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Future Tense in Contractual Language Found Insufficient to Convey Title, Depriving Party of Right to License Patent

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Plaintiff Lambeth Magnetic Structures, LLC (LMS) filed a patent infringement lawsuit against Defendants Seagate Technology (US) Holdings, Inc. and Seagate Technology LLC (collectively, "Seagate"). Seagate filed affirmative defenses, including lack of standing and express license. LMS subsequently moved for summary judgment with respect to those defenses on the basis that U.S. Patent No. 7,128,988 (the "'988 Patent") was assigned to LMS and not Carnegie Mellon University (CMU). LMS argued that it had standing to sue as the owner of the '988 Patent and that CMU could not have granted a license to Seagate because it never owned the '988 Patent. The court disagreed and denied LMS's motion for summary judgment. The court found that the terms in an intellectual property policy and sponsorship agreement—which provided that intellectual property "shall be owned" or "shall become the property of" the university—constituted a present assignment of the '988 Patent to CMU.

Subsequently, the Federal Circuit in *Omni MedSci v. Apple Inc.* issued a decision regarding whether an assignee of patents had standing to sue in view of an intellectual property policy containing similar terms. 7 F.4th 1148 (Fed. Cir. 2021). The Federal Circuit in *Omni MedSci* concluded that the language "shall be the property of" did not amount to a present assignment because the "absence of an active verbal expression of present execution is a substantive indication that a present automatic assignment [is] not intended." *Id.* at 1156. And, therefore, the Federal Circuit affirmed the district court's denial of *Apple's* motion to dismiss for lack of standing.

Because such contractual language in *Omni MedSci* did not create an automatic present assignment, LMS filed a motion for reconsideration of the district court's initial summary judgment ruling. In light of this controlling Federal Circuit precedent, the district court granted that motion and held that LMS was entitled to summary judgment on Seagate's affirmative defenses. According to the court, like in *Omni MedSci*, the contractual language with CMU lacked an active verbal expression of present execution, and hence did not result in an automatic assignment; therefore, the court concluded that CMU could not have licensed the '988 Patent to Seagate.

Practice Tip: Some parties routinely rely on intellectual property agreements and policies when developing new products and technologies. If those parties are seeking to automatically assign ownership of inventions, they should avoid agreements using passive verbs in indefinite or future tenses, such as "shall be the property of." Rather, they should use present tense words of execution to indicate a present assignment and a clear grant of intellectual property rights.

Lambeth Magnetic Structures, LLC v. Seagate Technology (US) Holdings, Inc. et al, Case No. 2-16-cv-00538 (WDPA Mar. 14, 2022)

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