

ADVANCED VIDEO TECHNOLOGIES LLC v. HTC CORPORATION, Appeal No. 2016-2309 (Fed. Cir. January 11, 2018). Before Reyna, O'Malley and Newman. Appealed from S.D.N.Y. (Judge McMahon).

Background:

Advanced Video Technologies ("Advanced Video") sued defendants for patent infringement. The patent lists three inventors, and the invention was created when the three inventors were employees of Infochips Systems Inc. ("Infochips"). Infochips went out of business, and a third-party entity, AVC Technology ("AVC"), acquired Infochips' assets. AVC filed the parent application of the patent at issue, and two of the three inventors assigned their interests in the invention to AVC, while the remaining inventor ("co-inventor") refused to assign her interests.

Ultimately, Advanced Video acquired the assets of AVC, including the patent at issue. Advanced Video asserted that it had standing to sue because the co-inventor transferred her ownership interests in the patent under an employment agreement with Infochips. The district court found that Advanced Video lacked standing because the co-inventor had not assigned her interests in the patent under the employment agreement, and she was not a party to the action. Thus, the district court dismissed the case for lack of standing. Advanced Video appealed the district court's decision.

Issue/Holding:

Did the district court err in holding that Advanced Video lacked standing? No, affirmed.

Discussion:

Advanced Video maintained that the language of the employment agreement, namely, a "will assign" provision, a trust provision, and a quitclaim provision, supported its position that the co-inventor transferred her interests. The Federal Circuit disagreed, and instead agreed with the district court's analysis that the co-inventor did not transfer her interests in the patent to her employer upon execution of the employment agreement.

The "will assign" provision of the employment agreement states that the co-inventor "will assign to the Company" all her right, title and interest in any inventions. The Federal Circuit agreed with the district court's analysis that a promise to assign in the future alone does not create an immediate assignment of rights in an invention to the employer. Furthermore, in view of the trust provision in the employment agreement, the Federal Circuit agreed with the district court's reasoning that the co-inventor could not assign her present interests and hold her interests in a trust at the same time.

The trust provision includes language indicating that the co-inventor "will hold in trust" for the company her right, title and interest in the invention. Advanced Video argued that this provision resulted in immediately placing the co-inventor's interests in a trust. However, the Federal Circuit reasoned that even if this provision resulted in the creation of a trust, Advanced Video would be considered the beneficiary of the trust, and under California trust law, the trust beneficiary is not the real party in interest.

The quitclaim provision states that the co-inventor quitclaims to the company all claims resulting from patent applications "assigned hereunder" to the company. Advanced Video argued that "assigned hereunder" essentially means "assignable hereunder," and that all rights the co-inventor promised she would assign were immediately quitclaimed. The Federal Circuit held that because no patent rights were ever assigned, the quitclaim provision is not applicable.