2014-1406

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ALEXANDER SHUKH,
Plaintiff-Appellant,

v.

SEAGATE TECHNOLOGY, LLC, SEAGATE TECHNOLOGY, INC., SEAGATE TECHNOLOGY, SEAGATE TECHNOLOGY PLC,
Defendants-Appellees,

UNKNOWN OWNERS AND ASSIGNEES,
Defendants.

Appeal from the United States District Court for the District of Minnesota in case number 0:10-cv-00404-JRT-JJK, Judge John R. Tunheim

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CORRECTED BRIEF OF AMICI CURIAE RAYMOND T. NIMMER AND JEFF C. DODD IN SUPPORT OF THE PETITION FOR REHEARING EN BANC

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CERTIFICATE OF INTEREST

Counsel for *Amici Curiae* certifies the following:

1. The full name of every party or amicus represented by me is:

Raymond T. Nimmer; Jeff C. Dodd

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

N/A

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

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Date: November 12, 2015

/s/ Matthew J. Dowd
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IDENTITY AND INTEREST OF AMICI CURIAE[1]

Amici curiae Raymond T. Nimmer and Jeff C. Dodd are leading experts in intellectual property licensing. Professor Nimmer is the Leonard Childs Professor of Law at the University of Houston Law Center and co-director of the Houston Intellectual Property and Information Law Institute. He is also a Distinguished Chair in Residence at Universidad Catolica in Lisbon, Portugal.

Mr. Dodd is the head of the global intellectual property practice at Andrews Kurth LLP. He has more than thirty-five years of experience counseling clients in all areas of intellectual property, including complex licensing issues.

Professor Nimmer and Mr. Dodd are the co-authors of the two-volume treatise *Modern Licensing Law* (Thompson West 2014). They have authored the treatise for nine years. During that time, numerous courts have cited it. *See, e.g.*, *UMG Recordings, Inc. v. Augusto*, 628 F.3d 1175, 1182 n.6 (9th Cir. 2011); *Estate of Hevia v. Portrio Corp.*,

[1] No party or party's counsel authored this brief in whole or in part, or contributed money intended to fund preparing or submitting the brief.

602 F.3d 34, 45 (1st Cir. 2010); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1330, 1339 (Fed. Cir. 2009).

Amici have no stake in the outcome of the present appeal and write in their personal capacities. *Amici* submit this brief to explain the need for *en banc* review of the issue presented to the Court.

ARGUMENT

I. TENSION EXISTS IN CONTRACT LAW REGARDING OWNERSHIP OF FUTURE INVENTIONS

The law has long been that ownership of or rights in an invention automatically vest in the inventors themselves. *Bd. of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 131 S. Ct. 2188, 2192 (2011) ("Since 1790, the patent law has operated on the premise that rights in an invention belong to the inventor."). Of course, these ownership rights can be, and often are, transferred from the inventor to others. *Id.* at 2195. But as the Supreme Court has explained, "unless there is an agreement to the contrary, an employer does not have rights in an invention 'which is the original conception of the employee alone.'" *Id.* (quoting *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 189 (1933)).

That much is clear, but confusion arises when dealing with agreements and assignments for inventions yet to be created. The precise issue is whether an "assignment" of future inventions, *i.e.*, either an actual assignment or an agreement to assign, will create mere equitable property rights or will effect actual transfer of legal title, once the invention comes into existence.

Prior to *FilmTec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568 (Fed. Cir. 1991), the general rule was that, while "an agreement to assign in the future inventions not yet developed may vest the promisee with *equitable* rights in those inventions once made, such an agreement does not by itself vest *legal* title to patents on the inventions in the promisee." *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1581 (Fed. Cir. 1991). This rule was of apparent long pedigree. George Ticknor Curtis, *A Treatise on the Law of Patents for Useful Inventions* § 170, at 155 (3d ed. 1867) (noting that "a contract to convey a future invention . . . cannot alone authorize a patent to be taken by the party in whose favor such contract was intended to operate").

In *FilmTec*, however, the Court held that, "[i]f an assignment of rights in an invention is made prior to the existence of the invention,

this may be viewed as an assignment of an expectant interest," and that "[o]nce the invention is made and an application for patent is filed, however, legal title to the rights accruing thereunder would be in the assignee." 939 F.2d at 1572. Under this "automatic assignment" rule, equitable title to a future invention automatically ripens into legal ownership in an assignee, even though the "assignor" was no longer employed by the assignee when the patent application for the invention had been filed.

FilmTec has been widely criticized. In *Stanford*, Justice Breyer argued in dissent that the "Federal Circuit provided no explanation for what seems a significant change in the law" and that the *FilmTec* rule "undercuts the objectives of the Bayh-Dole Act." 131 S. Ct. at 2203. Concurring with the majority, Justice Sotomayor nonetheless shared Justice Breyer's concerns and noted that she understood "the majority opinion to permit consideration of these arguments in a future case." *Id.* at 2199.

Numerous commentators, including the *Amici* here, have expressed concern about the *FilmTec* rule. *See* Raymond T. Nimmer & Jeff C. Dodd, *Modern Licensing Law* § 6:13, at 823 (2014) ("We sound a

note of caution about this line of cases."); *see also* Steven T. Black, *Psst! Wanna Buy a Bridge? IP Transfers of Non-Existent Property*, 31 Ga. State Univ. L. Rev. 523, 523 (2015) (reviewing "more than 170 years of legal history dealing with transfers of non-existent assets, and argu[ing] that the concept of an 'automatic' assignment in patent law rests on shaky ground"); Karen E. Sandrik, *Formal but Forgiving: A New Approach to Patent Assignments*, 66 Rutgers L. Rev. 299, 316 (2014) (explaining that "the law of assignments only gets more uncertain after" *FilmTec*); Parker Tresemer, *Best Practices for Drafting University Technology Assignment Agreements after* FilmTec*,* Stanford v. Roche*, and Patent Reform*, 2012 J. of L., Tech. & Policy 347, 347 (2012) (stating that "much remains unclear in the wake of *FilmTec* and *Stanford v. Roche*").

Overall, *FilmTec* created a unique rule in the law of patent assignments for future inventions. Because it was not moored to a clear and thorough analysis of precedent governing patent ownership, the *FilmTec* rule has left practitioners and their clients adrift in a sea of uncertainty as to ownership of inventions created by employees and contractors. We do not here take a position as to the soundness of the

rule. Perhaps, upon a more thorough consideration, *FilmTec* may be determined to take the correct approach. Nonetheless, this case presents the opportunity for the Court to reexamine a rule of exceptional importance, in order "to secure or maintain uniformity of the court's decisions." Fed. R. App. P. 35(a).

II. THE LACK OF CLARITY IN THE LAW REQUIRES INTERVENTION BY THE FULL COURT

The importance of any rule governing assignments of future inventions is underscored by the peripatetic nature of contemporary inventors and innovators. Modern employees are extraordinarily mobile. *See* Bureau of Labor Statistics, *Employee Tenure Summary*, Sept. 18, 2014, at http://www.bls.gov/news.release/tenure.nr0.htm (reporting that, in January 2014, "[t]he median number of years that wage and salary workers had been with their current employer was 4.6 years"). Moreover, mobility is not merely geographic; it is virtual. Collaboration and invention occur in different places, in virtual spaces, at different times, with different people of different nationalities, on different projects with different employers.

At each step, an inventor may sign invention assignment agreements or be subject to obligations or policies transferring and

vesting ownership in inventions. The employers who engage the inventive employee or contractor may also sign agreements transferring inventions arising out of projects in which those employees or contractors might have been engaged.

Current employment realities raise serious, practical questions. Who, if any, among the different employers owns the inventions of the employee who had been engaged by them, at least for some period, and signed present assignments of future inventions? What are the limits of one employer's claim of ownership over another? Determining who owns the fruits of inventive activity is a challenging exercise, but now, given the context of modern inventive activity, they can be fiendishly complex.

The complexity of ownership questions could call for flexibility in the rules for ascertaining ownership or, alternatively, might require a bright-line rule. This Court has attempted to distill the question of whether a given contract transfers ownership in future inventions to the contractual language employed. Thus, in *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1364 (Fed. Cir. 2010), the majority panel stated that "[w]hether an assignment of patent rights in an agreement

is automatic or merely a promise to assign depends on the contractual language itself." No doubt, the wording matters in construing assignment contracts. Even so, a bare rule that some language suffices for conveying future inventions, while other language does not, is no substitute for an articulation of the underlying policy for effecting automatic assignments of future inventions.

Again, at this juncture, *Amici* do not here take a position on what rules or policies should be adopted. Instead, *Amici* respectfully submit that this case presents an opportunity for the Court to provide the careful review of the current doctrine concerning present assignments of future inventions and to evaluate the various practical and policy issues underlying an important rule affecting invention ownership.

III. THIS COURT SHOULD CONSIDER WHETHER PATENT OWNERSHIP IS CONTROLLED BY FEDERAL OR STATE LAW

The full Court should also reconsider whether state law or federal common law controls the interpretative issues of impact of the terms of contractual future assignments in patent disputes. This case provides a vehicle to provide such guidance.

Under this Court's precedent, ownership of future inventions based on contractual interpretation appears to be a matter of federal

patent law, not state law. *DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284 (Fed. Cir. 2008); *see also Abraxis*, 625 F.3d at 1364. *But see Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1370 (Fed. Cir. 2008) ("Construction of patent assignment agreements is a matter of state contract law.").

As with the *FilmTec* rule, this holding is not without controversy. *See Abraxis*, 625 F.3d at 1368 (Newman, J., dissenting); *see also Abraxis Bioscience, Inc. v. Navinta LLC*, 672 F.3d 1239, 1241 (Fed. Cir. 2011) (O'Malley and Newman, JJ., dissenting from denial of petition for rehearing *en banc*). Judge O'Malley, joined by Judge Newman, identified serious questions about the Court's precedent requiring an assignment agreement to be construed and interpreted under federal law. *Id.* at 1241. In her view, *DDB Technologies* "never intended to create an exception so broad as to encompass agreements assigning *existing* patents." *Id.* at 1244.

Indeed, while often couched in standing principles, the meaning of the terms of a patent assignment can be viewed simply as a contract interpretation issue. The issue of contract interpretation has long been, and is still generally, an issue governed by state law. *See, e.g.*, *Larson*

v. Correct Craft, Inc., 569 F.3d 1319, 1327 (Fed. Cir. 2009) (holding that "questions of patent ownership are determined by state law"). Moreover, many states have codified rules governing the assignment of employee inventions. *See, e.g.*, Cal. Lab. Code §§ 2870-72 (West 2010); Del. Code Ann. Tit. 19 § 805 (West 2010); 765 Ill. Comp. Stat. Ann. 1060/2 (West 2010); Kan. Stat. Ann. § 44-130 (West 2010); Minn. Stat. Ann. § 181.78 (West 2010). The interpretation and enforceability of contracts have long been within the proper province of state law.

Certainly one can legitimately view *FilmTec* as simply involving the interpretation of a contract. From that perspective, *FilmTec* and the cases applying it may be viewed as announcing rules that should properly be governed by state law. No doubt, one may also argue that patent law uniformity and preemption are sufficient to override state law. Again, at this juncture, *Amici* do not take a position on what the outcome should be. Instead, *Amici* respectfully submit that these issues are ripe for consideration by the full Court. The issues are extraordinarily important and warrant full briefing and review.

IV. CONCLUSION

For the above reasons, *Amici Curiae* respectfully submit that the Court should grant the petition for rehearing *en banc*.

Date: November 12, 2015

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this day, November 13, 2015, the foregoing was electronically filed and therefore served electronically via the court's ECF/CM system all counsel of record.

/s/ Matthew J. Dowd

Matthew J. Dowd

Dated: November 13, 2015