



## District Court Opinion Underscores Importance of Careful Drafting of Settlement Agreements

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Unfortunately, the relationship soured, which led to litigation and mediation. In 2013, the parties settled. The settlement agreement included, among other things, two seemingly straightforward provisions regarding inventorship and validity:

Inventorship Provision: “[E]ach party agrees that he will not remove or replace the other party from the patent.”

Validity Provision: “To avoid any possible confusion, notwithstanding anything to the contrary herein, nothing in this agreement shall be deemed to prevent a party from taking any action to maintain or ensure the validity of the patent.”

In 2014, Mr. Crain sued Mr. DeBartolo seeking to remove him as a joint inventor of the beer cozy patent pursuant to 35 U.S.C. § 256. Mr. DeBartolo counterclaimed for breach of the settlement agreement and moved for summary judgment, arguing that the inventorship provision of the settlement agreement plainly barred Mr. Crain’s correction of inventorship lawsuit. The court disagreed, reasoning that Mr. Crain’s lawsuit qualified as an “action to maintain or ensure the validity of the patent” (because incorrect inventorship may void the patent), and therefore the validity provision permitted Mr. Crain’s lawsuit “notwithstanding anything to the contrary” in the agreement, including the inventorship provision. In effect, the court concluded that the “notwithstanding” language in the validity provision “trump[ed] conflicting language” in the inventorship provision.

This decision serves a valuable reminder: do not lose the forest for the trees when negotiating and finalizing settlement agreements. Make sure the various provisions work together harmoniously, or there may be trouble down the road.

*Crain v. DeBartolo*, No. 7:14–CV–29–D, 2015 WL 73961 (E.D.N.C. Jan. 6, 2015) (Dever, C.J.).

## Categories

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