CLIENT ALERT

Advanced Video: Time to Check Your Agreement Provisions

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On January 11, 2018, the Federal Circuit issued a game-changing decision that addressed the pitfalls of an entity's attempt to secure the ownership of intellectual property rights through an employment agreement. The Court held that three different provisions that the employer argued effected an assignment of intellectual property rights were not sufficient to convey those rights to the employer.

In *Advanced Video Technologies, Inc. v. HTC Corporation*, the employment agreement under review had three provisions that the employer unsuccessfully tried to rely upon: (i) a provision that the employee "will assign" to the company the employee's rights to any inventions, (ii) a provision whereby the employee agreed to hold in trust for the employer any intellectual property rights, and (iii) a provision, whereby the employee agreed that she waived and quitclaimed all interests that the employee had assigned under the employment agreement. The Court held that none of these was enough to confer ownership of the patent at issue. Therefore, the Court ruled that because the company did not own the patent in suit, it lacked standing to bring the lawsuit. All of this because one inventor out of three did not assign her rights to the company.

The patent at issue lists three co-inventors and the invention was created while the co-inventors were all employed with a predecessor in interest to Advanced Video. Two of the three co-inventors assigned their ownership interests during prosecution, so the entire dispute as to ownership in the company centered on whether the third inventor had assigned her interest in the patent to the company. The third inventor asserted that she had not assigned her patent rights to the company. Therefore, HTC moved to dismiss on this basis. In response, Advanced Video argued that the inventor's ownership rights transferred under the terms of the Employment Agreement. The relevant language is:

> I agree that I will promptly make full written disclosure to the Company, **will hold in trust** for the sole right and benefit of the Company, and **will assign** to the Company all my right, title, and interest in and to any and all inventions, original works of authorship, developments, improvements or trade secrets which I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am in the employ of the Company. *Id*. at 6.

The Court stated that "[t]he 'will assign' language alone does not create an immediate assignment of [the inventor's] rights in the invention to [the company]." *Id*. at 6. The Court reasoned that the "will assign" provision was only a promise to do something in the future, but did not mean that the employee had already effectuated an assignment.

Next, Advanced Video argued that the "will hold in trust" language created an immediate trust under California law in favor of the transfer. But, according to the Court, even if that were the case and the interests were placed into a trust, " it does not follow that that these interests were automatically, or ever, actually transferred *out of* trust in favor of [the company]." *Id*. at 7. Under California trust law, a trust beneficiary "generally is not the real party in interest" and has no standing to bring a patent infringement action. *Id*. at 7.

Finally, Advanced Video maintained that it has standing to bring this action because it acquired the inventor's rights in the invention through the quitclaim provision in the Employment Agreement. The quitclaim provision states:

> I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may thereafter have infringement of [sic] of any patent, copyrights, or mask work rights resulting from any such application assigned hereunder to the Company. *Id*. at 8–9.

The Court stated that the language in the quitclaim provision "waives [the inventor's] rights to interests in any patent rights that she assigned under the agreement." *Id*. at 9. Since no patent rights were ever assigned to Advanced Video, the quitclaim provision has no application. *Id*. at 9. Therefore, the quitclaim provision in the Employment Agreement did not effectuate an assignment of the patent rights.

The takeaways from the *Advanced Video* decision are relatively simple. **First**, employers should take a hard look at their employment and/or any confidentiality agreements that address ownership of intellectual property rights. **Second**, employers should ensure that the provisions dealing with ownership are written to clearly effectuate a current assignment of intellectual property rights instead of a promise to do something in the future.

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