



Enforce assignments – Or risk losing them

- If you have reason to investigate employee's breach of agreement, pursue or risk having your claims barred.
- Employees who start new company after termination of employment should be seen as a "Red Flag" for IP considerations

“Your Assignment, Should You Choose to Enforce It”:

New case law on IP assignment contracts obligates employers to diligently protect their legal rights

The United States Court of Appeals for the Federal Circuit, which hears all appeals involving patent law complaints, recently decided *Personalized User Model, LLP, and Konig v. Google, Inc.*, case 14-1841/15-1022 (Fed. Cir., Aug. 18, 2015), which focused on an employment agreement for the assignment of intellectual property rights. The plaintiff, Yochai Konig, signed an agreement with his former employer, SRI International, which stated:

“In consideration of my employment at SRI International, I agree: . . . To promptly disclose to SRI all discoveries, improvements, and inventions, including software, conceived or made by me during the period of my employment, and I agree to execute such documents, disclose and deliver all information and data, and to do all things which may be necessary or in the opinion of SRI reasonably desirable, in order to effect transfer of ownership in or to impart a full understanding of such discoveries, improvements, and inventions to SRI I understand that termination of this employment agreement shall not release me from my obligations hereunder”

While employed by SRI, Konig conceived of a personalized information services invention, which became U.S. patents 6,981,040 and 7,685,276, both of which were assigned to plaintiff Personal User Model (“PUM”). PUM sued Google in July 2009, asserting infringement of both the ‘040 and ‘276 patents. Subsequently, Google acquired “any rights” that SRI had in the asserted patents, and asserted that Konig had breached his contract with SRI, by not transferring ownership or assigning any interest to SRI in any inventions conceived during his employment with SRI.

The Federal Circuit upheld the district court’s conclusion that the statute of limitations barred Google’s assertions of breach of contract, since SRI had reason to investigate Konig’s potential breach of contract but there was no evidence that SRI had exercised any diligence or had undertaken any reasonable investigation. The court reasoned that, considering the competitiveness of companies and institutes in the technical world, Konig’s departure to immediately work at a start-up technology company should have been a “red flag” that generated an inquiry about whether Konig had conceived of an invention during his employment with SRI. Specifically, the court found that SRI was *not* blamelessly ignorant of Konig’s breach of contract because SRI failed to conduct an exit interview in which SRI inquired whether Konig had made any inventions

It is not enough to secure IP agreements from employees – Due diligence and common sense monitoring also required.

at SRI that had not been reported, and failed to watch competitive patent filings. Such actions, the Federal Circuit concluded, might not have given SRI definitive proof, but could have uncovered clues as to a potential claim for breach of contract.

This case is a good reminder to employers about the importance of obtaining agreements from employees to assign their rights to the employer in any intellectual property that they may create during the course of employment. These agreements not only provide the obvious benefit of protecting an employer's right to patent and profit from the intellectual property created during employment, but they can be used defensively to protect the employer from patent infringement litigation (as Google unsuccessfully attempted to do here), or they might provide an alternate source of revenue by their sale to defendant companies in patent infringement cases (as with the sale to Google of SLI's agreement with Konig).

Most importantly, however, this case demonstrates the need for due diligence by employers in protecting their IP rights. If you think that a former employee may be utilizing inventions that were developed during the course of employment, be sure to do a thorough investigation into whether that former employee is breaching his or her IP assignment agreement with you, since that breach may have large ramifications several years down the line. Even if the former employee is not profiting *today* from the invention developed during employment with you, there could be large financial losses or gains to you in the *future* if you are dragged into costly litigation regarding that invention.

If you have questions about assignments of IP, proper contract formation and due diligence policy with employees, or protection of your IP in general, please contact Tsircou Law. We can assist with any questions you have, and both prosecute or defend rights as necessary.



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