

BEARBOX LLC V. LANCIUM LLC, Appeal No. 2023-1922 (Fed. Cir. January 13, 2025).
Before Chen, Bryson, and Stoll. Appealed from D. Del. (Judge Williams).

Background:

The patent at issue is directed toward a system for mining Bitcoin. In May of 2019, the plaintiff and the defendant first met at a cryptocurrency summit and discussed the plaintiff's system over dinner. The plaintiff then emailed the defendant four attachments directed toward specifications of the plaintiff's system. In October of 2019, the defendant filed a provisional application which ultimately issued into the patent at issue. The plaintiff then sued, asserting conversion under Louisiana state law and further asserting joint inventorship of the patent.

The district court dismissed the conversion claim as preempted by federal law. After a bench trial, the district court concluded that plaintiff did not meet its burden in establishing inventorship and entered final judgment for the defendant. Plaintiff appealed.

Issues/Holdings:

Did the district court err in dismissing the conversion claim or in failing to correct inventorship of the patent at issue? No, affirmed.

Discussion:

Under Louisiana law, conversion is the wrongful exercise or assumption of another's goods. The district court determined that in this particular case, the conversion claim aims to frustrate the protections offered by federal law because the claim is essentially an inventorship cause of action and a patent infringement cause of action. The Federal Circuit agreed because the pleadings of the conversion claim mirrored language used in patent infringement actions. For example, the complaint stated that the plaintiff "conceived, developed, and reduced to practice" the technology. In addition, the damages sought were lost profits and a reasonable royalty, damages that would be sought in a patent infringement cause of action. Accordingly, the Federal Circuit determined that the plaintiff is essentially using state law to allege patent infringement for a non-patented technology. Thus, the court held that although the state law does not squarely implicate federal law, as pled, it is preempted by federal law.

Regarding the issue of inventorship, the district court, after a three day bench trial, determined that inventorship does not need to be corrected. The plaintiff did not challenge the district court's findings of fact but instead argued that the district court improperly excluded testimony as to what was discussed at the dinner between the plaintiff and the defendant as hearsay. However, the Federal Circuit found that the plaintiff failed to properly preserve this issue for appeal, specifically because the record does not include what this testimony would have been. Thus, the Federal Circuit stated they cannot determine whether there was prejudicial error by the trial court in excluding this testimony.

The plaintiff also argued that in determining inventorship, the claim elements should have been analyzed in combination rather than on an element-by-element basis. However, the Federal Circuit agreed with the district court's analysis because the case law cited by the plaintiff in support of analyzing the claim elements in combination was directed toward invalidity issues, not inventorship.