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Federal Circuit Patent Bulletin: *Memorylink Corp. v. Motorola, Inc.*

December 8, 2014

"A party assigning patent rights before a patent application is filed or during patent prosecution cannot guarantee that a patent will issue or, even once issued, that the patent will not be later invalidated."

On December 5, 2014, in *Memorylink Corp. v. Motorola, Inc.*, the U.S. Court of Appeals for the Federal Circuit (Lourie,* Moore, O'Malley) affirmed the district court's summary judgment, inter alia, that Motorola had ownership assignment rights and thus could not infringe U.S. Patent No. 6,522,352, which related to a handheld camera device that could wirelessly transmit and receive video signals. The Federal Circuit stated:

Memorylink argues that the Assignment lacked consideration and therefore is not a valid contract. Although the document on its face lists consideration, Memorylink asserts that this language is mere boilerplate, evidencing a hollow shell only to be recorded in the U.S. Patent and Trademark Office. Memorylink claims that, instead, the underlying agreement was the mutual exchange of ownership interests from the inventors to Memorylink and Motorola. But because the Motorola employees were not proper co-inventors and therefore had no ownership interests to assign, Memorylink asserts, Strandwitz and Kniskern received no consideration. Memorylink further argues that the contract is invalid because Strandwitz and Kniskern only entered into the contract in reliance on their mistaken beliefs as to antecedent rights; that is, the beliefs that Schulz and Wyckoff were inventors because of Motorola's representations, that they were receiving ownership interests in exchange, and that they had to share ownership of any resulting patents.

Motorola responds that there is no genuine issue of material fact because consideration is explicit on the face of the agreement. Even if the consideration were actually the exchange of ownership interests, Motorola contends that Memorylink received what it bargained for: Schulz and Wyckoff's agreement to assign their patent rights jointly to Memorylink and Motorola. Moreover, Motorola notes, Memorylink received substantial "other" consideration in the form of patent prosecution representation, technical and engineering support, and business opportunities.

We agree with Motorola that there is no genuine issue of material fact that consideration existed, because the Assignment explicitly acknowledges consideration for the sale, assignment, and transfer of rights relating to the wireless video technology. If extrinsic evidence is not considered to determine the intended consideration, as Memorylink urges, then the "four corners" of the agreement quite clearly contain recitals of consideration. The use of boilerplate language does not make the stated consideration invalid or nonexistent. Alternatively, if extrinsic evidence is considered, then the district court held that other intended consideration could be found from various exchanges between Motorola and Memorylink.

Furthermore, consideration was actually exchanged. Even drawing the inference in Memorylink's favor that the exchange of ownership interests was the only intended consideration contained within the four corners of the document, we find no genuine dispute of material fact. Schulz and Wyckoff did in fact transfer whatever ownership rights they possessed to Memorylink and Motorola by executing the Assignment. Whether they are later determined to have been erroneously included as coinventors, and thus those rights are eventually decided to be nonexistent, does not create a genuine issue of material fact on the consideration issue. Although Memorylink argues that the Assignment is not analogous to a quitclaim deed because the latter involves a buyer who understands that the interests conveyed are uncertain and may turn out to be valueless, that distinction is unavailing. A party assigning patent rights before a patent application is filed or during patent prosecution cannot guarantee that a patent will issue or, even once issued, that the patent will not be later invalidated.

Memorylink's arguments about mistake and unfairness are also unconvincing. . . . Memorylink did not attempt to pursue its claim under a theory of mutual mistake; instead, it chose to allege that Motorola knew the inventorship determination was wrong. The only reasonable inference from the facts alleged, in the light most favorable to Memorylink, would be that Motorola was not mistaken as to inventorship, which precludes any basis for finding a mutual mistake. Moreover, we do not find the consideration to be so insufficient as to shock the conscience of the court; we thus decline to examine the adequacy of the consideration. We therefore conclude that Memorylink raised no genuine issue of material fact and that the district court did not err in granting summary judgment in favor of Motorola on the issue of whether there was consideration supporting the patent assignment. . . .

As for the patent infringement claim, we find no genuine issue of material fact because there was a valid assignment, and thus no error of law in granting summary judgment. Because we have affirmed the district court's summary judgment in favor of Motorola on the consideration issue, we accordingly affirm the summary judgment of noninfringement.