

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

HID GLOBAL CORPORATION,

Plaintiff,

v.

VECTOR FLOW, INC. et al.,

Defendants.

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C.A. No. 21-1769 (GBW)
(CONSOLIDATED)

REDACTED – PUBLIC VERSION

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**PLAINTIFF’S OPENING BRIEF IN SUPPORT OF ITS MOTION FOR
SUMMARY JUDGMENT OF ASSIGNOR ESTOPPEL ON THE ’704 PATENT**

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I. INTRODUCTION AND SUMMARY OF THE ARGUMENT

This case presents the classic example of assignor estoppel. The patentee profited handsomely from the sale of the asserted patent only to turn around during litigation years later and contend that the patent is invalid and worthless. The Supreme Court’s recent holding in *Minerva Surgical, Inc. v. Hologic, Inc.* applies, which relies on principles of fair dealing to limit “an inventor’s ability to assign a patent to another for value and later contend in litigation that the patent is invalid.” 141 S. Ct. 2298, 2302-04 (2021).

The undisputed facts demonstrate that [REDACTED]

[REDACTED] Quantum Secure’s founders Ajay Gain, Vikrant Ghai, and Shailendra Sharma (collectively, the “Individual Defendants”) – all named inventors on the asserted patents – [REDACTED]

[REDACTED]. The Individual Defendants then departed HID to launch a competing company, Vector Flow, Inc. (“Vector Flow”), in violation of enforceable non-compete and non-solicitation obligations. Through their roles as principals of Vector Flow, the three Individual Defendants began competing to steal back Quantum Secure customers and business by selling virtually identically products and services derived from the same intellectual property and confidential information sold to HID. HID seeks relief in this action to enforce its IP rights and recapture the value of the Quantum Secure business sold to HID.

The arguments before the Court are straightforward:

First, the named inventors founded and have remained in control of Vector Flow, and Vector Flow relied on their knowledge and assistance in conducting the infringing activity. As such, Vector Flow is in privity with the assignor of U.S. Patent No. 8,234,704 (“’704 Patent”). Second, Vector Flow’s invalidity defenses contradict (1) the named inventor’s sworn statements to the United

States Patent and Trademark Office (“Patent Office”), (2) the named inventors’ contemporaneous public statements regarding the innovative nature of the claimed inventions, and (3) and the assurances Quantum Secure, through the named inventors as principals, made to HID in exchange for substantial capital. The combination of privity and repeated contradictions substantiated by the undisputed record compels the legal conclusion that assignor estoppel applies. Vector Flow should be estopped from challenging the validity of the ’704 Patent because long before Vector Flow and its founders contended that this asset was worthless, they represented that it drove value and was integral to the success of the Quantum Secure business sold to HID. Accordingly, HID seeks that the Court grant summary judgment that assignor estoppel bars Vector Flow’s invalidity defenses as to the ’704 Patent.¹

II. NATURE AND STAGE OF THE PROCEEDINGS

HID filed the now consolidated actions against Vector Flow and the Individual Defendants on December 17, 2021. D.I. 1; D.I. 9. As is pertinent to the present motion, HID asserts that Vector Flow infringes HID’s ’704 Patent. D.I. 113 at 32-38.

On December 20, 2022, the Court entered a Revised Scheduling Order setting trial for January 16, 2024, and providing that all case dispositive motions must be filed no later than August 30, 2023. D.I. 127, ¶¶ 13(a), 21. The Revised Scheduling Order also permitted the parties to file early summary judgment motions on assignor estoppel within 21 days of the entry of the Court’s order, or January 10, 2023, which shall be considered the moving party’s summary judgment motion #1 pursuant to the Court’s ranking requirements. *Id.*, ¶ 13(d).

¹ HID also asserts that Vector Flow infringes U.S. Patent No. 9,111,088 (“’088 Patent”). D.I. 113 at 38-43. HID expects to move for summary judgment that assignor estoppel applies to the ’088 Patent as well. However, the ’088 Patent was still a pending application at the time it was assigned to HID, whereas the ’704 Patent was already issued. Thus, for purposes of most efficiently presenting the issues in this early summary judgment motion, HID moves only on the ’704 Patent.

III. STATEMENT OF FACTS

The relevant facts are set forth in the accompanying Concise Statement of Facts (“CSOF”) filed herewith. As discussed below, the irrefutable facts demonstrate that assignor estoppel applies and precludes Vector Flow from the challenging the ’704 Patent’s validity.

A. The Individual Defendants Are Named Inventors On The Patents From Their Time As Executives At Quantum Secure

Quantum Secure was founded in 2004 by two of the Individual Defendants, Messrs. Jain and Ghai. CSOF, ¶ 5. Mr. Jain served as Quantum Secure’s President/CEO and Mr. Ghai served as its Chief Technology Officer. *Id.* The third Individual Defendant, Mr. Sharma, joined shortly thereafter to serve as the Vice President of Engineering and Research and Development. *Id.* “Quantum Secure provided physical identity and access management software,” known as the Quantum Secure “SAFE” software suite. *Id.*, ¶ 6. The “SAFE” software suite was Quantum Secure’s “core product offering” for “managing identities and provisioning access in physical security infrastructure.” *Id.* (Ex. J at 5).²

In August 2007, Quantum Secure filed patent applications directed to aspects of its “SAFE” system, including one that would ultimately issue as the ’704 Patent. *Id.*, ¶ 2. The ’704 patent application identified the three Individual Defendants as co-inventors, and claimed priority to a provisional application filed one year earlier. *Id.*

The Individual Defendants each executed inventor declarations for the ’704 Patent and provisional application. *See id.*, ¶¶ 3-4 (Exs. A & B). In these filings, the Individual Defendants twice declared under oath that they believed themselves to be the “original” and “first” inventor of the subject matter disclosed in the applications. *See id.* (quoting sworn statements). In making

² Unless otherwise noted, all references to “Ex. __” refer to the corresponding exhibit attached to the declaration of Nicholas A. Restauri, filed concurrently herewith.

the inventor Declarations, each of the Individual Defendants further acknowledged his duty to disclose information material to patentability to the Patent Office. *See id.*

The '704 Patent issued as a valid and enforceable patent on July 31, 2012. *Id.*, ¶¶ 2, 8. The Individual Defendants assigned their rights in the applications to Quantum Secure, representing for at least a third time that they were “the original, first and sole or joint inventor of any and all new and useful improvements disclosed in the application[s]...” *Id.*, ¶ 7 (Ex. C). Similarly, shortly after issuance Quantum Secure issued a press release describing the '704 Patent as “encompass[ing] elements *fundamental* to the company’s SAFE software suite.” *Id.*, ¶ 8 (Ex. I) (emphasis added). Mr. Jain, Quantum Secure’s President and CEO at the time, touted the issuance of the '704 Patent as a “*historic moment* for Quantum Secure because this intellectual property forms *the basis* of key elements of our SAFE platform.” *Id.*, ¶ 9 (emphasis added). Mr. Jain further represented that the '704 Patent’s issuance “confirms the *importance and impact of innovations* that are *integral* to the company and are a testament to *the value* we can bring to customers” *Id.* (emphasis added).

B. The Individual Defendants Profited From The Sale Of Quantum Secure And Its IP Assets To HID In 2015

In February 2015, HID acquired Quantum Secure and its assets. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

HID relied on these promises, which were *made by the Individual Defendants*. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

C. The Individual Defendants Launched Vector Flow To Compete With HID

In March 2018, Messrs. Jain and Ghai were terminated by HID. *Id.*, ¶ 20. [REDACTED]

[REDACTED]

[REDACTED] *see also* D.I. 113, ¶¶ 53-54; D.I. 137, ¶¶ 53-54 (admitting signing of “agreements with HID titled ‘Non-Competition and Non-Solicitation Agreement’”). [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

From the very beginning, the Individual Defendants have held and continue to hold executive leadership roles at Vector Flow, with Mr. Jain serving as President and CEO, Mr. Ghai as Vice President and Chief Technology Officer, and Mr. Sharma as Vice President of Engineering and Research and Development. *Id.*, ¶ 22. [REDACTED]

[REDACTED]

[REDACTED]

The Individual Defendants launched Vector Flow with the intent to offer virtually identical products and services as the patented “SAFE” software they previously sold to HID as part of the Quantum Secure acquisition. Like HID’s patented “SAFE” software, Vector Flow now offers software aimed at ensuring that access to its customers’ physical and digital assets remains secure. *See id.*, ¶ 23. [REDACTED]

[REDACTED]

D. Vector Flow, Controlled By The Individual Defendants, Now Contradicts Previous Assurances By Challenging The Validity Of The ’704 Patent

HID alleges in the present lawsuit that, *inter alia*, Vector Flow’s products infringe the ’704 Patent. *See id.*, ¶ 1. Vector Flow has responded to this set of allegations by asserting that the ’704 Patent is invalid as 35 U.S.C. §§ 101, 102, 103, and/or 112. *Id.*, ¶ 25; *see also* D.I. 137 at 26 (Third Affirmative Defense (Invalidity)). These invalidity assertions contradict the undisputed facts discussed herein, including the repeated representations that IP sold to HID was valid and enforceable and sworn statements to the Patent Office that the claims meant all standards of patentability.

IV. APPLICABLE LEGAL STANDARD

A. Summary Judgment

Pursuant to Rule 56, “[t]he court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a). The moving party has the initial burden of proving the absence of a genuinely disputed material fact relative to the claims. *Celotex Corp. v. Catrett*, 477 U.S. 317, 330 (1986). The burden then shifts to the nonmovant to demonstrate the existence of a genuine dispute for trial. *Williams v. Borough of West Chester, Pa.*, 891 F.2d 458, 460-61 (3d Cir. 1989). A nonmovant’s assertion that a fact is genuinely disputed must be supported by the evidence, “such that a reasonable jury could return a verdict for the nonmoving party” and the “mere existence of *some* alleged factual dispute between the parties” will not suffice. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986) (emphasis in original); *see also Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586-87 (1986) (“Where the record taken as a whole could not lead a rational trier of fact to find for the non-moving party, there is no ‘genuine issue for trial.’”).

B. Assignor Estoppel

Assignor estoppel is a “well settled” doctrine that “an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant.” *Westinghouse Elec. Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 349 (1924). The Supreme Court recently reaffirmed, albeit with some limitations not applicable here, that assignor estoppel remains good law. *See Minerva*, 141 S. Ct. at 2302-04 (“Assignor estoppel . . . is well grounded in centuries-old fairness principles, and the Federal Circuit was right to uphold it.”). The Supreme Court described assignor estoppel as a doctrine “rooted in an idea of fair dealing, [that] limits an inventor’s ability to assign

a patent to another for value and later contend in litigation that the patent is invalid.” *Id.* at 2302.

As the Supreme Court explained:

The classic case ... begins with an inventor who both applies for and obtains a patent, then assigns it to a company for value. Later, the inventor/assignor joins a competitor business, where he develops a similar—and possibly infringing—product. When the assignee company sues for infringement, the assignor tries to argue—contrary to the (explicit or implicit) assurance given in assigning the patent—that the invention was never patentable, so the patent was never valid. That kind of about-face is what assignor estoppel operates to prevent—or, in legalese, estop.

Id. at 2304.

With respect to the doctrine’s limits, the Supreme Court clarified that the “[t]he doctrine applies only when an inventor says one thing (explicitly or implicitly) in assigning a patent and the opposite in litigating against the patent’s owner.” *Id.* at 2304; *see also id.* at 2310-12 (identifying three examples where the doctrine may not apply, none of which are applicable here). However, the Supreme Court repeatedly reaffirmed that the heart of the doctrine—*i.e.*, that one who assigns a patent for value may not later claim the patent sold is invalid and worthless—remains:

Assignor estoppel, like many estoppel rules, reflects a demand for consistency in dealing with others. . . . When a person sells his patent rights, he makes an (at least) implicit representation to the buyer that the patent at issue is valid—that it will actually give the buyer his sought-for monopoly. In later raising an invalidity defense, the assignor disavows that implied warranty. And he does so in service of regaining access to the invention he has just sold. . . . By saying one thing and then saying another, the assignor wants to profit doubly—by gaining both the price of assigning the patent and the continued right to use the invention it covers. That course of conduct by the assignor strikes us, as it has struck courts for many a year, as unfair dealing—enough to outweigh any loss to the public from leaving an invalidity defense to someone other than the assignor.

Id. at 2309 (citations omitted); *see also id.* at 2310 (“When an assignor warrants that a patent is valid, his later denial of validity breaches norms of equitable dealing. And the original warranty need not be express; . . . the assignment of specific patent claims carries with it ***an implied assurance.***” (emphasis added)); *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir.

1988) (“The principle of fair dealing as between assignor and assignee of a patent whereby the assignor will not be allowed to say that what he has sold as a patent was not a patent has been part of the fabric of our law throughout the life of this nation.”).

V. ARGUMENT: VECTOR FLOW IS ESTOPPED FROM CHALLENGING THE VALIDITY OF THE '704 PATENT

A. Vector Flow Satisfies the Threshold Privity Requirement Through Its Relationship With Quantum Secure And The Individual Defendants

The intertwined and undisputed relationship between the Individual Defendants, Quantum Secure, and Vector Flow establishes the privity required for assignor estoppel. Assignor estoppel “operates to bar other parties in privity with the assignor, such as a corporation founded by the assignor.” *Diamond Sci.*, 848 F.2d at 1224. “Privity, like the doctrine of assignor estoppel itself, is determined upon a balance of the equities.” *Shamrock Techs., Inc. v. Med. Sterilization, Inc.*, 903 F.2d 789, 793 (Fed. Cir. 1990). The “closer” the relationship between the company and the assignor, “the more the equities will favor applying the doctrine to [the] company[.]” *Id.*

Here, there is an exceedingly close relationship between the Individual Defendants who assigned the '704 Patent to HID and the accused infringer who now challenges validity:

- [REDACTED] and now serve as the senior-most Vector Flow Executives using the titles they previously held at Quantum Secure. [REDACTED] Mr. Jain serves as Vector Flow’s President and CEO. Mr. Ghai serves as Vector Flow’s Vice President and Chief Technology Officer. Mr. Sharma serves as Vector Flow’s Vice President of Engineering and Research and Development. *Id.*

- [REDACTED]

- [REDACTED]
- [REDACTED]

Vector Flow has indisputably “availed itself” of the Individual Defendants’ “knowledge and assistance” in conducting the infringing activity. *See Shamrock Techs.*, 903 F.2d at 793-94. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The Individual Defendants who once controlled Quantum Secure now control Vector Flow. The Individual Defendants are the seminal decisionmakers within Vector Flow. As such, all of the equitable considerations demonstrating privity apply. *See Shamrock Techs.*, 903 F.2d at 793-94.

B. Vector Flow’s Invalidity Challenges Contradict The Prior Representations that Gave Rise to Significant Consideration for the Individual Defendants

1. The Supreme Court’s Rationale for Assignor Estoppel in *Minerva* is Directly Applicable To The Indisputable Sworn Statements And Representations

Assignor estoppel bars Vector Flow’s invalidity defenses because its assertions contradict both the implicit and express representations that the Individual Defendants and Quantum Secure made when applying for and assigning the ’704 Patent in 2006 and 2007, and in the later sale of Quantum Secure to HID in 2015. CSOF, ¶¶ 3-4, 7. As the Supreme Court reaffirmed in *Minerva*, “the assignment of specific patent claims carries with it an implied assurance.” *Minerva*, 141 S. Ct. at 2310. Specifically, “[w]hen a person sells his patent rights, he makes an (at least) implicit representation to the buyer that the patent at issue is valid—that it will actually give the buyer his

sought-for monopoly.” *Id.* at 2309. “In later raising an invalidity defense, the assignor disavows that implied warranty.” *Id.*

The Supreme Court found “this implicit representation [to be] particularly appropriate given the patent law’s demand for honesty from patent applicants.” *Id.* at 2309, n.3. As each of the Individual Defendants did here, inventors typically submit declarations to the Patent Office identifying themselves as “original inventors” of the patent’s subject matter, and acknowledging their duty of candor. *Id.*; see also CSOF, ¶¶ 3-4 (detailing the Individual Defendants’ oaths to the Patent Office). “An inventor presenting an application to the PTO thus states his good-faith belief that his claims are patentable—that they will result in a valid patent,” and “[w]hen the inventor then assigns those claims to another, he effectively **incorporates that assurance**.” *Minerva*, 141 S. Ct. at 2309, n.3 (emphasis added). Thus, both the Individual Defendants’ assignment to Quantum Secure, and Quantum Secure’s assignment of the ’704 Patent to HID incorporated these implied assurances that the ’704 Patent was valid and valuable.

The conclusion that the sale of a patent carries with it an implied representation of the patent’s value and validity is well-established by decades of jurisprudence. In *Minerva*, the Supreme Court approvingly quoted the Federal Circuit’s decision in *Diamond Scientific* that an assignors’ “‘implicit representation’ that the patent he is assigning is ‘not worthless . . . deprive[s] him of the ability to challenge later the [patent’s] validity.’” *Id.* at 2304-05 (quoting *Diamond Scientific*, 848 F.2d at 1224). In *Diamond Scientific*, the Federal Circuit further explained that “it is the implicit representation by the assignor that the patent rights that he is assigning (presumably for value) are not worthless that . . . can deprive him of the ability to challenge later the validity of the patent.” 848 F.2d at 1224. Indeed, to “allow the assignor to make that representation at the time of the assignment (to his advantage) and later to repudiate it (again to his advantage) could

work an injustice against the assignee.” *Id.* Thus, the Federal Circuit has held that absent “exceptional circumstances,” such as an “express reservation . . . of the right to challenge the validity of the patent,” an assignor of a patent for value may not later claim the patent is invalid. *See Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1378 (Fed. Cir. 1998).

There are no exceptional circumstances here that weigh against finding an implicit representation that the ’704 Patent is valid and valuable. As inventors on the ’704 Patent, the Individual Defendants made sworn statements to the Patent Office that they were the “original” and “first” inventors of the patented subject matter. CSOF, ¶¶ 3-4 (Exs. A & B). They made similar representations when assigning the patent to Quantum Secure. *Id.*, ¶ 7 (Ex. C). And in 2012, shortly after the ’704 Patent was granted, then-President and CEO of Quantum Secure, Mr. Jain, publicly proclaimed the event a “historic moment” and “a testament of the **value** we can bring to customers.” *Id.*, ¶ 9 (Ex. I) (emphasis added). Mr. Jain, now the current President and CEO of Vector Flow, also touted the ’704 Patent as “intellectual property [that] forms **the basis** of key elements of our SAFE platform,” “**fundamental** to the company’s SAFE software suite,” and that “confirms the **importance and impact** of innovations that are **integral** to the company. . . .” *Id.*, ¶ 8 (emphasis added). [REDACTED]

[REDACTED]

[REDACTED]

Now, a decade later during high-stakes litigation, the entity controlled by the same Individual Defendants argues to this Court and the Patent Trial and Appeal Board (“PTAB”),³ that the once-touted innovations are not inventions at all. The doctrine of assignor estoppel, however,

³ On December 17, 2022, Vector Flow filed a petition for *inter partes* review (“IPR”) of claims 11-14 of the ’704 Patent. IPR2023-00353, Paper 2.

precludes such blatant inconsistency. The Supreme Court’s reasoning in *Minerva* cannot withstand such an about-face in the context of litigation. See *Minerva*, 141 S. Ct. at 2302-04.

2. Vector Flow’s Invalidity Challenges Further Contradict Quantum Secure’s And The Individual Defendants’ Assurances to HID

The record evidence further lays bare the additional assurances that Quantum Secure, by way of the Individual Defendants that now control Vector Flow, previously made to HID.

Under *Minerva*, the Court should credit the implied representations from Quantum Secure’s and the Individual Defendants’ sale the ’704 Patent to HID [REDACTED] [REDACTED] [REDACTED]

[REDACTED]. CSOF, ¶¶ 10, 16-17 (Ex. K) [REDACTED]

[REDACTED]. While the amounts the Individual Defendants received from HID should, as a standalone fact, demonstrate the presence of an implied representation that the ’704 Patent was valuable and valid, the language of the Merger Agreement only further bolsters this conclusion. As detailed in the corresponding CSOF, the Merger Agreement (Ex. D) included [REDACTED]

[REDACTED]:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Vector Flow’s current invalidity positions (Ex. H), when assessed in view of [REDACTED] [REDACTED] contradict the Individual Defendants’ and Quantum Secure’s implied and express representations that the ’704 Patent was valid and valuable, and that the patent would actually “give [HID its] sought-for monopoly.” *Minerva*, 141 S. Ct. at 2309.

3. Estoppel Applies to All of Vector Flow’s Invalidity Challenges to the ’704 Patent

Assignor estoppel applies as a matter of law to preclude *all* of Vector Flow’s invalidity defenses, not only prior art focused defenses, because *Minerva* makes no distinction between the different bases of an invalidity challenge. Rather, “[w]hat creates the unfairness is contradiction,” and here, any “claim of invalidity contradicts [the] explicit or implicit representations [] made in assigning the patent” to HID. *Id.* at 2302. Indeed, *Minerva* itself involved a challenge to the patent’s compliance with the 35 U.S.C. § 112’s written description requirement, and the Court applied the same logic without hesitation. *Id.* at 2303.

CONCLUSION

In sum, this is the “classic case” described by the Supreme Court in *Minerva* where assignor estoppel arises from “an inventor who both applies for and obtains a patent, then assigns it to a company for value,” only to later switch companies and “argue—contrary to the (explicit or implicit) assurance given in assigning the patent—that the invention was never patentable, so the patent was never valid.” *Minerva*, 141 S. Ct. at 2304. A straightforward application of *Minerva* and its progeny to the irrefutable facts demand a determination that Vector Flow be precluded from asserting of invalidity of the ’704 Patent. Granting early summary judgement of assignor estoppel on ’704 Patent will significantly simplify the issues and streamline fact and expert discovery.

For the foregoing reasons, HID respectfully requests that the Court enter summary judgment that assignor estoppel applies and precludes Vector Flow from asserting invalidity of the ’704 Patent.

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January 10, 2023

CERTIFICATE OF SERVICE

I hereby certify that on January 10, 2023, I caused the foregoing to be electronically filed with the Clerk of the Court using CM/ECF, which will send notification of such filing to all registered participants.

I further certify that I caused copies of the foregoing document to be served on January 10, 2023, upon the following in the manner indicated:

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