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Ownership of Inventions By Former Employers: Lessons after Bio-Rad v. ITC

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The situation is familiar: an employee leaves one company to go work for another, or perhaps to found her own start-up. She may be working on the same problems that she faced at her former workplace, and in the same technological space.

The employee's work at her new company results in the issuance of a patent, and the new company takes the lead in the marketplace. Based on the work done by the employee at the former employer, however, the former employer may believe that it has ownership rights in the new patent.

What rights might the former employer have? A recent Federal Circuit decision, Bio-Rad v ITC – CAFC, sheds some light on how courts may resolve this kind of dispute—and how thorny the issues may be. Key takeaways are summarized below.

Background

As described by the Federal Circuit, in the late 2000s, Drs. Ben Hindson and Serge Saxonov were working on next-generation genetic sequencing technology at the biotech startup QuantaLife. Two provisions in their employment agreements purportedly obligated them to disclose and assign certain "IP" to their employer:

1. "Employee agrees to disclose promptly [to QuantaLife] . . . the full details of any and all ideas . . . inventions, discoveries . . . and improvements . . . to any of the foregoing (IP), that Employee conceives, develops, or creates . . . during the term of Employee's employment with [QuantaLife]."
2. "Employee shall assign to [QuantaLife] Employee's entire right to any IP . . . whether or not patentable."

Bio-Rad purchased QuantaLife in 2011, and Hindson and Saxonov became Bio-Rad employees (with similar employment terms). They left Bio-Rad in April 2012 and founded 10X Genomics. Four months later, they began filing provisional applications relating to gene sequencing, which ultimately led to the patents later asserted in litigation. Notably, one aspect of the technology claimed in these patents—"gel beads"—was (undisputedly) not conceived until January 2013.

10X Genomics later sued Bio-Rad, including at the ITC, alleging a Bio-Rad gene sequencing device infringed the "gel bead" patents. Bio-Rad countered—among other defenses—that it did not infringe because it was a co-owner of the asserted patents via assignment, due to the alleged co-inventive work that Hindson and Saxonov performed before leaving Bio-Rad.

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In affirming the Commission's infringement finding, the Federal Circuit analyzed several key principles bearing on whether Bio-Rad was a co-owner of the asserted patents due to the alleged co-inventorship activities of the former Bio-Rad employees.

1. **Temporal Scope of Assignment Obligations May Be "Crucial."**

Pointing to the plain language of the QuantaLife employment agreement, the Federal Circuit found that its assignment duty only reached intellectual property that originated "during the term of [the employee's] employment" with QuantaLife.

Bio-Rad's cited cases were deemed distinguishable. According to the court, none held that a "significant contribution" to a post-employment invention could fall within an assignment provision limited to the term of employment. (The court indicated a different outcome could result if a later-claimed invention was conceived *during* the period of employment.) As an example of assignment obligations not limited to the employment period, the court pointed to a case (*Stanford*) where the relevant provisions expressly extended to inventions conceived "as a consequence" of employment.

The *Bio-Rad* court also found support in employment law principles of the governing state (California), which "recognize[] significant policy constraints on employer agreements that restrain former employees in the practice of their profession." It noted that Bio-Rad's interpretation, if adopted, could lead to compliance problems. If an employee's "unknown . . . future work" might "contribute" to his assignment duties, for example, a future employer might be discouraged from hiring her.

2. **Assignment Duties May Extend to *Protectable* "Intellectual Property."**

The substantive scope of the agreements' assignment duty also presented an issue. As framed by Bio-Rad,[i] the inventors' work at QuantaLife contributed to their post-employment invention in such a way that *that* work—and not only their later endeavors—would make them co-inventors of the asserted patents.

The *Bio-Rad* court disagreed. In one part of its analysis, the court concluded that the "most straightforward interpretation" of the QuantaLife employment agreement "is that the assignment duty is limited to subject matter that itself could be protected as intellectual property *before* the termination of employment."

The court clarified that the assignable IP did not need to be *patentable.* Rather, the term "right to" in the agreement "suggests that the subject of the required assignment must be 'intellectual property,' whether or not the right is a patent, trademark, trade secret, copyright, or other form of intellectual property."

Significantly, the court observed that the "pertinent intellectual property does not exist until at least conception of that invention."

3. **"Contributions" to Inventorship Should Go Beyond the Prior Art.**

As noted by the *Bio-Rad* court, the "common core" of the patented inventions involved "gel beads," a technological advance that was (undisputedly) only conceived after the inventors began work at 10X Genomics.

Rather, as urged by Bio-Rad, the issue was whether the efforts of Hindson and Saxonov at QuantaLife/Bio-Rad separately rose to the level of contributing to joint inventorship of the asserted patents.

None did, according to the *Bio-Rad* court. In evaluating the pieces of evidence alleged by Bio-Rad to support co-inventorship, the court observed that many of the inventors' early "ideas" "were at a level of generality that cannot support" inventorship, or were already identifiable in the prior art, including in Bio-Rad's patents. Certain evidence was also deemed "materially different" from the claimed inventions.

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As previously observed, patent inventorship—particularly in the context of start-ups or collaborations—often involves challenging and complex factual issues, particularly in the life sciences sector. Although *Bio-Rad* involves two biotech companies, its principles are likely to also apply in other technological contexts.

We will continue to monitor this area and report on further developments.

[i] Bio-Rad's arguments were premised on a theory of joint inventorship. In a footnote, the *Bio-Rad* court observed Bio-Rad's arguments contemplated assignment duties "beyond even what would count as co-inventorship," but that Bio-Rad had failed to offer an alternative legal basis to prevail.

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