clearly used Wave Loch's time and dime.

During his employment, Alleshouse learned that Wave Loch: (1) was investigating how to make an improved half-pipe sheet wave ride and volunteered that he knew how to do it (Appx0316-0318 (Trial Tr. at 169:17-171:3)); and (2) often took years to develop a new product and bring it to market (*see e.g.*, Appx0309-0311 (Trial Tr. at 162:23-164:13)). While at Wave Loch, Alleshouse began to develop new ride designs to compete with Wave Loch. Appx2171. Alleshouse acknowledged that he and Yeh would need a new ride design to create "buzz" saying, "[I] am thinking what that is." Appx2171. Alleshouse then resigned, and with the benefit of his advanced preparation, completed conception within two weeks

thereafter, and reduced them to practice within 90 days. Appx0031, Appx1061, Appx1065, Appx1073, Appx1075.

The present facts are exactly why an obligation to assign inventions must be permitted to survive the termination of employment. "Intellectual Property that was conceived during an employers' tenure or soon after, which relate to that employees work with the employer is likely uniquely suspicious and thus an employer would have a heightened interest in reviewing such Intellectual Property." *See*, *Huawei Techs. Co. v. Yiren Huang*, No. 4:17-cv-00893, 2019 WL 1978339 at *8 (E.D. Tex. May 2, 2019). If, as here, an employer discovers after the termination of employment that an invention falls within the scope of an assignment provision, it must have a mechanism to have it assigned back.

Assignment provisions invalidated as restricting employment under Section 16600 have a common feature not present here: they all *presume* that any invention conceived within one year following an employee's termination related to the prior employment and required assignment. *Huawei*, 2019 WL 1978339 at *8 ("any Subject Idea and Invention shall… *be deemed to have resulted from my access to Company Materials* if . . . it is made … within one (1) year after my termination from employment.") (emphasis added)[16]; *Applied Materials, Inc. v. Advanced*

[16] *Huawei* further noted the overbreadth of the provision which listed the 12-month period as only one of many unnamed "other circumstances" under which the presumption would be applied. *Huawei*, 2019 WL 1978339 at *8.

Micro-Fabrication Equip. (Shanghai) Co., 630 F. Supp. 2d 1084, 1088 (N.D. Cal. 2009) ("any invention is described in a patent application … by me within one (1) year after terminating my employment…, *it is to be presumed that the invention was conceived or made during the period of my employment*…") (emphasis added); *Armorlite Lens Co. v. Campbell*, 340 F. Supp. 273, 275 (S.D. Cal. 1972) ("An Agreement … which requires a former employee to turn over to his former employer *all* new ideas and concepts concerning the field of work or the products of the employer which occur to him within one year after the termination of his employment, is unnecessarily broad").

It is this *assumption* that post-employment conduct relates to the prior employment that violates Section 16600 by improperly "encompass[ing] not only the dishonest employee with whom plaintiff is concerned, but also the honest employee who legitimately conceives an idea or improvement following his termination." *Armorlite*, 340 F. Supp. at 275 (rejecting former employer's argument that "*this one year period* is necessary to 'prevent cupidity upon the part of the employee who, upon recognizing he has hit upon a material improvement in the employer's field, resigns and after termination brings out his improvement.'") (emphasis added); *see also*, *Applied Materials*, 630 F. Supp. 2d at 1090 (quoting *Armorlite*).

The Assignment Provision makes no such assumption. While it does not expressly cut-off the obligation to assign inventions at the close of employment, which would allow Justice Holmes's "bad man" to conveniently time his departure, it also does not encompass an honest employee by presuming a post-employment invention belonged to the employer. Instead, it requires the parties to demonstrate how and when the invention was developed. Thus, the District Court correctly determined that the Assignment Provision does not violate Section 16600.

5. The District Court correctly applied Section 16600 in light of Section 2870

The cases on which Appellants rely in an effort to invalidate the Assignment Provision discuss inventions assignments contracts only with respect to Section 16600 without reference to Section 2870. Whitewater is unaware of any case that addresses the intersection of these two statutes.

Even the factual situation here, where an employee specifically contemplates an invention during his employment, but does not complete conception until after his departure, has not been addressed. In the case closest to the present facts, *Board of Trustees v. Roche Molecular Sys.*, 487 F. Supp. 2d 1099, 1116-1117 (N.D. Cal. 2007) (addressed above at the appellate level), the district court, without addressing Section 2870, noted that an assignment provision that required the assignment of an invention conceived after employment, could run afoul of Section 16600, but specifically left open the question of whether it actually did. *Id*. ("In any case, the

assignment clause at issue would only function as a non-compete provision if it required Holodniy to assign an invention conceived after he left Cetus. . . . Because the invention was conceived during Holodniy's consultancy at Cetus, the court need not reach the issue of the enforceability of the VCA to inventions conceived after Holodniy left Cetus.").

Given that Section 2870 expressly permits inventions assignment provisions without any time limitation, the District Court could not have properly applied Section 16600 to prohibit all post-employment inventions assignment requirements: "Where there is no clear intention otherwise, a specific statute will not be controlled or nullified by a general one, regardless of the priority of enactment." *Morton v. Mancari*, 417 U.S. 535, 550-551 (1974) (specific provisions of Indian preference statute in Indian Reorganization Act of 1934 was not nullified by general provisions of Equal Employment Opportunities Act of 1972); *see also*, *Singh v. Superior Court*, 140 Cal. App. 4th 387, 399–400 (2006) ("it is a cardinal rule of statutory interpretation that specific statutory regulations control over the general statutes") (citations omitted).

Presented with Section 2870 and Section 16600, and this specific set of facts, the District Court correctly applied the two statutes by finding that Section 2870, by its plain language, does not place a time limit on inventions assignment provisions (Appx0029) and that an inventions assignment provision does not violate Section

16600 unless it interferes with an employee's ability to pursue his chosen profession. Appx0030. This conclusion is consistent with case law interpreting Section 16600 to allow contractual requirements preventing abuse by opportunistic employees while protecting honest employees who legitimately conceive of new inventions post-employment. Thus, the District Court's conclusion that the Assignment Provision is valid and enforceable under Section 2870 and Section 16600 should be affirmed.

B. Yeh Is Not A Co-Inventor

1. Whitewater has standing to challenge Yeh's inventorship

The Assignment Provision is valid and properly encompasses post-employment inventions. Appellants do not contest Whitewater is a successor in interest to the Assignment Provision. Appx0024. Thus, Whitewater possesses standing to pursue its correction of inventorship claim against Yeh. *Larson v. Correct Craft, Inc.*, 569 F.3d 1319, 1326 (Fed. Cir. 2009) ("a plaintiff seeking correction of inventorship under [35 U.S.C.] § 256 can pursue that claim in federal court only if the requirements for constitutional standing . . . are satisfied."); *Eastwood v. Molecular Defs. Corp.*, 373 F. Supp. 3d 502, 506 (S.D.N.Y. 2019) ("A plaintiff challenging inventorship meets the Article III burden by showing an ownership interest in the patent ….").

2. Appellants challenge only factual determinations regarding inventorship, which are reviewed for clear error

"Inventorship is a question of law that we review *de novo*, ***based on underlying facts which we review for clear error***." *Hybritech Inc.*, *supra*, 802 F.2d at 1376 (emphasis added); *Hess*, *supra*, 106 F.3d at 980 ("this court reviews the underlying findings of fact which uphold a District Court's inventorship determination for clear error"). "The determination of whether a person is a joint inventor is fact specific."[17] *Univ. of Colo. Found.*, 342 F.3d at 1308 (assessing "four findings of fact" by District Court under clear error standard). These facts include a District Court's determination of who conceived of an invention and when it was conceived based on documentary evidence and a District Court's rejection of a claim of joint inventorship on the basis that "the idea of the complete invention was exclusively" that of one inventor. *Id*. at 1308-09; *see also*, *Hess*, 106 F.3d at 981 ("[W]hether particular suggestions and contributions of third persons amount to co-inventorship turns on the facts of the particular case."). Even the District Court's determination as to whether a party has overcome the "'presumption of correctness' to which issued patents are entitled" is a question of fact reviewed for clear error. *Univ. of Colo. Found.*, 342 F.3d at 1309. As a result, the District Court's conclusions

[17] Appellants improperly imply that inventorship is reviewed solely by a *de novo* standard without reference to the underlying factual questions at issue. Appellants' Br., ECF No. 29 at 29.

regarding Yeh's claimed co-inventorship that Appellants challenge are questions of fact subject to the "clear error" standard.

"Where there are two permissible views of the evidence the factfinder's choice between them cannot be clearly erroneous." *Id.* at 1305. Similarly, "[T]he task of weighing the credibility of witnesses is for the trier of fact; indeed, credibility determinations by the trial judge 'can virtually never be clear error.'" *First Interstate Bank of Billings v. U.S.*, 61 F.3d 876, 882 (Fed. Cir. 1995) (citing *Anderson* 470 U.S. at 575); *Bell BCI Co. v. United States*, 570 F.3d 1337, 1340 (Fed. Cir. 2009) ("Credibility and intent determinations are questions of fact."). Such credibility determinations are implied, even if the district court does not expressly reject specific testimony. *Polaroid Corp. v. Eastman Kodak Co.*, 789 F.2d 1556, 1573 (Fed. Cir. 1986) ("Trial courts have and must continue to have the right to reject the testimony of a witness, a right that can be defeated only when clear error is shown. That a trial court's opinion does not contain language expressly discrediting a witness' testimony does not license an appellate court to reweigh that witnesses' testimony and to make its own credibility determinations.") (citations omitted).

Each of the District Court's determinations regarding Yeh's inventorship that Appellants challenge are supported by the evidence and determinations of credibility.[18] Thus, the District Court's findings must be upheld.

3. The District Court's determination that the inventions were conceived "by August 16, 2012," and that Yeh contributed, at most, to reduction to practice, is supported by the record viewed in its entirety.

"[C]onception is the touchstone of inventorship, each joint inventor must generally contribute to the conception of the invention. Conception is the formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice." *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1460 (Fed. Cir. 1998) (internal quotation and citations omitted). The determination of conception is a question of fact, subject to review only for clear error. *See, Univ. of Colo. Found.*, 342 F.3d at 1308-09.

Appellants challenge the District Court's factual finding that Alleshouse—and not Yeh—contributed to conception. Appellants do not dispute that Yeh's contributions came *after* August 16, 2012 (with only one exception addressed below). Instead, Appellants challenge the District Court's finding on the basis that Alleshouse's notebook alone may not depict every element of the patented

[18] At trial, Appellants' counsel conceded the District Court's determination of how the inventions of the patents in suit were conceived would turn on witness credibility. Appx0976-0978 (Trial Tr. at 828:21–830:2).

inventions. Appellants' Br., ECF No. 29 at 53-54 (citing Appx0035). Because the District Court correctly found that Alleshouse conceived of the inventions no later than August 16, 2012 based on the entirety of the record and not just the notebook, the District Court's conclusion that Yeh was not a joint inventor must be affirmed. *Ethicon*, 135 F.3d at 1460 ("[O]ne does not qualify as a joint inventor by merely assisting the actual inventor after conception of the claimed invention.").

a. Yeh did not make a patentable contribution before August 16, 2012

Appellants concede that Yeh's only contribution allegedly made *before* August 16, 2012 was the supposed "core concept of making a sheet-wave ride that could be ridden like a skatepark." Appellants' Br. at 61. But, as the District Court correctly noted, "[o]ne who merely suggests an idea of a result to be accomplished, rather than means of accomplishing it, is not a joint inventor." Appx0036 (quoting *Garrett Corp. v. U.S.*, 422 F.2d 874, 881 (Ct. Cl. 1970)); *see also*, Appx0007 (elaborating on basis for initial findings). Appellants attempt to distinguish *Garrett* on the facts, but do not (and cannot) dispute its underlying legal proposition, which has been adopted by this Court. *See*, *Eli Lilly & Co. v. Aradigm Corp.*, 376 F.3d 1352, 1359 (Fed. Cir. 2004) ("Contributions to realizing an invention may not amount to a contribution to conception . . . if they are too far removed from the real-

world realization of an invention.") (citing *Garrett*).[19] Nor do Appellants cite any evidence that Yeh made any other more specific contribution *prior* to August 16, 2012, because none exists.[20] Because the District Court correctly found that Alleshouse alone conceived of the inventions no later than August 16, 2012, the District Court's conclusion that Yeh was not a joint inventor must be affirmed. *Ethicon*, 135 F.3d at 1460 ("[O]ne does not qualify as a joint inventor by merely assisting the actual inventor after conception of the claimed invention.").

b. Alleshouse's notebook, in view of the entire record, establishes Alleshouse's conception

Appellants attempt to argue that contributions Yeh supposedly made *after* August 16, 2012 are sufficient to qualify him as a co-inventor on the basis that Alleshouse's notebook alone may not depict every element of the patented inventions. Appellants' Br., ECF No. 29 at 43 n.8, 45. However, Appellants' contention that every element of the invention must be present in Alleshouse's notebook to constitute conception is contrary to law. *Univ. of Pittsburgh of Commonwealth Sys. of Higher Educ. v. Hedrick*, 573 F.3d 1290, 1298 (Fed. Cir. 2009) ("conception of an entire invention need not be reflected in a single source")

[19] Yeh's supposed "core inventive concept" was already well known to Alleshouse based upon his time at Wave Loch.

[20] Appellants' Br. at 61-62 (citing Alleshouse's August 4, 2012 "notation" supposedly inspired by Yeh and undated "series of pictures," written on by Alleshouse, but supposedly compiled by Yeh).

(citing *Price v. Symsek*, 988 F.2d 1187, 1196 (Fed. Cir. 1993)). As a result, a District Court may properly conclude that certain inventors, and not others, exclusively conceived of an invention even if that invention is not wholly documented. *Univ. of Colo. Found.*, 342 F.3d at 1308-09. To supplement contemporaneous evidence, a court may consider the "knowledge that a skilled artisan would have had at the time of the invention when no corroborating evidence of [an inventor's] own knowledge was produced." *Univ. of Pittsburgh*, 573 F.3d at 1299.

Contrary to Appellants' argument, the District Court did not rely on the "gist" of the invention to determine conception, but—at Appellants' request—amended its findings to clarify the District Court's basis for its conclusions on certain issues, including the conception of the inventions based on the totality of the evidence relative to the claimed inventions.[21] Appx2115 (alleging "that Alleshouse's notebook entries prior to August 16 evidenced conception of the features of the patented invention *as claimed*.") (emphasis in original). To determine conception, "[a]n evaluation of *all* pertinent evidence must be made so that a sound determination of the credibility of the [alleged] inventor's story may be reached." *Ethicon*, 135 F.3d at 1461 (citations omitted). This is precisely what the District Court did here, stating:

[21] Appellants' argument that Alleshouse's notebook does not depict all elements of the invention cites only the District Court's initial findings, ignoring this subsequent amendment.

> After carefully reviewing *all of the evidence presented at trial*, the Court found based on clear and convincing evidence that Mr. Yeh was not a joint inventor. That evidence includes the patents, file histories, testimony of witnesses, emails between Messrs. Alleshouse and Yeh, videos of Messrs. Alleshouse and Yeh, and the diagrams in Mr. Alleshouse's notebook. . . . Even if, as Defendants argue, the sketches in the notebook did not specify every single element of the patents at issue, *it was the totality of the evidence* that led the Court to conclude that Mr. Alleshouse alone conceived of the inventions and that Mr. Yeh did not make any patentable contributions.

Appx0006-0007 (emphasis added).

By way of example, Appellants, below (as they do here), asserted that the District Court did not account for Alleshouse's testimony that his August 14, 2012 entry in his notebook did not relate to conception because the Sauerbier Patent No. 4,792,260 ("Sauerbier '260") referenced on that page did not relate to sheet wave rides. Appx2118-2119; Appellants' Br. at 55-56, n.8. The District Court addressed this stating "the Court carefully considered Mr. Allehsouse's testimony in light of all the evidence presented at trial." Appx0006, n.3. The evidence at trial included the testimony of Appellants' expert, Manuel De la Cerra, who contradicted Alleshouse and confirmed that the Sauerbier '260 Patent directly related to sheet waves. *Compare* Appx0889-0891 (Trial Tr. at 741:11-23; 742:9-13; 743:6-745:3) *with* Appx0416, Appx0418 (Trial Tr. at 268:8, 270:6-9).[22] Such credibility

[22] Mr. De la Cerra is now serving as appellate counsel.

determinations need not be expressly stated (*Polaroid Corp.*, 789 F.2d at 1573) and "can virtually never be clear error." *First Interstate Bank*, 61 F.3d at 882.[23]

c. Alleshouse knew all of Yeh's alleged contributions

The evidence presented at trial established that Alleshouse was well aware of the state of the art in the sheet wave industry through his years of active involvement in documenting, designing, and installing Wave Loch's sheet wave rides throughout the world. Appx0330-0334, Appx0349, Appx0307 (Trial Tr. at 183:22-25; 184:11-185:10; 186:20-187:7; 202:13-19; 160:8-19). In addition, the evidence, including the patent file histories, demonstrated that certain elements Yeh alleged to have "invented" were not patentable. Thus, the District Court's conclusion based on "the totality of the evidence" that "Mr. Alleshouse alone conceived of the inventions and that Mr. Yeh did not make any patentable contributions" cannot be clear error. Appx0007.

Appellants cite ten purported contributions by Yeh. Appellants' Br. at 57-61. These are largely the same contributions Yeh listed in his verified discovery responses introduced into evidence at trial (Appx1751-1754), and the same

[23] Appellants also cite Alleshouse's testimony that the August 16, 2012 drawing, in practice "'wouldn't be a very good ride' because it included large 'areas that can't be ridden.'" Appellants' Br. at 55-56, n.8 (citing Appx0385-0388), however, making the conceived ride into a "good ride" is reduction to practice. *Univ. of Pittsburgh*, 573 F.3d at 1298 ("An inventor need not know that his invention will work for conception to be complete … the discovery that the invention actually works is part of its reduction to practice").

contributions the District Court rejected. The District Court's determination is supported by the record, and Appellants have failed to demonstrate clear error.

"The line between actual contributions to conception and the remaining, more prosaic contributions to the inventive process that do not render the contributor a co-inventor is sometimes a difficult one to draw." *Eli Lilly*, 376 F.3d at 1359. Further, Yeh's purported contributions cannot be inventive if it was not a significant contribution or if it did no more than merely explain to the real inventor well-known concepts and/or the current state of the art. *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1351 (Fed. Cir. 1998); *Rothschild v. Cree, Inc.*, 711 F. Supp. 2d 173, 203 (D. Mass. 2010) ("The significance of an alleged joint inventor's contribution may be assessed by asking whether the contribution helped to make the invention patentable."). Finally, a court may consider the "knowledge that a skilled artisan would have had at the time of the invention when no corroborating evidence of their own knowledge was produced." *Univ. of Pittsburgh*, 573 F.3d at 1299.

The determination of whether Yeh contributed to any specific element is a credibility determination. *Ethicon*, 135 F.3d at 1461 ("An evaluation of *all* pertinent evidence must be made so that a sound determination of the *credibility* of the [alleged] inventor's story may be reached.") (emphasis added, citations omitted). "[T]he task of weighing the credibility of witnesses is for the trier of fact; indeed, credibility determinations by the trial judge 'can virtually never be clear error.'"

First Interstate Bank, 61 F.3d at 882 (citing *Anderson*, 470 U.S. at 575); *Bell BCI Co.*, 570 F.3d at 1340 ("Credibility and intent determinations are questions of fact."). Such credibility determinations are implied, even if the District Court does not expressly reject specific testimony. *Polaroid Corp.*, 789 F.2d at 1573 ("Kodak has cited no authority, and there can be none, to support its suggestion that we substitute an independent, de novo evaluation of Kaprelian's testimony for that made by the District Court. Trial courts have and must continue to have the right to reject the testimony of a witness, a right that can be defeated only when clear error is shown. That a trial court's opinion does not contain language expressly discrediting a witness' testimony does not license an appellate court to reweigh that witnesses' testimony and to make its own credibility determinations.") (citations omitted). "Where there are two permissible views of the evidence the factfinder's choice between them cannot be clearly erroneous." *Univ. of Colo. Found.*, 342 F.3d at 1305.

i. The Nozzle Patent

For the patented nozzle structure (the '433 Patent), the District Court found that Alleshouse contributed all of the claimed features based upon his exposure to the Wave Loch nozzles. The District Court found that "Mr. Alleshouse was the product manager for the Flowrider attraction at Wave Loch. One of the features of the Flowrider was the adjustable nozzle structure that varied the thickness of water

flow. Additionally, Wave Loch was in the process of developing radial, non-planar nozzles for its WaveOz attraction during Alleshouse's employ and at a time when he was responsible for documenting and finalizing the design drawings for that ride. He attended meetings regarding the WaveOz nozzle structure and had access to Mr. Vicente's models." Appx0031-0032.

The District Court's conclusion considers the specific claims of the invention, including the limitations in which Yeh alleged to have contributed. For example, Yeh claims to have contributed to the '433 Patent a nozzle "wherein the thickness of the orifice in the Z-Y plane is adjustable to different thicknesses along a length of the orifice in the Z-Y plane" ('433 Patent Claim 1 (Appx1060); Appx1753-1754) and with "internal walls coupled to sides of the plurality of orifice walls, wherein the internal walls form a single side angle from a rear plane of the nozzle to the sides of the plurality of orifice walls of the orifice." ('433 Patent Claim 11 (Appx1060); Appx1753-1754). The features of a non-planar orifice, and an adjustable thickness were directly found to be present in the Flowrider and WaveOz nozzles of Wave Loch and known by Alleshouse. Appx0031-0032 (Findings at 17:24-18:4). Similarly, the District Court found that the plurality of internal walls were also features that were already present in Wave Loch's existing nozzles and known by Alleshouse. Appx0006 (Am. Findings at 6:9-13).

In addition to Alleshouse having prior exposure to these features, Yeh admitted that adjustable flow thickness "is on every wave that you kind of see nowadays. . . *It has been publicly known for way longer than Pacific Surf Designs has been around*." Appx0842 (Trial Tr. at 694:5-9) (emphasis added). Yeh went on to describe that PSD used "the adjustable internal plates to accomplish exactly what Lochtefeld said yesterday. Of course, that's – pretty much that has been known as something in the industry for way over a decade." *Id*. (Trial Tr. at 694:17-19). Notably, Yeh's own testimony confirmed that his alleged contribution to the adjustable thickness of the nozzle in the Z-Y plane, as well as the internal walls within the nozzles were within the state of the art at the time of his alleged contribution and, therefore, non-inventive. *Gen. Elec. Co. v. Wilkins*, 750 F.3d 1324, 1332 (Fed. Cir. 2014) (It is settled law that "a person will not be a co-inventor if he or she does no more than explain to the real inventors concepts that are well known and the current state of the art.").

Similarly, Yeh's claimed contributions of a nozzle "[w]herein the flowing body of water emanates from the orifice at flow angles that vary along a length of the orifice formed by the plurality of orifice walls" ('433 Patent Claim 7 (Appx1060); Appx1753-1754); having "[a] plurality of outer walls outside of the plurality of orifice walls, wherein the plurality of outer walls is at a different angle

than the plurality of orifice walls."[24] ('433 Patent Claim 10 (Appx1060); Appx1753-1754) were present in prior Wave Loch sheet wave rides. Appx0031-0032 (Am. Findings at 17:25-18:4) ("Wave Loch was … developing radial, non-planar nozzles for its WaveOz attraction during Alleshouse's employ.").

Not only were they already known by Alleshouse from his experience with the WaveOz attraction, the District Court noted that these claim elements were rejected by the patent examiner because they were present in U.S. Patent No. 5,625,584 ("Lochtefeld '584"), which issued more than a decade before Applicants filed for the '433 Patent.[25] Appx0006 (Am. Findings at 6:1-8 (citing Appx1457 and Appx0570 (Trial Tr. at 422:3-12)); Appx1463. Lochtefeld '584, describes a nozzle capable of having both non-planar and non-parallel flow. Appx1458-1459.

[24] Appellants identify Claim 10 of the '433 Patent as an alleged contribution, but recite the language of Claim 11. Appellants' Br., ECF No. 29 at 61. Therefore, Whitewater is addressing both the language of Claim 10 and Claim 11, as asserted contributions of Yeh.

[25] U.S. Patent No. 5,628,584, which identifies Thomas Lochtefeld (the founder of Wave Loch) as the inventor, describes a "nozzle 17 with an asymmetrical aperture 26 comprised of an asymmetrical aperture wide side 26a and an asymmetrical aperture narrow side 26b, capable of producing flows that exhibit hydrostatic tilt. … [W]hen supercritical flow 8 first issues from asymmetrical aperture 26 (indicated by dashed lines and arrows), it is thicker (e.g., deeper) on one side 8a than the other 8b as the surface of the water is tilted. If supercricital flow 8 is moving over a fixed surface such as containerless incline 1, gravity will immediately interact to "squeeze" the thicker flow 8a and cause the flow to level itself." Whitewater has placed the Lochtefeld '584 in the Joint Appendix and concurrently moves this Court to take judicial notice pursuant to Federal Rule of Evidence 201(b). *See* Motion for Judicial Notice, Ex. 2, filed herewith; *see also*, Appx2231 (Lochtefeld '584 at 20:56-66).

Alleshouse testified to incorporating these identical features into the ’433 Patent. Appx0424 (Trial Tr. at 276:2-7) (“in order to achieve that you have got a nozzle that instead of being uniform across its width it varies considerably across its width such that the water coming out spreads and distributes uniformly over the top area of the attraction so that riders can actually utilize the full width of the top of the ride.”).

Thus, the District Court’s factual determination that Alleshouse alone conceived of the ’433 Patent, and that Yeh made no inventive contribution, is supported by evidence that Yeh’s claimed contributions were known to Alleshouse through his work at Wave Loch with Lochtefeld and present in Lochtefeld’s patents long before Yeh’s involvement. As a result, the District Court’s decision cannot be clear error. *Univ. of Pittsburgh*, 573 F.3d at 1299 (finding the court did not clearly err “by filling in holes in the [inventor’s] conception with knowledge that a skilled artisan would have had at the time when no corroborating evidence of their own knowledge was produced.”); *Rothschild*, 711 F. Supp. 2d at 203 (“The significance of an alleged joint inventor’s contribution may be assessed by asking whether the contribution helped to make the invention patentable.”).

ii. The Ride Patents

For the half-pipe/quarter-pipe rides (covered by the ’685 Patent and the ’189 Patent), the District Court similarly found that Alleshouse’s contributions were based on his work performed for Wave Loch. “Wave Loch held meetings to improve

upon Murphy's half-pipe ride by making the sidewalls rideable, and Alleshouse participated in those meetings. During one of those meetings, Alleshouse claimed he could make a better half-pipe than Murphy's Stingray." Appx0031 (Findings at 17:4-10). [26] Lochtefeld, who visited and rode the Murphy's Waves Stingray, explained that the Stingray had "a funnel-type device [between where the rider rides the stingray and the rear rider exit] to funnel the people away from the stairs where people were standing and trying to come in." Appx0673-0674 (Trial Tr. at 525:14-526:18); *see* Appx0005 (District Court citing testimony). Alleshouse's own statements described his half-pipe/quarter-pipe ride as "basically [M]urphy[']s wave halfpipe but with water on the sides." Appx0031 (Findings at 17:15-18 (citing Appx1061, Appx1075; Appx0385-0399 (Trial Tr. at 237-51)). The District Court specifically found the safety chute and non-parallel angled rideable sidewalls to be that of Murphy's prior art rides. Appx0005 (Am. Findings at 5:11-16).

Yeh purports to have contributed multiple elements to the ride patents that were well known to Alleshouse from his work at Wave Loch and the current state of the art, as well as, expressly rejected by the Patent Office.

For example, Yeh alleged contribution to the concept of a "safety chute" including "a safety chute section and a safety chute sidewall positioned between the

[26] Appx0330 (Trial Tr. at 183:4-8) (testimony of Alleshouse confirming that he and Lochtefeld looked at the Murphy's Stingray ride while at Wave Loch).

activity section and the first water recovery section" ('189 Patent Claim 14 (Appx1044)) that was state of the art and known to Alleshouse from his review of the Murphy's Wave Stingray ride during his time at Wave Loch. *Hess*, 106 F.3d at 981.

Yeh's other alleged contributions relating to the safety chute and rideable side walls including: (i) a ride having "[a] middle section adjacent to at least one safety chute section," "wherein the plurality of sidewalls are adjacent to the middle section and to the at least one safety chute section," and "wherein the water delivery section creates a flowing body of water over the middle section towards the at least one safety chute section" ('685 Patent Claim 1 (Appx1034); Appx1751-1752); (ii) a ride "[w]herein the plurality of opposing non-parallel sidewalls adjacent to the middle section are any shape chosen from a group consisting of one or more of concave, planar, substantially planar, convex, ellipse, and complex curve shapes" ('685 Patent Claim 2 (Appx1034); Appx1751-1752); (iii) a ride where "[a]t least one water recovery area adjacent to either the plurality of middle or sidewall areas" ('685 Patent Claims 18, 19 (Appx1034-1035); Appx1752); and (iv) a ride "[w]herein the at least one water recovery area is coupled to the plurality of sidewalls areas" ('685 Patent Claim 19 (Appx1035); Appx1752) were not only known by Alleshouse through his work at Wave Loch, but were also rejected by the Patent Office as disclosed and claimed in U.S. Patent Publication No. 2013/0130815 ("Lochtefeld

’815”). Appx1223; Appx0036 (Findings at 22:15-19), *as amended by* Appx0004, n. 2 (“[A]ll of Mr. Yeh’s contributions to the ‘685 … Ride Patents—safety chute, rideable sidewall of a complex curve shape, and water recovery sections—were found to be unpatentable by the PTO in light of the Lochtefeld prior art. (Pl.’s Ex. 132; Dr. Stevich (*sic*) Testimony at 40-19.)”).

For example, the Lochtefeld ’815 relied upon by the Patent Office to reject Yeh’s alleged contributions to the ’685 Patent, discloses an inflatable divider for use in sheet wave rides.[27] Appx2255-2256. Moreover, Alleshouse testified to having worked extensively on the inflatable divider that became the subject of Lochtefeld ’815 during his employment at Wave Loch. Appx0339-0340 (He “came up with the solution for an inflatable divider. And actually made – you know, made a model of it and then actually, you know, made the flat patterns, heat welded the inflatable bladder…”.).

Further, the District Court rejected Yeh’s alleged contribution of the “elevated water recovery section positioned above the plurality of sidewalls” (’685 Patent Claim 1 (Appx1034)), because none of the Appellants’ original or supplemental interrogatory responses identified the elevated water recovery areas as having been

[27] Whitewater has added U.S. Patent Pub. No. 2013/0130815A1 to the Joint Appendix and concurrently moved this Court to take judicial notice pursuant to Federal Rule of Evidence 201(b). *See* Motion for Judicial Notice, filed herein; *see also*, Appx2241.

contributed by Mr. Yeh, despite a specific request to "describe and identify in full detail all of Mr. Yeh's alleged contributions to the conception of the '685 Patent." Appx1751-1754; Appx0004 n.2 (Am. Findings at 4, n.2).[28] "It is clear that answers to interrogatories may be utilized as admissions." *Bell v. A-Leet Leasing Corp.*, 863 F.2d 257, 259 (2d Cir. 1988). To the extent there was a conflict between Appellants' discovery responses and Yeh's trial testimony, the District Court was required to weigh the evidence and resolve the conflict. *Victory Carriers, Inc. v. Stockton Stevedoring Co.*, 388 F.2d 955, 959 (9th Cir. 1968). Thus, the District Court's reliance on Appellants' discovery responses as listing Yeh's only asserted contributions (Appx0004 (citing Appx1747-1756)) cannot be clear error. *Univ. of Colo. Found.*, 342 F.3d at 1305 ("Where there are two permissible views of the evidence the factfinder's choice between them cannot be clearly erroneous."; *First Interstate Bank*, 61 F.3d at 882 ("credibility determinations by the trial judge 'can virtually never be clear error.'") (citations omitted).[29]

[28] Yeh is an attorney and was the primary drafter of the patent application and verification the interrogatory responses both in his individual capacity and on behalf of Pacific Surf Designs. Appx0472-0473; Appx1447-1456, Appx2176-2177.

[29] Yeh's alleged contribution of "elevated water recovery section positioned above the plurality of sidewalls" ('685 Patent Claim 1 (Appx1034)) reflects the then-current state of the art. Every sheet wave ride designed, sold, and installed during Alleshouse's time at Wave Loch included recovery sections to recapture water from the water attraction located where water exited the ride surface. Appx0249, Appx0251-0252, Appx0254, Appx0562-0563, Appx0741.

Because Yeh's alleged contributions to the '685 Patent and '189 Patent were well known to Alleshouse through his work at Wave Loch and the then-current state of the art, as evidenced by their inclusion in Lochtefeld's patents, the District Court's conclusion that Alleshouse is the sole inventor and Yeh did not make any inventive contributions cannot be clear error.

d. Alleshouse conceived of the patented inventions before August 16, 2012

The District Court determined that "[c]ommon sense shows that the inventions at issue resulted from Alleshouse's work at Wave Loch." Appx0032. Contrary to the allegations of Appellants, the District Court considered the claims of the respective patents and the alleged contributions of Yeh. The Court found that the "evidence presented at trial supports a finding that Alleshouse's conception of the half-pipe/quarter-pipe ride … resulted from work performed by Alleshouse for Wave Loch," and the "evidence also supports a finding that Mr. Alleshouse's conception of the patented nozzle structure was related to Wave Loch's business and founded upon its existing nozzles." Appx0031. Accordingly, the District Court specifically rejected Yeh's alleged contributions to the patented inventions.

After considering the totality of evidence, the District Court concluded that by August 16, 2012, Alleshouse had formed "a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice." *Ethicon*, 135 F.3d at 1460. On August 20, 2012, Alleshouse confirmed to Yeh his

own belief that he had conceived of inventions that would be the subject of multiple patents. Appx0035 (stating inventions "would be protected by our patents."). As a result, the District Court correctly found that any subsequent contributions by Yeh constituted, at best, reduction to practice. Appx0036 (quoting *Ethicon*, 135 F.3d at 1460 ("[O]ne does not qualify as a joint inventor by merely assisting the actual inventor after conception of the claimed invention.")); *Univ. of Pittsburgh*, 573 F.3d 1290 at 1298 ("An inventor need not know that his invention will work for conception to be complete…; the discovery that the invention actually works is part of its reduction to practice."). The District Court's conclusion is fact-specific and cannot be reversed absent clear error. *Hess*, 106 F.3d at 980 (Argument that "the court 'completely misapplied' that [inventorship] standard 'in finding that Hess's contributions were not inventive' … is in reality only a reformulation of the contention that the District Court's findings upon which the court based its conclusion that Mr. Hess had not established co-inventorship, are clearly erroneous.").

Appellants criticize the District Court's detailed analysis of Yeh's alleged contributions and argue that the District Court failed to address the claims "as a whole." Appellants' Br. at 64. Appellants ignore that the District Court's analysis of "each of Yeh's distinct [alleged] contributions separately and in isolation" (*id*)

was done in direct response to Appellants specific request that the District Court engage in a "limitation-by-limitation" analysis of each patent claim. Appx0004.

After indulging Appellants to explain in detail its limitation-by-limitation reasoning (Appx0004-0006),[30] the District Court explained that its factual conclusion that Yeh did not make any inventive contribution was holistic: "it was the totality of the evidence that led the Court to conclude that Alleshouse alone conceived of the inventions and that Yeh did not make any patentable contributions." Appx0007.[31]

Because the District Court found that Alleshouse alone conceived of the inventions, and that the inventions were the result of work performed by Alleshouse for Wave Loch, the District Court was not required to determine whether the alleged contributions created a patentable combination. In other words, the District Court specifically rejected Yeh's alleged contributions in finding that Alleshouse alone

[30] "Rule 52, however, does not require encyclopedic recitation of every underlying fact relied on by the District Court in reaching its decision. All that is required is a level of specificity sufficient to enable a reviewing court to understand the District Court's reasoning and to ensure the integrity of the factfinding function." *Herr-Voss Corp. v. Delta Brands, Inc.*, 101 F.3d 714 (Fed. Cir. 1996); *Medtronic, Inc. v. Daig Corp.*, 789 F.2d 903, 906 (Fed. Cir. 1986) (findings of fact are adequate when "they are sufficiently comprehensive and pertinent to the issue to form a basis for the decision.") (quoting *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 873 (Fed. Cir. 1985)).

[31] Notably, Appellants do not raise any specific combination of elements they believe the District Court overlooked. Appellants did attempt to raise one combination post-trial. The District Court rejected Appellants' effort as inconsistent with Yeh's trial testimony. Appx0007-0008, n.4.

conceived of the patented inventions—there was nothing left of Yeh's alleged contributions to consider in any combination.

In sum, after making "[a]n evaluation of all pertinent evidence," the District Court properly concluded that Alleshouse alone conceived of the inventions on or before August 16, 2012, that Yeh's general concept was not a patentable contribution, and that any contributions by Yeh, made after conception, constitute reduction to practice. *Ethicon*, 135 F.3d at 1461 (citations omitted). Although Appellants disagree with the District Court's holding, they have not demonstrated that the District Court committed clear error in finding that Alleshouse alone conceived of the inventions based on his own knowledge and experience. That assessment is more than "plausible in light of the record viewed in its entirety," and therefore, "the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently." *Anderson*, 470 U.S. at 573. Thus, the Court should affirm the District Court's findings of fact and conclusions of law as amended.

4. Appellants misconstrue the law regarding corroborative evidence

Correction of inventorship claims arise under 35 U.S.C. § 256. "[Section 256] addresses separately two varieties of error in inventorship—misjoinder and nonjoinder. The first clause of Section 256 addresses misjoinder where error lists a person who is not an inventor. The second clause addresses nonjoinder where error

fails to list a person who is an inventor." *Stark v. Advanced Magnetics, Inc.*, 119 F.3d 1551, 1553 (Fed. Cir. 1997). Whitewater claimed that Yeh was misjoined as an inventor, not that another inventor had been omitted. Appx0084, ¶¶ 30, 33; Appx0089-0090 (Fifth, Sixth, and Seventh Causes of Action). Accordingly, Whitewater was required to prove only "that the persons to be removed did not contribute to the invention of any of the allowed claims." *Univ. v. Pittsburgh*, 573 F.3d at 1293.

At trial, Whitewater relied in part, on the testimony of Mr. Lochtefeld that Yeh made no inventive contribution to the patents at issue. Appx0036 (Findings at 22:19-26); Appx0005-0006 (Am. Findings at 5:11-16, 5:24-6:1, 6:8-13). In an effort to avoid the consequences of Mr. Lochtefeld's testimony, Appellants assert that Mr. Lochtefeld was required to produce documentary evidence of his "invention" of pre-existing elements, citing *Trovan Ltd. v. Sokymat SA*, 299 F.3d 1292, 1307-08 (Fed. Cir. 2002) (discussing burden of proof to corroborate named inventorship on an issued patent). Appellants' Br. at 70-71. Unlike the plaintiff in *Trovan*, Whitewater was not attempting to prove that Mr. Lochtefeld should be a named inventor of any aspect of the patents at issue. Instead, Whitewater presented Mr. Lochtefeld's testimony as evidence of what was state of the art in sheet waves and would have been known to Alleshouse, and therefore could not have constituted an inventive

contribution by Yeh.[32] Yeh himself acknowledged that Mr. Lochtefeld properly characterized the state of the art of existing sheet wave attractions. Appx0842 (Trial Tr. at 694:17-19) ("the adjustable internal plates to accomplish exactly what Lochtefeld said yesterday. Of course, that's – pretty much that has been known as something in the industry for way over a decade.").

In light of the evidence presented at trial that Yeh's purported contributions were well known to Alleshouse prior to Yeh's involvement, and in the absence of any documentary evidence of Yeh's purported inventive contributions,[33] the District Court's factual finding that Alleshouse alone conceived of the patents cannot be clear error.

B. CONCLUSION

For the foregoing reasons, Whitewater respectfully requests that this Court affirm the findings of the District Court in their entirety.

[32] *See*, Appx2138 (Hearing Tr. at 4:25-5:10).

[33] Appellants presented only two documents drawn by Alleshouse and a few short videos and photos that show Yeh assisting *post conception* construction of models. Appx0430 (Trial Tr. at 282:8-17).

Dated: May 7, 2020

By: */s/ J. Rick Taché*

J. Rick Taché
Kari L. Barnes
Roger L. Scott
Buchalter, A Professional Corporation
18400 Von Karman Avenue, Suite 800
Irvine, CA 92612
(949) 760-1121
rtache@buchalter.com
kbarnes@buchalter.com
rscott@buchalter.com

Counsel for Appellee

CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this 7th day of May, 2020, I caused this Corrected Brief for Whitewater West Industries, Ltd. to be filed electronically with the Clerk of the Court using the CM/ECF System, which will send notice of such filing to the following registered CM/ECF users:

Manuel Federico de la Cerra
THE LAW OFFICES OF MANUEL DE LA CERRA
7040 Avenida Encinas, Suite 104-381
Carlsbad, California 92011
(760) 809-5520
manny@delacerralaw.com

Jeff Rambin
FAIRCHILD, PRICE, HALEY & SMITH, LLP
1801 North Street
Nacogdoches, Texas 75963
(903) 520-5789
jeff.rambin@fairchildlawfirm.com

John Roberts
ROBERTS IP LAW
3129 25th Street, Suite 295
Columbus, Indiana 47203
(812) 418-3663
john@robertsiplaw.com

Counsel for Appellants

/s/ J. Rick Taché
Counsel for Appellee

CERTIFICATE OF COMPLIANCE

1. This brief complies with type-volume limitations because, excluding the parts of the document exempted by Fed. R. App. 32(f) (cover page, disclosure statement, table of contents, table of citations, statement regarding oral argument, signature block, certificates of counsel, addendum, attachments):

   [X] this brief contains [13,946] words.

   [ ] this brief uses a monospaced type and contains [*state the number of*] lines of text.

2. This brief complies with the typeface and type style requirements because:

   [X] this brief has been prepared in a proportionally spaced typeface using [*Microsoft Word 2016*] in [*14pt Times New Roman*]; *or*

   [ ] this brief has been prepared in a monospaced typeface using [*state name and version of word processing program*] with [*state number of characters per inch and name of type style*].

Dated: May 7, 2020

/s/ J. Rick Taché
Counsel for Appellee