

# United States Court of Appeals for the Federal Circuit

---

**WHITEWATER WEST INDUSTRIES, LTD., A  
CANADIAN CORPORATION,**  
*Plaintiff-Appellee*

v.

**RICHARD ALLESHOUSE, AN INDIVIDUAL, YONG  
YEH, AN INDIVIDUAL, PACIFIC SURF DESIGNS,  
INC., A DELAWARE CORPORATION,**  
*Defendants-Appellants*

---

2019-1852, 2019-2323

---

Appeals from the United States District Court for the  
Southern District of California in No. 3:17-cv-00501-DMS-  
NLS, Judge Dana M. Sabraw.

---

Decided: November 19, 2020

---

JOSEPH RICK TACHE and ROGER L. SCOTT, Buchalter, A  
Professional Corporation, Irvine, CA, argued for plaintiff-  
appellee. Also represented by KARI BARNES.

MANUEL FEDERICO DE LA CERRA, The Law Office of Ma-  
nuel de la Cerra, Carlsbad, CA, argued for defendants-ap-  
pellants. Also represented by JEFF RAMBIN, Fairchild,  
Price, Haley & Smith, LLP, Nacogdoches, TX; JOHN  
ROBERTS, Roberts IP Law, Columbus, IN.

---

Before DYK, MOORE, and TARANTO, *Circuit Judges*.

TARANTO, *Circuit Judge*.

Richard Alleshouse and Yong Yeh are named as the inventors on U.S. Patent Nos. 9,044,685 and 9,302,189, which claim water-park attractions that individuals may ride as if surfing, and on U.S. Patent No. 9,592,433, which claims nozzle configurations for regulating water flow in such surfing attractions. Pacific Surf Designs Inc., the company Messrs. Alleshouse and Yeh formed and operate to develop and market such attractions, is the assignee of the three patents. Whitewater West Industries, Ltd. (Whitewater) is the successor, for present purposes, of Wave Loch, Inc., which employed Mr. Alleshouse until just before he went into business with Mr. Yeh and the patented inventions were conceived.

Whitewater sued Mr. Alleshouse, Mr. Yeh, and Pacific Surf Design in the United States District Court for the Southern District of California, asserting claims for breach of contract and correction of inventorship. Specifically, Whitewater claimed that Mr. Alleshouse had to assign each of the '685, '189, and '433 patents to Whitewater, as Wave Loch's successor, under the terms of Mr. Alleshouse's employment contract with Wave Loch. Whitewater also claimed that Mr. Yeh—who had not been employed by Whitewater or its predecessors and therefore was not under any alleged assignment duty—was improperly listed as an inventor on each of the three patents. The district court held that (a) Mr. Alleshouse breached the employment agreement, the agreement was valid under state law, and Whitewater was therefore entitled to assignment of the defendants' patent interests, and (b) Mr. Yeh was improperly joined as an inventor. *Whitewater West Indus., Inc. v. Alleshouse*, No. 17-cv-00501, 2019 WL 4261884 (S.D. Cal. Mar. 27, 2019) (*March Decision*); *Whitewater West Indus.,*

*Inc. v. Alleshouse*, No. 17-cv-00501, 2019 WL 4261883 (S.D. Cal. Aug. 1, 2019) (*August Decision*).

We reverse. In particular, we reverse the judgment of breach of contract because we hold that the assignment provision is void under California law. It follows from that holding, as Whitewater does not dispute, that Whitewater lacks standing to contest inventorship. We therefore also reverse the judgment on the inventorship count without separately addressing the merits of inventorship. The defendants are entitled to judgment in their favor in this action.

## I

### A

Two provisions of California law are central on appeal. First, California Business and Professions Code § 16600 states: “Except as provided in this chapter, every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.” Second, California Labor Code § 2870(a) provides:

Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer’s equipment, supplies, facilities, or trade secret information except for those inventions that either:

- (1) Relate at the time of conception or reduction to practice of the invention to the employer’s business, or actual or demonstrably anticipated research or development of the employer; or
- (2) Result from any work performed by the employee for the employer.

Related to § 2870, California Labor Code § 2872 requires that an employer must “provide a written notification” to an employee that any assignment provision “does not apply to an invention which qualifies fully under the provisions of Section 2870.”

## B

The '685 and '189 patents, which share a specification and are both titled “Water Attractions Involving a Flowing Body of Water,” describe and claim “water attractions involving a flowing body of water on a surface” that allows riders “to engage in boardriding maneuvers” that differ from “naturally occurring ocean wave shapes.” '685 patent, col. 1, lines 52–56. Mr. Alleshouse and Mr. Yeh applied for the '685 patent in October 2013, based on a provisional application filed in October 2012, and it was issued in June 2015; they filed a continuing application in May 2015 that issued as the '189 patent in April 2016. The '433 patent, which issued in March 2017 and is titled “Nozzle Shapes and Configurations for Water Attractions Involving a Flowing Body of Water,” describes and claims “nozzle shapes and configurations which create a flowing body of water over a surface in a substantially uniform, radial orientation over a substantially changing ride surface.” '433 patent, col. 2, lines 17–20. Mr. Alleshouse and Mr. Yeh filed the application that issued as the '433 patent in October 2013 based on a provisional application filed in October 2012.

Mr. Alleshouse had begun working in the field of large-scale, sheet-wave attractions when he was hired by Wave Loch as a Field Engineer in October 2007. A sheet wave is a formation of water in a planar “sheet flow” with sufficient depth to replicate characteristics of a naturally occurring wave. '685 patent, col. 1, lines 24–33. Mr. Alleshouse’s responsibilities at Wave Loch included, in part, “assessing and documenting the physical condition of each ride visited, along with its operating parameters,” and “work[ing] closely with the WaveLoch engineering staff doing research

and design work improving existing rides, and developing new rides utilizing 3D parametric modeling, numerical analysis, and other engineering principles.” J.A. 2257.

On September 8, 2008, Mr. Alleshouse signed a “Covenant Against Disclosure and Covenant Not to Compete” with Wave Loch (Agreement). J.A. 1021–25. The Agreement includes the following assignment provision:

a. Assignment: In consideration of compensation paid by Company, Employee agrees that all right, title and interest in all inventions, improvements, developments, trade-secret, copyrightable or patentable material that Employee conceives or hereafter may make or conceive, whether solely or jointly with others:

(a) with the use of Company’s time, materials, or facilities; or

(b) resulting from or suggested by Employee’s work for Company; or

(c) in any way connected to any subject matter within the existing or contemplated business of Company

shall automatically be deemed to become the property of Company as soon as made or conceived, and Employee agrees to assign to Company, its successors, assigns, or nominees, all of Employee’s rights and interests in said inventions, improvements, and developments in all countries worldwide. Employee’s obligation to assign the rights to such inventions shall survive the discontinuance or termination of this Agreement for any reason.

J.A. 1022. The Agreement is governed by California law. J.A. 1024. It is undisputed on appeal that Whitewater, as successor to Wave Loch, is now Mr. Alleshouse’s counterparty on this Agreement.

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

## LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

## FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

## E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.