

CLIENT ALERT

Vigilance as a Virtue: Lessons To Be Learned from the *Coda Development v. Goodyear Tire & Rubber Case*

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The Federal Circuit has revived a complaint to correct inventorship in another case involving the intersection of patent and trade secret law. In *Coda Development v. Goodyear Tire & Rubber*, Plaintiffs asserted that Defendants misappropriated trade secrets and breached a non-disclosure agreement (NDA) by seeking patent protection for Plaintiff's inventions related to self-inflating tire (SIT) technology. The district court dismissed the case on a Rule 12(b) motion. But the Federal Circuit reversed holding that the district court improperly made underlying factual findings on the inventorship issue at the pleading stage.

As alleged, in 2008, Coda's CEO invented SIT technology and was approached by Goodyear and others with an interest to commercialize this technology. Before meeting with Goodyear, the parties executed an NDA restricting the use of disclosed information. As alleged, two meetings followed during which Coda allegedly technical presentations, product and testing methods, and performance results. Coda also shared a functional prototype. Thereafter, according to the complaint, Defendant went silent and failed to respond to requests to restart commercial discussions. In December 2009, Defendant applied for a patent entitled "Self-Inflating Tire Assembly". A patent issued on that application in October 2011. In 2012, Coda received an email from a former Goodyear employee: "I am retired now from Goodyear and see in the news today that they have copied your SIT. Unfortunate. I thought China companies were bad." J.A. 59 ¶ 44.

In August 2015, Coda sued in the Northern District of Ohio demanding to substitute Coda's CEO as inventor on the '586 patent. Coda also identified eleven other Goodyear patents that allegedly included confidential technology invented by Coda's CEO. The complaint also alleged trade secret misappropriation.

Defendants moved to dismiss the complaint under Federal Rules of Civil Procedure 12(b)(6). Defendants argued that for each of Coda's claims, the complaint failed to plead enough facts supporting Coda's conception. Plaintiffs opposed and, in their reply, Goodyear introduced a 2008 article published by Coda's CEO that disclosed the information that Coda "now claims was secret when disclosed to Goodyear in 2009."

The complaint was dismissed for failure to state a claim based on primarily the 2008 article. The district court concluded that the complaint did not allege the necessary showing of collaboration because Goodyear stopped communicating with Coda after only two meetings. Also, the district court denied Coda's request to amend its complaint to provide details regarding the differences between the published article and the information taken by Goodyear. Finally, the district court dismissed the trade secret misappropriation claim as time barred under Ohio's four-year statute of limitations because the patent application had published more than four years ago.

On appeal, the Federal Circuit vacated the dismissal — finding that Coda's complaint sets out a plausible claim to correct inventorship and for trade secret misappropriation. The Court held that the facts "allow the reasonable inference that [Coda's CEO] conceived the invention" and that Goodyear did not. The Federal Circuit stated that under motion to dismiss rules, if a court does consider material outside the pleadings, the motion to dismiss must be treated as a motion for summary judgment

and “all parties must be given a reasonable opportunity to present all material pertinent to the motion. *See* Fed. R. Civ. P. 12(d). The Court held that Plaintiffs should have a reasonable opportunity to present all pertinent material and the district court need to reconsider these issues and allow the plaintiff to amend its complaint.

As for the trade secret claim, the Federal Circuit held that there were multiple inferences that could be drawn from the allegations such that the case should proceed past the pleadings stage. In Ohio, a trade secret claim must be brought “within 4 years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered.” Ohio Rev. Code § 1333.66. Defendants’ motion to dismiss argued that if Plaintiffs were reasonably diligent, they would have discovered the alleged trade secret misappropriation by June 2011—when the application of the ’586 patent published. In their motion to dismiss, Defendants argued that there was only one reasonable inference to be drawn against the Plaintiffs. On appeal, the Federal Circuit stated that there are multiple inferences to be drawn from this factual dispute. For example, Coda could have assumed that Goodyear lost interest in the technology or that Goodyear would honor the non-disclosure agreement. Moreover, the Court stated that statute of limitations is an affirmative defense, and a plaintiff generally does need to plead the lack of an affirmative defense to state a valid claim. Based on the complaint and drawing all reasonable inferences, the Court remanded the case to proceed past the pleadings stage.

The case emphasizes the importance of acting diligently to protect technology, especially when trade secrets are at issue.

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