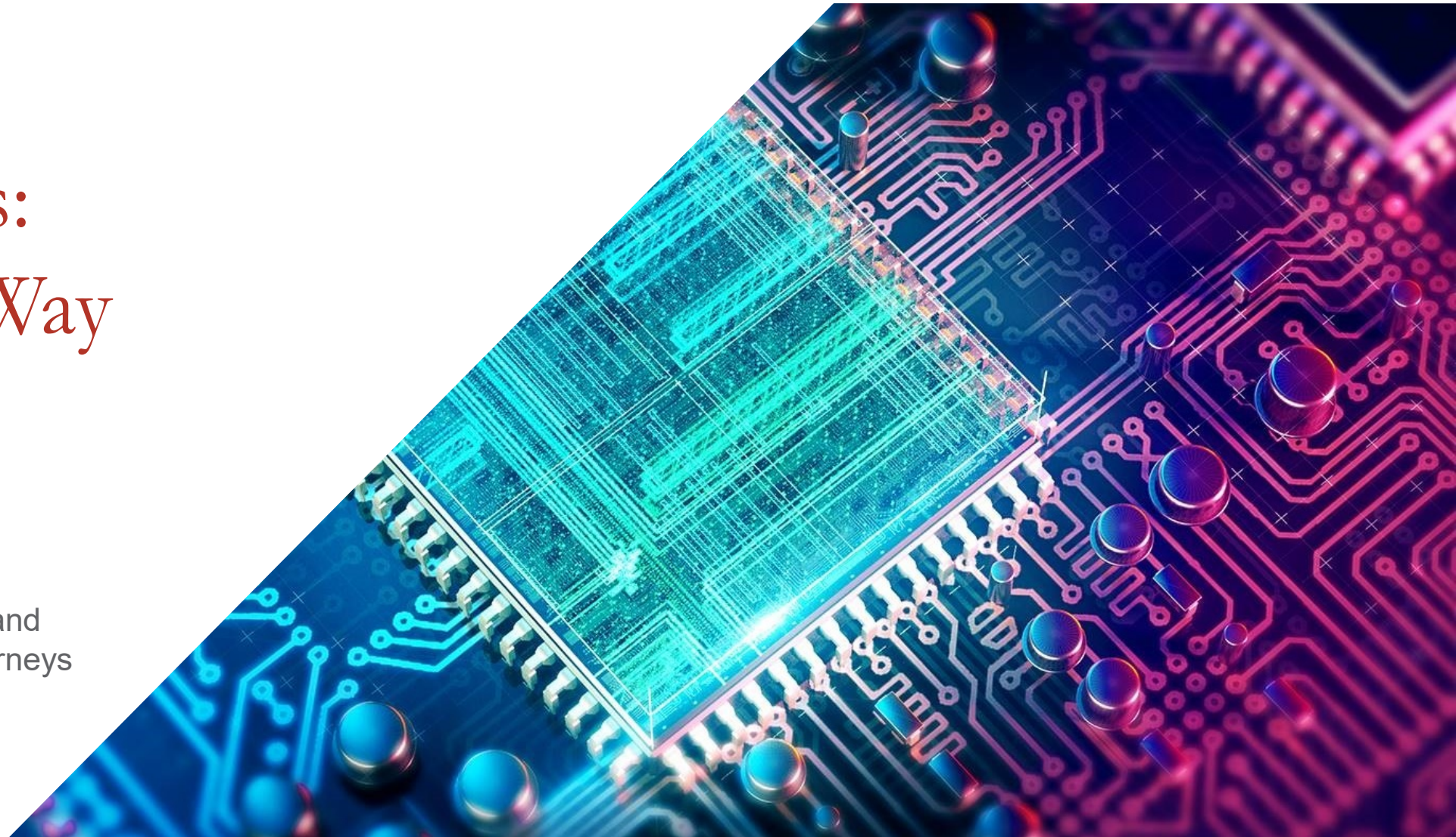
ALLEN & OVERY

Technology Transactions: This Is the Way



Recent Developments for IP and Technology Transactions Attorneys

October 2021

Panel Introduction

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Overview

1

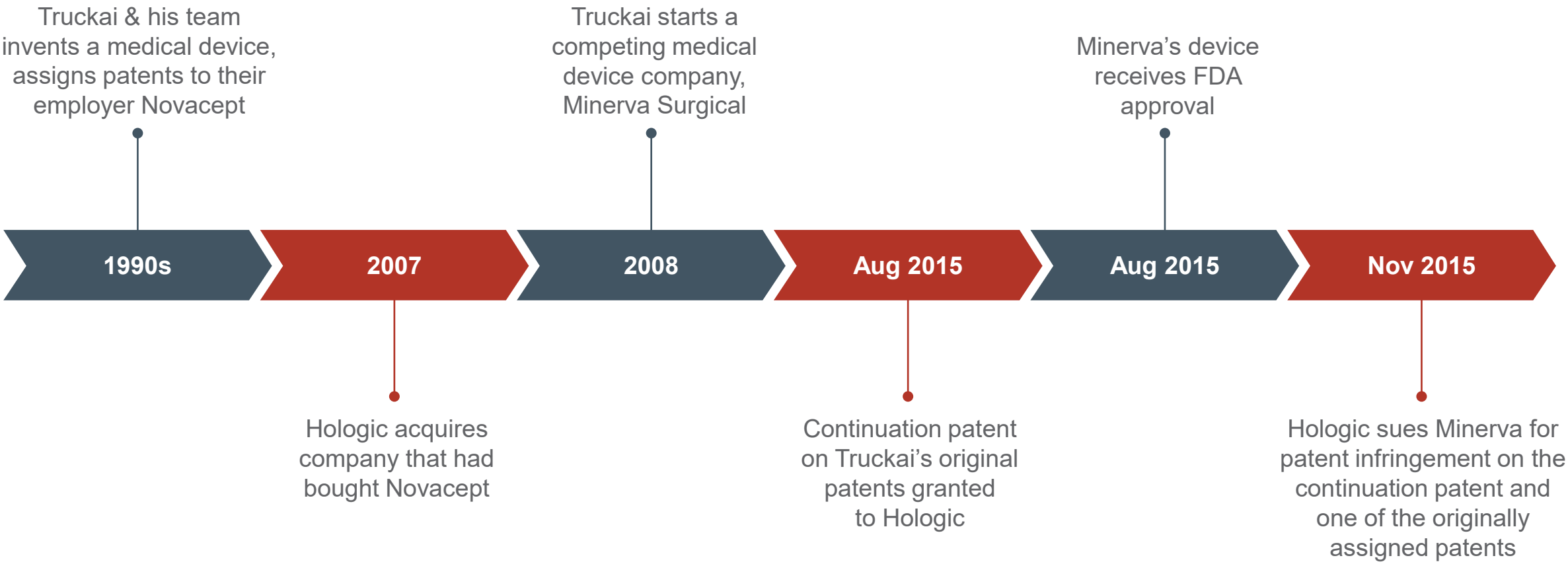
Patent law development impacting licensing
- Assignor Estoppel
- Implied Licensing
- Assignment Language

2

Online contract formation

Patent Licensing

Minerva Surgical, Inc. v. Hologic, Inc. (S. Ct. 2021)



Assignor Estoppel Doctrine

Doctrine that bars the seller of a patent from challenging the validity of the assigned patent

- Purpose behind the doctrine is to promote fair dealing
- Patent licensees **not estopped** from challenging licensed patents

Minerva: Holding

- District court and Federal Circuit barred the invalidity defense due to the doctrine of assignor estoppel.
- Supreme Court held that assignor estoppel was not barred in this case because the inventor never made any representations to the content of the continuation patents.
  - "Assignor estoppel applies when an invalidity defense in an infringement **suit conflicts with an explicit or implicit representation made in assigning patent rights**. But absent that kind of inconsistency, an invalidity defense raises no concern of fair dealing"

Minerva: Takeaways

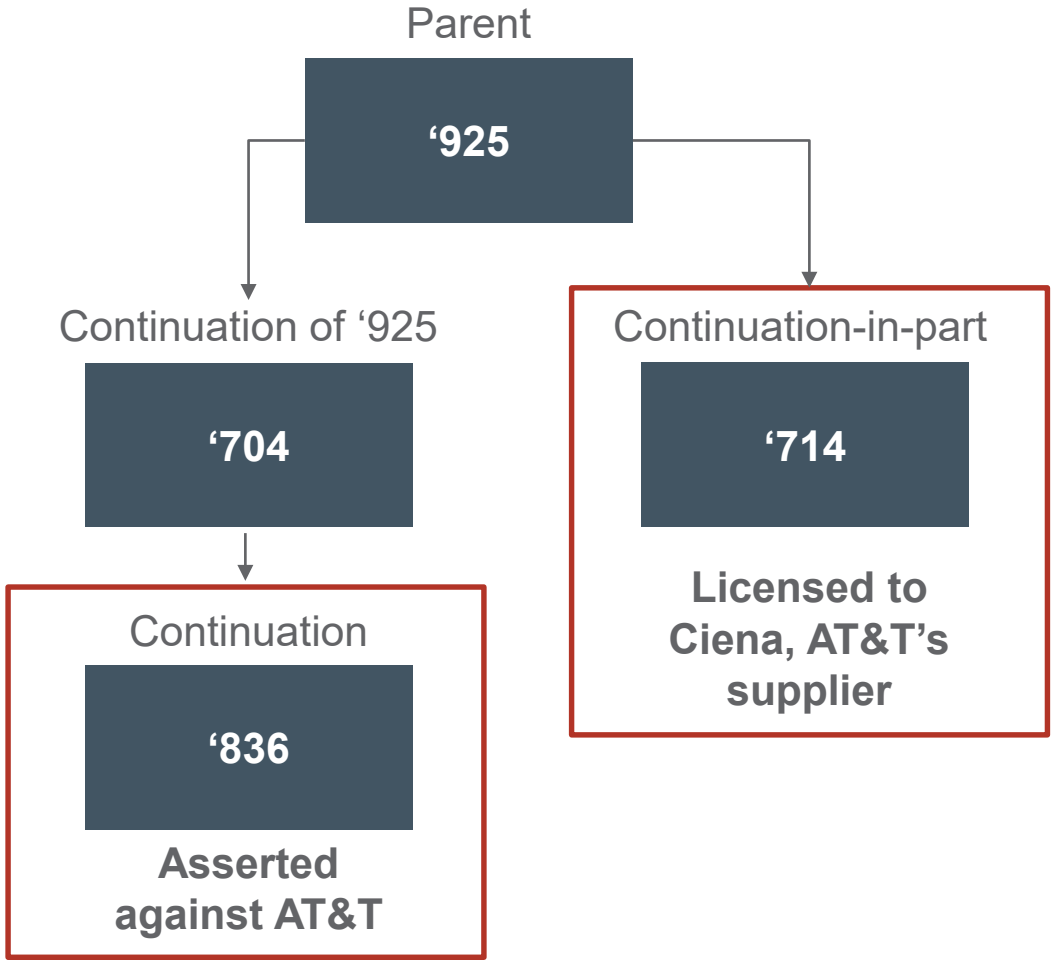
Continuations and/or other changes in the claim set may not be shielded from invalidity claims from the assignor depending on assignment language

For assignees:
Assignments should contain extensive representations – including to the written description

Cheetah Omni LLC v. AT&T Services, Inc. (Fed. Cir. 2020)

NPE Cheetah Omni LLC filed suit against AT&T for patent infringement.

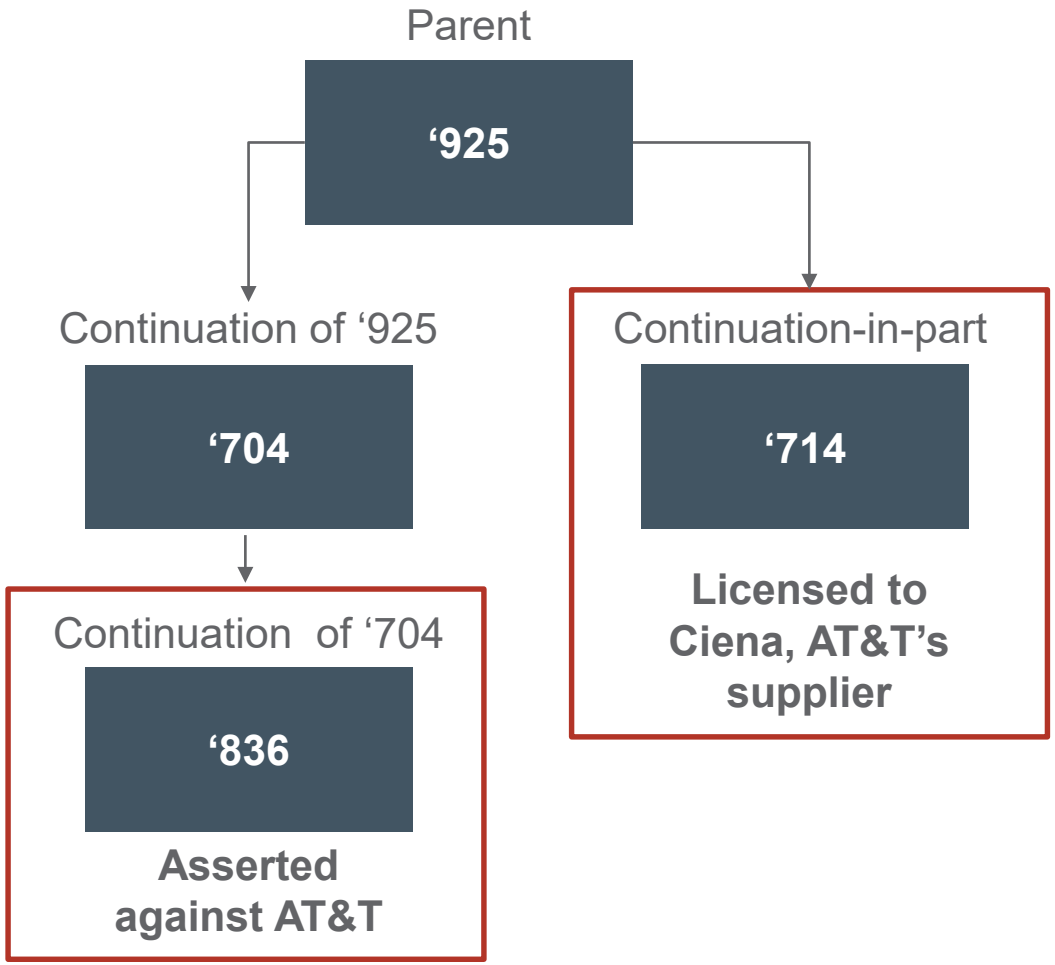
- Ciena, AT&T's supplier of the allegedly infringing components moved to intervene since they had already received a license from Cheetah to a patent ('714) in the same family as the infringing patent.
- This license included an express license to "all parents" ('925). However, the license was silent on whether further continuations to the parents were included.



Cheetah

Federal Circuit has previously held that:

- Legal estoppel provides an implied license to related, later-issued patents that are necessary to practice the expressly licensed patent (TransCore, LP v. Elec. Transaction Consultants Corp. (Fed. Cir. 2009))
- Absent clear indication of mutual intent, an express license to a patent includes an implied license to its continuations (General Protecht Group Inc. v. Leviton Manufacturing Co. (Fed. Cir. 2011))



Cheetah: Takeaway

If contracting parties wants to exclude a patent in the patent family from a license, they should **specifically exclude it citing the patent number.**

Licensors:

– Make sure that the license language is limited to the listed patents and that the licensee expressly waives any equitable rights.

Licensees:

– Include language that specifically give an express license to all the future patents that claim priority back to the listed patents for the sake of clarity.

Omni MedSci, Inc. v. Apple Inc. (Fed. Cir. 2021)

Tenured professor at University of Michigan took a leave of absence to start a biomedical laser company (Omni MedSci), filed provisional patents during leave

– His employment agreement with UM incorporated the UM bylaws which stated that all patents issued in connection with university research “shall be the property of the University”

– Omni MedSci sued Apple, Apple moved to dismiss infringement compliant for lack of standing, arguing that UM owned the patents per the bylaws

Omni MedSci: Bylaws

- 1) Patents and copyrights issued or acquired as a result of or in connection with administration, research, or other educational activities conducted by members of the University staff and supported directly or indirectly (e.g., through the use of University resources or facilities) by funds administered by the University regardless of the source of such funds, and all royalties or other revenues derived therefrom *shall be the property of* the University.
- 4) Patents, copyrights, and property rights in computer software resulting from activities which have received no support, direct or indirect, from the University *shall be the property of* the inventor, author, or creator thereof, free of any limitation which might otherwise arise by virtue of University employment.
- 5) In cases which involve both University-supported activity and independent activity by a University staff member, patents, copyrights, or other property right in resulting work products *shall be owned as agreed upon* in writing and in advance of an exploitation thereof by the affected staff member and the Vice-Provost for Research in consultation with the Committee on Patents and Copyrights and with the approval of the University's Office of the General Counsel. It is understood that such agreements shall continue to recognize the traditional faculty and staff prerogatives and property rights concerning intellectual work products.

Omni: Holding

1. Both district court and Federal Circuit found that the conveyance did not automatically assign the patent rights as it only stipulated a promise to assign the patents, it was not deemed a present automatic assignment.
2. Apple's motion to dismiss was denied
3. Judge Newman dissented stating the "interpretation contravenes these documents' plain meaning and long understood interpretation"

Omni: Takeaways

1

Make sure to draft assignment language that effectuates an automatic transfer of IP rights, not merely binding the assignor to assign the rights in the future.

– “agrees to grant and does hereby grant’ – valid transfer

– “will assign” – not valid transfer

2

Always execute confirmatory patent assignment documents

Whitewater v. Alleshouse (Fed. Cir. 2020)

1. Alleshouse worked for Wave Loch (later acquired by Whitewater) as a product manager for water attractions from 2007-2012
2. His employment agreement required him to assign any patent rights, including contemplated post-employment, that were connected to Wave Loch's business
3. After Alleshouse quit he contacted an attorney to understand his obligations under his employment agreement. Alleshouse and the attorney went into business together and filed provisional patent applications on a new water attraction.
4. In 2017 Whitewater brought suit against Alleshouse, the attorney, and their new company demanding that the patents were to be re-assigned to Whitewater under the employment agreement and that the attorney was to be removed as an inventor

Whitewater: Relevant law

California Labor Code § 2870

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

California Labor Code § 2872

– If an employment agreement entered into after January 1, 1980, contains a provision requiring the employee to assign or offer to assign any of his or her rights in any invention to his or her employer, the employer must also, at the time the agreement is made, provide a written notification to the employee that the agreement does not apply to an invention which qualifies fully under the provisions of Section 2870. In any suit or action arising thereunder, the burden of proof shall be on the employee claiming the benefits of its provisions.

California Business and Professions Code § 16600

– Except as provided in this chapter, every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.

Whitewater: Holding

On appeal, the Federal Circuit court held that California Bus. Prof. Code § 16600 which prohibits restrains on competition (e.g., non-compete clauses) trumps any post-employment invention assignment if there is no proprietary information from the employer

Invention assignment provisions covering inventions created post-employment can be invalidated

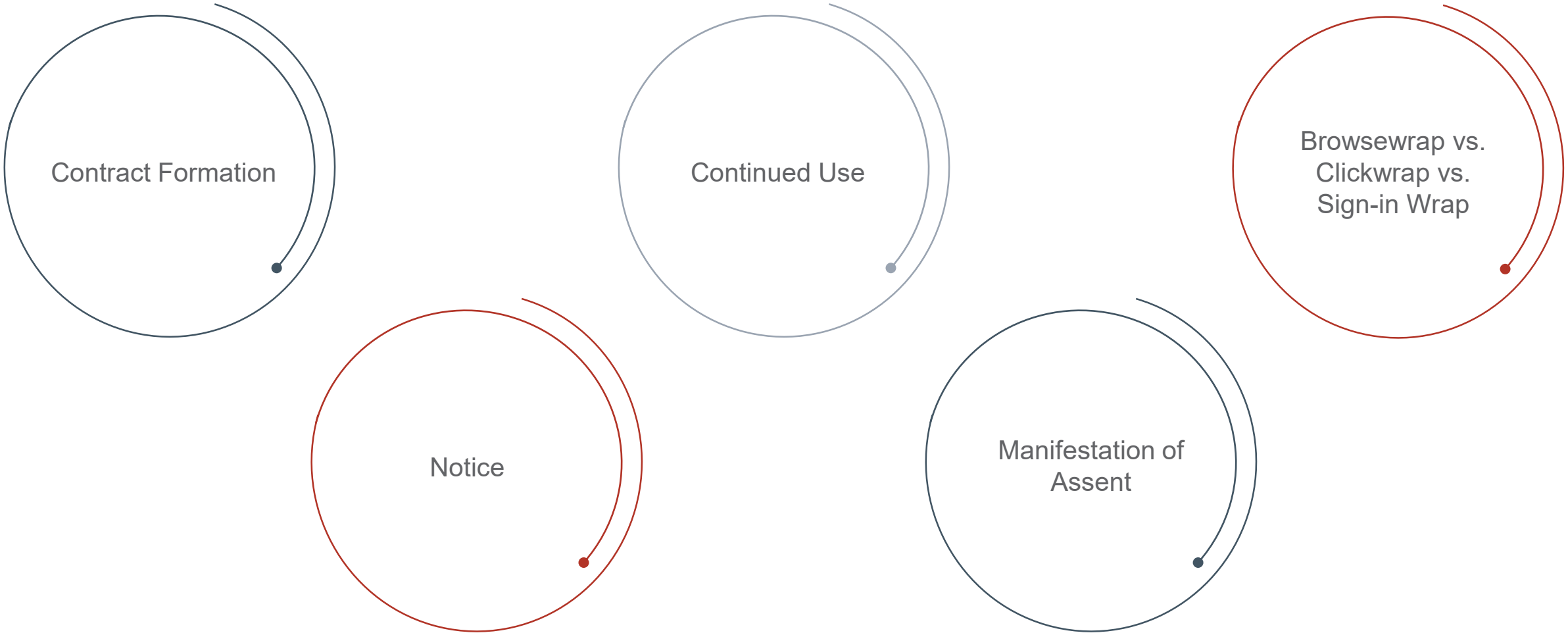
Takeaways

Employment invention assignment clauses need to be drafted with care and can't restrain the employee's future ability to engage in their profession

Make sure to include the language required by § 2872

Online Contract Formation

Online Contracts – Issues

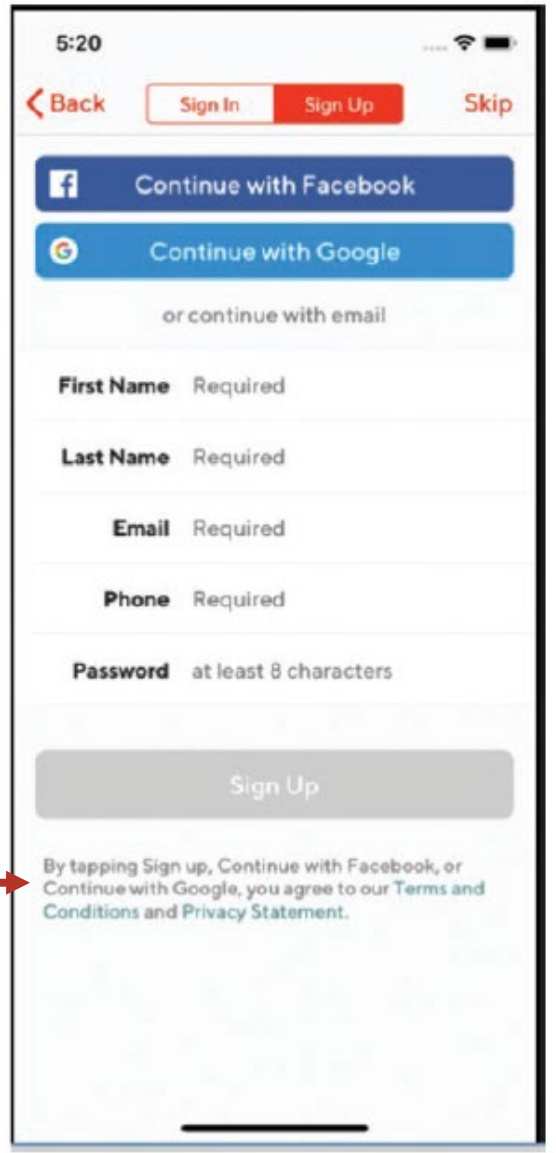


Peter v. DoorDash, Inc., (N.D. Cal 2020)

1. DoorDash customers brought suit alleging that DoorDash had engaged in deceptive tipping practices. DoorDash moved to compel arbitration per their T&Cs

2. Sign-in wrap: T&Cs hyperlinked – in blue text at sign up stage

3. Plaintiffs argued lack of reasonable notice of the T&Cs due to small, low contrast font



Peter v. DoorDash, Inc., (N.D. Cal 2020) (cont'd)

1

Court rejected the plaintiff's arguments
- Text is sufficiently close to the sign-up button and the page is "uncluttered"
- Found text to be plainly readable
- Emphasized that the hyperlinked terms should have been underlined

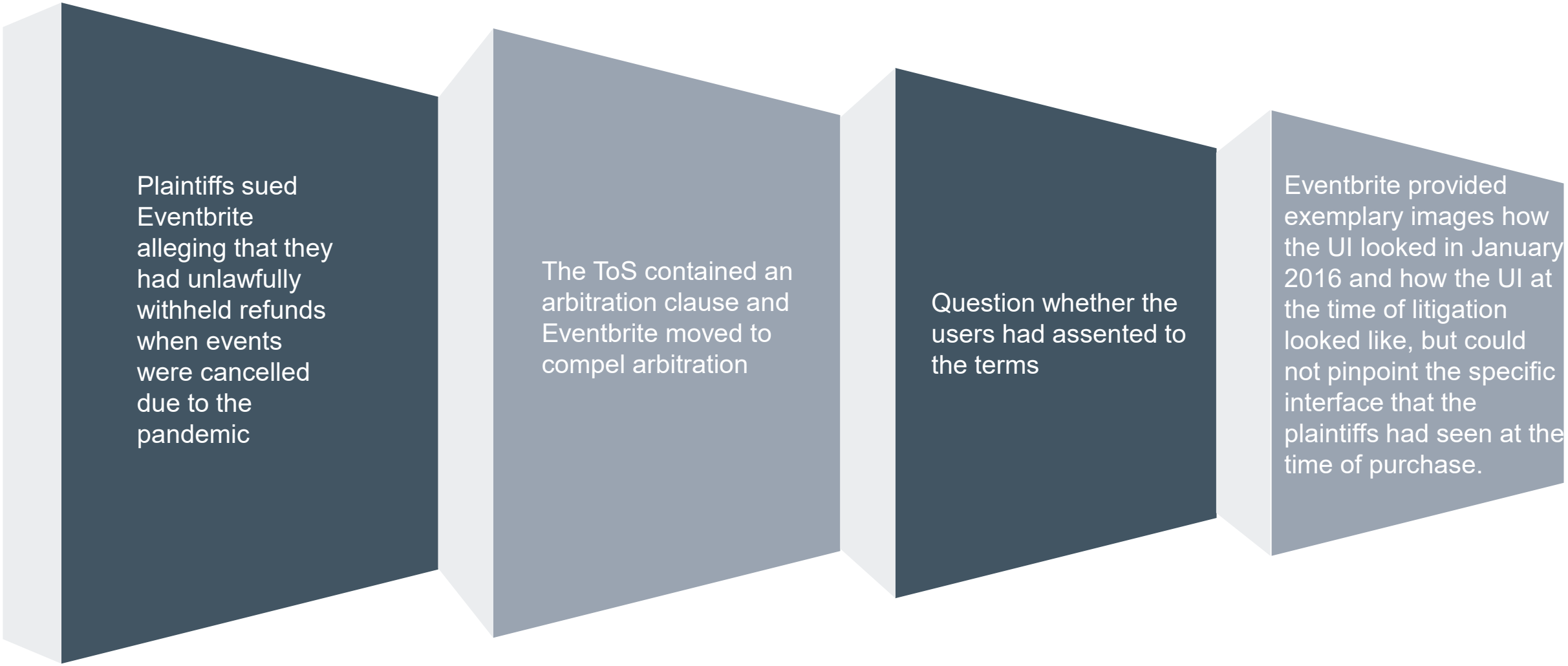
2

Similar design to the sign-in wrap that had been approved in Meyer v. Uber Technologies, Inc. F.3d 66 (2d Cir. 2017)

3

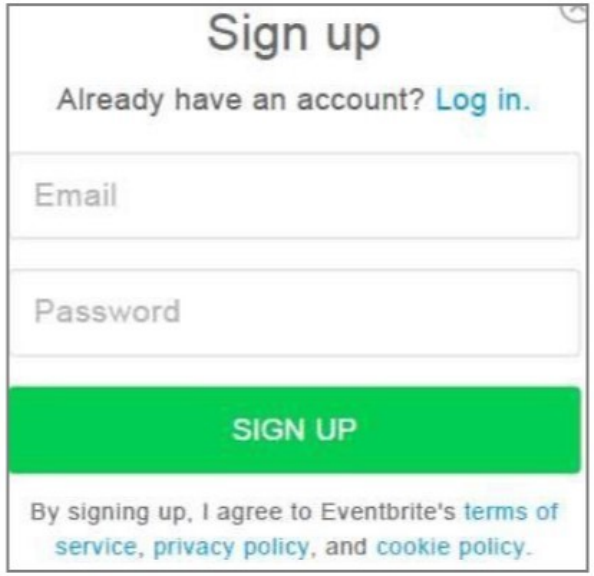
Inquiry notice established – motion to compel arbitration granted

Snow v. Eventbrite, Inc., (N.D. Cal, 2020)

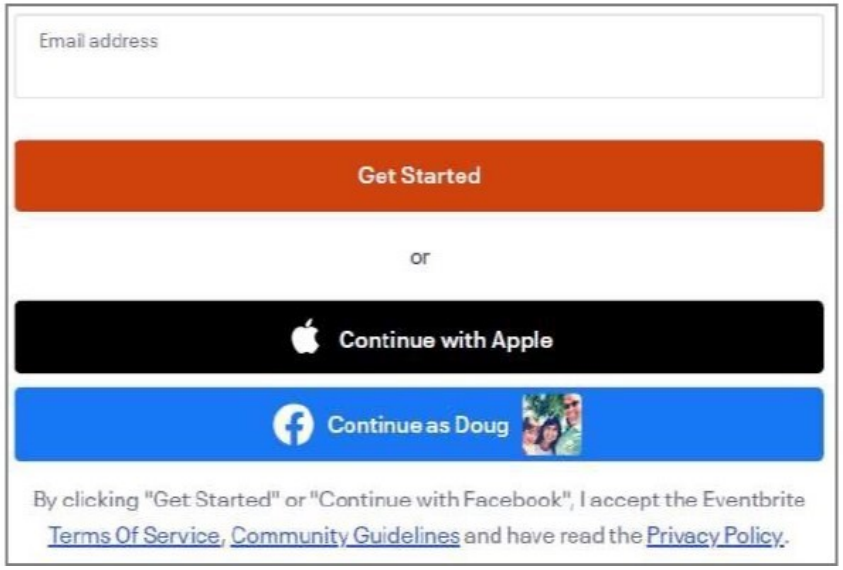


Snow v. Eventbrite: Plaintiff Piceno

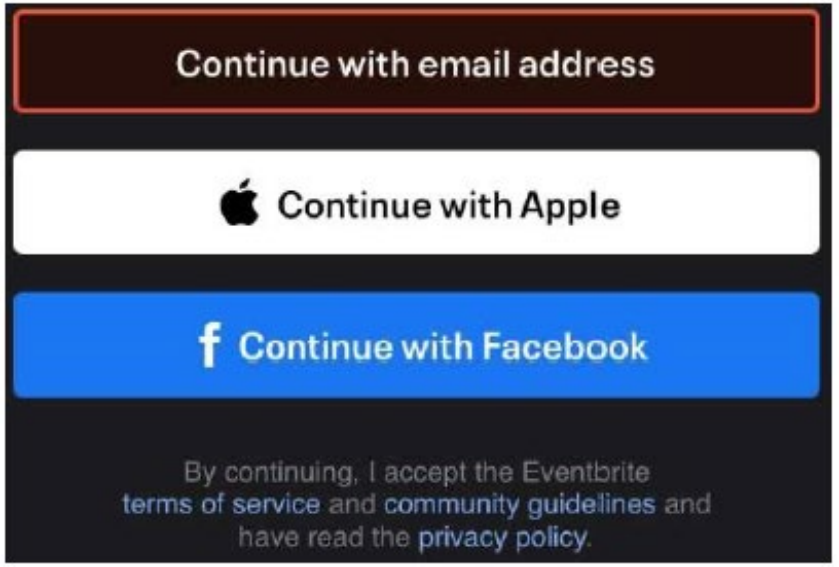
Bought tickets in January 2020, no record of how User B signed up or purchased tickets



Desktop sign-up page in 2016



Desktop sign-up page in 2020

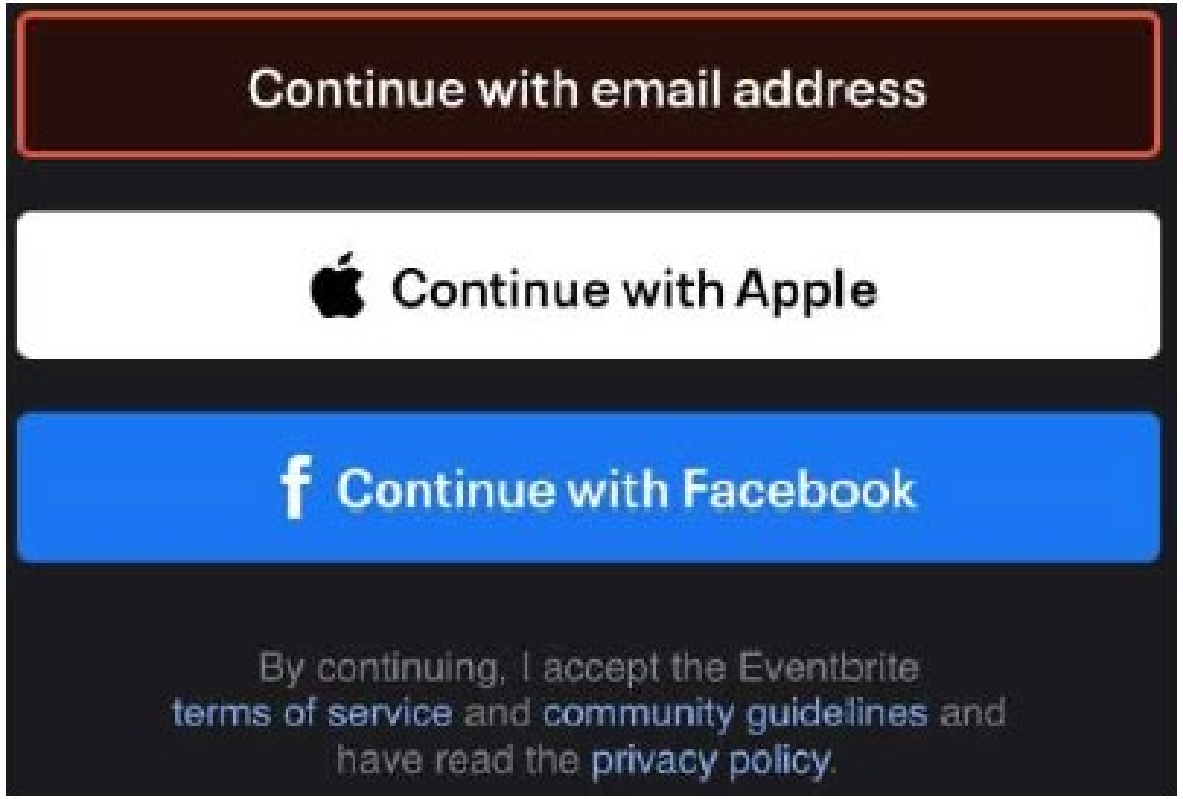


Mobile app sign-up page in 2020

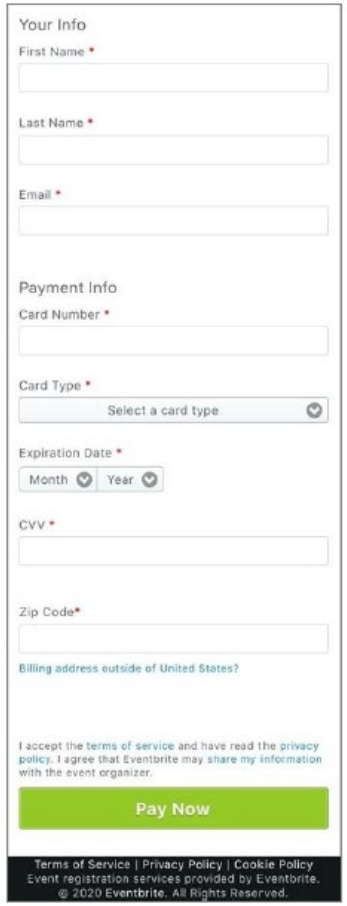
Snow v. Eventbrite: Plaintiff Piceno

The 2020 mobile app interface does not have sufficient contrast between the text and the background

Grey text on black background, not conspicuous enough



Snow v. Eventbrite: Plaintiff Snow



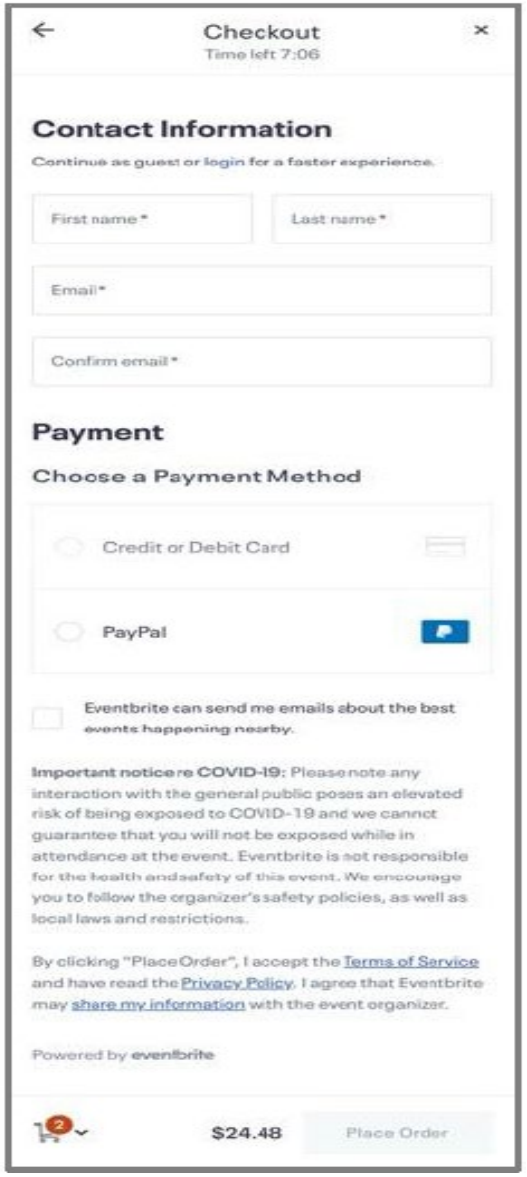
1. Mobile web interface is from 2016 – Snow signed up in 2018
2. If this had been the interface that the user saw, it would have been sufficient to put the user on notice, however the defendant could not show which UI the user had seen
3. Burden to prove assent lies on the party trying to enforce agreement

Snow v. Eventbrite: Plaintiff Snow

1. Eventbrite argued that Snow had bought tickets a number of times and would have had to assent to the terms at the point of purchase

2. Persistent “Place Order” button when scrolling through the order interface– a user could potentially click on the button without actually having seen the terms.

3. Because of this judge stated that it is more akin to browsewrap than sign-in wrap because the terms aren’t placed directly next to the actionable button = not sufficient to establish inquiry notice



Snow v. Eventbrite: Takeaways

Keep detailed records of UI changes including screenshots

Log sign-ups and purchases

Always make sure that the user cannot click on “Place Order” or “Sign Up” buttons without seeing the terms

Kauders v. Uber Technologies (Mass. 2021)

Plaintiffs Christopher and Hannah Kauders sued Uber claiming that three Uber drivers had refused them rides in violation of Massachusetts state law because they were blind and accompanied by guide dogs.

- Superior court granted Uber's motion to compel arbitration, arbitration proceedings rules in favor of Uber due to the drivers being characterized as independent contractors
- Appealed to Mass. S. Ct.
- Question whether there was reasonable notice of the terms; and a reasonable manifestation of assent as required under Massachusetts state law to form a valid contract

Kauders: Notice

The court held that the notice of the terms was not sufficient due to the following:

- ☑ Nature of transaction such that a user may not understand that they are entering into a contract
- ☑ Page focused on payment – headline “Link Payment”
- ☑ “By creating an Uber account, you agree to the”, not prominent enough
- ☑ Final button after payment method input - “DONE”

Uber sign up interface in 2014

Kauders: Manifestation of Assent

After inputting their payment information the user could register for the service and click “DONE” without clicking the link to the terms and conditions.

Court held that this was not a reasonable manifestation of assent as the user never had to affirmatively state that they agreed to the terms.

“The connection between the action and the terms was thus not direct or unambiguous. Uncertainty and confusion in this regard could have simply been avoided by requiring the terms and conditions to be reviewed and a user to agree.”

Uber sign up interface in 2014

Emmanuel v. Handy Technologies, Inc., 992 F.3d 1 (2021)

01 Cleaner who had agreed to online terms for a house cleaning service filed suit claiming employee misclassification and minimum wage violations

02 Signed a clickwrap agreement with scrollable terms, plaintiff could accept without scrolling through agreement. Clear notice + “Accept” button.

03 Court did not interpret Kauders as requiring the user to scroll through the entirety of the terms

04 Nature of transaction was such that a reasonable user would have understood that they were entering into a contract

Takeaways: Summary

- Always make sure links to the terms are conspicuous
  - For example by making sure that the term hyperlinks are bolded, underlined, and **in contrasting colors**
  - The language explaining that the user is bound to the applicable term also needs to be readable and in direct proximity with the terms
- Consider the nature of the transaction – the more "casual" the transaction – the higher the bar can be to establish notice in some regions
  - Actionable buttons should indicate assent
    - "I accept" > "Next Page"
- Carefully evaluate the interactive elements of a user interface
  - Ensure that the user cannot click an actionable button without having seen the terms or the reference to the terms
  - If a mobile interface, reference to terms should be above the actionable button to ensure that the user can't scroll down and click the actionable button without having to scroll past the terms

Questions?

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