

**Givati v Air Techniques, Inc.**

2010 NY Slip Op 33081(U)

October 27, 2010

Supreme Court, Nassau County

Docket Number: 000234-09

Judge: Timothy S. Driscoll

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**SUPREME COURT-STATE OF NEW YORK  
SHORT FORM ORDER**

**Present:**

**HON. TIMOTHY S. DRISCOLL**  
**Justice Supreme Court**

-----x

**ZAKI GIVATI,**

**Plaintiff,**

**-against-**

**AIR TECHNIQUES, INC.,**

**Defendant.**

-----x

**TRIAL/IAS PART: 22  
NASSAU COUNTY**

**Index No: 000234-09  
Motion Seq. No. 4  
Submission Date: 10/25/10**

**The following papers have been read on this Order to Show Cause:**

- Order to Show Cause, Affirmation in Support and Exhibits.....x**
- Affirmation in Opposition.....x**

This matter is before the Court for decision on the Order to Show Cause filed by Defendant Air Techniques, Inc. ("Air Techniques" or "Defendant") on October 13, 2010, and submitted on October 25, 2010. For the reasons set forth below, the Court denies Defendant's Order to Show Cause.

**BACKGROUND**

**A. Relief Sought**

Defendant moves by Order to Show Cause for an Order, pursuant to CPLR § 3211(a)(2), dismissing Plaintiff's second and third causes of action on the ground that this court lacks subject matter jurisdiction over those claims because they relate to the payment of a patent royalty.

Plaintiff Zaki Givati ("Plaintiff") opposes Defendant's motion.

## B. The Parties' History

The background of this action is set forth in detail in a prior decision of the Court dated July 26, 2010 ("Prior Decision") denying Defendant's motion for summary judgment, and the Court incorporates that Prior Decision herein by reference. As set forth in the Prior Decision, the Complaint alleges as follows:

Plaintiff is an individual residing in Nassau County, New York. Defendant, a New York corporation with its principal place of business in Suffolk County, New York, is a manufacturer of dental equipment, including but not limited to dental imaging equipment.

Plaintiff and Defendant entered into a written consulting agreement ("Consulting Agreement") dated October 25, 1995 and amended September 19, 1996 for the purpose of developing an imaging system ("System") for scanning storage phosphor plates ("Project"). Plaintiff and Defendant subsequently terminated the Consulting Agreement pursuant to a written agreement dated April 28, 1998. Applied Data Corporation, which is not a party to this action, was also a party to the Consulting and April 1998 Agreements. Plaintiff and Applied Data are referred to collectively as the "Consultants."

The April 1998 Agreement provides, *inter alia*, that 1) Defendant shall pay the Consultants a technology fee of \$100 per System for the first to the 1,000<sup>th</sup> System sold using the technology developed during the Project; and 2) after the sale of the 1,000<sup>th</sup> System, Defendant shall pay the Consultants a technology fee of \$75 per System sold within a seven (7) year period commencing with the sale of the 1,001<sup>st</sup> System. Plaintiff alleges that, pursuant to the terms of the April 1998 Agreement, the technology fee is due and payable to the Consultants regardless of whether the System incorporates technology developed by the Consultants during the course of the Project, or otherwise.

The April 1998 Agreement further provides that 1) any patent issued to the Consultants based on technology developed during the Project, or on any other specified imaging inventions developed by the Consultants while they are under contract with or consulting for Defendant, shall be assigned to Defendant; 2) the Consultants will receive a royalty from Defendant, to be agreed on in the future, with respect to any product that is manufactured by or sold by or on behalf of Defendant and covered by any claim of the patent; 3) the technology fees and/or royalties ("Technology Fee") due to the Consultants shall apply to the Systems sold anywhere in

the world by or on behalf of Defendant and/or its affiliate Durr, regardless of whether Defendant and Durr remained affiliated; and 4) the Consultants are to be paid a minimum of \$5,000 per quarter through December 31, 2004, reduced by technology fees, consulting fees or royalties paid in the same calendar year.

In September of 2005, Plaintiff discovered that Defendant and/or Durr was selling the System in the form of 1) Defendant's line of "Scan X" imaging systems, and 2) Durr's line of "VistaScan" imaging systems.

Plaintiff further alleges that, on or about September 25, 1996, Plaintiff disclosed to Defendant two patentable imaging concepts, based on technology that Plaintiff developed during the Project. Defendant and Durr subsequently obtained several patents for devices that used the technology disclosed by Plaintiff.

In addition, pursuant to a separate agreement dated April 29, 1998 between Plaintiff and Applied Data, Plaintiff is entitled to payment from Defendant representing 60% of all sums payable to the Consultants pursuant to the April 1998 Agreement. Plaintiff alleges that it has demanded payment from Defendant of sums allegedly owed, and Defendant has denied any liability to Plaintiff.

The Complaint contains four (4) causes of action: 1) breach of contract related to the payment of the technology fee, 2) breach of contract related to the payment of royalties, 3) a request for a declaratory judgment regarding Defendant's alleged obligation to make payments to Plaintiff pursuant to the April 1998 Agreement, and 4) fraud in the inducement. In its Answer to Amended Complaint, Defendant denies the substantive allegations in the Complaint and asserts numerous defenses.

In the Prior Decision, the Court denied Defendant's motion for summary judgment based on the Court's conclusion that there were numerous issues of fact rendering summary judgment inappropriate, including but not limited to whether the scanners sold by Defendant were based on the Prototype developed by Plaintiff. The Court also rejected Defendant's claim that the fraud claim is improperly duplicative of the breach of contract claim, or barred by the Statute of Frauds.

### C. The Parties' Positions

Defendant submits that Plaintiff's second and third causes of action, which Defendant describes as actions "to collect a patent royalty" (Aff. in Supp. at ¶ 3), must be dismissed because the Court does not have subject matter to adjudicate those claims. Defendant contends that it has learned, as a result of disclosure in connection with Defendant's prior motion, that those causes of action are exclusively federal claims because Plaintiff "is attempting to amend or correct several patents that were issued to Air Techniques and [Durr] to reflect plaintiff as the sole inventor of the claims covered by the patent" (*Id.*). Defendant argues that these claims are governed by 35 U.S.C. § 256 and fall within the exclusive jurisdiction of the federal district courts. In support, Defendant cites to, *inter alia*, 1) Plaintiff's deposition testimony that he does not own any patents, 2) Plaintiff's claims that Air Techniques and Durr obtained several patents that are based exclusively on Plaintiff's work, and 3) arguments made by Plaintiff's counsel, at oral argument on Defendant's separate motion to reargue the Prior Decision, purportedly revealing that Plaintiff's claims are not contract-based, as alleged in the Complaint, but rather patent-based causes of action.

Plaintiff opposes Defendant's motion submitting that Defendant has incorrectly asserted that the second and third causes of action are claims arising under 35 U.S.C. § 256. Plaintiff submits that Defendant's argument is flawed and that statute is inapposite because Plaintiff is not seeking to have the Director of the United States Patent and Trademark Office issue a certificate naming him as the inventor on any patent.

Plaintiff contends, further, that under controlling case law, this Court is not divested of jurisdiction simply because it is being asked to determine the issue of whether Plaintiff is contractually entitled to a royalty because Air Techniques and/or Durr patented technology based on Plaintiff's invention.

### RULING OF THE COURT

Pursuant to CPLR § 3211(a)(2), a party may move for judgment dismissing one or more causes of action asserted against him on the ground that the court does not have jurisdiction of the subject matter of the cause of action.

35 U.S.C. § 256, titled “Correction of named inventor,” provides as follows:

Whenever through error a person is named in an issued patent as the inventor, or through error an inventor is not named in an issued patent and such error arose without any deceptive intention on his part, the Director may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate correction such error.

The error of omitting inventors or naming persons who are not inventors shall not invalidate the patent in which such error occurred if it can be corrected as provided in this section. The court before which such matter is called in question may order correction of the patent on notice and hearing of all parties concerned and the Director shall issue a certificate accordingly.

This section creates a cause of action for the correction of a patent in favor of a co-inventor whose name has been omitted from the patent. *McSherry v. Giannuzzi and the Rawlplug Company, Inc.*, 717 F. Supp. 238, 240 (S.D.N.Y. 1989), *app. den.*, 889 F.2d 1098 (Fed. Cir. 1989) (unpub’d disp.).

The Federal courts have exclusive jurisdiction, and the State courts are ousted of jurisdiction, only if the action brought “arises under” the Federal patent laws. Thus, actions involving contracts relating to patents, or copyrights, are not considered suits arising under those laws, and are properly brought in the State court, even if the validity of the patent may somehow be involved and the plaintiff could have brought suit for its infringement in the Federal court. The fact that the foundation for suit is a contract granting patent rights and that the plaintiff must rely on the patent in support of his cause of action is not determinative and neither vests the Federal court with jurisdiction nor deprives the State court of power to entertain the action. *Mechanical Plastics Corp. v. Rawlplug Company, Inc.*, 119 A.D.2d 641, 642 (2d Dept. 1986), quoting *American Harley Corp. v. Irvin Industries, Inc.*, 27 N.Y.2d 168, 172 (1970), *cert. den.*, 401 U.S. 976 (1971).

The State courts may, where necessary to do so in order to decide the case before them, pass upon the scope, validity or infringement of a patent. *Mechanical Plastics*, 119 A.D.2d at 642-643. The key is the distinction between “questions” arising under the patent laws, which State courts may entertain, and “cases” arising under the patent law, which the State courts are precluded from hearing. *Id.* at 643, citing, *inter alia*, *American Harley*, *supra*, 27 N.Y.2d at 174.

The action in *Mechanical Plastics* involved the interpretation of the individual plaintiff’s employment contract which provided that plaintiff was to receive royalties “upon such

inventions, developments, products and improvements” of which plaintiff was the inventor, co-inventor, developer or co-developer. *Id.* at 643. Concluding that the action involved construction of the employment contract, and only peripherally involved questions concerning patents, the Court of Appeals held that the State courts had jurisdiction over the asserted causes of action. *Id.*

The Court concludes that, applying *Mechanical Plastics*, the instant action raises “questions” arising under the patent laws, but is not a “case” arising under the patent law and, therefore, the Court has jurisdiction to hear this matter. The allegations in the Complaint include the claims that Defendant breached its obligation to pay technology fees and royalties to Plaintiff pursuant to the parties’ agreements. The fact that the Court may have to determine the validity of a patent in the context of ruling on Plaintiff’s claims does not deprive the Court of jurisdiction to hear this matter.

In light of the foregoing, the Court denies Defendant’s Order to Show Cause.

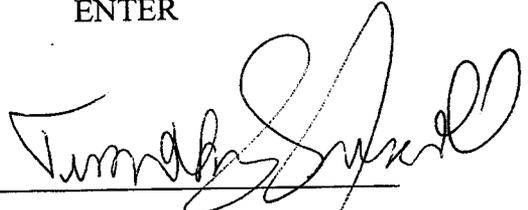
All matters not decided herein are hereby denied.

This constitutes the decision and order of the Court.

Counsel for the parties are reminded of their required appearance before the Court for a Pre-Trial Conference on November 5, 2010 at 9:30 a.m.

DATED: Mineola, NY  
October 27, 2010

ENTER



HON. TIMOTHY S. DRISCOLL  
J.S.C.

**ENTERED**  
NOV 01 2010  
NASSAU COUNTY  
COUNTY CLERK'S OFFICE