
Duty to Assign? For Pre-Termination Ideas, No.

Bio-Rad Labs, Inc. v. International Trade Commission et al., No. 2020-1785 (Fed. Cir. Apr. 29, 2021)

By: Reid Huefner & Victoria Hanson | May 9, 2021

The Court of Appeals for the Federal Circuit (“CAFC”) affirmed the U.S. International Trade Commission (“ITC”)’s finding that Bio-Rad Laboratories, Inc. (“Bio-Rad”) infringed three patents owned by 10X Genomics (“10X”) covering microfluid systems and components used for gene sequencing and violated Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 by importing and selling the systems. The CAFC also upheld the rejection of Bio-Rad’s defense that it co-owned the patents based on the assignment provisions the inventors had signed while working at their previous companies.

In the 2010s, the named inventors of the 10X patents at issue worked for QuantaLife, Inc. (“QuantaLife”), which was acquired by Bio-Rad. While at QuantaLife, the inventors signed an agreement that required employees to “assign to the Company, without further consideration, Employee’s entire right to any IP described in the preceding subsection, which shall be the sole and exclusive property of the Company whether or not patentable.” While at QuantaLife, but before the inventions were made, the inventors conceived of ideas and aspects of the inventions at issue in this dispute. In 2012, the inventors left Bio-Rad and formed 10X, where they filed several provisional patent applications that focused on the microcapsules in capsule or droplet partitions claimed by the patents currently at issue. After 10X began selling its products related to the patents, Bio-Rad released its own system that also practiced the patents.

10X filed a complaint in the ITC against Bio-Rad alleging that Bio-Rad’s importation and sale of microfluidic systems infringed 10X’s patents and violated section 337 of the Tariff Act of 1930. The Administrative Law Judge (“ALJ”) found that Bio-Rad infringed the patent claims and rejected Bio-Rad’s defense that it could not be liable for patent infringement because it co-owned the patents based on the assignment provisions that the inventors signed while at QuantaLife, even though the inventions were conceived of while at QuantaLife but not made until after employment. The ITC agreed with the ALJ.

The CAFC affirmed the ITC’s decision in its entirety. The CAFC agreed that the ITC properly found that Bio-Rad infringed the asserted claims in the three patents and the patents were not invalid for indefiniteness. The CAFC also rejected Bio-Rad’s affirmative defense that it co-owned the patents, finding that the assignment provision that the inventors signed while at QuantaLife did not assign them ownership of the patents. Although Bio-Rad argued that the inventors conceived of key aspects of the claimed inventions while at QuantaLife/Bio-Rad, the CAFC agreed with the ITC finding that the key aspects were just ideas at a level of generality which could not support co-inventorship. As such, the assignment provision was interpreted to be limited to only intellectual property that was protectable before termination of employment and, thus, ideas conceived of during employment did not fall within the subject matter of the provision. The CAFC also noted that this interpretation of the underlying California-based employment contract aligns with the policies of California law which favors constraints on employer agreements in assignment of rights.

This decision demonstrates the limits of employee assignment provisions as well as the impact the laws and policies of the jurisdiction which govern the agreement can play in determining a company’s rights in its employees’ inventive efforts. Companies should be cognizant of these limitations and develop separation policies for departing employees that maximize the scope of their retained rights.