

MEMORYLINK CORP. v. MOTOROLA SOLUTIONS, INC., Appeal No. 2014-1186 (Fed. Cir. December 5, 2014). Before Lourie, Moore and O'Malley. Appealed from N.D. Ill. (Judge Tharp).

Background:

Memorylink was a funding entity formed by two inventors to pursue a joint venture with Motorola to develop a handheld camera device. During formation of the joint venture in 1998, Memorylink signed an agreement indicating that the Memorylink inventors and two Motorola employees were to be the inventors listed on any patents resulting from the joint venture and that Motorola would provide patent prosecution representation. All four inventors assigned their rights to both Memorylink and Motorola. A patent issued to the joint venture in 2003. In 2007, Memorylink conducted an external investigation and was advised by an unaffiliated attorney that the Motorola employees were not proper inventors on the patent. In 2008, Memorylink filed suit against Motorola alleging patent infringement and various torts and seeking a declaration that the Assignment was void for lack of consideration. The District Court granted Motorola's summary judgment claim finding that Memorylink received consideration, the tort claims were barred by the statute of limitations and Motorola was not liable for infringement. Memorylink appealed.

Issue/Holding:

Did the District Court err in granting summary judgment? No, affirmed.

Discussion:

On appeal, Memorylink made several arguments alleging lack of consideration. Memorylink argued that the stated consideration (\$1) was mere boilerplate. Memorylink also argued that because the Motorola employees were not proper co-inventors, they had no ownership interest to convey and thus Memorylink received no consideration. Motorola responded by arguing that the consideration was explicit and that even if the consideration were the exchange of ownership interests, Memorylink received the Motorola employees' assignment of rights in the exchange of ownership interests. Motorola also argued that Memorylink received several other forms of intended consideration such as prosecution representation. The Federal Circuit agreed with Motorola, finding that the explicit stated consideration in the Assignment was enough to grant Motorola's summary judgment motion. The Federal Circuit further agreed with Motorola that consideration was actually exchanged in the exchange of ownership interests because the Motorola employees did in fact transfer whatever ownership interests they had in the patents. Thus, the Federal Circuit held that Memorylink raised no genuine issue of material fact with respect to the lack of consideration. The patent infringement claim was similarly dismissed because the Assignment was found to be valid.

Regarding the tort claims, Memorylink argued that the 5-year statute of limitations for fraud-based claims did not begin to run until Memorylink became aware that a legal claim existed. The Federal Circuit rejected this argument by finding that Memorylink knew all of the facts necessary to assert its tort claims in 1998 and that, in any event, Memorylink had multiple opportunities, including the hiring of its own independent legal counsel later in 1998, to question the inventorship determination. Thus, the Federal Circuit also affirmed the District Court's dismissal of the tort claims.