

Cantor Colburn Client Alert

The Essentiality of Legal Title Assignment: You May Not Own What You Think You Own

Summary

In *Omni Medsci, Inc. v. Apple Inc.* (decided August 2, 2021), a university employee assigned his patent rights to a third party (Omni). Under the university's written policy, however, which university employees agree to abide by, any patent rights developed by an employee "shall be the property of" the university. The United States Federal Circuit Court of Appeals (the "Court") held that this language did not present an automatic assignment of the employee's future patent rights to the university. As a result, the employee's assignment of patent rights to Omni was deemed valid. This case is a reminder that proper assignment language in a contract must be utilized to effectuate the desired transfer of intellectual property. Without it, you may not own what you think you own.

Overview

Dr. Islam, the inventor of the patent-in-suit and a professor at the University of Michigan (the "University"), executed an employment agreement under which he agreed to abide by the University's bylaws. The bylaws included a provision that patent rights acquired as a result of an employee's activities at, and funded by, the University "shall be the property of the University." Dr. Islam filed patent applications for the patent-in-suit while on leave from the University and assigned the resulting patents to Omni several years before Omni sued Apple. However, it was the University's position, which it made clear to Dr. Islam, that it owned the patent rights as a result of providing funding and other resources towards its development. Dr. Islam did not challenge this determination by the University.

At the district court, Omni sued Apple for infringement and Apple sought to dismiss the suit for lack of standing due to Omni allegedly not owning the patent rights to the patent-in-suit. The district court disagreed with Apple and held that the phrase "shall be the property of the University" did not automatically and presently assign legal title to the University.

The Court agreed with the district court and held that the phrase at best was a "statement of intended disposition and a promise of a potential future assignment" and did not effectuate the assignment. In its analysis, the Court considered whether the 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 Court noted that in each case where it found "a present automatic assignment of a future interest," the contractual language included "a present tense executing verb," such as, a party "assigns," "hereby conveys, transfers, and assigns," or "agrees to grant and does hereby grant." Here, however, the Court determined that the University's bylaws did "not use present tense words of execution" and resulted in "an agreement to assign, not an assignment." Accordingly, the language "did not effectuate a present automatic assignment of title to [the University] and thus did not negate Dr. Islam's assignment of the inventions to Omni."

What This Means to You

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The Essentiality of Legal Title Assignment: You May Not Own What You Think You Own

Omni is an important reminder that improper assignment language may leave a purported assignee with no ownership rights. Improper assignment language can cause significant implications for companies in litigation as well as mergers and acquisitions, where due diligence reviews can identify that a target entity may not own what may be its most valuable asset – its intellectual property. It is important to have an attorney skilled in handling transactions draft and negotiate your agreements so that you properly secure ownership rights in your intellectual property.

For Further Information and Assistance

If you have questions or need assistance with these kinds of matters, contact us. [Cantor Colburn's](#) attorneys [Charlie O'Brien](#) and [David Bomzer](#) have substantial experience representing clients in [intellectual property transactional matters](#). Please do not hesitate to contact Attorney O'Brien, at cobrien@cantorcolburn.com and +1 (860) 286-2929, ext. 1159 or Attorney Bomzer at dbomzer@cantorcolburn.com and +1 (860) 286-2929, ext. 1317, with any questions you may have regarding this matter and your IP in general.

This alert was written by Sara Colburn, Charlie O'Brien, and David Bomzer.

Please note that each situation has its own unique circumstances and ramifications. This Client Alert is for informational purposes only and is not legal advice.