UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

ALFRED PIRRI, JR., Plaintiff, -against- LORI CHEEK, JOANNE RICHARDS, LOCKE RAPER, CHARLES KICKHAM & CHEEK'D, INC., Defendants.	**Index No. 1:17-cv-07089-PAE**

MEMORANDUM OF LAW IN OPPOSITION TO THE CHEEKD DEFENDANTS' MOTION TO DISMISS UNDER FED. R. CIV. P. 12(b)(1) and 12(b)(6)

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PRELIMINARY STATEMENT

This is an action by Plaintiff to redress a series of unconscionable acts committed by a social worker who took the most sacred confidences entrusted in her during her sessions and disclosed them to an architect, who then took that information and claimed it as her own in a patent application filed with the Patent and Trademark Office. Plaintiff seeks to invalidate the patent that issued from that application based on the false statements of inventorship made by that architect and to obtain monetary and injunctive relief from common law claims based on the social worker's improper disclosure of Plaintiff's confidences and the architect's use of that information. Before the Court is a motion by that architect and others falsely listed on that patent (the "Cheekd Defendants") to dismiss under Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6) on various technical arguments of justiciability and statute of limitations. For the reasons to be discussed, the Cheekd Defendants motion must be denied in its entirety.

STATEMENT OF FACTS

Beginning in 2008, Plaintiff Alfred Pirri, Jr. sought counseling from a social worker in New York to deal with issues with which many of us can identify, including family and health issues. (Am. Compl. ¶¶ 36- 39 (ECF 34).) During his sessions, Mr. Pirri confided in his social worker, Defendant Joanne Richards, and disclosed to her his idea for an invention for social dating, specifically business cards on which were printed a code that a recipient could enter into a website, after which the would-be suitor's profile could be displayed. (*Id.* ¶ 41.) The novelty of the invention was that it essentially reversed the online dating process that was emerging at that time. Instead of inspecting a catalog of anonymous people based on blurry photographs and being disappointed when you finally met them, Mr. Pirri's invention would allow people to meet first and if s/he liked what they saw, s/he could hand out the cards to a potential date, who was then free to accept or refuse the invitation. (*Id.* ¶¶ 19-31.)

Mr. Pirri made preparations to use his invention until Defendant Richards confessed to him that he had disclosed the invention to Defendant Lori Cheek in October of 2008. (*Id.* ¶¶ 32-35, 43.) Although Ms. Richards assured Mr. Pirri that Ms. Cheek would do nothing with his invention, Ms. Cheek along with some associates did in fact submit a provisional patent application about one year later on November 1, 2009 for Mr. Pirri's invention. (*Id.* ¶¶ 47, 53-55.) Lulled into a false sense of security that Ms. Cheek would do nothing with his invention, Mr. Pirri waited to resolve his health issues until resuming his plans to patent and monetize his invention (*id.* ¶¶ 49), that is until he discovered while watching an episode of the TV show, "Shark Tank", that Ms. Cheek had already obtained a patent for his invention, thereby effectively undermining his plans for his invention (*id.* ¶¶ 59, 77).

ARGUMENT

I. This Court Has Subject Matter Jurisdiction Over Plaintiff's Claim For a Declaration of Invalidity of U.S. Patent No. 8,543,465.

The Cheekd Defendants argue that this Court lacks subject matter jurisdiction over Plaintiff's declaratory judgment claim because Plaintiff "has not, and cannot, allege (i) that he is making, using, selling, or offering for sale, any method or system that could conceivably infringe the *Cheek et al.* patent … or undertaken any meaningful preparation for such activities, or (ii) that there has been an affirmative act on the part of Cheekd Inc. … from which an intent to enforce its patent against plaintiff could be inferred." (Cheekd Mem. at 7-9 (ECF 42).)

This argument fails because it relies on a standard that no longer applies to declaratory judgment claims. *See, e.g.*, *Danisco U.S., Inc. v. Novozymes A/S*, 744 F.3d 1325, 1330 (Fed. Cir. 2014) (observing that based on multiple Supreme Court holdings, a justiciable controversy is not dependent on the declaratory judgment defendant having "threatened litigation or otherwise taken action to enforce its legal rights"); *Arkema, Inc. v. Honeywell Int'l, Inc.*, 706 F.3d 1351,

1357 (Fed. Cir. 2013) (holding that it is not "necessary that a patent holder make specific accusations" of infringement against the declaratory judgment plaintiff); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 128-29 (2007) ("we do not require a plaintiff to expose himself to liability before bringing suit to challenge the basis for the threat").

Courts only require that the controversy be "definite and concrete, touching the legal relations of parties having adverse legal interests", or that the "factual and legal dimensions of the dispute [be] well defined". *MedImmune*, 549 U.S. at 127-128 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240-41 (1937)).

Here, there is no question that both Plaintiff and the Cheekd Defendants claim inventorship of U.S. Patent No. 8,543,465 ("'465 Patent") and deny each other's claims. The Cheekd Defendants "all claimed to have been the inventors of the dating website and app that Mr. Pirri had invented". (Am. Compl. ¶ 54 (ECF 34).) Plaintiff, on the other hand, claims in detail how he was the party who invented the method claimed in the '465 Patent.[1] (*Id.* ¶¶ 19-34.) These allegations are sufficient to establish the "adverse interests" needed to show an actual controversy and for this court to sustain subject matter jurisdiction. *See, e.g., Fuma Intern. LLC v. Steiger*, No. 1:14 CV 2154, 2015 WL 4093349, at *3 (N.D. Ohio July 2, 2015) ("The Complaint contains factual allegations sufficient to make an actual controversy as to which of the parties are actual inventors of the patents, assuming all such allegations to be true, to entitle Plaintiffs to declaratory relief."); *NST Global LLC v. Ewer Enters. LLC*, No. 8:15-cv-00935-T-27MAP, 2016 WL 7183054, at *2 (M.D. Fla. Apr. 6, 2016) (sustaining jurisdiction of

[1] Where, as here, the case is at the pleading stage and no evidentiary hearings have been held, in reviewing the grant of a motion to dismiss under Rule 12(b)(1) for lack of subject matter jurisdiction, a court must accept as true all material facts alleged in the complaint and draw all reasonable inferences in the plaintiff's favor. *Merritt v. Shuttle, Inc.*, 245 F.3d 182, 186 (2d Cir. 2001)).

declaratory judgment claim in part where plaintiff provided sufficient factual allegations disputing the inventorship of unasserted patent).

Further, the factual and legal dimensions of this dispute are also well defined, and easily susceptible to exact and precise resolution by this Court. Plaintiff claims that the Cheekd Defendants first learned of the invention from Defendant Joanne Richards (*id.* ¶¶ 42-43), who learned of the idea from Plaintiff during a therapy session in which she was treating Plaintiff (*id.* ¶ 41). Plaintiff then claims that the Cheekd Defendants filed a patent application claiming to be the inventors when the circumstances under which they learned of the invention made that claim false. (*Id.* ¶¶ 69-71.) Plaintiff then argues that making a false claim of inventorship would render the '465 Patent invalid because a material false statement made to the United States Patent and Trademark Office during prosecution would constitute inequitable conduct.[2] (*Id.* ¶¶ 71-74.)

Proof that the factual and legal dimensions of this dispute are well-defined are that the Cheekd Defendants have already formulated several defenses that, if proven to be true at summary judgment or trial, may well defeat Plaintiff's claim. (*See, e.g.*, Cheekd Defs.' Mem. at 2 & n.2 (ECF 42) (arguing that "None of the Cheekd defendants, prior to this case, had ever heard of, spoken with, or otherwise communicated with Ms. Richards, and Ms. Richards, prior to this case, had never heard of, spoken with, or otherwise communicated with any of the Cheekd defendants").) There is thus no question that this Court has subject matter jurisdiction over Plaintiff's claim under the correct legal standards that control Defendants' motion.

[2] Plaintiff's allegations state a cognizable claim for inequitable conduct. *See, e.g., Theranos, Inc. v. Fuisz Pharma LLC*, 876 F.Supp. 2d 1123, 1137 (N.D. Cal. 2012) ("The Court agrees that Plaintiffs have sufficiently pled that the '612 Patent is invalid and unenforceable based on Fuisz Pharma Defendants' inequitable conduct. Plaintiffs allege: Richard and Joseph intended to deceive the PTO into believing they were sole inventors of the ′612 Patent, but they were not; . . .their deception was material because in the Declaration and Power of Attorney for Patent Application, submitted to the PTO in or about September 2009, they falsely declared that they were the original, first, and sole inventors in the patent's application; the PTO would not have issued the patent if it had known that Holmes and/or Kemp should have been listed as inventors")

II. Plaintiff's Tort Claims Are Not Barred By the Statute of Limitations.

A. Plaintiff's Breach of Fiduciary Duty Claim Accrued Upon Discovery.

The Cheekd Defendants argue that Plaintiff's breach of fiduciary duty claim should be dismissed because the "application that led to the Cheek Patent was filed more than six years before this case was filed". (Cheekd Mem. at 11 (ECF 42).) Although the Cheekd Defendants correctly acknowledge that Plaintiff's claim is subject to a six-year statute of limitations,[3] and correctly acknowledge that part of Plaintiff's claim is based on Defendant Richards' failure to tell Plaintiff that the Cheekd Defendants had applied for a patent for his invention,[4] the Cheekd Defendants are incorrect that the time began to run when the Cheekd Defendants filed their application on November 1, 2010. The statute of limitations "does not begin running until the plaintiff has actual or constructive knowledge of the breach." *Dymm v. Cahill*, 730 F.Supp. 1245, 1264-65 (S.D.N.Y. 1990) (citing *Zola v. Gordon*, 685 F.Supp. 354, 374 (S.D.N.Y. 1988); *Public Serv. Co. v. Chase Manhattan Bank, N.A.*, 577 F.Supp. 92, 109 (S.D.N.Y. 1983).

Here, Plaintiff alleges that he did not discover that the Cheekd Defendants had applied for a patent for his invention "until on or about July of 2015 when, while watching re-runs of the popular TV show Shark Tank, he saw Defendant Lori Cheek introducing Mr. Pirri's invention as her own". (Am. Compl. ¶ 59 (ECF 34).) Since Plaintiff filed his complaint on September 18, 2017 (*see* Compl. (ECF 1)) – which is 2 years and 3 months after discovery – Plaintiff's claim is not barred by the six years statute of limitations.[5]

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[3] (*See* Cheekd Mem. at 11 (admitting that Plaintiff's breach of fiduciary duty claims must "be brought within six years of the breach") (ECF 42).)

[4] (*See e.g.,* Am. Compl. ¶ 47 ("When Mr. Pirri confronted Defendant Richards on her gross violations of his trust and the potentially catastrophic consequences of her actions in disclosing his ideas without some guarantee that someone would not steal his ideas, Defendant Richards constantly kept assuring Mr. Pirri that Defendant Cheek would not make use of his idea, making such assurances as 'Don't worry, she's not going to do anything with your idea', 'She just thought it to be a great idea,', 'She isn't going to pursue it,' or 'Nothing to worry about.'")(ECF 34).)

[5] On a motion to dismiss based on the statute of limitations, the Court must assume that the Plaintiff's factual allegations are true and cannot dismiss the complaint unless the untimeliness is "evident on the face of the complaint

To the extent that the Cheekd Defendants argue that Plaintiff should have discovered the existence of the patent application when it was filed on November 1, 2010, that argument would fail because any patent practitioner or examiner would know that patent applications in general, and the application here, are confidential until they are published. As is evident on the face of the '465 Patent, the Cheek application was not published until March 1, 2012. (*See* Am. Compl. Ex. B at 1 (ECF 34).) Thus, even if the Court were to hold that Plaintiff should have discovered the application, Plaintiff could not have discovered the application until it was published on March 1, 2012. Thus, Plaintiff's claim would still be timely under a six-year statute of limitations based on a constructive knowledge standard since Plaintiff filed his application on September 18, 2017 – five years and six months after the March 1, 2012 publication date of the Cheek application.

B. Plaintiff's Fraud Claim Did Not Accrue Until the Patent Issued.

The Cheek'd Defendants argue that Plaintiff's fraud must claim be dismissed because an action for fraud under New York law accrues when the allegedly fraudulent acts are committed, *i.e.*, "with the filing of the application for the *Cheek et al.* patent, more than six years before this case was filed". (Cheekd Mem. at 12 (ECF 42).) This argument fails because it is based on an incomplete statement of the law on accrual for fraud claims.

While it may be true that a cause of action for fraud *may* accrue when the alleged fraud is committed, that is only the case when the harm occurs simultaneously with the commission of the fraudulent act. When the harm does not occur until after the fraud occurs, accrual does not begin until after the harm occurs. For example, in *Triangle Underwriters, Inc. v. Honeywell, Inc.*, 604 F.2d 737 (2d Cir. 1979), a case involving a New York State law fraud claim arising from false representations that induced the Plaintiff to enter into a services contract, the Second

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and documents properly considered at the motion to dismiss stage." *BPP Illinois, LLC v. Royal Bank of Scotland Group PLC*, 603 Fed. Appx. 57, 59 (2d Cir. 2015).

Circuit held that the fraud cause of action did not accrue when the false statements were made by the defendant, but rather when the Plaintiff "Triangle signed the hardware lease" and was, on that date, harmed. The Court held that the "time within which to sue on the fraudulent inducement claim could not have commenced to run prior to that date." 604 F.3d at 748.

Similarly, in *Hansen v. Wwebnet, Inc.*, No. 1:14–cv–2263 (ALC), 2015 WL 4605670 (S.D.N.Y. July 31, 2015), a case involving a New York State law fraud claim arising from misrepresentations made to investors, the District Court denied Defendant's motion to dismiss some of Plaintiff's fraud claims based on statute of limitations grounds because Plaintiff "Hansen could have continued to rely on [Defendant] Sweeney's alleged misrepresentations when making investments . . . Because investments (f) through (m), totaling $1,910,000, were made both after Sweeney's first alleged misrepresentation to Hansen at some point in 2007 and after the commencement of the six-year period for the statute of limitations that started on December 24, 2007, they are not time-barred." 2015 WL 4605670, at * 7.[6]

Here, Plaintiff is alleging that the Cheekd Defendants were able to obtain a patent through fraud that precluded Plaintiff from monetizing the patent. (*See* Am. Compl. ¶ 106 (ECF 34) (As a result of the fraud, "Plaintiff was wrongfully prevented after issuance of the patent from obtaining rights to his idea and to build a business on that idea").) The harm or injury caused by this fraud could not have occurred until the date the patent was issued, *i.e.*, when Plaintiff could no longer legally license the patent, legally develop a product based on that

find parts of complaint where he refers to damage by the filing of a patent applicatiion.

[6] *See also Carbon Capital Mgmt., LLC v. American Exp. Co.*, 88 A.D.3d 933, 939 (NY. App. Div. 2d Dep't 2011) ("'[A] cause of action [to recover damages] for fraud cannot accrue until every element of the claim, including injury, can truthfully be alleged' . . . Here, Landow entered into the contract with Derivium on April 11, 2003, at which point his reliance on Selinger's representations would have given rise to his alleged injuries.") (alterations in the original) (quoting *New York City Tr. Auth. v. Morris J. Eisen, P.C.*, 276 A.D.2d 78, 85 (N.Y. App. Div. 1st Dep't 2000))*House of Spices (India), Inc. v SMJ Servs., Inc*., 103 A.D.3d 848, 849 (N.Y. App. Div. 2d Dep't 2013) ("A fraud cause of action must be interposed within the greater of six years from the date the cause of action accrued, *i.e.*, when the plaintiff was *damaged* by the alleged misconduct") (emphasis added); *Wiedis v. Dreambuilder Investments, LLC*, No. 16 Civ. 9254, 2017 WL 3055237, at *7 (S.D.N.Y. July 18, 2017) ("A cause of action to recover for damages for fraud cannot accrue until every element of the claim, *including injury*, can truthfully be alleged.") (internal quotations omitted) (emphasis added).

patent, or otherwise legally monetize that patent without the threat of infringement from the purported patent owner. Since the patent was issued on September 24, 2013, and the complaint was filed on September 18, 2017, Plaintiff filed its complaint within four years of accrual of injury and thus, within the six-year statute of limitations for fraud claims under New York law.

C. Six-Year Statute of Limitations Applies to Plaintiff's Unfair Competition Claim.

The Cheekd Defendants argue that Plaintiff's unfair competition claim is barred by the statute of limitations because such claims are governed by a three-year statute of limitations and accrual occurred no later than the date the '465 Patent was filed. (Cheekd Mem. at 11-12 (ECF 42).) Defendants' argument fails because it misstates the law.

The statute of limitations for unfair competition claims under New York law has "been treated disparately in New York." *Ediciones Quiroga, S.L. v. Fall River Music, Inc.*, No. 93 CIV. 3914 (RPP), 1995 WL 103842, at *7 (S.D.N.Y. Mar. 7, 1995). In some cases, the period will be three years, however, "as the doctrine of unfair competition encompasses a broad range of unlawful or immoral business practices, the requisite statutory period is equally flexible and will depend on the underlying alleged actions giving rise to the claim." *Trustforte Corp. v. Eisen*, 814 N.Y.S.2d 565 (Table) (N.Y.Sup.2005) (discussing *Greenlight Capital, Inc. v. GreenLight (Switzerland) S.A.*, No. 04 Civ. 3136(HB), 2005 WL 13682 (S.D.N.Y. Jan. 3, 2005). Where the unfair competition claim is based on the same facts as a breach of fiduciary duty claim, a court will apply the statute of limitations for a breach of fiduciary duty claim. *See, e.g., Omni Food Sales v. Boan*, No. 06 Civ. 119(PAC), 2007 WL 2435163 (S.D.N.Y. Aug. 24, 2007) ("The unfair competition claims are based primarily on Boan's breach of his fiduciary duty to Omni, therefore

the more appropriate period is six-years, the period for breach of fiduciary duty.").[7] Similarly, where the claim for unfair competition is based on the same allegations as a fraud claim, courts will apply the statute of limitations for fraud claims. *See, e.g., Mario Valente Collezioni, Ltd. v. AAK Ltd.*, 280 F.Supp. 2d 244, 258 (S.D.N.Y. 2003) (applying six-year period to unfair competition claim where "Defendants' behavior more closely resembles that of fraud").

Here, Plaintiff's claims for unfair competition is based on the same allegations as his breach of fiduciary duty and fraud claims, and thus for the reasons discussed in sections II.A. and II.B. above, a six-year statute of limitations applies to Plaintiff's unfair competition claims regardless of whether the court finds that Plaintiff's claims sound in fraud or breach of fiduciary duty (or both). Further, for the reasons discussed in those sections, Plaintiff's claims would not be barred by the statute of limitations for those claims.

CONCLUSION

For the reasons discussed, Defendant's motion to dismiss under Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6) must be denied in its entirety, along with such other and further relief as this Court deems just and proper.

Dated: February 12, 2018

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[7] *See also Katz v. Bach Realty, Inc.*, 192 A.D.2d 307, 307 (N.Y. App. Div. 1st Dept.1993) (applying a six-year period to unfair competition claim because the alleged acts giving rise to the unfair competition claim also gave rise to a breach of fiduciary duty claim, which is governed by the six-year statute of limitations).

CERTIFICATE OF SERVICE

I hereby certify that on February 12, 2018, I served the foregoing document via electronic filing with the Clerk of the Court using the CM/ECF filing system.

Respectfully submitted,

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