

In the United States Court of Federal Claims

No. 10-384 C
(Filed December 13, 2010)

UNPUBLISHED

* * * * *

ALTON B. HORNBACK, *

Plaintiff, *

v. *

THE UNITED STATES, *

Defendant. *

* * * * *

Pro Se Plaintiff; 28 U.S.C.
§ 1498(a) (2006); Allegation of
Unauthorized Use by the United
States of a Patented Invention.

Alton B. Hornback, San Diego, CA, pro se.

Susan L.C. Mitchell, United States Department of Justice, with whom were
Tony West, Assistant Attorney General, John J. Fargo, Director, Washington, DC,
for defendant.

OPINION

BUSH, Judge.

Mr. Alton B. Hornback filed his complaint in this court on June 21, 2010,
and amended the complaint on June 23, 2010.¹ The nature of the injury alleged in

^{1/} According to defendant, Mr. Hornback has now filed twenty-one cases in this court
and the United States District Court for the Southern District of California, all of which share a
common factual foundation. Def.'s Mot. at 2.

his suit is one of patent infringement under 28 U.S.C. § 1498(a) (2006).² The court has before it defendant's motion to dismiss the complaint pursuant to Rule 12(b)(6) of the Rules of the United States Court of Federal Claims (RCFC).³ Defendant's motion has been fully briefed. For the reasons set forth below, defendant's motion is granted.

BACKGROUND⁴

Mr. Hornback worked for McDonnell Douglas Corporation (MDC) in the 1980s and conceived the "Real-Time Boresight Error Slope Sensor" (hereinafter, sensor or invention). Compl. at 1-2. On March 13, 1986, MDC released the invention to plaintiff, subject to certain reservations of rights. *See id.* Att. 1. Plaintiff applied for a patent for his invention on April 25, 1986, but was unable to obtain one until June 27, 2000, for reasons that are irrelevant to the instant suit.

Mr. Hornback alleges that Boeing Company, a successor to MDC, has manufactured missiles which incorporate an unauthorized use of his invention, and has sold these missiles to the United States. Plaintiff seeks \$20,000,000 for all use by the United States of his invention since June 27, 2000. Defendant asserts, on the other hand, that if the United States did indeed use his invention, such use "would be covered by a license as set forth in the 'Release of Invention' [attached to the complaint], and thus [would] not [be] actionable under 28 U.S.C. § 1498(a)." Def.'s Mot. at 6.

DISCUSSION

I. Standard of Review

^{2/} Although patent infringement is not the term of art employed in § 1498(a), it is a useful shorthand reference for unauthorized use by the United States of a patented invention. *Lemelson v. United States*, 14 Cl. Ct. 318, 319 n.2 (1988).

^{3/} Plaintiff filed a motion for summary judgment on August 25, 2010 which was stayed pending the disposition of defendant's motion to dismiss.

^{4/} All references in this opinion to plaintiff's complaint refer to and encompass plaintiff's amended complaint. The facts recited here are taken from plaintiff's complaint and attachment thereto, and are undisputed for the purposes of deciding defendant's motion to dismiss. *See* Def.'s Mot. at 1 n.1. The court makes no findings of fact in this opinion.

The court acknowledges that Mr. Hornback is proceeding *pro se*, and is “not expected to frame issues with the precision of a common law pleading.” *Roche v. U.S. Postal Serv.*, 828 F.2d 1555, 1558 (Fed. Cir. 1987). *Pro se* plaintiffs are entitled to a liberal construction of their pleadings. *See Haines v. Kerner*, 404 U.S. 519, 520 (1972) (requiring that allegations contained in a *pro se* complaint be held to “less stringent standards than formal pleadings drafted by lawyers”). Accordingly, the court has examined the complaint, plaintiff’s response brief and plaintiff’s sur-reply brief thoroughly and has attempted to discern all of plaintiff’s legal arguments.

When considering a motion to dismiss under RCFC 12(b)(6), “the allegations of the complaint should be construed favorably to the pleader.” *Scheuer v. Rhodes*, 416 U.S. 232, 236 (1974), *abrogated on other grounds by Harlow v. Fitzgerald*, 457 U.S. 800, 814-15 (1982). The court must also determine whether the complaint meets the plausibility standard described by the United States Supreme Court, *i.e.*, whether it adequately states a claim and provides a “showing [of] any set of facts consistent with the allegations in the complaint.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 563 (2007) (citations omitted). It is well-settled that a complaint should be dismissed under RCFC 12(b)(6) “when the facts asserted by the claimant do not entitle him to a legal remedy.” *Lindsay v. United States*, 295 F.3d 1252, 1257 (Fed. Cir. 2002).

II. Analysis

MDC issued a “Release of Invention” to Mr. Hornback, which governs the outcome of his suit. In the release, MDC stated that it

hereby waives those rights to which it is entitled under a Patent Contract with Alton B. Hornback in that invention . . . with the exception of the reservation of a permanent, royalty free, non-exclusive license to make, have made, use and sell, throughout the world, said invention to MDC, MDC subsidiaries and affiliates, and with the right in MDC to grant the same license to the U.S. Government and to others as required by commitments of MDC.

Compl. Att. 1. It is this release of invention which plaintiff cites as the source of his patent rights to the sensor. *Id.* at 2.

As defendant argues, this release retained for MDC (and Boeing, its successor), the right to make the sensor and sell it to the United States as part of the missiles in question. Def.'s Mot. at 7-8. Thus, the use of Mr. Hornback's invention by the United States, if any, was authorized, not unauthorized, and no compensation is due under 28 U.S.C. § 1498(a). *See id.* at 8 (quoting *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008), for the proposition that “the initial authorized sale of a patented item terminates all patent rights to that item”). Thus, plaintiff's claim for compensation must be dismissed.

Plaintiff raises two arguments in his response brief that attempt to negate the effect of the release of invention on his patent rights. First, plaintiff argues that Boeing does not qualify as an affiliate of MDC under the terms of the release. The court agrees with plaintiff that a successor corporation is not an “affiliate” of a corporation that no longer exists, in the common sense of the term “affiliate.” The inquiry does not stop there, however. Boeing, under the terms of the release, might stand in the shoes of MDC, or might be considered to be a grantee of MDC's license. The court will discuss Boeing's licensee status *infra*. Plaintiff also suggests that under the license embodied in the release of invention, MDC/Boeing could sell its invention only to itself and its subsidiaries and affiliates. This argument is unpersuasive, and will also be briefly discussed below.

A. Boeing Possesses a License to Make and Sell the Invention

According to plaintiff, Boeing merged with MDC in 1997, and MDC is “now Boeing.” Compl. at 4. If Boeing has the rights assigned to MDC in the release of invention, the terms of the release entitle Boeing to sell the invention to the United States. Plaintiff concedes that Boeing has the license reserved to MDC by the release of invention. Pl.'s Resp. at 2. As a threshold issue, however, it is important to correctly identify the license possessed by MDC, before turning to the issue of the license that may now be possessed by Boeing.

The complaint shows that MDC owned the rights to patent the sensor, then released these patent rights to plaintiff. *See* Compl. ¶ 3 (“On 13 March 1986, MDC released to Plaintiff[] the patent rights to the SENSOR.”). Plaintiff now argues that when MDC released the invention to Mr. Hornback, MDC obtained a

license, but only a certain type of implied license: “MDC/Boeing has a license to use the invention solely by virtue of the ‘shop rights’ doctrine.” Pl.’s Sur-Reply at 1. This is not a correct analysis of the release of invention or of the facts alleged in the complaint.

MDC’s license was established by the terms of the release of invention, not by any equitable doctrine such as a shop right, which might apply in other circumstances. *See McElmurry v. Ark. Power & Light Co.*, 995 F.2d 1576, 1580 (Fed. Cir. 1993) (“A ‘shop right’ is generally accepted as being a right that is created at common law, when the circumstances demand it, under principles of equity and fairness, entitling an employer to use without charge an invention patented by one or more of its employees without liability for infringement.”) (footnote and citations omitted); *Heatbath Corp. v. Comm’r*, 14 T.C. 332, 344 (1950) (noting that the employer in that case would have obtained shop rights to its employees’ patented invention “in the absence of any agreement”). A shop right is not the source of a license when an employer has released patent rights to an employee and reserved to itself a license set forth in a document such as the release of invention at issue here. *See United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187-89 (1933) (distinguishing between employers who own the patent rights to an invention, and those who only obtain an implied license through a shop right); *Blueport Co., LLP v. United States*, 76 Fed. Cl. 702, 721 (2007) (citing *Dubilier* and noting the difference between an employer who owns the patent rights to its employee’s invention and the employer who merely possesses a shop right to that invention). Thus, the shop right doctrine is irrelevant to this case; MDC’s license was created and defined by the release of invention.⁵

In some cases, a merger of corporations transfers the license for a patented invention to the successor corporation. *See, e.g., Cal. E. Labs., Inc. v. Gould*, 896 F.2d 400, 402 (9th Cir. 1990) (noting in that case that the license passed to the purchaser of the “entire business and assets” of the licensee); *Hartford-Empire Co. v. Demuth Glass Works*, 19 F. Supp. 626, 627 (E.D.N.Y. 1937) (“This merger conveyed to the new corporation all the assets of the old company, including equitable rights, such as licenses under the patents, owned by the old corporation.”). In other cases, merger will not complete such a transfer if the license restricts assignment. *See, e.g., PPG Indus., Inc. v. Guardian Indus. Corp.*,

⁵/ Plaintiff’s discussion of the shop right doctrine in his sur-reply is thus to no avail.

597 F.2d 1090, 1096 (6th Cir. 1979) (noting that the terms of the written license agreement at issue did not permit a transfer of the license to a successor corporation). Where there is a written license, the terms of the license control. *See id.* at 1097 n.2 (noting that changes in the language of license agreements affect the assignability of those licenses).

Here, the court does not read in the release of invention a clear expression that Boeing, or any other successor corporation, is necessarily incorporated in the term “MDC.” What is clear, however, is that the license reserved to MDC was freely transferrable and assignable, because of the phrase “and with the right in MDC to grant the same license to the U.S. Government and to others as required by the commitments of MDC.” Compl. Att. 1. When MDC merged with Boeing, its assets, including the license regarding the sensor, became Boeing’s assets. *See id.* ¶ 11 (describing Boeing’s acquisition of the sensor technology); Pl.’s Resp. at 2 (noting Boeing’s possession of the license to the invention); Pl.’s Sur-Reply at 1-2 (conceding that “MDC/Boeing” now owns the license to the invention). The assignment of the license accomplished by the merger was contemplated and permitted by the license reserved to MDC. *See PPG Industries*, 597 F.2d at 1094 (commenting that the *Hartford-Empire* holding “that the merger conveyed to the new corporation the patent licenses owned by the old corporation [resulted, at least in part,] from the fact that the licenses in question were expressly made assignable”). For this reason, Boeing possesses the same license reserved to MDC, and the government’s use of the invention in Boeing’s products is authorized.

B. The Release of Invention Cannot Be Read to Limit Use of the Sensor to MDC and its Subsidiaries and Affiliates

Mr. Hornback asserts that the license “limit[s] MDC’s right to sell that invention only ‘to MDC, MDC subsidiaries and affiliates.’” Pl.’s Resp. at 2. Plaintiff argues that the release of invention does not grant MDC or Boeing the right to sell the invention to the United States, or grant the U.S. government a right to use the invention. *Id.* This is not a straightforward reading of the release of invention. In relevant part, the release shows that MDC retained a “license to make, have made, use and sell, throughout the world, said invention.” Compl. Att. 1. Other language identifies the licensee: “MDC, MDC subsidiaries and affiliates.” *Id.* Another term addresses the assignability of the license: “and with the right in MDC to grant the same license to the U.S. Government and to others as required by the commitments of MDC.” *Id.* The only logical, or indeed plausible,

interpretation of the release is that MDC, and now Boeing, may make and sell the invention to the United States.⁶

CONCLUSION

After full consideration of the complaint and plaintiff's responsive briefing, the court concludes that plaintiff's claim must be dismissed for failure to state a claim upon which relief can be granted.

Accordingly, it is hereby **ORDERED** that:

- (1) Defendant's Motion to Dismiss, filed August 20, 2010, is **GRANTED**;
- (2) The Clerk's Office is directed to **ENTER** final judgment in favor of defendant **DISMISSING** the complaint **with prejudice**; and
- (3) Each party shall bear its own costs.

LYNN J. BUSH
Judge

^{6/} The parties have not raised the issue of the statute of limitations applicable to this suit. Although it is not clear from the complaint, plaintiff's infringement claim may have accrued as early as June 27, 2000 or March 27, 2003. *See* Compl. at 1, 6. The court notes that there is some precedential dispute as to the calculation of the accrual date for claims brought under § 1498(a). *See, e.g., Regent Jack Mfg. Co. v. United States*, 337 F.2d 649 (Ct. Cl. 1964); *Irving Air Chute Co. v. United States*, 93 F. Supp. 633 (Ct. Cl. 1950). There is also a tolling provision that may be applicable under the facts alleged in the complaint. *See* 28 U.S.C. § 2501 (2006); 35 U.S.C. § 286 (2006); *see also* Compl. at 4-5. The court, affording all favorable inferences to plaintiff's complaint, does not, on this record, see a clear impediment to this suit on limitations grounds.