Lack of 'Present' IP Assignment Makes a Rotten Apple

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The U.S. Court of Appeals for the Federal Circuit recently addressed intellectual property (IP) assignment clauses in employment agreements. In *Omni Medsci, Inc. v. Apple, Inc.*, Nos. 20-1715 (Fed. Cir. Aug. 2, 2021), the court affirmed a district court decision that an IP assignment clause in a University of Michigan (U of M) employment agreement did not support a "present assignment" of patent rights and therefore the plaintiff had standing to sue Apple for infringement.

The dispute involved ownership of several U.S. patents directed to short-wave infrared super-continuum lasers. Each patent named a sole inventor, Dr. Mohammed Islam, a faculty member of U of M. Dr. Islam joined U of M in 2011 and executed an employment agreement, which included stipulations directed to the ownership/assignment of IP created during Dr. Islam's employment. Of note, the IP assignment clauses required that:

> *1) Patents "supported either directly or indirectly by" funding from the University "shall be the property of the university"*
>
> *2) Patents, resulting from "activities which received no University support "shall be the property of the inventor"*
>
> *3) Patents supported through university funds and independent activities "shall be owned as agreed upon in writing"*

Dr. Islam took an unpaid leave-of-absence in 2012 to start a Biomedical Laser Company, Omni Medsci. During this time, Dr. Islam filed multiple provisional patent applications, the subject of which were not directly related to Dr. Islam's teachings at the U of M. Upon his return to U of M in 2013, Dr. Islam filed non-provisional patent applications claiming priority to the previously-filed provisional applications, and assigned the patent rights to Omni.

Years later, in 2018, Omni Medsci sued Apple Inc. for infringement of two patents, U.S. Patent Nos. 9,651,533 and 9,861,286, which were direct descendants of Dr. Islam's patent applications filed in 2012. Apple filed a motion to dismiss for lack of standing, alleging that, in view of Dr. Islam's employment agreement, U of M owned the patents, not Omni.

The District Court of Texas disagreed with Apple and, following a case transfer, the Northern District of California subsequently denied Apple's request for reconsideration, finding no manifest error.

The Federal Circuit also disagreed with Apple. Rather than a "present assignment" of intellectual property, the court reasoned that the language of the employment agreement was, at best, a statement of future intention to assign. Without present tense words of execution such as "will assign" or "agrees to grant and hereby grants," the court concluded that the IP assignment clauses "naturally read" as a statement of a future assignment.

The court further concluded that the IP assignment clauses in the employee agreement merely detailed the conditions governing the assignment, but did not "purport to *effectuate* the present transfer of a present or future right" (emphasis in original). Without an automatic assignment of title to U of M, the assignment from Dr. Islam to Omni was successful, thereby conveying standing to sue Apple.

Practice Note: Employers should ensure that their employment agreements include a ***present assignment*** of IP rights rather than a promise to assign in the future. If you have any questions or would like to give your employment agreements a spring cleaning for IP issues, please reach out to your Vorys IP practitioner.