

Case No.: _____

**In The
Supreme Court of the United States**

MONIB ZIRVI, MATTHEW LUBIN, MARIA KEMPE
and NORMAN GERRY,

Petitioners,

v.

JAY T. FLATLEY, ILLUMINA INC., DAVID R. WALT, STEPHEN P.A.
FODOR, KEVIN GUNDERSON, JIAN BING FAN, MARK CHEE,
AFFYMETRIX, D/B/A AS PART OF THERMO FISHER SCIENTIFIC,
APPLIED BIOSYSTEMS, D/B/A BRAND OF THERMO FISHER
SCIENTIFIC, ROBIN M. SILVA and JOHN R. STUEPLNAGEL,,

Respondents.

*On Petition for a Writ of Certiorari to the United States Court
of Appeals for the Second Circuit*

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Did the Second Circuit err in holding, in contrast to the Federal Circuit, that under the “inquiry notice” standard applicable to trade secret misappropriation claims where plaintiff alleges that defendant fraudulently concealed the misappropriated intellectual property (IP), “storm warnings” triggered constructive notice on the part of the plaintiffs?
2. In a trade secret misappropriation case where plaintiff alleges with particularity that defendants fraudulently concealed the misappropriated IP in multiple patent applications, is dismissal with prejudice permissible at the pleading stage under Rule 12(b)(6)?
3. Did the Second Circuit err in summarily affirming the district court’s holding that intellectual property constituting “negative trade secrets” *per se* have no independent economic value once discoveries constituting related positive trade secrets are published?

PARTIES TO THE PROCEEDINGS BELOW

The Plaintiffs-Appellants, and the Petitioners herein, are Monib Zirvi, Matthew Lubin, Maria Kempe and Norman Gerry.

The Defendants-Appellees, and Respondents herein, are Jay T. Flatley, Illumina, Inc. David R. Walt, Stephen P.A. Fodor, Kevin Gunderson, Jian Bing Fan, Mark Chee, Affymetrix, DBA as part of Thermo Fisher Scientific, Applied Biosystems, DBA Brand of Thermo Fisher Scientific, Robin M. Silva and John R. Stueplnagel.

PROCEEDINGS IN THE TRIAL AND APPELLATE COURTS

Zirvi et al. v. Flatley et al. (Case No. 1:18-cv-7003 (JGK)) in the United States District Court for the Southern District of New York, judgment entered January 15, 2020.

Zirvi et al. v. Flatley et al. (Case No. 20-546) in the United States Court of Appeals for the Second Circuit, judgment entered December 11, 2020.

PROCEDURAL HISTORY

- i. On January 14, 2020, the United States District Court for the Southern District of New York (Koeltl, J.) issued an Opinion and Order granting Respondents' motion to dismiss Petitioners' Second Amended Complaint in the civil matter of "*Monib Zirvi, Matthew Lubin, Maria Kempe and Norman Gerry. v. Jay T. Flatley, Illumina, Inc. David R. Walt, Stephen P.A. Fodor, Kevin Gunderson, Jian Bing Fan, Mark Chee, Affymetrix, DBA as part of Thermo Fisher Scientific, Applied Biosystems, DBA Brand of Thermo Fisher Scientific, Robin M. Silva and John R. Stueplnagel*" (Case No. 18-cv-7003 (JGK)). On January 15, 2020, the Clerk of the United States District Court for the Southern District of New York entered Judgment closing the case.
- ii. On December 11, 2020, the United States Court of Appeals for the Second Circuit (Case No. 20-546) affirmed the District Court's Order granting Respondents' motion to dismiss Petitioners' Second Amended Complaint. The Second Circuit issued its Judgment Mandate on January 4, 2021.

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IN THE
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v.

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Gunderson, Jian Bing Fan, Mark Chee,
Affymetrix, d/b/a as part of Thermo Fisher
Scientific, Applied Biosystems, d/b/a
Brand of Thermo Fisher Scientific, Robin
M. Silva and John R. Stueplnagel.,
Respondents.

**On Petition for a Writ of
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Circuit**

**PETITION FOR A WRIT OF
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INTRODUCTION

Monib Zirvi, Matthew Lubin, Maria Kempe and Norman Gerry (together “plaintiffs”) respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit in this case.

Plaintiffs are co-inventors on International Patent Applications WO97/31256 and WO97/45559, which played a critical role in the development of DNA Arrays known as Universal “Zip Code” Arrays, or Universal DNA Arrays. Plaintiffs and co-inventors developed and patented the arrays while working in the Barany Laboratory at Cornell University Medical College (now Weill Cornell Medicine) and Barany Lab collaborators. These arrays are “programmable” and depend on specially designed solid and solution phase oligonucleotides, which plaintiff and co-inventors named as “Zip Code Sequences.” These “Zip Code Sequences” are the basis for revolutionary advances in the detection of changes in DNA. The detection of such changes is critical for the prompt diagnosis and targeted treatment of cancer, inherited genetic defects, and viral infections such as SARS Coronavirus variants. *See, e.g., Universal DNA microarray method for multiplex detection of low abundance point mutations*, Gerry NP, Witowski NE, Day J, Hammer RP, Barany G, Barany F.J Mol Biol. 1999 Sep 17;292(2):251-62. doi: 10.1006/jmbi.1999.3063, available at <https://pubmed.ncbi.nlm.nih.gov/10493873/>; *Universal DNA array detection of small insertions and deletions in BRCA1 and BRCA2*, Favis R, Day JP, Gerry NP, Phelan C, Narod S, Barany F. Nat Biotechnol. 2000 May;18(5):561-4. doi: 10.1038/75452, available at <https://pubmed.ncbi.nlm.nih.gov/10802632/>; *A universal microarray for detection of SARS coronavirus*, Long WH, Xiao HS, Gu XM, Zhang QH, Yang HJ, Zhao GP, **Liu JH**. J Virol Methods. 2004 Oct;121(1):57-63. doi: 10.1016/j.jviromet.2004.06.016, available at <https://pubmed.ncbi.nlm.nih.gov/15350733/>.

International Patent Applications WO97/31256 and WO97/45559, also played a critical role in the development of polymerase chain reaction (PCR)/ligase detection reaction (LDR), LDR-PCR, PCR-PCR, and PCR-PCR-LDR DNA amplification technology. These methods are foundational to high-throughput Next Generation Sequencing (NGS). These technologies are critical for both non-NGS-based and NGS-based “Liquid Biopsy” detection of early cancer, non-invasive Prenatal Testing (NIPT), and multi-cancer early detection (MCED). “MCED tests are

poised to revolutionize how cancer is detected and treated, having the potential to save millions of lives in the United States and around the world.” See generally *Federal Trade Commission v. Illumina, Inc., GRAIL, Inc.* (1:21-cv-00873) (additional explanation of MCED), and *Ariosa Diagnostics, Inc. v. Illumina, Inc.*, No. 18-109, (additional explanation of NIPT). Also, see, e.g. *Application of Multiplex Bisulfite PCR-Ligase Detection Reaction-Real-Time Quantitative PCR Assay in Interrogating Bioinformatically Identified, Blood-Based Methylation Markers for Colorectal Cancer*, Bacolod MD, Mirza AH, Huang J, Giardina SF, Feinberg PB, Soper SA, Barany F. *J Mol Diagn.* 2020 Jul;22(7):885-900. doi: 10.1016/j.jmoldx.2020.03.009, available at <https://pubmed.ncbi.nlm.nih.gov/32407802/>; *Selective analysis of cell-free DNA in maternal blood for evaluation of fetal trisomy*, Sparks AB, Wang ET, Struble CA, Barrett W, Stokowski R, McBride C, Zahn J, Lee K, Shen N, Doshi J, Sun M, Garrison J, Sandler J, Hollemon D, Pattee P, Tomita-Mitchell A, Mitchell M, Stuelpnagel J, Song K, Oliphant A. *Prenat Diagn.* 2012 Jan;32(1):3-9. doi: 10.1002/pd.2922. available at <https://pubmed.ncbi.nlm.nih.gov/22223233/>; *Microarray-based cell-free DNA analysis improves noninvasive prenatal testing*, Juneau K, Bogard PE, Huang S, Mohseni M, Wang ET, Ryvkin P, Kingsley C, Struble CA, Oliphant A, Zahn JM. *Fetal Diagn Ther.* 2014;36(4):282-6. doi: 10.1159/000367626, available at <https://pubmed.ncbi.nlm.nih.gov/25228026/>; *Sensitive and specific multi-cancer detection and localization using methylation signatures in cell-free DNA*, Liu MC, Oxnard GR, Klein EA, Swanton C, Seiden MV; CCGA Consortium. *Ann Oncol.* 2020 Jun;31(6):745-759. doi: 10.1016/j.annonc.2020.02.011, available at <https://pubmed.ncbi.nlm.nih.gov/33506766/>.

In the lawsuit below, plaintiffs alleged that Illumina – now a multibillion-dollar, global player in genetic analysis, and a company the Federal Trade Commission has labeled a “monopolist”¹ -- conspired over

¹ “Illumina is a monopolist. It is the self-proclaimed leader in DNA sequencing and dominates DNA sequencing markets in the United States and worldwide. . . . In the United States, Illumina has complete dominance over the market for these

decades with other companies and individuals to first purloin plaintiffs' ideas and then fraudulently conceal that theft as well as the continuing (and ongoing) misuse of their trade secrets in numerous patent filings and even in administrative and judicial proceedings.

In dismissing plaintiffs' case with prejudice at the pleading stage, the district court (and the court of appeals in affirming that judgment) imposed Second Circuit precedent on equitable tolling of the statutes of limitations and fraudulent concealment which the Federal Circuit implicitly (and correctly) recognized is wholly inappropriate in a complex intellectual property case involving misappropriated trade secrets and the concealment of that wrongdoing in patent filings.

Specifically, the lower courts held that plaintiffs should have realized that Illumina and its coconspirators had stolen their inventions many years ago by examining defendants' patent filings and/or monitoring administrative and court proceedings where related technology (in fact, plaintiffs' own technology, intentionally and fraudulently concealed) was at issue. Citing a Second Circuit case involving fake vintage wine being sold at auction (which fakery had long been the subject of media and industry attention), the lower courts held that plaintiffs failed to heed "storm warnings" of wrongdoing that should have put them on notice of their injury and potential legal claims.

In a much more analogous case involving a small tire-technology business which alleged that Goodyear stole its trade secrets and hid that theft in patent filings, the Federal Circuit correctly reversed a district court dismissal on statute-of-limitations grounds, holding that the plaintiff could not reasonably be expected to comb through the myriad and voluminous filings of a corporate giant in an effort to see if defendant had purloined its invention. The Second Circuit failed to follow that analogous case, understandably (though wrongly) following its own precedent.

products, with a share of over 90%." Complaint, *In the Matter of Illumina, Incorporated, and Pacific Biosciences of California, Incorporated*, Federal Trade Comm'n, Docket No. 9387 (Dec. 17, 2019).

The Second Circuit also erred in summarily affirming the district court's determination that "negative trade secrets" have no independent economic value and thus essentially cannot be the subject of a misappropriation claim. That conclusion was simply wrong and contrary to courts' longstanding recognition of both the intellectual-property concept and its potentially huge value.

TRIAL AND APPELLATE COURT OPINIONS

On January 14, 2020, the United States District Court for the Southern District of New York (Koeltl, J.) issued an Opinion and Order granting Respondents' motion to dismiss Petitioners' Second Amended Complaint. The decision is reported at *Zirvi v. Flatley*, 433 F. Supp. 3d 448 (S.D.N.Y. 2020). *See also* Appx. 1-36.

On December 11, 2020, the United States Court of Appeals for the Second Circuit summarily affirmed the district court's dismissal of Petitioners' Second Amended Complaint. The decision was not reported but can found at *Zirvi v. Flatley*, 838 Fed. Appx. 582 (2d. Cir. 2020). *See also* App. 37-48.

STATEMENT OF JURISDICTION

Federal jurisdiction in the district court was premised upon 18 U.S.C. §§ 1836(b)(1) and 18 U.S.C. § 1962(c) and (d).

This Petition for a Writ of Certiorari is timely under Rule 13 of the Rules of the Supreme Court of the United States, as amended by its March 19, 2020 Miscellaneous Order extending the deadline to 150 days from the date of the Second Circuit's order. The Second Circuit issued its Summary Order affirming the District Court's dismissal of Petitioners' Second Amended Complaint on December 11, 2020.

This Court has jurisdiction pursuant to 28 U.S.C. §1254(1).

CONSTITUTIONAL PROVISION AND FEDERAL STATUTES INVOLVED

Article I, Section 8, Clause 8 of the United States Constitution authorizes Congress “To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

Claims under the Defend Trade Secrets Act of 2016 (“DTSA”) must be brought within three years from the date when the misappropriation “is discovered or by the exercise of reasonable diligence should have been discovered.” 18 U.S.C. § 1836(d).

The Racketeer Influenced and Corrupt Organizations Act (“RICO”) provides no statute of limitations. *See* 18 U.S.C. §§ 1961-1968. However, this Court has held that RICO claims must be brought within four years from the date the plaintiff “discovered or should have discovered” his injury. *Agency Holding Corp. v. Malley-Duff & Associates, Inc.*, 483 U.S. 143 (1987).

STATEMENT OF THE CASE

Petitioners filed their Complaint on August 3, 2018, alleging violations of the Defend Trade Secrets Act (“DTSA”) (18 U.S.C. §§ 1836(b), New York Trade Secret Laws, the Racketeer Influenced Corrupt Organizations Act (“RICO”), 18 U.S.C. § 1962(c) and (d), common law fraud, breach of fiduciary duty, breach of confidence, unjust enrichment, unfair trade practices, as well as tortious interference with prospective economic advantage. Petitioners filed a First Amended Complaint was filed December 6, 2018 which named the additional Defendants Robin M. Silva and John R. Stueplnagel.

Petitioners filed a Second Amended Complaint on February 8, 2019. On March 15, 2019, all Defendants filed their respective Motions to Dismiss the Second Amended Complaint. The District Court dismissed Petitioners’ Second Amended Complaint with prejudice on January 15, 2020.

The District Court dismissed Petitioners' federal claims on the ground that the applicable statute of limitations had expired. *Zirvi v. Flatley*, 433 F. Supp. 3d 448, 460 (S.D.N.Y. 2020). The DTSA is subject to a three-year statute of limitations which runs from when the plaintiff knew or should have known that the alleged trade secrets were wrongfully acquired, disclosed, or used. *Id.* at 459. RICO claims are subject to a four-year statute of limitations and accrual dates under the RICO statute are similarly determined when the plaintiff knew or should have known of the alleged injury. *Id.* The District Court found Petitioners' claims under the DTSA and RICO had accrued by no later than 2010 and thus the statutes of limitations had expired in 2013 and 2014 respectively. *Id.* at 460.

The District Court found that either three- or six-years statutes of limitations governed Petitioners' state law and common law claims. *Id.* The District Court found that the state law and common law claims arose out of the same factual allegations as the DTSA and RICO claims and thus for the substantially same reasons the statute of limitations had run on the state law and common law claims. *Id.* at 461.

The Petitioners had argued that the statutes of limitations should be equitably tolled under the doctrine of fraudulent concealment. *Id.* The District Court found that Petitioners did not allege with particularity that the defendants fraudulently concealed their various misappropriation claims as required by Rule 9(b). *Id.* at 462. The District Court also found that Petitioners had inquiry, actual, or constructive notice of alleged wrongdoing as early as 1994 and no later than 2010 for statute of limitations purposes. *Id.*

The District Court also found that Petitioners failed to allege actionable post-enactment conduct for their federal claims. *Id.* at 463. The DTSA became effective in 2016 and amended RICO to include the misappropriation of trade secrets as an enumerated predicate act. *Id.* It

does not apply retroactively. *Id.*² The District Court found that the alleged misappropriation occurred in 1994 and 1999. *Id.* at 464.

The District Court also found that Petitioners did not identify their alleged trade secrets with sufficient particularity to apprise the Respondents of what information contained in the alleged negative trade secrets is secret and what information is not. *Id.* at 465. It found that Petitioners also did not allege how trade secrets derive independent economic value from not being generally known given the existence of information publicly available in the patent applications and patents described in Petitioners' pleadings. *Id.*

Petitioners filed their Notice of Appeal on February 12, 2020. The Second Circuit heard the oral arguments of Petitioners and Respondents on December 2, 2020 and issued a Summary Order affirming the District Court on December 11, 2020. *Zirvi v. Flatley*, 838 F. App'x 582 (2d Cir. 2020). The Second Circuit agreed with the District Court and found that Petitioners' federal, state, and common law claims had accrued by no later than 2010 and the applicable statutes of limitations had all lapsed. *Id.* at 585-87. It also agreed with the District Court that Petitioners' fraudulent concealment claims lacked particularity. *Id.* at 587-88. The Second Circuit issued its Judgment Mandate on January 4, 2021.

² However, "[t]he DTSA applies to pre-enactment conduct if the misappropriation continues after the enactment date." *Syntel Sterling Best Shores Mauritius Ltd. v. Trizetto Grp., Inc.*, No. 15 Civ. 211 (LGS), 2021 U.S. Dist. LEXIS 75875, at *19 (S.D.N.Y. Apr. 20, 2021) (citing *Zirvi v. Flatley*, 433 F. Supp. 3d 448, 463 n.9 (S.D.N.Y. 2020) (collecting cases), *aff'd*, 838 Fed. Appx. 582 (2d Cir. 2020)). Further, the SAC pled with particularity continuing fraud through 2016 and thereafter, including extensive fraud in Illumina's US7,955,794 patent and related litigation in *Ariosa Diagnostics, Inc. v. Illumina, Inc.*, No. 18-109 (including related declarations by co-defendant Jian Bing Fan), and collusion between Illumina and its ersatz competitor Thermo Fisher (during a lawsuit in which they were opposing parties) which led to their joint announcement of the "AmpliSeq for Illumina" product in 2018. See SAC ¶¶ 45, 452-66, 484-95, 536-37, 595-98.

REASONS FOR GRANTING THE PETITION

1. *The Second Circuit and Federal Circuit Conflict on Inquiry Notice in Complex Trade Secret Misappropriation Cases*

In *Koch v. Christie's Int'l PLC*, 699 F.3d 141 (2d Cir. 2012), where plaintiff alleged that an auction house had fraudulently sold fake vintage wine, the Second Circuit held:

[W]hen a RICO plaintiff “makes no inquiry once the duty arises, knowledge will be imputed as of the date the duty arose.” *Id.* Thus, once there are sufficient “storm warnings” to trigger the duty to inquire, and the duty arises, if a plaintiff does not inquire within the limitations period, the claim will be time-barred. In such a case, knowledge of facts that would suggest to a reasonably intelligent person the probability that the person has been injured is dispositive.

Id. at 153. Further, with regard to fraudulent concealment tolling the statute of limitations in a RICO case, the court held:

Reasonable diligence is a prerequisite to the applicability of equitable tolling. . . . A RICO plaintiff who is not reasonably diligent may not assert fraudulent concealment.

Id. at 157 (cleaned up).

In *Coda v. Goodyear*, 916 F.3d 1350 (Fed. Cir. 2019), where a small business alleged trade secret misappropriation by a global tire company, the court noted that the statute of limitations is an affirmative defense, and because “a plaintiff generally need not plead the lack of affirmative defenses to state a valid claim, a Rule 12(b)(6) motion, which considers only the allegations in the complaint [viewed in the light most favorable to the plaintiff], is generally an inappropriate vehicle for dismissing a claim based on the statute of limitations.” In so holding, the Federal Circuit acknowledged the near impossibility of a small business

reviewing the hundreds of patent applications filed by Goodyear per year in an effort to discover evidence of misappropriated trade secrets. *Id.* at 1361 & n.8. Specifically, to dismiss the case at the pleading stage, the court would be required “to infer that Plaintiffs were looking for SIT patents (or should have been doing so) at a certain time.” *Id.* at n.8. However, the court held that “the complaint does not compel those inferences to the exclusion of reasonable inferences favorable to the plaintiffs.” *Id.* The court also acknowledged that plaintiffs had posited plausible explanations for their purported failure to monitor and review Goodyear’s myriad patent applications, and held that the district court thus failed to draw all reasonable inferences in plaintiffs’ favor. *Id.*

In this case, the Second Circuit, following *Koch*, held that because plaintiffs had made only “generalized and conclusory allegations of fraudulent concealment” to equitably toll the statute of limitations, the district court properly dismissed the complaint (and with prejudice) under Rules 9 and 12(b)(6). In essence, the Second Circuit required plaintiffs to engage in due diligence that the *Coda* court recognized was unreasonable and impracticable. Under the Second Circuit’s holding, plaintiffs were required to affirmatively plead the impossibility of (i) reviewing hundreds of defendants’ patent applications in an effort to discover evidence of misappropriated trade secrets, and (ii) seeing through defendants’ extensive efforts to disguise the theft of plaintiffs’ trade secrets in those same patent filings.

The Second Circuit’s application of *Koch* to a complex trade secret misappropriation case therefore conflicts with the Federal Circuit’s holding in *Coda*, a circuit split which only this Court can resolve. Furthermore, the Second Circuit’s precedent has the effect of undermining the Constitution’s protection of intellectual property. See U.S. Const. Article I, Section 8, Clause 8. Accordingly, leaving the Second Circuit’s judgment unreviewed and in effect will cause extensive harm to the field of medical research, as inventors and academic research institutions would be burdened by an impossible standard for protecting their trade secrets from sophisticated (and in this instance, monopolistic) bad actors who misappropriate those trade secrets and fraudulently

conceal their theft in voluminous patent filings, administrative proceedings and court submissions.

2. *The Second Circuit Summarily Affirmed the District Court's Erroneous Conclusion that Negative Trade Secrets Per Se Lack Value*

In dismissing plaintiffs' claims based on defendants' misappropriating their negative trade secrets, the district court concluded: "It is difficult to see how negative trade secrets consisting of unsuccessful efforts to develop trade secrets and experimental dead ends . . . can have independent economic value when the end result of the process, the positive trade secrets, have in fact been uncovered. *Zirvi v. Flatley*, 433 F. Supp. 3d 448, 465 (S.D.N.Y. 2020). Although the Second Circuit quoted the Second Amended Complaint's definition and explanation of these negative trade secrets in its opinion (*see Zirvi v. Flatley*, 838 Fed. Appx. 582, 584 n.2), it did not address that issue, consigning it (presumably) to the dustbin of "plaintiffs' remaining arguments" which it found to be "without merit," *id.* at 587. The Second Circuit's summary affirmance of that blatant error should be addressed.

The intellectual-property concept of "negative trade secrets," and the fact that they can be just as valuable (sometimes more so) than "positive" trade secrets is well recognized. A California district court ably summarized the state of the law:

Courts have recognized the viability of "negative know-how" as a trade secret, because it could "confer [Defendants] the benefit of steering clear of fruitless development pathways, thereby saving precious time and resources." *Genentech, Inc. v. JHL Biotech, Inc.*, No. 18- CV -06582 WHA, 2019 U.S. Dist. LEXIS 36140, 2019 WL 1045911, at *19 (N.D. Cal. Mar. 5, 2019). Misappropriation of negative know-how can be especially damaging because "such information would be virtually untraceable, thereby making the task of identifying (and enjoining) . . . [the] trade secrets . . . a bone-crushing endeavor." 2019 U.S. Dist. LEXIS 36140, at *20. A clear case of negative know-how involves pharmaceutical

manufacturing, where avoiding previously failed formulas avoids the expense of costly research and trials. *See* 2019 U.S. Dist. LEXIS 36140, at *3 (defendant's alleged theft of valuable research and design techniques allowed to them to expedite the regulatory approval process for biosimilar drugs). Even in the similar field of medical device manufacturing, plaintiffs struggle to define negative know-how trade secrets when their designs are conceptual rather than technical. *See AlterG, Inc. v. Boost Treadmills LLC*, 388 F. Supp. 3d 1133, 1145 (N.D. Cal. 2019) (medical device manufacturer failed to sustain claims for misappropriation of its "positive and negative learnings of low-cost mechanical unweighted systems, air pressure systems, and Differential Air Pressure systems" because they were too broadly defined).

Calendar Research LLC v. StubHub, Inc., No. 2:17-cv-04062-SVW-SS, 2020 U.S. Dist. LEXIS 112361, at *26-27 (C.D. Cal. May 13, 2020). *Accord Waymo LLC v. Uber Techs., Inc.*, No. C 17-00939 WHA, 2018 U.S. Dist. LEXIS 8263, at *10 (N.D. Cal. Jan. 18, 2018) (“[A] defendant might *use* a negative know-how trade secret by taking its lesson to *avoid* developing apparently fruitless technology.”) It should be noted that the parties to *Waymo v. Uber* settled the disputed claims, which included “negative know-how trade secret[s]” for some \$245 million in stock. *See* D. Wakabayashi, *In Settlement, Waymo Gets \$245 Million in Uber Stock*, *The New York Times*, Feb. 10, 2018, Sec. B, p.1.

In short, “negative” trade secrets have potentially tremendous value, equal to (and in the health care sphere, sometimes exceeding) the value of the eventually workable inventions. That was certainly the case with plaintiffs’ trade secrets stolen by Illumina and used to create a multibillion-dollar monopoly. The district court’s assumption that such “negative” trade secrets *per se* lack independent value was simply wrong.

CONCLUSION

For the foregoing reasons, this Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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MAY 2021

Appendix

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MONIB ZIRVI et al.,

Plaintiffs,

18-cv-7003 (JGK)

- against -

OPINION AND ORDER

JAY T. FLATLEY et al.,

Defendants.

JOHN G. KOELTL, District Judge:

In the Second Amended Complaint (the "Complaint" or "SAC"), the plaintiffs allege that the defendants have orchestrated a wide-ranging conspiracy over the past twenty-five years to steal the plaintiffs' trade secrets consisting of proprietary discoveries related to the encoding and decoding of DNA. The plaintiffs are scientists Monib Zirvi, Matthew Lubin, Maria Kempe, and Norman Gerry. The defendants are scientists and businesspeople Jay Flatley, David Walt, Stephen Fodor, Kevin Gunderson, Jian-Bing Fan, Mark Chee, and John Stueplnagel, a patent lawyer Robin Silva, and biotechnology companies Affymetrix, P.E. Applied Biosystems, and Illumina, Inc. The plaintiffs allege claims under the Defend Trade Secrets Act (DTSA), 18 U.S.C. § 1836, et seq.; the Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. § 1961, et seq.; the New York common law of trade secrets protections; and claims for other common law torts of fraud, conversion, tortious

interference with prospective business advantage, inequitable conduct, civil conspiracy, and breach of confidence. The defendants collectively move to dismiss the Complaint under Rules 12(b)(1) and 12(b)(6) of the Federal Rules of Civil Procedure on the grounds that the plaintiffs lack standing, that the plaintiffs' claims are barred by various statutes of limitations, and that in any event the facts alleged do not amount to violations of federal or state law. In addition to joining the defendants' motion, Stephen Fodor also moves individually to dismiss the claims against him.

For the reasons set out below, the motions to dismiss the Complaint are **granted** and the Complaint is **dismissed with prejudice**.

I.

The defendants move to dismiss the Complaint pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure for lack of subject matter jurisdiction because the plaintiffs allegedly lack standing to pursue their claims. "Dismissal of a case for lack of subject matter jurisdiction under Rule 12(b)(1) is proper 'when the district court lacks the statutory or constitutional power to adjudicate it.'" Ford v. D.C. 37 Union Local 1549, 579 F.3d 187, 188 (2d Cir. 2009) (quoting Makarova v. United States, 201 F.3d 110, 113 (2d Cir. 2000)). In considering a Rule 12(b)(1) motion, courts must construe all

ambiguities and inferences in a plaintiff's favor. However, a court may refer to evidence outside of the pleadings, and the burden is on the plaintiff to prove by a preponderance of the evidence that jurisdiction exists. See Makarova, 201 F.3d at 113. "To survive the motion to dismiss, the pleadings must only allege facts that affirmatively and plausibly suggest that Plaintiffs have standing to sue." Lowell v. Lyft, Inc., 352 F. Supp. 3d 248, 255 (S.D.N.Y. 2018) (quotations and alterations omitted). "[A]t the pleading stage, standing allegations need not be crafted with precise detail, nor must the plaintiff prove his allegations of injury." Baur v. Veneman, 352 F.3d 625, 631 (2d Cir. 2003).

The defendants also move to dismiss the Complaint pursuant to Rule 12(b)(6). In deciding a motion to dismiss pursuant to Rule 12(b)(6), the allegations in the complaint are accepted as true, and all reasonable inferences must be drawn in the plaintiff's favor. McCarthy v. Dun & Bradstreet Corp., 482 F.3d 184, 191 (2d Cir. 2007). The Court's function on a motion to dismiss is "not to weigh the evidence that might be presented at a trial but merely to determine whether the complaint itself is legally sufficient." Goldman v. Belden, 754 F.2d 1059, 1067 (2d Cir. 1985). The Court should not dismiss the complaint if the plaintiff has stated "enough facts to state a claim to relief that is plausible on its face." Bell Atl. Corp. v.

Twombly, 550 U.S. 544, 570 (2007). "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009).

Although the Court should construe the factual allegations in the light most favorable to the plaintiff, "the tenet that a court must accept as true all of the allegations contained in the complaint is inapplicable to legal conclusions." Id. at 678. When presented with a motion to dismiss pursuant to Rule 12(b)(6), the Court may consider documents that are referenced in the complaint, documents that the plaintiff relied on in bringing suit and that are either in the plaintiff's possession or that the plaintiff knew of when bringing suit, or matters of which judicial notice may be taken. See Chambers v. Time Warner, Inc., 282 F.3d 147, 153 (2d Cir. 2002).

II.

The following facts alleged in the Complaint are accepted as true for the purposes of ruling on the motions to dismiss.

The plaintiffs' claims, under both federal and New York State law, arise out of two alleged instances of misappropriation of trade secrets, one occurring in 1994 when certain trade secrets were allegedly stolen from a confidential grant proposal, and one occurring in 1999 when alleged trade

secrets were allegedly misappropriated during confidential communications. The plaintiffs allege that these two acts of misappropriation resulted in the theft of both positive and negative trade secrets.¹ In order to overcome the various statutes of limitations, the plaintiffs also allege the existence of an overarching, twenty-five-year conspiracy of fraudulent concealment engineered by the defendants that allegedly prevented the plaintiffs from learning the full extent of the defendants' misconduct until 2015. Because they allegedly only discovered the conspiracy in 2015, the plaintiffs allege that this action, which the plaintiffs filed on August 3, 2018, is timely because the statutes of limitations should be equitably tolled until the discovery of the alleged conspiracy. SAC ¶¶ 5-6, 9-13, 26-31.

Throughout the early 1990s, the plaintiffs began collaborating in various capacities with Dr. Francis Barany of Cornell University Medical College (now Weill Cornell Medical College) to "creat[e] an entirely novel method for diagnosing human genetic defects." SAC ¶¶ 2, 16, 20 (Lubin), 34 (Zirvi), 37

¹ The Complaint describes negative trade secrets as "the trade secrets reflecting, referencing and relating to the thorough scientific process required to create a trade secret, much of which was unsuccessful and resulted in experimental dead ends (i.e. negative) but which was crucial in the ultimate invention and success of the trade secret." SAC ¶ 12 n.1.

(Gerry), 102 (Lubin and Gerry), 196 (Kempe).² In February 1994, Barany's team, which included Lubin, submitted a grant proposal to the National Cancer Institute containing alleged trade secrets. Id. at ¶¶ 102-03. The achievement of the Barany proposal, allegedly, was "a radical new idea of 'Universal Addressable Arrays.'" Id. at ¶ 104. The array was a grid structure made up of numerous squares in which each square contained a "man-made designed DNA sequence[]" that the Barany team referred to as a "zip code" and each square was referred to as an "address[]." Id. at ¶ 109(I). The arrays worked together with a ligase detection reaction ("LDR") in which DNA would be extracted from a biological sample and matched up to the array to reveal genetic mutations through a process known as polymerase chain reaction ("PCR"). Id. at ¶¶ 72, 104, 107(3), 109(I), 109(III). The technologies developed by the plaintiffs throughout the 1990s and early 2000s, and which formed the basis for numerous patent applications, were all broadly related to LDR, PCR, zip code array, and DNA sequencing. Id. at ¶¶ 135 ('917 and '470 patent series), 162 ('594 patent series), 208 ('917, 470, and '594 patent series), 259 ('293, '470, and '917 patent series), 310 ('470 and '293 patent series).³

² Neither Barany nor Cornell University nor any of Cornell's affiliated entities are plaintiffs in this case.

³ Patent series are referred to throughout the Complaint by the last three digits of the United States Patent Number. Thus, the '470 patents series corresponds to Patent No. 6,797,470 issued on September 28, 2004 and based on

The first alleged instance of misappropriation occurred on or around June 1, 1994 when Stephen Fodor, the Chief Technology Officer of the biotechnology company Affymetrix, in his capacity as a peer reviewer for the National Institute of Health ("NIH"), reviewed the Barany proposal. Id. at ¶ 16. According to the plaintiffs, upon reviewing the grant proposal, Fodor "immediately resolved to steal those ideas" contained in the grant proposal in violation of confidentiality agreements that he was bound to obey in his capacity as an NIH reviewer. Id. at ¶¶ 20, 114-17. Fodor then allegedly enlisted Affymetrix employees, the defendants Mark Chee, Jian-Bing Fan, and Kevin Gunderson, to begin filing patent applications based on the technologies and ideas described in the grant proposal. Id. at ¶ 123.

According to the plaintiffs, Fodor "deliberately removed himself as a co-inventor of the October 26th, 1994 patent application" and instructed Chee, Fan, and Gunderson to file the patent applications in order to cover his tracks. Id. at ¶ 125.

a series of applications going back to May 29, 1996 and invented by, among others, Barany and Lubin. Prakash Decl., Ex. 3. The '917 patent series corresponds to Patent No. 7,083,917, issued on August 1, 2006 and based on applications going back to February 4, 1997, and invented by, among others, Barany, Kempe, and Zirvi. Prakash Decl., Ex. 6. The '293 patent series corresponds to Patent No. 6,534,293, issued on March 18, 2003 and based on an application filed on January 6, 1999, and invented by, among others, Barany, Zirvi, and Gerry. Prakash Decl., Ex. 12. The '594 patent series corresponds to Patent No. 6,506,594, issued on January 14, 2003 based on applications going back to March 19, 1999, and invented by, among others, Barany and Gerry. Prakash Decl., Ex. 16.

The October 26, 1994 patent application was one in a series of related patent applications that eventually resulted in the final application filed on April 3, 1996 and published as United States Patent No. 6,156,501 on December 5, 2000. Prakash Decl., Ex. 23, at 1:[63]; SAC ¶ 124. Notwithstanding the allegations in the Complaint that Fodor deliberately removed himself from these patent applications, his name appeared on an International Patent Application that was published to the world on May 4, 1995 under International Publication Number WO 95/11995. Gorman Decl., Ex. 3. The International Patent, which listed Fodor as an inventor, had an international application number of PCT/US94/12305, a number that corresponded to the October 26, 1994 application that was in the chain of applications that eventually culminated in the '501 patent series. Gorman Decl., Ex. 3, at 1:(21); Prakash Decl., Ex. 23, at 1:[63]. The International Patent was also related by continuation to a United States patent application numbered 08/284,064 that corresponded to an application in the chain of applications culminating in the '501 patent series. Gorman Decl., Ex. 3, at 1:(60); Prakash Decl., Ex. 23, at 1:[63].

On May 1, 1995, Barany allegedly explained "on a strictly confidential basis" to the defendant, Dr. David R. Walt of Tufts University, Barany's proprietary discoveries of "Zip Code chemistry," primers, and probes that could be used to encode and

decode DNA. SAC ¶¶ 132-33. Walt formed the defendant company Illumina Inc. in 1998, with defendants Chee, Fan, Gunderson, and John Stueplnagel as founding employees, and Jay Flatley as the first CEO. Id. at ¶¶ 140-42. Beginning in June 1998, Stueplnagel, Chee, and Gunderson filed several patent applications that were allegedly derived from the Barany grant proposal. Id. at ¶¶ 143-45, 149. More generally, the plaintiffs allege that the defendants filed patent applications that were designed to conceal the alleged source of the work by omitting certain information from the patent applications that could lead back to Barany and his team. Id. at ¶¶ 143-44, 149-50, 153.

Around this time, the plaintiffs Lubin, Zirvi, Kempe, and Gerry began to assign their rights in the '470, '917, '293, and '594 patent series to Cornell and the University of Minnesota, which later assigned its interests to Cornell. Id. at ¶¶ 3, 135, 168, 273, 321; Prakash Decl., Exs. 4, 7, 8, 9, 13, 22.

The second alleged instance of misappropriation occurred in 1999 after Zirvi, then a medical student at Cornell working with Barany, developed 187 files of Microsoft Excel and Word documents containing, among other things, the design of 4,633 zip codes including an alleged proprietary set of 465 zip codes. SAC ¶ 155. On August 8, 1999, Barany allegedly provided the 187

files to Bill Efcavitch of P.E. Biosystems.⁴ Barany allegedly instructed Efcavitch to keep the files secret pursuant to a confidentiality agreement between Cornell and P.E. Biosystems. Id. at ¶¶ 181-83. According to the plaintiffs, P.E. Biosystems and Illumina were, unbeknownst to the plaintiffs, working together at the time. Id. at ¶ 188.

On April 14, 2000, Barany, Zirvi, and Gerry, among others, filed a provisional patent application, a "Method of Designing Addressable Array for Detection of Nucleic Acid Sequence Differences Using Ligase Detection Reaction," which would eventually be published as United States Patent Number 7,455,965 (" '965 patent") on November 25, 2008. Prakash Decl., Ex. 21; SAC ¶ 284. The '965 patent application was published to the world on October 25, 2001. Prakash Decl., Ex. 19-1. According to the Complaint, the '965 patent application "described PCR-LDR, 4,633 zip codes, Universal Arrays, detection of low abundance K-ras mutations and included substantial data." SAC ¶ 284.

According to the plaintiffs, the data contained in the 187 files, and particularly in the 465-zip code set, were never published and were not reproduced by the plaintiffs in the '965 patent filings even though those filings contained zip code

⁴ Efcavitch is not a defendant in this case. P.E. Biosystems, which is a defendant in this case is now a division of Thermo Fisher Scientific. SAC ¶ 49.

sets. Id. at ¶¶ 155-56. The plaintiffs allege that the precise order of the 465-zip code set was integral to its value and that the set, when misappropriated and used by the Illumina defendants, "became a clear and unmistakable marker for the theft of Dr. Zirvi's trade secret, much like a finger print or red ink exploding in a stack of bills stolen during a bank robbery." Id. at ¶ 156. Allegedly, the Illumina defendants Chee and Gunderson used the propriety zip code set in a patent application on August 25, 2000, entitled "Probes and Decoder Oligonucleotides." Id. at ¶ 320. The plaintiffs allege that Chee and Gunderson "blatantly copied the Barany team Zip Code IP" but renamed them "Illumacdoes." Id. at ¶¶ 320-21.

Then, in 2006, junior parties Barany, Kempe and Zirvi, among others, brought a patent interference claim before the United States Patent and Trademark Office alleging that Fodor and his Affymetrix colleagues had unlawfully derived the October 26, 1994 patent application and a related family of patents from the Barany grant proposal. Id. at ¶¶ 127, 180; Prakash Decl., Ex. 25. The Board of Patent Appeals ultimately concluded that "Barany's motion fails to establish, prima facie, that the [Affymetrix inventors] derived the subject matter of the count from Barany." Gorman Decl., Ex. 10, at 9.

On May 24, 2010, Cornell initiated a patent infringement case against Illumina in the United States District Court for

the District of Delaware. Cornell Univ. v. Illumina, Inc., No. 10-cv-433, 2017 WL 89165, at *1 (D. Del. Jan. 10, 2017); see SAC ¶ 1. In that case, Cornell alleged that Illumina infringed a number of patents falling into two categories: (1) array patents that related to tools that utilize oligonucleotides with particular sequence properties to detect target molecules, and (2) LDR-PCR patents that describe the combination of a ligase detection reaction with polymerase chain reaction to test for genetic changes. See Cornell, 2017 WL 89165, at *1. That litigation ended on April 18, 2017 after the parties entered into a joint stipulation to dismiss the case. Cornell Univ. v. Illumina, Inc., No. 10-cv-433, Dkt. No. 598 (D. Del. Apr. 24, 2017).

The plaintiffs allege that they learned about the conduct underlying the Complaint in this case for the first time during the Cornell v. Illumina, Inc. litigation in 2015, only after Zirvi was deposed by Illumina lawyers. SAC ¶¶ 502-04. According to the plaintiffs, the deposition of Zirvi was the initial thread that, once pulled, revealed a complex, multi-decade concerted effort to conceal the defendants' theft, as manifested in the years of patent filings containing alleged purloined trade secrets. Id. at ¶¶ 515-35. The plaintiffs allege that they could not have discovered the defendants' actions sooner because the defendants had taken great pains to cover their tracks by

filing patents under various names and using different variations and combinations of technical terms in order to disguise the scheme of theft and fraud. Id. at ¶¶ 339, 344, 347, 353, 363, 366, 371-483.

On August 8, 2018, the plaintiffs initiated this action, alleging violations by all or some of the defendants of the DTSA, civil RICO, New York common law trade secrets protections and other common law torts. Dkt. No. 13. On December 6, 2018, the plaintiffs filed an amended complaint, which amplified the claims in the original complaint by adding more facts, and which also added a claim for inequitable conduct against Robin Silva, a lawyer for Illumina. Dkt. No. 102. On February 8, 2019, the plaintiffs filed a second amended complaint, which contained the same claims and basic set of facts as the first amended complaint. Dkt. No. 127. The defendants now move to dismiss the Complaint.

III.

The gravamen of the Complaint is that the defendants misappropriated the plaintiffs' trade secrets in violation of both federal and New York state law in 1994 and 1999. The plaintiffs argue that two separate acts of alleged misappropriation - (1) Fodor's misappropriation of the Barany proposal in 1994, and (2) the Illumina defendants' misappropriation of Barany's and Zirvi's proprietary 465 zip

codes in 1999 – resulted in the defendants’ wrongful ownership of trade secrets that broadly fall into three categories – (1) positive trade secrets contained in the 1994 Barany proposal, (2) positive trade secrets contained in the 1999 proprietary zip codes, and (3) negative trade secrets derived from both acts of misappropriation that include the experimental knowhow and dead ends that allegedly have independent economic value to a competitor seeking to replicate the plaintiffs’ experimental results.

Although the defendants dispute that the factual allegations in the Complaint state a claim for misappropriation under either New York or federal law, their primary argument in favor of dismissal is that any viable claim is barred by the applicable statute of limitations. Because the defendants are correct that the Complaint should be dismissed on statute of limitations grounds, that issue will be discussed first.⁵

⁵ The defendants also move to dismiss the Complaint for lack of standing. The defendants argue that the plaintiffs either assigned their rights to others, namely Cornell, or developed their intellectual property on behalf of others, also Cornell, and therefore lack a sufficient interest in the intellectual property to bring their claims. Usually, a Rule 12(b)(1) motion is addressed before a Rule 12(b)(6) motion because the former affects the Court’s subject matter jurisdiction. See Rhulen Agency, Inc. v. Ala. Ins. Guar. Ass’n, 896 F.2d 674, 678 (2d Cir. 1990). However, what the defendants describe as a question of standing is, in fact, a question about whether the plaintiffs can state a claim under the law, a question formerly known as statutory standing. See Lexmark Int’l., Inc. v. Static Control Components, Inc., 572 U.S. 118, 128 n.4 (2014); Am. Psychiatric Ass’n v. Anthem Health Plans, Inc., 821 F.3d 352, 359 (2d Cir. 2016) (“The Supreme Court has recently clarified, however, that what has been called ‘statutory standing’ in fact is not a standing issue, but simply a question of whether the particular plaintiff ‘has a cause of action under the statute.’”) (quoting Lexmark, 572 U.S. at 127). The question whether the plaintiffs “owned” or “possessed” the alleged trade

A.

"Although the statute of limitations is ordinarily an affirmative defense that must be raised in the answer, a statute of limitations defense may be decided on a Rule 12(b)(6) motion if the defense appears on the face of the complaint." Ellul v. Congregation of Christian Bros., 774 F.3d 791, 798 n.12 (2d Cir. 2014). In this case, the plaintiffs affirmatively pleaded the defendants' fraudulent concealment in order to overcome the statutes of limitations. Therefore, it is appropriate for the Court to decide the statute of limitations defense on this Rule 12(b)(6) motion.

i.

The federal claims in this case are subject to three- or four-year statutes of limitations. DTSA claims are subject to a three-year statute of limitations. See 18 U.S.C. § 1836(d). The limitations period runs from "the date on which the misappropriation with respect to which the action would relate

secrets is not a question of constitutional standing, but a question whether the plaintiffs can state a claim under either the DTSA or New York state law. See 18 U.S.C. § 1839(4) ("An owner of a trade secret that is misappropriated may bring a civil action under this subsection if the trade secret is related to a product or service used in, or intended for use in, interstate or foreign commerce."); Faiveley Transp. Malmo AB v. Wabtec Corp., 559 F.3d 110, 117 (2d Cir. 1999) ("To succeed on a claim for the misappropriation of trade secrets under New York law, a party must demonstrate: (1) that it possessed a trade secret, and (2) that the defendants used that trade secret in breach of an agreement, confidential relationship or duty, or as a result of discovery by improper means."). The Court could not resolve these issues on a motion to dismiss because there are factual disputes about the circumstances under which the intellectual property was developed.

is discovered or by the exercise of reasonable diligence should have been discovered," or, in other words, when the plaintiff "knew or should have known that the alleged trade secrets were wrongfully acquired, disclosed, or used." Uni-Systems, LLC v. United States Tennis Ass'n, Inc., 350 F. Supp. 3d 143, 178 (E.D.N.Y. 2018). RICO claims are subject to a four-year statute of limitations and accrual dates under the RICO statute are similarly determined when the plaintiff knew or should have known of the alleged injury. See Koch v. Christie's Int'l PLC, 699 F.3d 141, 148, 150-51 (2d Cir. 2012) ("As a general matter, the limitations period does not begin to run until a plaintiff has actual or inquiry notice of the injury.") (quotation marks, citation, and alterations omitted).

In this case, the date on which the alleged misappropriation "by the exercise of reasonable diligence should have been discovered" has long since passed. There are multiple events that the plaintiffs themselves described in the Complaint that triggered the statute of limitations. First, contrary to the plaintiffs' suggestion otherwise, Fodor's name appeared in the chain of patent applications that the plaintiffs allege contained trade secrets taken from the Barany grant proposal that culminated in the '501 patent series because it appeared on the face of the International Patent that explicitly cross-referenced the United States '501 Patent and the October 26,

1994 patent application. The existence of a patent application or a public patent puts parties on notice of their existence and therefore starts the clock on the limitations period. See Advanced Cardiovascular Sys., Inc. v. Medtronic Vascular, Inc., 182 F. App'x 994, 999 (Fed. Cir. 2006) (per curiam) (patent applications put parties on constructive notice); WesternGeco v. Ion Geophysical Corp., No. 09-cv-1827, 2009 WL 3497123, at *5 (S.D. Tx. Oct. 28, 2009) ("In the same way that the issuance of a patent by the PTO constitutes notice to the entire world of its existence, regardless of whether other persons take it upon themselves to examine the records, so too, by extension, do the applications published under the [Patent Cooperation Treaty] constitute notice to the world of their existence").

Second, the Complaint itself refers to the 465-zip code set allegedly misappropriated in 1999 as a "clear and unmistakable marker for the theft of Dr. Zirvi's trade secret, much like a finger print or red ink exploding in a stack of bills stolen during a bank robbery." SAC ¶ 156. Based on the allegations in the Complaint, the events in 1999 concerning the alleged misappropriation 187 files and the 465-zip code set also commenced the statute of limitations because any definition of "reasonable diligence" would encompass the duty to discover alleged wrongdoing at the time in which a self-described "clear and unmistakable marker" of theft allegedly appeared in public

patent applications. Indeed, the plaintiffs' own allegations indicate that the 465 zip codes appeared in an August 25, 2000 patent application, although in a different order. SAC ¶¶ 155, 275. Thus, with respect to the alleged misappropriation in 1999, the plaintiffs are "chargeable with knowledge which by ordinary diligence [they] would have acquired." Barrio Bros., LLC v. Revolucion, LLC, No 18-cv-2052, 2019 WL 5213039, at *3 (N.D. Ohio Oct. 16, 2019) (quotation marks and citation omitted).

Finally, the statutes of limitations began to run no later than the dates of the patent interference proceedings before the USPTO and the litigation in the federal district court in Delaware. In 2006, two plaintiffs in this action, Zirvi and Kempe, were named as junior parties in the interference before the USPTO. Gorman Decl., Ex. 25. In 2010, Cornell University, the assignee of many of the patents relevant in this case, sued Illumina, Inc. regarding many of the same patents, which, at the very least, put the plaintiffs in this case on inquiry, if not actual, notice. See Maatuk v. Emerson Elec., No. 16-cv-3023, 2017 WL 9485679, at *8-9 (N.D. Ohio Nov. 14, 2017) (proceedings before the USPTO triggered a duty to inquire into alleged acts of misappropriation), report and recommendation adopted, 2018 WL 562934 (N.D. Ohio Jan. 24, 2018), aff'd, 781 F. App'x 1002 (Fed. Cir. 2019); 421-A Tenants Ass'n, Inc. v. 125 Court Street LLC, 760 F. App'x 44, 48-49 (2d Cir. 2019) (the commencement of

substantially similar claims in state court put the plaintiffs on inquiry notice).

Therefore, whether the accrual date was in 1994, 1999, 2006, or 2010, the federal statutes of limitations have long since passed. The federal claims are therefore barred by the relevant statutes of limitations.

ii.

Apart from the state law fraud claim and the claims for injunctive relief, which are subject to six-year statutes of limitations, N.Y. C.P.L.R. § 213(1), (8), the plaintiffs' state law claims for damages are subject to three-year statutes of limitations because they are all actions to recover damages for an injury to property. See N.Y. C.P.L.R. § 214(4); Andrew Greenberg, Inc. v. Svane, Inc., 830 N.Y.S.2d 358, 362 (App. Div. 2007) (state law misappropriation); Carlingford Ctr. Point Assocs. v. MR Realty Assocs., L.P., 772 N.Y.S.2d 273, 274 (App. Div. 2004) (breach of fiduciary duty); Harley v. Druzba, 565 N.Y.S.2d 278, 279-80 (App. Div. 1991) (breach of confidence); Ingrami v. Rovner, 847 N.Y.S.2d 132, 134 (App. Div. 2007) (unjust enrichment); Sporn v. MCA Records, Inc., 451 N.Y.S.2d 750, 751 (App. Div. 1982), aff'd 448 N.E.2d 1324 (N.Y. 1983) (unfair competition); Collymore v. Sec'y of Hous. & Urban Dev., 803 N.Y.S.2d 123, 124 (App. Div. 2005) (conversion); CDx Labs.,

Inc. v. Zila, Inc., 79 N.Y.S.3d 285, 287 (App. Div. 2018)

(tortious interference with business relations).⁶

New York law governing the accrual of statutes of limitations is less permissive for plaintiffs than the law under the DTSA or RICO. Statutes of limitations accrue for misappropriation claims when the defendant first discloses the trade secret or when the defendant first makes use of the plaintiff's ideas. See GeoVector Corp. v. Samsung Elecs. Co. Ltd., 234 F. Supp. 3d 1009, 1014 (N.D. Cal. 2017) (applying New York law). Many of the plaintiffs' other state law claims similarly accrue upon the alleged breach or tortious act. See, e.g., Ciccone v. Hersh, 530 F. Supp. 2d 574, 579 (S.D.N.Y. 2008) (breach of fiduciary duty), aff'd, 320 F. App'x 48 (2d Cir. 2009); Sporn, 58 N.Y.2d at 488 (conversion); Thome v. Alexander & Louisa Calder Found., 890 N.Y.S.2d 16, 30 (App. Div. 2009) (tortious interference with prospective business advantage).⁷

⁶ "[C]onspiracy is not an independent tort, and is time-barred when the substantive tort underlying it is time-barred." Schlotthauer v. Sanders, 545 N.Y.S.2d 197, 199 (App. Div. 1989). Therefore, to the extent that the civil conspiracy claims rest on any or all of the underlying state law torts subject to three-year statutes of limitations, the claims for civil conspiracy are also subject to three-year statutes of limitations.

⁷ Because a conspiracy tort "is time-barred when the substantive tort underlying it is time-barred," Schlotthauer, 545 N.Y.S.2d at 199, the conspiracy claims accrue at the same time that the underlying tort accrues. See also Rutkin v. Reinfeld, 229 F.2d 248, 252 (2d Cir. 1956) ("The person harmed by the conspiracy may bring suit as soon as the damage to him is inflicted . . . and the statute therefore begins to run at the moment such injury occurs.").

In this case, the plaintiffs' state law claims arise out of the same factual allegations as their DTSA and RICO claims. Thus, for substantially the same reasons that the statutes of limitations have run on the DTSA and RICO claims, the statutes of limitations have run on the state law claims, whether governed by the three-year or six-year limitations period. The alleged misconduct in this case occurred in 1994 and 1999, at which point the claims accrued, and therefore the state law claims are barred by the statutes of limitations. See Synergetics USA, Inc. v. Alcon Labs., No. 08-cv-3669, 2009 WL 2016872, at *2 (S.D.N.Y. July 9, 2009) ("Misappropriation first accrues either when defendant discloses the trade secret or when he first makes use of plaintiff's ideas.") (internal quotation marks and citation omitted).

iii.

The plaintiffs nevertheless argue that the statutes of limitations should be equitably tolled under the doctrine of fraudulent concealment. "Under federal common law, a statute of limitations may be tolled due to the defendant's fraudulent concealment if the plaintiff establishes that: (1) the defendant wrongfully concealed material facts relating to defendant's wrongdoing; (2) the concealment prevented plaintiff's discovery of the nature of the claim within the limitations period; and (3) the plaintiff exercised due diligence in pursuing the

discovery of the claim during the period plaintiff seeks to have tolled.” Koch, 699 F.3d at 157 (internal quotation marks and citation omitted). “Allegations of fraudulent concealment are subject to the particular pleading requirements set forth in Federal Rule of Civil Procedure 9(b).” In re Issuer Plaintiff Initial Pub. Offering Antitrust Litig., No. 00-cv-7804, 2004 WL 487222, at *3 (S.D.N.Y. Mar. 12, 2004). In cases in which the plaintiffs allege fraudulent concealment, due diligence requires the plaintiffs, among other things, to review relevant patent applications when they are filed because they may contain alleged trade secrets. See Ferring B.V v. Allergan, Inc., 4 F. Supp. 3d 612, 632 (S.D.N.Y. 2014) (“Either Ferring never conducted the review [of patent applications] it claims it did, which is fatal to its equitable tolling theory, or it conducted a review but, through lack of reasonable diligence, failed to recognize that the patent application contained confidential Ferring information, which likewise is fatal.”).

The plaintiffs have not alleged with particularity that the defendants fraudulently concealed their various misappropriation claims as required by Rule 9(b), and in particular that the defendants wrongfully concealed material facts related to the defendants’ alleged wrongdoing. See Anwar v. Fairfield Greenwich Ltd., 286 F.R.D. 258, 260 (S.D.N.Y. 2012) (“Rule 9(b) also requires a plaintiff to plead with particularity facts giving

rise to a strong inference that each defendant acted with the requisite state of mind, or scienter.""). For example, one of the plaintiffs' primary allegations in support of their argument for fraudulent concealment is that a lawyer, Robin Silva, orchestrated Illumina's patent filings over many years in such a way that the subject matter of their patents could not be traced back to the plaintiffs' trade secrets. However, the plaintiffs do not allege these acts of fraudulent concealment with particularity, but rather state in conclusory terms that the defendants' authorship of their patents was carried out in deliberately fraudulent ways. See Anwar, 286 F.R.D. at 260.⁸

Even more fatal to the plaintiffs' argument, however, is that for the same reasons that the plaintiffs had inquiry, actual, or constructive notice of alleged wrongdoing as early as 1994 and no later than 2010 for statute of limitations purposes, equitable tolling is also not appropriate in this case because the plaintiffs did not act, and could not have acted, with due diligence in this case given that they allegedly discovered the alleged impropriety in 2015. See 421-A Tenants Ass'n, 760 F. App'x at 50 ("The tenants' failure to prosecute their lawsuit once on inquiry notice forecloses their argument that they acted

⁸ These pleading deficiencies could be cured, in theory, with an amended complaint. However, the fraudulent concealment allegations fail for other reasons that could not be cured by amendment and therefore dismissal with prejudice is appropriate.

with 'reasonable diligence,' a prerequisite for equitable tolling."). Indeed, the Complaint along with documents incorporated by reference directly undermine the plaintiffs' argument that they acted with the "[r]easonable diligence [that] is a prerequisite to the applicability of equitable tolling." Koch, 699 F.3d at 157. This is so for several reasons.

First, Fodor's name appeared on at least one patent application in connection with the '501 patent series no later than 1995, which undermines the plaintiffs' allegations that Fodor fraudulently omitted his name from patent applications in order to cover his tracks. Second, the existence of the "clear and unmistakable marker for the theft of Dr. Zirvi's trade secret" that the Illumina defendants allegedly included in some of their patent applications likewise imposed upon the plaintiffs a duty of reasonable diligence, the failure of which undermines their argument for equitable tolling. See Zhongwei Zhou v. Wu, No. 14-cv-1775, 2017 WL 1233994, at *6 (S.D.N.Y. Mar. 31, 2017) ("In short, Plaintiffs waited years before bringing this case. The record reflects that they failed to exercise reasonable diligence in pursuing the facts and investigating their suspicions while their claims were still timely[.]"). Finally, the matters in this case are substantially similar to the ones that Barany and Cornell litigated before the USPTO and in the District of Delaware, matters about which

plaintiffs were either actually aware because they were named in the litigation or constructively aware because the proceedings were public. Due diligence required the plaintiffs to investigate any alleged misappropriation when these events occurred. See Landow v. Wachovia Secs., 966 F. Supp. 2d 106, 129 (S.D.N.Y. 2013) ("One who suspects a defendant of widespread fraud may be under a duty to see if others have sued the defendant and whether such suits revealed evidence of the fraud of which the plaintiff complains.") (quoting Cohen v. S.A.C. Trading Corp., 711 F.3d 353, 363 (2d Cir. 2013)).

Each one of these events demonstrates a lack of due diligence on the part of the plaintiffs and therefore each event, by itself, is fatal to the plaintiffs' argument that equitable tolling should apply in this case. Taken as a whole, the plaintiffs' allegations of fraudulent concealment fail because the plaintiffs have not alleged with particularity the fraudulent concealment that the defendants allegedly engineered and because the facts alleged show that the plaintiffs were on notice, which required them to pursue their claims with due diligence. The timeline of events undermines any argument that the plaintiffs acted with reasonable diligence in investigating the alleged wrongdoing, as a matter of law, and no amended complaint could cure such deficiencies.

Therefore, the plaintiffs are not entitled to equitable tolling of the statutes of limitations.

B.

The federal claims in this case should also be dismissed because the plaintiffs failed to allege actionable post-enactment conduct. The DTSA became effective on May 11, 2016, at which point it created, among other things, a private right of action to sue for misappropriation of trade secrets and it also amended RICO to include the misappropriation of trade secrets as an enumerated predicate act. See Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, May 11, 2016, 130 Stat. 376, 376-382. The DTSA does not apply retroactively, but applies only to misappropriation for which "any act occurs on or after the date of the enactment of this Act." Id. at 381-82; RCC Ventures, LLC v. Am. DG Energy, Inc., No. 17-cv-3007, 2018 WL 1415219, at *3 (S.D.N.Y. Mar. 19, 2018) ("Because the only allegations of misappropriation of a trade secret that are pled with particularly predate the enactment of the DTSA, RCC has not stated a claim upon which relief may be granted. ").⁹

⁹ Some courts have held that the DTSA applies to pre-enactment conduct if the misappropriation continues after the enactment date. See Brand Energy & Infrastructure Servs., Inc. v. Irex Contracting Grp., No. 16-2499, 2017 WL 1105648, at *4 (E.D. Pa. Mar. 24, 2017) (collecting cases); Veronica Foods Co. v. Ecklin, No. 16-cv-7223, 2017 WL 2806706, at *13 (N.D. Cal. June 29, 2017) ("Courts have generally held that the DTSA applies to misappropriations that began prior to the DTSA's enactment if the misappropriation continues to occur after the enactment date, so long as the defendant took some relevant act after that date.") (quotation marks and citation omitted). In this case, there are no plausible allegations that any relevant pre-enactment conduct

In this case, the alleged misappropriation occurred in 1994 when Fodor allegedly stole the contents of the Barany grant proposal and then in 1999 when the Illumina defendants allegedly misappropriated the 187 files. These events occurred well before May 11, 2016, and therefore the plaintiffs cannot sue for these alleged acts misappropriations under the DTSA.

For the same reason, the RICO claims should also be dismissed. RICO makes it unlawful for a person to receive income "from a pattern of racketeering activity." 18 U.S.C. § 1962. A "pattern of racketeering activity requires at least two acts of racketeering activity[.]" 18 U.S.C. § 1961(5). To the extent that the plaintiffs allege misappropriation of trade secrets in violation of federal law to be the RICO predicates, that claim fails because the plaintiffs have not alleged any violation of the DTSA that post-dated the statutory enactment. See Democratic Nat'l Comm. v. Russ. Fed'n, 392 F. Supp. 3d 410, 442 (S.D.N.Y. 2019) ("Therefore, alleged violations of sections 1832 and 1832 [for misappropriation of trade secrets] can serve as predicate acts only for offenses occurring after May 11, 2016.").¹⁰

continued after May 11, 2016. See Cave Consulting Grp., Inc. v. Truven Health Analytics, No. 15-cv-2177, 2017 WL 1436044, at *5 (N.D. Cal. Apr. 24, 2017) ("The Court finds that without facts about when post-enactment use occurred and whether the information disclosed was new or somehow different from the prior misappropriation, plaintiff has failed to state a claim under the DTSA.").

¹⁰ To the extent that the plaintiffs allege that the predicate RICO acts were instances of mail or wire fraud under 18 U.S.C. §§ 1341, 1343, that claim fails because the allegations in the Complaint on that point consist solely

C.

Further, most of the misappropriation claims, either under federal or New York state law, should be dismissed for failure to state a claim upon which relief can be granted.¹¹

In order to state a claim for misappropriation of trade secrets, a plaintiff must allege the existence of a trade secret, which under New York law is "any formula, pattern, device or compilation of information which is used in one's business, and which gives one an opportunity to obtain an advantage over competitors who do not know or use it." E.J. Brooks Co. v. Cambridge Sec. Seals, 105 N.E.3d 301, 310 (N.Y. 2018) (internal quotation marks, citation, and alterations omitted). Additionally, a plaintiff must allege that the defendant obtained the trade secret through improper means. See Free Country Ltd. v. Drennen, 235 F. Supp. 3d 559, 567 (S.D.N.Y. 2016) (using proprietary information "in breach of an agreement or confidential relationship" may constitute misappropriation); see also Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 476

of alleged fraudulent misstatements made before the USPTO, which cannot form the basis of mail or wire fraud. See Semiconductor Energy Lab. Co. v. Samsung Electronics Co., 204 F.3d 1368, 1380 (Fed. Cir. 2000) ("[I]nequitable conduct before the PTO cannot qualify as an act of mail fraud or wire fraud for purposes of the [RICO] predicate act requirement.").

¹¹ Courts in the Southern District of New York often use New York state law cases when discussing misappropriation claims under the DTSA because the Second Circuit Court of Appeals has not yet addressed the DTSA in a reported opinion and the requirements are similar under state and federal law. See Medidata Sols., Inc. v. Veeva Sys., Inc., No. 17-cv-589, 2018 WL 6173349, at *3 n.1 (S.D.N.Y. Nov. 26, 2018).

(1974) ("A trade secret law, however, does not offer protection against discovery by fair and honest means, such as by independent invention, accidental disclosure, or by so-called reverse engineering[.]").

"Although the Second Circuit has not articulated a specificity requirement, district courts in this circuit routinely require that plaintiffs plead their trade secrets with sufficient specificity to inform the defendants of what they are alleged to have misappropriated." ExpertConnect, L.L.C. v. Fowler, No 18-cv-4828, 2019 WL 3004161, at *4 (S.D.N.Y. July 10, 2019). The existence of a trade secret is generally a question of fact, but in some situations whether information is a trade secret may be evident from the pleadings alone. See Big Vision Private Ltd. v. E.I. DuPont De Nemours & Co., 1 F. Supp. 3d 224, 267 (S.D.N.Y. 2014), aff'd, 610 F. App'x 69 (2d Cir. 2015). Courts dismiss trade secrets claims when the alleged trade secrets are not, in fact, secret, or when the plaintiffs have not alleged sufficiently how the secrets derive independent economic value from not being generally known. See Vendavo, Inc. v. Price f(x) AG, No. 17-cv-6930, 2018 WL 1456697, at *4 (N.D. Cal. Mar. 23, 2018) ("[P]laintiff must describe the subject matter of the trade secret with sufficient particularity to separate it from matters of general knowledge in the trade or of special persons who are skilled in the trade, and to permit the

defendant to ascertain at least the boundaries within which the secret lies."); Democratic Nat'l Comm., 392 F. Supp. 3d at 448 ("The DNC has not identified anything about the process of developing donor lists or fundraising strategies or shown how their particular value derives from their secrecy.").

In this case, the plaintiffs' allegations concerning misappropriation of negative trade secrets fail for two reasons. First, these allegations "resemble . . . broad categories of information" and are "vague," which, by itself, constitutes a reason to dismiss the claims. See AlterG, Inc. v. Boost Treadmills LLC, 388 F. Supp. 3d 1133, 1145 (N.D. Cal. 2019). The plaintiffs have therefore failed to identify their alleged secrets with "sufficient particularity" in order to apprise the defendants and the Court what information contained in the alleged negative trade secrets is truly secret and what information is not. See Big Vision Private, 1 F. Supp. 3d at 266-67.

Second, the plaintiffs have failed to allege how these negative trade secrets derive independent economic value from not being generally known given the existence of volumes of information publicly available in the patent applications and patents described in the Complaint. See E.J. Brooks, 105 N.E.3d at 316 ("A trade secret, by definition, must have economic value and provide a competitive advantage due to the exclusive use of

a product or technique.”). It is difficult to see how negative trade secrets consisting of unsuccessful efforts to develop trade secrets and experimental dead ends, see SAC ¶ 12 n.1, can have independent economic value when the end result of the process, the positive trade secrets, have in fact been uncovered.

The plaintiffs have also failed to allege that the 187 files containing the 465-zip code set are a trade secret. Although the plaintiffs described these alleged trade secrets with sufficient particularity, the plaintiffs have failed to allege how this zip code set derives independent economic value from not being publicly known given the quantity of similar zip code sets publicly available, particularly in the roughly contemporaneously published '965 patent series. See Sarkissian Mason, Inc. v. Enter. Holdings, Inc., 955 F. Supp. 2d 247, 257-58 (S.D.N.Y. 2013) (“The components of the system are widely known, and the concept as a whole is of limited value because it is readily ascertainable. Thus, AutoMatic Buying System as an unexecuted concept is not a trade secret as a matter of law.”), aff'd, 572 F. App'x 19 (2d Cir. 2014)

Therefore, the plaintiffs have failed to state a claim for misappropriation with respect to the negative trade secrets and

the 465-zip code set contained in the 187 files.¹² Moreover, because these claims are barred by the statutes of limitations as explained above, repleading would be futile, and the claims are appropriately dismissed with prejudice. See Wallace v. NYC Dept. of Corr., 112 F. App'x 794, 795 (2d Cir. 2004) (amendment is futile where the statute of limitations has long since run); Ferring, 4 F. Supp. 3d at 618-19.

D.

Finally, the plaintiffs have failed to state a claim for the non-misappropriation common law claims for fraud, breach of fiduciary duty, conversion, tortious interference with prospective economic advantage, inequitable conduct, civil conspiracy, and breach of confidence.

¹² The plaintiffs may have survived a motion to dismiss the allegations of Fodor's misappropriation of trade secrets based on the alleged theft of the contents in the Barany proposal had those claims been brought in a timely complaint. Unlike the 187 files allegedly misappropriated in 1999, which were then published in substance by the plaintiffs themselves in the '965 patent series, the information contained in the Barany proposal allegedly formed the basis for the Affymetrix defendants' patent applications beginning in 1994. Moreover, the plaintiffs alleged with particularity the contents of the Barany proposal and which aspects of the technologies described therein constituted the alleged trade secrets. These allegations, along with allegations concerning the time and resources spent by both the plaintiffs and the defendants engaged in this work would tend to demonstrate the independent economic value of the description of the technology in the Barany proposal. See ExpertConnect, 2019 WL 3004161 at *5 (collecting cases concerning independent economic value). Finally, the plaintiffs alleged that Fodor misappropriated any information contained in the Barany grant proposal because he used it in violation of his NIH confidentiality agreement. See Free Country Ltd., 235 F. Supp. 3d at 567. Nevertheless, as explained above, these claims from over twenty-five years ago are plainly barred by the statute of limitations.

The plaintiffs' allegations of fraud fail because the plaintiffs have not pleaded any false statements or omissions made by the defendants upon which the plaintiffs reasonably relied. See Wall v. CSX Transp., Inc., 471 F.3d 410, 415-16 (2d Cir. 2006) ("Proof of fraud under New York Law requires a showing that (1) the defendant made a material false representation, (2) the defendant intended to defraud the plaintiff thereby, (3) the plaintiff reasonably relied upon the representation, and (4) the plaintiff suffered damage as a result of such reliance.") (quotation marks and citation omitted).

The plaintiffs' claim for conversion lacks merit because the conversion of intangible property is not actionable under New York State law. See Matzan v. Eastman Kodak Co., 521 N.Y.S.2d 917, 918 (App. Div. 1987) ("There is no protected interest in an idea, but only in the tangible expression or implementation of that idea. It thus cannot be the subject of conversion."). Moreover, the mere fact that the alleged act of conversion involved learning intangible ideas from tangible documents does not make the claim actionable. See Rao v. Verde, 635 N.Y.S.2d 660, 661 (App. Div. 1995) ("While the plaintiff claims that the conversion cause of action remains viable because the defendants continued to use information that they

learned from such documents, this amounts to a claim for conversion of intangible property[.]").

The plaintiffs' allegations that the defendants tortiously interfered with the plaintiffs' prospective economic advantage are deficient because the plaintiffs have not pleaded specific, non-generalized interference with particular and ongoing business relationships in order to plead this tort. See Camp Summit of Summitville, Inc. v. Visinski, No. 06-cv-4994, 2007 WL 1152894, at *14 (S.D.N.Y. Apr. 16, 2007) ("Generalized allegations of impairment to claimant's ability to attract new business will not suffice.") (internal quotation marks, citation, and alterations omitted); Bus. Networks of N.Y., Inc. v. Complete Network Sols. Inc., 696 N.Y.S.2d 433, 435 (App. Div. 1999) ("[T]he cause of action for tortious interference with prospective business relations should have been dismissed for failure to allege any specific prospective relationship with which defendants interfered[.]").

The plaintiffs cannot state a cause of action based on alleged inequitable conduct before the USPTO because inequitable conduct cannot comprise a civil claim for damages, but is instead an equitable defense in a patent infringement case. See Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1285 (Fed. Cir. 2011) ("Inequitable conduct is an equitable defense to patent infringement that, if proved, bars enforcement of a

patent."); Solomon v. Khoury, No. CV 16-10176, 2017 WL 598758, at *3 (D. Mass. Feb. 13, 2017) ("[I]nequitable conduct is not an affirmative allegation that can be brought forth in a complaint.").

The plaintiffs cannot state a claim based on civil conspiracy because there is no independent tort of civil conspiracy under New York law. See McCarthy v. Weaver, 472 N.Y.S.2d 64, 65 (App. Div. 1984) ("Similarly, the seventh cause of action, which purports to state a claim for civil conspiracy, should be dismissed because there is no substantive tort of civil conspiracy in New York."). Where, as in this case, the plaintiffs' substantive claims are dismissed, there is no basis for a claim of conspiracy. See Kirch v. Liberty Media Corp., 449 F.3d 388, 401 (2d Cir. 2006) (failure to state a cause of action for torts underlying the alleged conspiracy requires that the claim for civil conspiracy be dismissed).

The plaintiffs fail to plead breach of confidence claims related to the two acts of misappropriation, in 1994 and in 1999, because an express contract allegedly covered the relationships at issue, and therefore there is no basis for an independent tort claim. See G5 Techs., Inc. v. Int'l Bus. Machs. Corp., No. 04-cv-1201, 2005 WL 2271741, at *14 (S.D.N.Y. Sept. 19, 2005) (disclosure in alleged violation of an express confidentiality agreement precludes a claim based on breach of

an implied confidentiality agreement). In this case, the plaintiffs allege that Fodor breached the express terms of his confidentiality agreement with Barany and the NIH in 1994. The plaintiffs also allege the Efcavitch and Applied Biosystems breached the terms of the confidentiality agreement between Cornell and Applied Biosystems in 1999.

The plaintiffs' non-misappropriation state law claims should therefore be dismissed for the additional reason that the plaintiffs cannot allege facts giving rise to these claims.

CONCLUSION

Therefore, the plaintiffs' Complaint is **dismissed** in its entirety. Because the plaintiffs have amended the Complaint twice before, and because further amendments would be futile, the complaint is dismissed **with prejudice**. The Court has considered all of the arguments raised by the parties. To the extent not addressed specifically above, the arguments are either moot or without merit. The Clerk is directed to enter judgment dismissing this case with prejudice. The Clerk is also directed to close all pending motions, and to close this case.

SO ORDERED.

Dated: **New York, New York**
 January 14, 2020

 /s/ John G. Koeltl
 John G. Koeltl
 United States District Judge

20-546-cv

Monib Zirvi, et al. v. Jay T. Flatley, et al.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

SUMMARY ORDER

RULINGS BY SUMMARY ORDER DO NOT HAVE PRECEDENTIAL EFFECT. CITATION TO A SUMMARY ORDER FILED ON OR AFTER JANUARY 1, 2007, IS PERMITTED AND IS GOVERNED BY FEDERAL RULE OF APPELLATE PROCEDURE 32.1 AND THIS COURT'S LOCAL RULE 32.1.1. WHEN CITING A SUMMARY ORDER IN A DOCUMENT FILED WITH THIS COURT, A PARTY MUST CITE EITHER THE FEDERAL APPENDIX OR AN ELECTRONIC DATABASE (WITH THE NOTATION "SUMMARY ORDER"). A PARTY CITING A SUMMARY ORDER MUST SERVE A COPY OF IT ON ANY PARTY NOT REPRESENTED BY COUNSEL.

At a stated term of the United States Court of Appeals for the Second Circuit, held at the Thurgood Marshall United States Courthouse, 40 Foley Square, in the City of New York, on the 11th day of December, two thousand twenty.

PRESENT: ROBERT D. SACK,
DENNY CHIN,
RAYMOND J. LOHIER, JR.,
Circuit Judges.

-----x

MONIB ZIRVI, MATTHEW LUBIN, MARIA
KEMPE, NORMAN GERRY,
Plaintiffs-Appellants,

-v-

20-546-cv

JAY T. FLATLEY, ILLUMINA, INC., DAVID R.
WALT, STEPHEN P.A. FODOR, KEVIN
GUNDERSON, JIAN BING FAN, MARK
CHEE, AFFYMETRIX, DBA AS PART OF
THERMO FISHER SCIENTIFIC, APPLIED
BIOSYSTEMS, DBA BRAND OF THERMO
FISHER SCIENTIFIC, ROBIN M. SILVA,
JOHN R. STUELPNAGEL,

*Defendants-Appellees.**

-----X

FOR PLAINTIFFS-APPELLANTS:	TIMOTHY M. KOLMAN, Kolman Law, P.C., Perndel, Pennsylvania.
FOR AFFYMETRIX AND APPLIED BIOSYSTEMS DEFENDANTS- APPELLEES:	JONATHAN P. BACH (Lauren M. Capaccio, <i>on the brief</i>), Shapiro Arato Bach LLP, New York, New York.
FOR ILLUMINA DEFENDANTS- APPELLEES:	Robert P. Haney, Jr., Jay I. Alexander, Swati R. Prakash, Covington & Burling LLP, New York, New York.
FOR DEFENDANT-APPELLEE STEPHEN P.A. FODOR:	Charles T. Graves, Matthew Gorman, Wilson Sonsini Goodrich & Rosati P.C., San Francisco, California.

Appeal from the United States District Court for the Southern District of
New York (Koeltl, J.).

**UPON DUE CONSIDERATION, IT IS ORDERED, ADJUDGED, AND
DECREED** that the judgment of the district court is **AFFIRMED**.

Plaintiffs-appellants Monib Zirvi, Matthew Lubin, Maria Kempe, and
Norman Gerry ("plaintiffs") appeal from the district court's judgment, entered January
15, 2020, dismissing their second amended complaint (the "SAC") against defendants-
appellees Jay T. Flatley, David R. Walt, Stephen P.A. Fodor, Kevin Gunderson, Jian Bing
Fan, Mark Chee, Robin M. Silva, John R. Stuelpnagel, Affymetrix, Applied Biosystems,

* The Clerk of the Court is respectfully directed to amend the caption as set forth above.

and Illumina, Inc. ("defendants"). Plaintiffs alleged that defendants misappropriated their trade secrets in violation of federal and New York state law. By opinion and order entered January 14, 2020, the district court granted defendants' motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6), holding that the claims were barred by the applicable statutes of limitations, and that they nevertheless failed to state claims upon which relief could be granted. We assume the parties' familiarity with the underlying facts, the procedural history of the case, and the issues on appeal.

I. Background

Plaintiffs' allegations of misappropriation stem from two incidents -- (1) Fodor's alleged misappropriation in 1994 of a confidential grant proposal, submitted by Dr. Francis Barany's team to the National Cancer Institute, for a novel method of identifying genetic mutations and (2) the Illumina defendants' alleged misappropriation in 1999 of Barany's and Zirvi's proprietary set of 465 zip code sequences.¹ They allege that defendants wrongfully misappropriated three broad categories of trade secrets: (1) trade secrets contained in the 1994 Barany proposal, (2) trade secrets contained in the 1999 proprietary zip code sequences, and (3) "negative trade secrets" derived from both acts of misappropriation that include the experimental knowhow and "dead ends" that allegedly have independent economic value to a competitor seeking to replicate the

¹ "Zip Code Sequences" refer to specially designed oligonucleotides used in detecting changes in DNA.

plaintiffs' experimental results.² Plaintiffs did not commence this action until 2018. To overcome defendants' statute of limitations defense, plaintiffs alleged that defendants engaged in a twenty-five-year conspiracy of fraudulent concealment, in which all documents referenced in the SAC had been "camouflaged, disguised and [had their] nomenclature changed," Plaintiffs' Br. at 2. According to plaintiffs, this conspiracy made it impossible for them to have been put on actual or constructive notice of the misappropriation until shortly after January 2018.

II. Discussion

We review *de novo* a district court's grant of a motion to dismiss pursuant to Rule 12(b)(6), including its application of a statute of limitations, *Ajdler v. Province of Mendoza*, 890 F.3d 95, 99 (2d Cir. 2018), but we review a district court's decision to deny equitable tolling for abuse of discretion, *Koch v. Christie's Int'l PLC*, 699 F.3d 141, 157 (2d Cir. 2012). While we accept all factual allegations in the complaint as true and draw all reasonable inferences in plaintiffs' favor, *Shomo v. City of New York*, 579 F.3d 176, 183 (2d Cir. 2009), we need not accept all "legal conclusions" asserted by plaintiffs, *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). Similarly, while the court should not dismiss a complaint if it pleads enough facts to state "a claim to relief that is plausible on its face,"

² The SAC describes "negative trade secrets" as "the trade secrets reflecting, referencing and relating to the thorough scientific process required to create a trade secret, much of which was unsuccessful and resulted in experimental dead ends (i.e. negative) but which was crucial in the ultimate invention and success of the trade secret." Joint App'x at 31 n.1.

id. (internal quotation marks omitted), the standard of factual pleading is higher when plaintiffs seek to equitably toll a limitations period under the doctrine of fraudulent concealment, for plaintiffs must plead the elements of fraudulent concealment with particularity, *see Armstrong v. McAlpin*, 699 F.2d 79, 90 (2d Cir. 1983) (holding that appellants' "generalized and conclusory allegations of fraudulent concealment do not satisfy the requirements" of Rule 9 of the Federal Rules of Civil Procedure).

Here, the district court correctly dismissed the SAC for failure to state a claim, as plaintiffs have failed to plausibly allege fraudulent concealment such that equitable tolling should apply to their otherwise time-barred claims.

A. Federal Claims

Plaintiffs bring federal claims under the Defend Trade Secrets Act of 2016 ("DTSA"), 18 U.S.C. § 1836, *et seq.*, and the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. § 1961, *et seq.* DTSA claims are subject to a three-year statute of limitations and accrue from the date the misappropriation "is discovered or by the exercise of reasonable diligence should have been discovered." 18 U.S.C. § 1836(d). RICO claims are subject to a four-year statute of limitations and accrue from the date a plaintiff "discovered or should have discovered" plaintiff's injury. *Koch*, 699 F.3d at 148, 150 (2d Cir. 2012) (internal quotation marks omitted).

As the district court correctly noted, "the statutes of limitations began to run no later than the dates of the 2006 patent interference proceedings before the

[United States Patent and Trademark Office (the "USPTO")] and the [2010] litigation in the federal district court in Delaware." Joint App'x at 463.

In the 2006 USPTO proceeding, Cornell University ("Cornell"), on behalf of the Barany team of researchers, raised a claim nearly identical to plaintiffs' here -- that Fodor and Affymetrix claimed confidential information from the 1994 Barany grant proposal as their own in patent filings and then hid Fodor's name in subsequent patent applications; Zirvi and Kempe were named as junior parties in the initial interference pleadings. In 2010, Cornell, the assignee of many of the relevant patents in the instant case, sued Illumina, Inc. in Delaware regarding substantially the same body of research and patents (issued in the name of Barany, Zirvi, Kempe, and Lubin) plaintiffs implicate in their misappropriation claims.

The district court correctly held that the 2006 proceeding and 2010 lawsuit "put the plaintiffs in this case on inquiry, if not actual, notice." Joint App'x at 463. Even if plaintiffs, as they allege, received no actual notice of the 2006 proceeding or the 2010 litigation, the USPTO proceeding and the litigation -- both public proceedings -- involved substantially the same claims, and several of the same parties, as here. These circumstances surely put a "person of ordinary intelligence" on at least inquiry notice. *Koch*, 699 F.3d at 151 ("person of ordinary intelligence" has a duty of inquiry when circumstances raises a probability that he has been defrauded); see *LC Cap. Partners, LP v. Frontier Ins. Grp., Inc.*, 318 F.3d 148, 153, 155 (2d Cir. 2003) (relying in part on a related

lawsuit against the same defendant by different plaintiffs to conclude that current plaintiffs were on inquiry notice of fraud due to "storm warnings evident on the face of the detailed complaint" (internal quotation marks omitted)).

Accordingly, we agree with the district court that the federal statutes of limitations have expired and the federal claims are time-barred.

B. State Claims

Plaintiffs bring state claims under New York trade-secret misappropriation laws and common-law torts of fraud, conversion, tortious interference with prospective business advantage, inequitable conduct, civil conspiracy, and breach of confidence.

Under New York law, plaintiffs' trade-secret-misappropriation claims and common-law claims (except for fraud) are each subject to a three-year statute of limitations. *See* N.Y. C.P.L.R. 214(4) (three-year statute of limitations for actions to recover damages for injury to property); *Andrew Greenberg, Inc. v. Svane, Inc.*, 830 N.Y.S.2d 358, 362 (App. Div. 3d Dep't 2007) (three-year limitations period for trade-secret-misappropriation claims); Joint App'x 464-65 (district court order compiling cases applying three-year statute-of-limitations to the applicable common-law claims under New York law). Plaintiffs' trade-secret-misappropriation claims accrue at the time of defendants' alleged misconduct or upon the disclosure of the trade secret, not when plaintiffs discover the misappropriation. *See Synergetics USA, Inc. v. Alcon Lab'ys, Inc.*,

No. 08-cv-3669 (DLC), 2009 WL 2016872, at *2 (S.D.N.Y. July 9, 2009). Similarly, plaintiffs' common-law claims (except for fraud) accrue upon the alleged breach or tortious act. Joint App'x 465 (district court order compiling cases applying accrual rules to breach of fiduciary duty, conversion, and tortious interference with prospective business advantage, as examples). Plaintiffs' own pleadings show that the claims began to accrue in 1994 and 1999, when the alleged misconduct and disclosures occurred. More than three years have passed since.

Under New York law, the statute of limitations for fraud claims is the greater of six years from the date the cause of action accrued or two years from the time the plaintiff discovered the fraud, or could with reasonable diligence have discovered the fraud. N.Y. C.P.L.R. 213(8). Here, plaintiffs allege that defendants' fraud arose from the "filing of improper, fraudulent and false patents," and "submission of false and materially misleading patent applications, re-applications, renewals and continuations." Joint App'x 159. The SAC alleges that this fraud occurred from 1994 until at least 2007 (without specifying how much longer it continued). Based on either end of the time range, more than six years have passed. In terms of when plaintiffs could have discovered the fraud with reasonable diligence, we hold that, at latest, this would be by 2010. For substantially the same reasons we concluded that plaintiffs' federal claims were time-barred, so too are their common-law claims.

C. Equitable Tolling

Plaintiffs argue that the statutes of limitations here should be equitably tolled under the doctrine of fraudulent concealment, which under federal common law allows a statute of limitations to be

tolled due to the defendant's fraudulent concealment if the plaintiff establishes that: (1) the defendant wrongfully concealed material facts relating to defendant's wrongdoing; (2) the concealment prevented plaintiff's discovery of the nature of the claim within the limitations period; and (3) plaintiff exercised due diligence in pursuing the discovery of the claim during the period plaintiff seeks to have tolled.

Koch, 699 F.3d at 157 (internal quotation marks omitted). Generalized and conclusory allegations of fraudulent concealment, however, do not satisfy the requirements of Rule 9 of the Federal Rules of Civil Procedure. *Armstrong*, 699 F.2d at 90.

The district court found several independently fatal flaws in plaintiffs' fraudulent concealment argument and in particular found independent reasons for concluding that plaintiffs failed to exercise due diligence. We agree that plaintiffs failed to satisfy the due-diligence prong of the fraudulent-concealment test. Indeed, we agree with the district court that "the matters in this case are substantially similar to the ones that Barany and Cornell litigated before the USPTO and in the District of Delaware, matters about which plaintiffs were either actually aware because they were named in the litigation or constructively aware because the proceedings were public." Joint App'x at 469-70. Plaintiffs' conclusory claims that they could not have discovered the

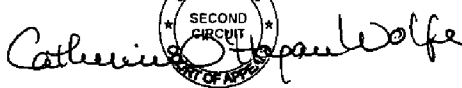

misappropriation through the exercise of diligence because defendants engaged in a decades-long fraudulent "conspiracy" of "camouflage[], disguise[] and nomenclature change[s]," Plaintiffs' Br. at 2, lack particularity and are unavailing. *See Veltri v. Bldg. Serv. 32B-J Pension Fund*, 393 F.3d 318, 322-23 (2d Cir. 2004) ("[e]quitable tolling is an extraordinary measure" that requires a reasonable level of diligence expected in the circumstances). In light of the public information available to plaintiffs by 2010, we conclude that the district court did not abuse its discretion by declining to equitably toll the relevant statutes of limitations.

Finally, we decline to entertain plaintiffs' continuing-tort theory, raised for the first time on appeal. *See Local 377, RWDSU, UFCW v. 1864 Tenants Ass'n*, 533 F.3d 98, 99 (2d Cir. 2008) (per curiam) (noting the well-established general rule that an appellate court will not consider an issue raised for the first time on appeal).

* * *

We have considered plaintiffs' remaining arguments and conclude they are without merit. For the foregoing reasons, we **AFFIRM** the judgment of the district court.

FOR THE COURT:
Catherine O'Hagan Wolfe, Clerk

**United States Court of Appeals for the Second Circuit
Thurgood Marshall U.S. Courthouse
40 Foley Square
New York, NY 10007**

DEBRA ANN LIVINGSTON
CHIEF JUDGE

Date: December 11, 2020
Docket #: 20-546cv
Short Title: Zirvi v. Flatley

CATHERINE O'HAGAN WOLFE
CLERK OF COURT

DC Docket #: 18-cv-7003
DC Court: SDNY (NEW YORK
CITY)
DC Judge: Koeltl

BILL OF COSTS INSTRUCTIONS

The requirements for filing a bill of costs are set forth in FRAP 39. A form for filing a bill of costs is on the Court's website.

The bill of costs must:

- * be filed within 14 days after the entry of judgment;
- * be verified;
- * be served on all adversaries;
- * not include charges for postage, delivery, service, overtime and the filers edits;
- * identify the number of copies which comprise the printer's unit;
- * include the printer's bills, which must state the minimum charge per printer's unit for a page, a cover, foot lines by the line, and an index and table of cases by the page;
- * state only the number of necessary copies inserted in enclosed form;
- * state actual costs at rates not higher than those generally charged for printing services in New York, New York; excessive charges are subject to reduction;
- * be filed via CM/ECF or if counsel is exempted with the original and two copies.

**United States Court of Appeals for the Second Circuit
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VERIFIED ITEMIZED BILL OF COSTS

Counsel for

respectfully submits, pursuant to FRAP 39 (c) the within bill of costs and requests the Clerk to prepare an itemized statement of costs taxed against the

and in favor of

for insertion in the mandate.

Docketing Fee _____

Costs of printing appendix (necessary copies _____) _____

Costs of printing brief (necessary copies _____) _____

Costs of printing reply brief (necessary copies _____) _____

(VERIFICATION HERE)

Signature