

**Keywords:** Assignment; 11<sup>th</sup> Amendment Immunity; breach of warranty; MPEP is not statutory law

**General:** Employees under an obligation of assignment of inventions to an institution were obligated to assign applications, including CIP applications and to cooperate in the prosecution of the applications.

*Regents of the University of New Mexico v. Knight*  
66 U.S.P.Q.2d 1001 (Fed. Cir. 2003)  
Decided February 28, 2003

**I. Facts**

Knight and Scallen, employees of the University of New Mexico (UNM) conducted research into cancer treatment. Compounds that could be useful in treatment were developed, and in 1990 five patent applications were filed, all of which were joined by the inventors (and a third inventor). Proper assignments were executed by all and filed in the PTO. The inventors had an employment contract with UNM for assignment of inventions, and the university had a clear policy in place on the subject. In 1992, five CIP applications were filed based on the earlier applications, but Knight and Scallen refused to join the applications or execute further assignments. UNM continued to prosecute the applications without filing further declarations or assignments.

In 1994, UNM entered into arrangements with licensees to make and market the compounds, with a warranty of ownership. The licensee learned that the compounds described in the CIPs could not be made, and UNM was allowed to correct the applications, with the PTO finding that the changes did not add new matter. Due to the failure of Knight and Scallen to execute the assignments of the CIPs, the manufacturer informed UNM that it was in breach of warranty, and UNM sued the inventors on multiple grounds, essentially to obtain assignment of the applications, and to obtain a declaration of ownership.

Knight and Scallen counterclaimed on multiple grounds, asserting that they had not assigned and were not under an obligation to assign the CIP applications. They also asserted that the CIP's as amended were invalid because they did not invent the subject matter of the amended applications. In response to a further counterclaim for money damages, UNM raised an 11<sup>th</sup> amendment defense.

The district court essentially decided in UNM's favor on all claims and defenses, including those relating to the contractual obligations of assignment, ownership, and the 11<sup>th</sup> amendment defense.

**II. Issues**

- A. Does a contractual obligation to assign inventions extend to CIPs?
- B. Did the correction of the CIPs create a question of inventorship that could invalidate the CIPs?
- C. Does a state waive its 11<sup>th</sup> amendment immunity from suit by presenting claims in federal court, even if those claims do not involve money damages?

**III. Discussion**

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- A. Yes. Due to the award of summary judgment, the CAFC reviewed the entire question *de novo*. The contractual provisions of the relevant contracts called for the inventors to “sell, assign, and transfer unto [UNM] all right, title, and interest” in the inventions, in any patents that may issue from those inventions, and “in and to any and all divisions, reissues, continuations, and extensions thereof.” The contracts also called for the inventors to assist in prosecution of the applications and to execute lawful papers as required for that purpose.

The court was also influenced by the inventors’ clear intent that UNM would own the inventions, as evidenced by their assignment of the original applications to the university. Finally, the university policy very clearly indicated that “such inventions and discoveries belong to the University.”

- B. No. The court looked to the PTO for its determination that no new matter was added by the amendment. The longstanding practice in the chemical arts was to allow amendment of this type, so long as the correct structure is essentially the same compound with the same properties. Moreover, as assignee of the applications, the UNM had the right to make the change without authorization of the inventors. No new matter was judged by the PTO to have been added, and the court did not find that an inventorship issue had been raised by the amendment.

The inventors had cited the MPEP (section 306) that indicated that a new assignment was required for a CIP. The court, however, easily dismissed this argument in noting that the MPEP sets forth PTO procedure, and is not the law. The procedures simply could not override the contractual obligations of the parties, or cast doubt on the validity of the claims on the basis of the amendments made.

- C. Yes. The CAFC reversed the district court on this one point. UNM had originally asked for recoupment monies, which would have waived their 11<sup>th</sup> amendment immunity defense. The inventors had then counterclaimed for money damages, but the district court allowed UNM to withdraw their claims and then dismissed the counterclaims.

Interestingly, the CAFC determined that the interests of uniformity in patent cases mitigated in favor of that court establishing uniform law for the circuits as regards this issue. The court then held, citing the U.S. Supreme Court case of *Clark v. Barnard*, that

“[W]here a State voluntarily becomes party to a cause and submits its rights for judicial determination, it will be bound thereby and cannot escape the result of its own voluntary act by invoking the prohibition of the Eleventh Amendment.”

This court then found that UNM had unmistakably consented to federal court jurisdiction when it filed suit. Moreover, the court found that “when a state files suit in federal court to enforce its claims of certain patents, the state shall be considered to have consented to have litigated in the same forum all compulsory counterclaims, i.e., those arising from the same transaction or occurrence that gave rise to the state’s asserted claims.”