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Intellectual Property Alert

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Invention assignment agreement nearly blocks path to major jury award

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A Texas court upheld a post-employment assignment agreement nearly stripping plaintiff's standing to bring a patent litigation suit, but found that the suit could move forward as the invention at issue was conceived after the inventor had left the former employer, resulting in a \$278.8M verdict.



What's the impact?

- A post-employment assignment providing that an invention in a patent application filed by an employee within one year of leaving employment is presumed to be assigned to the former employer does not run afoul of California law if the presumption can be rebutted by the inventor showing that the invention was conceived after leaving employment.
- Proving a conception date later than the priority date of a patent does not have to be supported by corroborating evidence.

The Eastern District of Texas recently found that while a post-employment invention assignment provision presuming assignment of the asserted patents to the plaintiff's former employer was

valid, the plaintiff had standing to assert the patents in a patent infringement lawsuit because the inventor was able to prove that conception of the invention occurred after termination of his employment, clearing the way to a substantial \$278.8 million jury award for the plaintiff.¹ In addition, because the inventor claimed a conception date *later* than the priority date of the patent, he was not required to present corroborating evidence for that conception date.

***Headwater Research v. Samsung* examines standing to sue**

On April 20, 2025, Judge J. Rodney Gilstrap adopted a Report & Recommendation finding that plaintiff Headwater Research had standing to sue Samsung Electronics for patent infringement. On April 25, 2025, after five days of trial, the jury awarded Headwater \$278.8 million in damages.

Had the court found that Headwater had no standing to bring this suit, the case would have been dismissed on the eve of trial and Headwater would not have been awarded any damages.

What was the standing issue in this case?

Samsung had raised a standing defense contending that the asserted patents belonged to Qualcomm, not Headwater, and thus Headwater had no standing to sue Samsung. Samsung's basis was an assignment agreement that Dr. Greg Raleigh, Headwater's founder and inventor on the asserted patents, had signed in 2006 when he joined Qualcomm, his former employer. The assignment agreement, governed by California law, provided that all "Inventions" were assigned to Qualcomm and defined "Inventions" as:

All inventions, discoveries, developments, formulae, processes, improvements, ideas[,] and innovations, whether patentable or not ... made, conceived, reduced to practice, authored, or fixed in a tangible medium of expression by me ... whether or not made, conceived, reduced to practice, authored, or fixed in a tangible medium of expression during working hours, which results from my work or association with the Company, or which results from or is aided by the use of the Company's equipment, supplies, facilities[,] or trade secret information, or which is related to or coming within the scope of the Company's business, or related to the Company's products or any research, design, experimental[,] or production work carried on by the Company.

The agreement also included a one-year post-employment assignment presumption:

I agree that an Invention disclosed by me to a third person or described in a patent application filed by me or in my behalf within one year following termination of my employment with the Company shall be presumed to be an

¹*Headwater Rsch. LLC v. Samsung Elecs. Co.*, No. 2:23-CV-00103-JRG-RSP (E.D. Tex. Mar. 31, 2025), *report and recommendation adopted*, No. 2:23-CV-00103-JRG-RSP (E.D. Tex. Apr. 20, 2025) ("Headwater II").

Invention subject to the terms of this Agreement unless proved by me to have been conceived and first reduced to practice by me following the termination of my employment with the Company.

In a prior, related case ("*Headwater I*")² involving the same parties, a similar standing defense had been raised by Samsung based on the same one-year provision, and Headwater had contended that the one-year provision was void because it violated California Labor Code §2870(a) and California Business and Professions Code §16600.

California law regarding employee invention assignments

California is one of the most worker-friendly states in the U.S., and California Labor Code §2870(a) limits the enforceability of employee invention assignments, saying that:

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.

Meanwhile, California Business and Professions Code §16600 says that "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."

Despite these protections, the Eastern District of Texas in *Headwater I* found that the one-year provision was valid and did not run afoul of either California statute because the assignment presumption was *rebuttable*, noting that:

The provision does not create "restraint of a substantial character" as it is only a *rebuttable* presumption. §2870(a) inherently endorses an assignment provision wherein the invention was "developed ... using the employer's equipment ... [or] relate[d] ... to the employer's business ... or [r]esult[ed] from any work performed by the employee for the employer," much like the Assignment Agreement here. As such, the effect of the one-year provision is to place the burden of proof on the

²*Headwater Rsch. LLC v. Samsung Elecs. Co.*, No. 2:22-CV-00422-JRG-RSP (E.D. Tex. Aug. 2, 2024), *report and recommendation adopted*, No. 2:22-CV-00422-JRG-RSP (E.D. Tex. Dec. 3, 2024).

employee, not to materially alter their positions. The Court cannot find the provision is a “restraint of a substantial character” on an employee’s engagement in lawful trade.

The court contrasted Qualcomm’s one-year provision with that in *Applied Materials*, where the Northern District of California invalidated a similar one-year provision in part because it was an un-rebuttable presumption.³

Corroboration requirements for patent conception dates

In *Headwater II*, the Court gave deference to its prior finding in *Headwater I* that the one-year provision was valid and focused on whether Headwater had proven that Raleigh’s conception date was after he left Qualcomm. There was no dispute that the one-year presumption was triggered because the patent at issue had been filed within one year of Raleigh leaving Qualcomm, but the issue of conception raised some interesting questions because, coincidentally, Raleigh sought to assert a conception date *later* than the priority date of the patent, whereas typically, a patentee seeks to claim an *earlier* conception date than the priority date to “swear behind” prior art. While an *earlier* conception date is typically proved through the inventor’s testimony, supported with corroborating evidence such as laboratory notebooks, models, or drawings, Samsung argued that Headwater needed to present corroborating evidence even for the *later* conception date that Raleigh claimed.

The court disagreed, noting that “[t]here is no freestanding corroboration requirement, rather corroboration is only required to support an earlier conception date than the priority date of the patent” and quoted its prior decision in *Headwater I*:

The corroboration requirement simply does not mechanically work in the situation where the party without the burden is the one trying to prove an earlier conception date. Here, Headwater has no need to corroborate its latest conception date, the one supported by prosecution history filing, as it relies on no testimony. What Samsung wants Headwater to provide corroboration for is the lack of conception. Headwater would have to provide documentation that something novel was expressly not conceived of while Dr. Raleigh worked at Qualcomm.

The court also dismissed Samsung’s argument that Raleigh needed to corroborate that he *did not* conceive the invention earlier than he claimed in his patent application, noting that:

Samsung’s attempt to recast the inquiry as one of *when* the invention was conceived does not help. Under Samsung’s framework Dr. Raleigh would still have

³*Applied Materials, Inc. v. Advanced Micro-Fabrication Equip. (Shanghai) Co.*, 630 F. Supp. 2d 1084 (N.D. Cal. 2009).

to corroborate that he did not conceive of the invention earlier than he claims in his patent application. Samsung does not explain how one could corroborate that negative.

Accordingly, instead of requiring Raleigh to present corroborating evidence for his later conception date, the court focused on the question of whether Raleigh conceived the invention after he left Qualcomm. Finding his testimony credible that he conceived the invention after leaving Qualcomm, the court concluded that Headwater had standing to sue, clearing the way for the Headwater's \$278.8 million jury award shortly thereafter.

Navigating post-employment patent assignment agreements and corroboration requirement

There are several takeaways from this case.

FOR EMPLOYERS—REVIEW POST-EMPLOYMENT INVENTION ASSIGNMENT PROVISIONS

First, employers with R&D divisions would be well-advised to scrutinize any post-employment invention assignment provisions in employment agreements for their employees. If such a provision is present, careful attention should be paid to the governing law jurisdiction, which could affect whether the provision is valid. As noted above, in California, California Labor Code §2870(a) and California Business and Professions Code §16600 provide specific protections to employees. Despite such protections, however, a post-employment assignment presumption may still be valid if it is carefully drafted so that the presumption can be rebutted by the employee proving that the invention was conceived after leaving employment.

FOR EMPLOYEES—PLAN INVENTION TIMING

Similarly, employees who sign post-employment assignment provisions should know what they are signing up for and understand the consequences that the timing of conception of their own independent inventions can have. Employees would be well-advised to carefully review any such post-employment assignment provisions, with close attention to the governing law jurisdiction, and plan the timing of any such inventions accordingly. Paying careful attention to these details could make the difference between owning intellectual property worth hundreds of millions of dollars, as was the case in *Headwater*, or having no claim to any such intellectual property and no standing to bring a patent infringement lawsuit.

UNDERSTAND CORROBORATION REQUIREMENTS

In addition, employers, employees, and practitioners should remember that corroboration is not a freestanding requirement for proving conception in all situations. Rather, as the Eastern District of Texas explained, corroboration is only required when seeking to prove a conception date

earlier than the priority date of a patent — it is not required in the less-common situation when an inventor claims a *later* conception date than the priority date of the patent.

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