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Employee Agreement of What “Shall Be” is Future Promise, Not Present Assignment

Article By:

McDermott Will & Emery

The US Court of Appeals for the Federal Circuit concluded that university bylaws did not automatically effectuate a present automatic assignment of patent rights and affirmed the district court’s denial of a motion to dismiss for lack of standing by the transferee. *Omni MedSci, Inc. v. Apple Inc.*, Case No. 20-1715 (Fed. Cir. Aug. 20, 2021) (Linn, J.) (Newman, J., dissenting).

Upon joining the faculty of the University of Michigan, Dr. Mohammed Islam executed an employment agreement assenting to abide by the university’s bylaws. The bylaws provide, in relevant part, that patents obtained by university staff that are supported directly or indirectly by university funds “shall be the property of the University.” In 2012, Dr. Islam took an unpaid leave of absence and filed several provisional patent applications. After he returned to the university in 2013, he filed non-provisional patent applications claiming priority to the 2012 provisional applications. Once those applications issued as patents, he assigned the patent rights to the plaintiff, Omni MedSci.

In 2018, Omni initiated a patent infringement action against Apple asserting certain patents, including one in the family of patents that Islam assigned to Omni. Apple moved to dismiss, arguing that Omni lacked standing to assert the patents-in-suit because the university—not Omni—owned the patents-in-suit. Apple argued that the university’s bylaws automatically transferred legal title to Dr. Islam’s patents to the university, leaving Dr. Islam with nothing to assign. Therefore, Omni had no standing to assert the patents.

The US District Court for the Eastern District of Texas denied the motion to dismiss and transferred the action to the Northern District of California. The California court certified the standing question to the Federal Circuit.

In this interlocutory appeal, the Federal Circuit considered whether the university bylaws automatically assigned the patent rights to the university. The Court explained that a patent assignment clause may presently assign a to-be-issued patent automatically—in which case no further acts to effectuate the assignment are necessary—or may merely promise to assign the patent in the future. The issue in the appeal was which type of assignment was intended by the “shall be the property of the University” language in the bylaws—*i.e.*, whether it was “a statement of an intended outcome [or] a present assignment.” Analyzing the university bylaws, the Court agreed with the district court that the bylaws did not automatically assign the patent rights to the university and

therefore did not negate Dr. Islam's assignment of the patent rights to Omni.

The Federal Circuit concluded that the bylaw language "is most naturally read as a statement of intended disposition and a promise of a potential future assignment, not as a present automatic transfer. … It does not purport to *effectuate* the present transfer of a present or future right."

In dissent, Judge Pauline Newman noted that at the district court, Dr. Islam only argued that he was not subject the bylaw obligation since the patent applications were filed without university support. However, the district court did not rule on that issue and instead simply found that the "employment agreement did not operate as an automatic assignment." In Judge Newman's view, the majority misinterpreted the employment agreement and improperly ignored how the parties operated under it for decades.

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