IN THE SUPREME COURT OF THE STATE OF NEVADA

UNITED STATES METALS REFINING COMPANY, A DELAWARE CORPORATION,
Appellant,
vs.
LEMELSON MEDICAL, EDUCATION AND RESEARCH FOUNDATION, LIMITED PARTNERSHIP, A NEVADA LIMITED PARTNERSHIP; LEMELSON EDUCATIONAL AND RESEARCH CORPORATION, A NEVADA CORPORATION; THE LEMELSON INVESTMENT FAMILY LIMITED PARTNERSHIP, A NEVADA PARTNERSHIP; DOROTHY LEMELSON; DOROTHY LEMELSON FUND, LLC, A NEVADA LIMITED LIABILITY COMPANY; AND THE ESTATE OF JEROME H. LEMELSON,
Respondents.

No. 36416

FILED

SEP 0 5 2002

JANETTE M. BLOOM
CLERK OF SUPREME COURT
BY
CHIEF DEPUTY CLERK

ORDER OF AFFIRMANCE

Appellant United States Metals Refining Company (USMR) appeals from a district court order granting a motion to dismiss in favor of respondents, Lemelson Medical, Education and Research Foundation, Limited Partnership; Lemelson Educational and Research Corporation; The Lemelson Investment Family Limited Partnership; Dorothy Lemelson; Dorothy Lemelson Fund, LLC; and the Estate of Jerome H. Lemelson (the Lemelson defendants). USMR filed a suit in 1999 against the Lemelson defendants, the various successors in interest of Jerome H.

Lemelson, based on an alleged invention/patent assignment agreement made by Lemelson when he worked for USMR in the 1950s. Lemelson died in 1997. The district court found the suit barred by laches and granted the respondents' NRCP 12(b)(5) motion to dismiss. We affirm the district court judgment.

In considering a judgment based on a motion to dismiss for failure to state a claim, this court must accept all the facts stated in the complaint as true.[1] According to the complaint, Lemelson was employed by USMR from 1953 to 1958, at which time USMR was a smelting and refining company. USMR alleges that, while employed, Lemelson was required to sign an Invention/Patent Assignment Agreement whereby he was required to disclose and assign to the company any inventions and improvements "which are within the scope of my employment or which relate to or are useful . . . in connection with the then existing scope or any natural expansion of the business carried on by the Corporation" and patents covering said inventions. Despite the allegation that Lemelson actually signed such an agreement, the agreement attached as an exhibit to the complaint is an unsigned and uncompleted document.

USMR alleges that Lemelson disclosed some of his ideas to USMR, which were implemented and valuable to the company, but that he did not disclose the most valuable inventions. After terminating his employment in 1958, Lemelson went on to secure hundreds of patents. As USMR alleges in its complaint: "Lemelson became one of the four or five

---

[1]Vacation Village v. Hitachi America, 110 Nev. 481, 484, 874 P.2d 744, 746 (1994).

most prolific individual inventors in the history of the United States." USMR also alleges that Lemelson actively concealed and suppressed information regarding his patents, although at the same time, it alleges that Lemelson gained notoriety and stepped up efforts in enforcing his patents. USMR cites numerous patent suits filed by Lemelson, which are matters of public record, as are the patents themselves.

USMR alleges that in April 1994, it "learned of Lemelson's activities; that Lemelson had worked for USMR during a critical period relating to the asserted patents; that Lemelson may have violated his Invention/Patent Assignment Agreement." The implication is that USMR first learned of these facts in 1994. When Lemelson died three and a half years later, in October 1997, USMR still had not filed suit. It was not until April 1999 that USMR filed this action seeking a declaratory judgment that it is the rightful owner of certain Lemelson patents, a constructive trust upon all defendants, an accounting by all constructive trustees, assignment of the Lemelson patents to USMR, compensatory damages, and punitive and exemplary damages.

The district court concluded that the doctrine of laches barred USMR's claims because "no court or jury could reasonably or equitably assess the individual circumstances of the respective parties due to passage of time and the death of Jerome Lemelson." We agree. In this action, the crucial issues are the mental processes and the actions and inactions of Lemelson more than forty years ago. It is clear that the passage of time and Lemelson's death is not only extremely prejudicial, but virtually precludes the defendants from effectively defending the action. The company argues that Lemelson's testimony is not lost because

he was deposed in numerous other cases. This argument is disingenuous, however, because those patent litigations did not address the issues that would be raised in the underlying action, a breach of contract action by an employer with whom Lemelson had not had a relationship for more than forty years.

This court stated in Building & Construction Trades v. Public Works:

> Laches is an equitable doctrine which may be invoked when delay by one party works to the disadvantage of the other, causing a change of circumstances which would make the grant of relief to the delaying party inequitable. Especially strong circumstances must exist, however, to sustain a defense of laches when the statute of limitations has not run.[2]

Although arguably the statute of limitations had not run in this case, there are no stronger circumstances of prejudice than the death of a witness vital to the defense.[3] Even if we accept the implication that USMR was totally unaware of Lemelson's activity for thirty-six years (as we must when we review a dismissal pursuant to NRCP 12(b)(5)), the company admits that it at least became aware of Lemelson's patents in 1994. It nevertheless waited until 1999, after Lemelson's death, to file

---

[2]108 Nev. 605, 610-11, 836 P.2d 633, 636-37 (1992) (citations omitted).

[3]See Advanced Hydraulics, Inc. v. Eaton Corp., 415 F. Supp. 283, 285 (N.D. Ill. 1976) (sustaining a finding of laches where plaintiff's unexcused five-year delay prejudiced defendants as a key witness for the defense died).

this action. The doctrine of laches precludes USMR from pursuing this action.

We, therefore,

AFFIRM the judgment of the district court.

_____, C.J.
Maupin

_____, J.
Young

_____, J.
Shearing

_____, J.
Agosti

_____, J.
Becker

cc: Hon. Janet J. Berry, District Judge
Jamail & Kolius
McCarter & English, L.L.P.
McDonald Carano Wilson McCune Bergin Frankovich & Hicks LLP/Reno
Vinson & Elkins, L.L.P
Vinson & Elkins, L.L.P.
Gerald Hosier
Jones Vargas/Reno
Morris Pickering
Mortimer Sourwine & Sloane, Ltd.
Sperling & Slater
Woodburn & Wedge
Washoe District Court Clerk

ROSE, J., with whom LEAVITT, J. agrees, dissenting:

I dissent because I believe that the application of the doctrine of laches requires factual determinations and is not appropriate in this case on a motion to dismiss. As the majority correctly states, laches is an equitable doctrine that may be invoked when one party's unreasonable or inexcusable delay works to the disadvantage of the opposing party, causing a change in circumstances that would make it inequitable to grant relief to the delaying party.[1] But the doctrine of laches hinges upon the particular set of circumstances in each case.[2] As such, laches requires factual development beyond the mere allegations set forth in the complaint. Indeed, the complaint seldom sets forth facts showing unreasonable or inexcusable delay and material prejudice to the defendant. Here, I conclude that it does not appear on the face of the complaint that laches is an appropriate bar to USMR's action against the Lemelson defendants.

The majority concludes that Lemelson's death is extremely prejudicial to the defense. Under the doctrine of laches, the delay must cause actual prejudice to the party asserting laches, not merely alleged prejudice "based on illusory or mythical concepts."[3] Actual prejudice may arise by reason of a defendant's inability to present a full and fair defense

---

[1]Carson City v. Price, 113 Nev. 409, 412, 934 P.2d 1042, 1043 (1997) (citing Building & Constr. Trades v. Public Works, 108 Nev. 605, 610-11, 836 P.2d 633, 636-37 (1992)).

[2]See Home Savings v. Bigelow, 105 Nev. 494, 496, 779 P.2d 85, 86 (1989).

[3]State, Gaming Comm'n v. Rosenthal, 107 Nev. 772, 778, 819 P.2d 1296, 1301 (1991).

on the merits due to the loss of records, the death of a witness, or the unreliability of memories of long past events, thereby undermining the court's ability to judge the facts.[4] Although the death of a material witness may be a very important consideration in applying the doctrine of laches, I believe that this alone should not prompt a court to apply an equitable doctrine, at least not without factual inquiry regarding the actual effect of Lemelson's death on the defense of this case.

The majority rejects USMR's contention that Lemelson's death is not prejudicial because Lemelson testified in other lawsuits about the Invention/Patent Assignment Agreement he signed when he worked for USMR. In rejecting USMR's contention, the majority asserts that the other patent lawsuits did not address USMR's action for breach of an employer contract. However, whether the other patent lawsuits address the issues involved in this current litigation cannot be shown from the face of the complaint and is an important factual issue. In addition, evidence and court records from the other patent lawsuits, if admissible, may provide facts that would support USMR's claims as well as the Lemelson defendants' defense on the merits. Further, determining if there was unreasonable delay is a factual inquiry because the complaint does not establish when USMR knew or should have known that Lemelson breached his obligation under the Assignment Agreement.[5] Because the

---

[4]Cooney v. Pedroli, 45 Nev. 55, 63, 235 P. 637, 640 (1925).

[5]See Advanced Cardiovascular v. Scimed Life, 988 F.2d 1157, 1162 (Fed. Cir. 1993) (noting that it is well settled that "'plaintiff is chargeable with such knowledge as he might have obtained upon inquiry, provided the facts already known by him were such as to put upon a man of ordinary intelligence the duty of inquiry.'" (quoting Johnston v. Standard Mining Co., 148 U.S. 360, 370 (1893))).

defense of laches requires both unreasonable delay and prejudice, and since neither was established on the face of USMR's complaint, I conclude that USMR's complaint was inappropriately dismissed under NRCP 12(b)(5).

Laches is an equitable defense and the entity seeking equity must have clean hands. The basic equitable doctrine of unclean hands permits a court to refuse to grant relief requested by any party who has acted contrary to the principles of equity.[6] The allegations of the complaint, which we are obligated to accept as true, do not paint a complimentary picture of Lemelson. Lemelson is accused of breaching his employment contract with USMR by failing to disclose inventions he conceived and developed while employed at USMR, and thereby becoming a wealthy inventor as a result of his breach. In addition, Lemelson is accused of concealing his breach by filing numerous continuation and divisional patent applications so that the patents were not issued until the late 1980s—approximately thirty years after Lemelson's employment with USMR. I do not think we should be so quick to grant dispositive equitable relief at such an early stage in the litigation to a party that, from the pleadings, has unclean hands.

---

[6] Tracy v. Capozzi, 98 Nev. 120, 123, 642 P.2d 591, 594 (1982).

Therefore, I respectfully dissent, and I would reverse and remand this case to the district court for further proceedings.

_____, J.
Rose

I concur:

_____, J.
Leavitt