

CODA DEVELOPMENT S.R.O. v. GOODYEAR TIRE & RUBBER CO., Appeal No. 2018-1028 (Fed. Cir. February 22, 2019) (Prost, Wallach, and Hughes) Appealed from N.D. Ohio (Judge Lioi).

Background:

Coda and Goodyear conducted two meetings in 2009 related to commercialization of Coda's self-inflating tire technology, which were subject to a nondisclosure agreement. Goodyear then ceased communication with Coda and declined further meetings. Subsequently, Goodyear received 12 patents between 2011 and 2015 directed to self-inflating tire technology.

Coda sued Goodyear alleging correction of inventorship and trade-secret misappropriation. The district court granted Goodyear's threshold Motion to Dismiss due to a 2008 article in which Coda's CEO discloses all of the information related to Coda's self-inflating tire technology that the complaint alleged as novel, proprietary, and confidential. The district court dismissed Coda's Motion to Strike the article as being outside the scope of the pleadings and not timely because the article was deemed judicially noticeable as a public disclosure. Coda then moved to amend the judgment and for leave to file an amended complaint. However, the district court also denied Coda's motion for leave because the proposed amended complaint included details that should have been included in the original complaint and could have been corrected before judgment. Coda appealed.

Issues/Holdings:

Did the district court err in granting Goodyear's Motion to Dismiss? Yes, vacated and remanded.

Did the district court err in denying Coda's Motion for Leave to amend the original complaint? Yes, vacated and remanded.

Discussion:

First, the Federal Circuit disagreed with the district court's dismissal of Coda's complaint because Coda's claims for correction of inventorship were plausible when read in the light most favorable to the non-moving party - Coda. The court noted that the "plausibility standard is not akin to a probability requirement," and thus the facts of the complaint merely needed to show that the alleged claims were plausible to survive the motion to dismiss. The court found that because the district court considered the article written by Coda's CEO, which was material outside of the facts of the pleadings, the district court should have converted Goodyear's motion to dismiss into a motion for summary judgment, which would have given Coda a reasonable opportunity to present pertinent evidence and arguments in response to the article.

Second, the Federal Circuit disagreed with the district court's denial of Coda's motion for leave to amend the original complaint. The court held that, in the absence of an apparent reason such as undue delay, bad faith, undue prejudice to the opposing party, etc., leave to amend the original complaint should be freely given. The court found Coda's explanation of how the number of claims in the proposed amended complaint had been reduced from the original complaint to be sensible and did not find a reason why they should not be permitted to file the proposed amended complaint on remand.