

Inventors' Assignment of All "Inventions and Discoveries" in a Patent Application Resulted in Assignment of Unrelated Patents

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John C. Paul
202.408.4109



D. Brian Kacedon
202.408.4301



John "Jack" A. Kelly
202.408.4264

In most assignment agreements, parties will seek to explicitly set forth the particular patents or applications being sold. It is not uncommon, however, for parties to want to extend such assignments to encompass rights beyond what is listed in the agreement. For example, parties may want to include future continuation applications or other patents in the same family as the identified patents or applications. In some instances, parties will draft the assignment agreement to include not just rights in an application itself, but also rights in any "inventions" or "discoveries" in those applications. Parties may not always appreciate, however, how the use of such terms can extend the rights being assigned. In the recent case, *MHL Tek, LLC v. Nissan Motor Co.*,¹ Nos. 10-1287, -1317, -1318 (Fed. Cir. Aug. 10, 2011), the Federal Circuit held that an assignment of "inventions and discoveries" in a patent application assigned rights not only to the patent application but also to an unrelated patent applications whose claims were supported in the disclosure of the subject application.

Background

Two individual inventors developed a tire pressure monitoring system ("TPMS") that monitors tire pressures and transmits that information to the operator of a vehicle. The inventors ultimately received three patents directed to TPMS. Two of the three patents ("the Common-Parent Patents") shared an identical specification and claimed priority to a single parent application (the "Parent Application"). The third patent (the "Unique-Specification Patent") was directed to a similar system but had a different specification than the common-parent patents and did not claim priority to the parent application.

In 1993, the inventors assigned the "inventions and discoveries" in the Parent Application to Animatronics, Inc. In 1995, Animatronics entered into a development agreement with McLaughlin Electronics, under which McLaughlin was assigned rights to the "inventions and discoveries" in the Parent Application. The development agreement had an express "carve-out" provision, however, under which Animatronics retained ownership of certain proprietary inventions in the Parent Application. These proprietary inventions related to certain components of the TPMS, but not the entire TPMS itself.

About a decade later, the inventors attempted to assign the Common Parent Patents and the Unique-Specification Patent to MHL Tek, LLC. MHL Tek then sued various auto manufacturers alleging infringement of the three patents. Realizing that Animatronics may possess rights in those patents, MHL Tek negotiated an assignment from Animatronics for those patents as well. In a series of opinions, the trial court ruled that the inventors had assigned their rights in the Common-Parent Patents to Animatronics which, in turn, assigned those rights to McLaughlin. The court held that these patents were directed to an overall TPMS and therefore did not fall in the scope of the carve-out provision. Therefore, the assignments of the Common-Parent Patents to MHL Tek from Animatronics and the inventors were ineffective and MHL Tek could not sue the auto manufacturers for infringement of those patents. The trial court held, however, that the Unique Specification Patent was not included in the scope of the assignment from the inventors to Animatronics. Therefore, MHL Tek did have standing to assert at least the Unique-Specification Patent. The case proceeded on that patent alone with the district court ultimately determining that the defendants did not infringe the Unique-Specification Patent.

The *MHL Tek* Decision

On appeal, the Federal Circuit first addressed whether MHL Tek had standing to assert the Common-Parent Patents. MHL Tek argued that those two patents were carved out of the assignment to McLaughlin because certain limitations of the claims of those patents "concerned" Animatronics' proprietary inventions. The Federal Circuit rejected this argument, holding that the claims were not directed to the proprietary inventions but rather to the TPMS generally. Therefore, it affirmed the district court's ruling that MHL Tek did not have standing to assert those patents because McLaughlin remained the sole assignee and interest holder.

The Federal Circuit then considered whether the Unique-Specification Patent was encompassed by the assignments of "inventions and discoveries in the [Parent Application]" to Animatronics and then McLaughlin. MHL Tek argued that because the Unique-Specification Patent was clearly not a child of the parent application, it was not encompassed by the "inventions or discoveries" language. The Federal Circuit disagreed, however, noting that the assignment was broader than just applications related to the Parent Application. Instead, it covered all inventions and discoveries disclosed in the Parent Application. Thus, it was necessary to compare the claims of the Unique Specification Patent with the specification of the Parent Application. If the written description of the Parent Application reasonably conveyed the substance of the invention claimed in the Unique-Specification Patent, then it would be included in the scope of the assignment. Under this analysis, the Federal Circuit found that because all the limitations of the claims of the Unique-Specification Patent were disclosed in the Parent Application, ownership of that patent had been assigned to Animatronics and then McLaughlin. Therefore, MHL Tek was not assigned rights in that patent and did not have standing to sue for infringement.

Strategy and Conclusion

(1) Draft grant clauses to ensure that the patents being licensed or assigned, and only those patents, are covered by the grant. The Federal Circuit determined that the language in the assignments to Animatronics and McLaughlin demonstrated an intent to assign not only patents in a common family, but also a patent in an unrelated family. This was because the assignment included not only the Parent Application but also all "inventions and discoveries" in that application. The court found that this language could encompass patents outside the scope of that family if the claims of those unrelated patents had support in the related patents. If the parties had intended only to assign patents in the family of the Parent Application, more precise language may have prevented the assignment of unrelated patents.

(2) Consider post-termination rights when drafting license agreements or assignments accompanying development agreements. In *MHL Tek*, much of the confusion regarding standing concerned the development agreement between Animatronics and McLaughlin. Well before the instant litigation, the relationship between the two had deteriorated and there appears to have been

some dispute as to the proper disposition of intellectual property rights after termination of that relationship. And, of course, the court ultimately determined the McLaughlin remained the assignee of the patents originally conveyed to Animatronics. Such disputes can often be avoided by the inclusion of clauses in a development agreement addressing the disposition of rights after termination of the development agreement. In addition, negotiation of an appropriate separation agreement after termination of the relationship that clearly delineates the ownership of intellectual property can also avoid such disputes.

Endnotes

¹ The *MHL Tek* decision: <http://www.cafc.uscourts.gov/images/stories/opinions-orders/10-1287%20-1317%20-1318.pdf>.

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