

Federal Circuit Patent Bulletin: *First Data Corp. v. Inselberg*

October 2, 2017

“An assignor suing for infringement must first affirmatively seek equitable relief from a court to rescind or cancel the assignment’ because, ‘without first receiving equitable relief that restores to the assignor title to the patent, any claim of ownership by the assignor will be unfounded.”

On September 15, 2017, in *First Data Corp. v. Inselberg*, the U.S. Court of Appeals for the Federal Circuit (Newman, O’Malley,* Stoll) affirmed the district court’s dismissal under Federal Rule of Civil Procedure 12(b)(1) of First Data’s counterclaims and declaratory judgment action and remand to New Jersey state court in a case involving patents owned by Inselberg that related to systems by which audiences interact with live events, such as concerts and football games. The Federal Circuit stated:

First Data and [co defendant] Bisignano argue that the district court erred in dismissing First Data’s counterclaims and declaratory judgment claims because, they assert, ownership is a merits question the court should consider when addressing invalidity and noninfringement claims, rather than a jurisdictional prerequisite for a claim. . . .

To invoke the jurisdiction of a federal court under § 1338, it is necessary that plaintiff allege facts that demonstrate that he, and not the defendant, owns the patent rights on which the infringement suit is premised. Furthermore, this allegation of ownership must have a plausible foundation. Federal jurisdiction cannot lie based on allegations that are frivolous or insubstantial. Thus, if plaintiff cannot in good faith allege such facts because, absent judicial intervention to change the situation, under the terms of a contract or deed of

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assignment the rights at issue are held by the defendant, federal court is not the place to seek that initial judicial intervention. . . . “An assignor suing for infringement must first affirmatively seek equitable relief from a court to rescind or cancel the assignment” because, “without first receiving equitable relief that restores to the assignor title to the patent, any claim of ownership by the assignor will be unfounded.” . . .

[H]ere, the claims focus on state law contract remedies, and Inselberg and Interactive admit that they cannot pursue a patent claim unless a state court grants rescission of the assignment agreement. First Data’s and Bisignano’s remaining arguments to the contrary ignore the admissions by Inselberg and Interactive that they do not hold any title to the patents at this time and will not hold title to the patents unless and until a court determines that the assignment agreement is invalid. . . . First Data and Bisignano also would have to establish that they have standing and that their claim is ripe for adjudication. The relatively unique facts of this case show that, at the very least, the counterclaims and the declaratory judgment claims are not ripe at this time. “A claim is not ripe for adjudication if it rests upon ‘contingent future events that may not occur as anticipated, or indeed may not occur at all.’” Because all parties agree that Inselberg and Interactive do not currently have an ownership interest in the patents at issue and cannot obtain such an ownership interest absent relief from a court, any potential infringement claim by Inselberg and Interactive in this case relies on the “contingent future event[]” of recovering title to the patents by having a court invalidate the assignment agreement and order that the patents be returned to Inselberg and Interactive. If Inselberg and Interactive are successful in recovering the patents, then First Data’s and Bisignano’s claims would no longer be contingent on a future event that “may not occur at all.” Until that time, however, an infringement dispute between these parties is not ripe.

First Data and Bisignano also challenge the district court’s remand of the state law claims to state court. Whether we can review the district court’s remand of the state law claims depends on whether the district court remanded the claims under 28 U.S.C. § 1447. If it did, the order remanding the case “is not reviewable on appeal or otherwise.” If the district court remanded the case after declining to exercise supplemental jurisdiction under 28 U.S.C. § 1367(c), however, then “the remand order is not based on a lack of subject-matter jurisdiction for purposes of §§ 1447(c) and (d).” . . . We conclude that the district court’s decision was based on a lack of subject matter jurisdiction, and that the district court remanded the case to state court under 28 U.S.C. § 1447(c). Section 1447(d) therefore precludes us from reviewing the district court’s remand order.