

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

HID GLOBAL CORPORATION,	)	
	)	
Plaintiff,	)	C.A. No. 21-1769 (GBW)
	)	(CONSOLIDATED)
v.	)	
	)	REDACTED – PUBLIC VERSION
VECTOR FLOW, INC. et al.,	)	
	)	
Defendants.	)	

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

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I. Vector Flow Applies an Incorrect Legal Standard that Reads Out Finding Assignor Estoppel Based on Implicit Representations

Vector Flow’s Opposition (D.I. 150) (“Opp.”) and corresponding Response to HID’s Concise Statement of Facts (D.I. 151) (“Responsive CSOF”) narrow the issues before the Court:

- Vector Flow does not dispute facts in HID’s Concise Statement of Facts (D.I. 145) (“HID CSOF”) that underlie HID’s Motion for Summary Judgment of Assignor Estoppel on the ’704 patent (D.I. 143) (“Motion”). Vector Flow’s Responsive CSOF does not introduce any additional facts and instead repeatedly accepts the facts introduced by HID as “Undisputed for purposes of the present motion.”¹
- Vector Flow does not dispute that it is in privity with both Quantum Secure and Quantum Secure’s Founders Ajay Jain, Vikrant Ghai, and Shailendra Sharma (collectively, “the Individual Defendants” or “the named inventors”).
- Vector Flow does not dispute that if assignor estoppel applies, it would apply to *all* invalidity challenges to the ’704 patent, including under 35 U.S.C. §§ 101, 102, 103, 112.

The remaining issue before the Court is legal in nature: the application of *Minerva v. Hologic* to the undisputed facts of this case. 141 S. Ct. 2298 (2021).

Vector Flow incorrectly advances a narrow reading of *Minerva* that would disregard “centuries-old fairness principles” by reading out an assignor’s “*implicit representations* made in assigning the patent.” *Minerva*, 141 S. Ct. at 2304 (emphasis added). Under this interpretation, Vector Flow would have this Court selectively apply the core holding of *Minerva* so that the Individual Defendants could reap all the benefits ([REDACTED]) from assigning the ’704 patent to HID during the 2015 Merger, then turn around and disavow the very statements upon which HID relied in acquiring Quantum Secure and its assets.

Minerva holds that implicit representations trigger assignor estoppel to protect against an assignor — such as the Individual Defendants — later claiming the assigned claims are worthless:

Assignor estoppel is well grounded in centuries-old fairness principles, and the Federal Circuit was right to uphold it. But assignor estoppel applies only when the

¹ HID does not provide reply positions to the Responsive CSOF because Vector Flow only addressed facts raised in the HID CSOF and did not raise any additional facts that warrant a reply.

assignor's claim of invalidity contradicts explicit or implicit representations he made in assigning the patent.

Id. at 2304 (emphasis added). Vector Flow attempts to limit *Minerva*'s holding to only an assignor's explicit representations, without meaningfully addressing the impact of an assignor's implicit representations. The Supreme Court, however, described the significance of implicit representations in *Minerva* and provided the proper standard for deciding this Motion:

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. . . . *That course of conduct by the assignor strikes us, as it has struck courts for many a year, as unfair dealing[.]*

Id. at 2309-10 (emphasis added, citations omitted). Moreover, *Minerva* reaffirmed the Supreme Court's prior holding in *Westinghouse v. Formica* that "[i]f one lawfully conveys to another a patented right," then "fair dealing should prevent him from derogating from the title he has assigned." *Minerva*, 141 S. Ct. at 2305 (quoting 266 U.S. 342, 350 (1924)).

Vector Flow predicates its entire response on a legally erroneous standard of its own creation. Vector Flow's repackaged standard incorrectly states that:

To obtain summary judgment by demonstrating inconsistency, HID would need to establish that, at the time of the Merger Agreement, Quantum Secure and its identified representatives either had "actual knowledge" or reasonably would have been expected to know within the course of their duties (as defined by "Knowledge") that the asserted claims of the '704 patent are invalid for the reasons set forth in Vector Flow's invalidity contentions.

Opp. at 15 (annotated). The Supreme Court never used the above, yellow-highlighted phrases that Vector Flow contends are dispositive. Notably, the Supreme Court never used the words "actual knowledge,"² "reasonably," or "expected to know." The Merger Agreement does not replace the

² The word "knowledge" is used by the Supreme Court only when it acknowledges that "Assignors are especially likely infringers because of their knowledge of the relevant technology." *Minerva*,

legal standard in *Minerva* and the plain language of § 3.14(b) does not offer Vector Flow a basis to later contradict itself.

The Supreme Court did not hold that the assignor estoppel inquiry turns on the assignor's subjective knowledge at the time of the transaction. To the contrary, assignor estoppel applies when the “underlying principle of fair dealing comes into play.” *Minerva*, 141 S. Ct. at 2310. Put another way, what the assignor actually believed at the time of assigning the patent is not the relevant inquiry. Instead, the inquiry is whether the representations, as a whole, either express or implicit, contradict a later effort to invalidate that patent when the assignor is accused of infringement. Under *Minerva*, Vector Flow cannot disclaim the various assurances provided to HID that, at the very least, created an implied assurance that the '704 patent was valid, enforceable, and would provide HID with a monopoly over the SAFE software suite. See Motion at 5 (citing § 3.14 of the Merger Agreement submitted as Exhibit D). These assurances to HID were not made in isolation; the named inventors had already provided sworn statements to the Patent Office and had publicly touted that the '704 patent formed “the basis of key elements of our SAFE platform.” See Ex. A (inventor oath); Ex. B (Power of Attorney Declaration complying with duty of candor and good faith); Ex. C ('704 patent assignment to Quantum Secure); Ex. I (Quantum Secure Press Release dated December 6, 2012). Vector Flow's narrow reading of *Minerva* would eviscerate the principle that the doctrine of assignor estoppel “gives assignees confidence in the value of what they have purchased.” *Minerva*, 141 S. Ct. at 2304, n.4.

II. The Assurances Provided By Quantum Secure and the Individual Defendants to HID Contradict the Invalidity Challenges in this Litigation

The Supreme Court recognized that an estoppel bars an assignor from acting “contrary to

141 S. Ct. at 2304, n.4 (emphasis added). This utilization of “knowledge” hardly promotes Vector Flow's position.

his own previous action, allegation, or denial.” *Minerva*, 141 S. Ct. at 2309 (emphasis added).

To decide whether Vector Flow has disavowed its implied warranty to HID, the Court must decide whether Vector Flow and the named inventors are acting contrary to a “*previous action, allegation, or denial*” in assigning the ’704 patent. *Id.* (emphasis added) (citing H. Herman, *The Law of Estoppel* §3 (1871)). Vector Flow boldly argues that there is “no inconsistency” because HID accepted Quantum Secure’s allegedly qualified statement in [REDACTED]

[REDACTED] Opp. at 1 (citing Ex. D). According to Vector Flow, this qualified representation should displace Quantum Secure’s assurances to HID that its IP was worthy of the Company’s \$80 million purchase price. Vector Flow’s mantra that “there is no inconsistency” is a fallacy. It is hardly “fair and equitable” as Vector Flow proclaims, Opp. at 16, for the named inventors “to profit doubly—by gaining both the price of assigning the patent and the continued right to use the invention it covers.” *Minerva*, 141 S. Ct. at 2309.

A. Quantum Secure and the Individual Defendants Necessarily Provided Explicit and Implied Assurances at the Time of the Merger that the ’704 Patent Would Provide HID with a Monopoly Over the SAFE Software Suite

The totality of circumstances surrounding the sale of Quantum Secure by the Individual Defendants to HID creates, at the very least, an implicit representation that the ’704 patent is valuable and valid such that the named inventors cannot now assert invalidity. *See* Motion at 5 (summarizing Quantum Secure’s promises to HID as to the assigned IP assets). Vector Flow overlooks the obvious question: How can it be fair and equitable for the named inventors to [REDACTED], and then later contend that the same asset the named inventors profited from is actually worthless?

A “classic case” of assignor estoppel is, according to the Supreme Court, when (1) an inventor applies for and obtains a patent, (2) the inventor later assigns the patent to a company for

value, (3) the inventor joins a competitor business where he develops a similar—and possibly infringing—product, (4) the assignee company sues for infringement, and (5) the assignor tries to argue, contrary to the explicit or implicit assurance given in assigning the patent, that the invention was never patentable. *Minerva*, 141 S. Ct. at 2304. The Supreme Court describes this fact pattern as an “about-face” that triggers assignor estoppel. *Id.*

These exact same elements of a “classic case” are present here:

1. Quantum Secure, in privity with named inventors Jain, Ghai, and Sharma, applied for and obtained the ’704 patent.
2. Quantum Secure, in privity with the named inventors, assigned the ’704 patent to HID for value.
3. The named inventors founded Vector Flow where they purport to develop a similar product (albeit a product incorporating HID’s trade secrets).
4. HID accuses Vector Flow, in privity with the named inventors, of infringing the ’704 patent as well as trade secret misappropriation.
5. Vector Flow argues, contrary to the explicit or implicit assurances previously given to HID in assigning the ’704 patent, that the claims were never patentable.

The striking similarity between the hypothetical facts outlined in *Minerva* and the undisputed facts in this case should end the inquiry and compel the conclusion that assignor estoppel applies.

Vector Flow’s arguments as to Quantum Secure’s subjective intent fail because even a qualified assurance of validity and enforceability in the Merger Agreement creates the implication that HID would have a monopoly over the Quantum Secure SAFE software suite following the sale of the IP assets from Quantum Secure to HID. See *Minerva*, 141 St. Ct. at 2309 (“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.”).

1. Quantum Secure Provided HID with All Rights to the “Core IP” Covering the SAFE Suite and its Components

In an Exhibit to the Merger Agreement, Exhibit 3.14(j)(i), Quantum Secure expressly

represented that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]). This Exhibit to the Merger represents that HID will have a “sought-for monopoly” over SAFE Products. *See Minerva*, 141 S. Ct. at 2309. Such an assurance is an explicit, or “at least” an implicit representation to HID that the Quantum Secure “Core IP,” including the ’704 patent, is valid and valuable.

2. Both Parties to the Merger Agreement Understood that IP, Including the ’704 Patent, Covering the SAFE Software Suite Conferred on HID a Valuable Monopoly

First, it is uncontested that the ’704 patent was sold alongside the rest of Quantum Secure’s IP portfolio for significant consideration. This is the salient point identified by the Supreme Court that triggers assignor estoppel because an inventor cannot sell a patent and then contend “that the thing sold is worthless.” *Minerva*, 141 S. Ct. at 2308 (discussing *Westinghouse*, 266 U.S. at 350). Vector Flow, however, contends that assignor estoppel cannot apply because the Merger Agreement encompassed the sale of all of Quantum Secure’s IP assets and was not limited solely to the ’704 patent. *See Opp.* at 2. But the express attribution of a specific amount of money for the rights to the ’704 patent is not necessary to conclude that there is an implied assurance that the ’704 patent, as part of the larger IP portfolio, has value. *Minerva*, 141 S. Ct. at 2309-10 (explaining that the assurances provided from assignor to assignee “need not be express”).

Quantum Secure and the Individual Defendants were well aware that its IP portfolio had

value that was driving HID's acquisition. Vector Flow concedes as much: "HID acquired Quantum Secure in March 2015 for the stated purpose of obtaining *a valuable business enterprise* and product line, *not merely to obtain patent rights*." Opp. at 4. HID's interest in obtaining patent rights that encompassed the SAFE software suite was, as Vector Flow recognizes, one of HID's goals in the acquisition. *See id.* As Quantum Secure and now Vector Flow recognize, HID sought a *valuable business enterprise*, not a business enterprise covered by worthless invalid claims.

Second, consistent with the plain language of the Merger Agreement and Exhibit 3.14(j)(i), HID purchased exclusive rights to market and sell the SAFE software suite covered by the '704 patent. Indeed, the post-Merger press releases that Vector Flow relies upon, Opp. at 5-6, bolster the conclusion that HID relied on Quantum Secure's assurances as to the value of its IP covering the SAFE software suite. A press release issued by ASSA ABLOY after the Merger memorializes the assignee's expectations of \$45 million in bookings for the SAFE software suite in 2015 with continued growth in the future. D.I. 150, Ex. O. The ASSA ABLOY press release confirms that the assignee's expectations of future growth are tied to Quantum Secure's representations that it owned all IP for the SAFE software suite and that, to the Company's knowledge, the IP is not "invalid or unenforceable." Ex. D, § 3.14(b).

Third, Quantum Secure's assurances to HID in the course of the Merger that the "Core IP" covered the SAFE software suite came after Quantum Secure had touted in a press release that the '704 patent:

- "encompass[ed] elements fundamental to the [Quantum Secure] SAFE software suite, including integration of data and events to and from physical access control and security monitoring systems . . .";
- was described as "intellectual property that *forms the basis of key elements* of [the Quantum Secure] SAFE platform";
- "confirms *the importance and impact of innovations that are integral to [Quantum Secure]* and are a *testament to the value [Quantum Secure]* can bring to customers."

Ex. I (emphasis added). Vector Flow cannot credibly maintain that assignor estoppel is not triggered because the Merger Agreement did not allocate a purchase price for the '704 patent itself as opposed to the Quantum Secure IP portfolio as a whole. See Opp. at 2. HID compensated Quantum Secure and the named inventors in accordance with Quantum Secure's representations that HID was purchasing "Core IP" that would confer a "sought-for monopoly" over the SAFE software suite. Such a patent monopoly, as referenced in *Minerva*, has value and estops Vector Flow from now arguing that the '704 Patent is worthless. See *Minerva*, 141 S. Ct. at 2309.

B. Vector Flow's Interpretation of *Minerva* Would Eviscerate Patent Law's Demand for Honesty

Vector Flow's contention that the named inventors' conduct did not create a contradiction or inconsistency to trigger estoppel is directly at odds with the Supreme Court's holding that statements to the Patent Office provide implicit assurances to the buyer as to validity of the patent. The "classic case" of assignor estoppel is grounded in "the patent law's *demand for honesty* from patent applicants." *Minerva*, 141 St. Ct. at 2309, n.3 (emphasis added). The Supreme Court directly tied an inventor's oath attesting that he is "the original inventor" of the "claimed invention" to the *implicit representation of validity* that transpires when "a person sells patent rights." *Id.* (internal citations omitted). In characterizing assignor estoppel as a doctrine that "reflects a demand for consistency in dealing with others," *Minerva* points to both (1) an inventor oath pursuant to 35 U.S.C. §115(b)(2), and (2) an inventor's required compliance with "a duty of candor and good faith in the patent process, including a duty to disclose to the PTO all information he knows to be material to patentability" under 37 CFR §1.56(a). *Id.*

Vector Flow seems to argue that the named inventors' statements to the Patent Office (and by extension, to the public) are not relevant. See Opp. at 4, 17-18. According to Vector Flow, the named inventors' sworn statements submitted to the Patent Office are of no moment because "the

named inventors never represented that the claims of the '704 patent were, in fact, valid in view of all potential prior art that might exist in the world.” Opp. at 4. Comparing the claims to “all potential prior art that might exist in the world” is a red herring that would eviscerate patent law’s demand for honesty from patent applicants. “All potential prior art that might exist in the world” is not and never has been the standard either before the Patent Office or for purposes of triggering assignor estoppel. Vector Flow’s position is contrary to law:

- “[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.” *Minerva*, 141 S. Ct. at 2309 (emphasis added).
- “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*. *When the inventor then assigns those claims to another, he effectively incorporates that assurance.*” *Id.* at 2309, n.3 (emphasis added).

Vector Flow further argues that the Court should disregard the veracity of inventor statements—sworn under penalty of perjury—because the statements were superseded by the Merger Agreement. Opp. at 17-18 (arguing “the Merger Agreement specifically superseded any prior ‘express or implied’ understandings, inducements, or conditions”) (citing Ex. D, § 11.13). Vector Flow is wrong. A boilerplate integration clause in the Merger Agreement that the Agreement was the “Entire Agreement” does not absolve Quantum Secure and its Founders from making truthful representations to the Patent Office (inventor sworn statements submitted as Exhibits A-C) or the public (Quantum Secure Press Release dated December 6, 2012 submitted as Exhibit I). Section 11.13 of the Merger Agreement is nothing more than a standard integration clause promoting that the Merger Agreement be interpreted based on intrinsic evidence. This provision is hardly a basis to evade the fair dealing principles in *Minerva* and is certainly not a credible reason to set aside the statements submitted to the Patent Office under penalty of perjury.



Ex. D., § 11.13.

The named inventors’ sworn statements to the Patent Office regarding validity cannot be disregarded or unwound by the language “I believe . . .” See Opp. at 4. To disregard the implicit representations in the inventor oaths for purposes of deciding this Motion would eviscerate the need for applicants to be honest in their dealings with the Patent Office and the public.

III. Principles of Fair Dealing Control the Analysis and Compel a Finding that Assignor Estoppel Applies to the Undisputed Facts

Finally, Vector Flow’s *ad hominin* attacks on HID do not alter the application of *Minerva*. The boundaries of assignor estoppel “reflect its equitable basis: to prevent *an assignor* (i.e., Quantum Secure and the Individual Defendants) from warranting one thing and later alleging another.” *Minerva*, 141 S. Ct. at 2311 (emphasis added). It is not relevant whether, as Vector Flow focuses on: “HID was a well-resourced, sophisticated party represented by experienced counsel.” Opp. at 16. The focus should not be on HID; the focus is on Quantum Secure and the Individual Defendants now in privity with Vector Flow. Vector Flow relies on whataboutism to deflect from glaring and undisputed contradictions.³ This deflection does not supersede the fundamental equitable principles underlying assignor estoppel. Vector Flow should be estopped from derogating the claims of the ’704 patent that were lawfully assigned to HID pursuant to representations both express and implicit that contradict Vector Flow’s invalidity contentions.

³ Vector Flow casually interjects accusations of “misrepresentation” or “misstatement” against HID. Vector Flow can hardly suggest that HID is misrepresenting the issues when Vector Flow accepted the facts as undisputed in the Responsive CSOF.

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CERTIFICATE OF SERVICE

I hereby certify that on January 31, 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 31, 2023, upon the following in the manner indicated:

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