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Patent assignment found ambiguous as a result of too much specificity

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Euclid Chem. Co. v Vector Corrosion Techs., 561 F.3d 1340, US Court of Appeals for the Federal Circuit, 1 April 2009.
District Court erred in granting summary judgment on patent ownership due to ambiguity in assignment.

Legal context

Virtually every patent assignment or patent licence typically includes not only the enumerated patent applications or issued patents, but also ‘any and all divisional applications, continuations, and continuations in part together with the entire right, title and interest in and to said applications’ or other similar language to confirm that the assignment or license extends to all related patent applications and patents. *Euclid Chem. Co. v Vector Corrosion Techs.* (*‘Euclid II’*) raises the issue of when a specific patent and several specific patent applications are listed in a patent agreement, whether this standard type of catchall language will encompass a related, but already issued, patent that is not listed. *Euclid II* also addresses the issue of how much a party needs to argue an issue before trial to preserve it.

Facts

Jack Bennett is the named inventor on a series of patent applications that were filed in the USA and elsewhere. On 20 December 2001, Mr Bennett entered into the following assignment with Vector Corrosion Technologies, Inc.:

I, JACK BENNETT, whose full post office address is 10039 Hawthorne Drive, Chardon, Ohio 44024, in consideration for \$25,000.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged do hereby sell and assign to VECTOR CORROSION TECHNOLOGIES LTD. whose full post office address is 474 Dovercourt Drive, Winnipeg, Manitoba Canada R3Y 1G4, all my interest in the United States, Canada and in all other countries in and to my US, Canadian, and European applications for patents and issued US patent, namely:

1. Issued US Patent 6,033,553. This patent claims the specific use of LiNO₃ and LiBr to enhance the performance of metallized zinc anodes;
2. US Application No. 08/839,292 filed on April 17, 1997,
3. US Application No. 08/731,248, filed on October 11, 1996 (now abandoned),
4. EPO Application No. 99122342.1, filed November 9, 1999, and
5. Canadian Application No. 2288630, filed November 8, 1999,

any and all divisional applications, continuations, and continuations in part together with the entire right, title and interest in and to said applications, any and to all divisional applications, continuations, and continuations in part thereof, the right to claim priority therefrom under the International Convention, and any and all Letters Patent

which may issue or be reissued for said invention to the full end of the term for which each said Letters Patent may be granted; and hereby authorize the issuance to said assignee of any and all said Letters Patent not already issued as the assignee of entire right, title and interest in and to the same, for the sole use and benefit of said assignee, its successors, assigns or legal representatives; and hereby covenant and agree to do all such lawful acts and things and to execute without further consideration such further lawful assignments, documents, assurances, applications, and other instruments as may reasonably be required by said assignee, its successors, assigns or legal representatives, to obtain any and all Letters Patent for said invention and vest the same in said assignee, its successors, assignees or legal representatives.

SIGNED AT: Chardon, Ohio, U.S.A.

This 20th day of December, 2001

US Patent No. 6,217,742 ('the '742 patent') issued on 17 April 2001 based an application which is a continuation-in- part of application No. 09/236,731, filed on 25 January 1999, now US Patent No. 6,033,553. As the Federal Circuit noted, the '742 patent issued *before* the date of the 20 December 2001 assignment.

Euclid Chemical Company brought a declaratory judgment action concerning various patents purportedly owned by Vector. Vector counterclaimed for infringement and moved for partial summary judgment that it owned by assignment the '742 patent based on the 20 December 2001 assignment.

The US District Court concluded that the 20 December 2001 assignment unambiguously transferred the '742 patent to Vector, and it thus granted Vector's motion for partial summary judgment. *Euclid Chem. Co. v Vector Corrosion Techs.*, No. 1:05-CV-080, 2007 US Dist. LEXIS 92005, at *14 (N.D. Ohio 14 December 2007) ('*Euclid I*'). The US District Court also held that the parties had either settled or abandoned all remaining claims, including Euclid's claim that it was a bona fide purchaser for value of the '742 patent. Euclid appealed both aspects of the US District Court's judgment.

Analysis

In a split decision, the Federal Circuit reversed and remanded the US District Court's grant of summary judgment on both counts. First, the majority found the 20 December 2001 assignment to be ambiguous on its face and remanded the action to the US District Court to consider extrinsic evidence as to whether the '742 patent should be considered to come within the scope of the assignment. The concurring/dissenting opinion agreed that the US District Court erred, but thought that no trial was necessary since the '742 patent should not be found to be included with the assignment. Second, the majority opinion reversed the US District Court's dismissal of the good faith purchaser defence for failure to prosecute.

The 20 December 2001 assignment

The majority found that the 20 December 2001 assignment was susceptible of two different meanings and was thus ambiguous.

The majority recognized, as did the US District Court, that the assignment assigned 'Issued US Patent 6,033,553' along with 'any and all . . . continuations in part together with the entire right, title and interest in and to said applications, any and to all divisional applications, continuations, and continuations in part thereof . . . and any and all Letters Patent which may issue or be reissued for said invention . . .' (*Euclid II*, 561 F.3d at 1342). Based on this language, the US District Court recognized 'said invention' to refer to the invention of the '553 patent, and found the '742 patent to be a continuation-in-part of that patent. The majority agreed that this was a reasonable interpretation of the assignment.

However, unlike the US District Court, the majority also recognized that the assignment was susceptible of another interpretation. Specifically, the majority found the use of the plural form of 'assignments' and the singular form of 'issued US patent' in the clause 'US, Canadian, and European applications for patents and issued US patent' could be construed as specifically omitting the '742 patent, which had issued prior to the assignment date.

Thus, the majority reversed the grant of summary judgment on this ground, and found that the 20 December 2001 assignment was ambiguous on its face under Ohio law: ‘We disagree with the district court that the Assignment unambiguously transferred ownership of the ’742 patent to Vector’ (id. at 1343–44).

The majority also noted that the appellant presented various extrinsic evidence to the contract to suggest that the ’742 patent was not included in the assignment. However, because it was not required by Euclid, who did not seek summary judgment on this point of law, to present its own extrinsic evidence, the case was remanded for further consideration: ‘We therefore remand to the district court to allow that court to determine in the first instance—either through a subsequent motion for summary judgment, or at trial—whether the Assignment, interpreted in light of relevant extrinsic evidence, transferred ownership of the ’742 patent to Vector’ (id. at 1344).

The concurring/dissenting opinion disagreed with the US District Court and the majority on the grounds that the assignment unequivocally did not assign the ’742 patent. The concurring/dissenting opinion focused on the ‘said invention’ language to rely upon the distinction in inventions by the invention of the ’553 patent and the ’742 patent. The concurring/dissenting opinion would impose on contracting parties a duty to identify all existing patents to be assigned. The concurring/dissenting opinion further relied upon the extrinsic evidence offered by Euclid to show that the inventor and Vector did not intend upon the ’742 patent being assigned.

Preservation of the good faith purchaser defense

The majority found that Euclid did not fail to prosecute its bona fide purchaser defence to Vector’s assertion of patent infringement of the ’742 patent. In particular, the US District Court concluded that Euclid failed to prosecute this claim since: (i) Euclid ‘did not move for summary judgment on this claim’ and (ii) Euclid’s ‘arguments on [its] status as a [bona fide purchaser] were limited to a footnote in its Brief in Opposition to Defendants’ Motion for Partial Summary Judgment and in its list of extrinsic evidence it asked the Court to consider when determining ownership of the ’742 patent’ (id. at 1345).

The majority decision unequivocally rejected both grounds: ‘Neither of these facts support the district court’s conclusion that Euclid abandoned its bona fide purchaser claim’. Thus, the majority concluded ‘that the district court abused its discretion by dismissing Euclid’s bona fide purchaser claim’ (id. at 1345–46).

Practical Significance

Euclid II highlights the importance of careful draftsmanship in the preparation of legal documents, even the seemingly most mundane patent assignment documents that every patent practitioner commonly prepares with virtually every patent application. The US District Court found that the inclusion of the typical form language made it clear that despite the failure to list the already issued patent, as a continuation-in-part patent application it was by definition included. The majority decision of the panel found the failure to list the pre-existing patent to raise an ambiguity in the assignment and remanded to the district court to address extrinsic evidence on the ambiguity. The concurring/ dissenting decision indicated that the failure to include the existing patent should exclude it from the assignment. These three divergent views demonstrate the difficulty in determining the clear and unambiguous meaning of even the most routine boilerplate clauses, when careful thought is not put into applying those clauses to the specific factual situations in which they are used.

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