

2020-1715, -1716

**United States Court of Appeals
for the Federal Circuit**

OMNI MEDSCI, INC.,

Plaintiff-Appellee

v.

APPLE INC.,

Defendant-Appellant

Appeals from the United States District Court, Northern District of
California, Case Nos. 4:19-cv-05924-YGR and 4:19-cv-05673-YGR,
Judge Yvonne Gonzalez Rogers

CORRECTED BRIEF OF APPELLEES

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CERTIFICATE OF INTEREST

Counsel for Plaintiff-Appellee, Omni Medsci, Inc., certifies the following:

1. The full name of party represented by me: Omni Medsci, Inc.
2. The name of the real party in interest (please only include any real party in interest NOT identified in Question 3) represented by me is: None
3. Parent corporations and publicly held companies that own 10 % or more of stock in the party: None
4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (**and who have not or will not enter an appearance in this case**) are: William E. Thomson, Jr. & John M. Halan - Brooks Kushman P.C.
5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47.4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary.) (1) *Omni MedSci, Inc. v. Apple Inc.* - U.S. District Court, N.D. California, Case No. 19-cv-05924-YGR;
(2) *Omni MedSci, Inc. v. Apple Inc.* - U.S. District Court, N.D. California, Case No. 19-cv-05673-YGR; (3) *Omni MedSci, Inc. v. Apple Inc.* - U.S. District Court, N.D. California, Case No. 20-cv-00563-YGR; (4) *Apple Inc. v. Omni MedSci, Inc.* - Patent and Trademark Office - Patent Trial and Appeal Board in *Inter Partes* Review No.

IPR2019-00916; and (5) *Apple Inc. v. Omni MedSci, Inc.* - Patent and Trademark Office - Patent Trial and Appeal Board in *Inter Partes* Review No. IPR2020-00175.

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Apple	Apple Inc.
CVC	Cardiovascular Center
Omni	Omni MedSci, Inc.
OTT	Office of Technology Transfer
Transfer Policy	Technology Transfer Policy
UM	University of Michigan

STATEMENT OF RELATED CASES

There is no other appeal in or from the same civil action or proceeding in the lower court that was previously before this or any other appellate court.

The following cases will be directly affected by this court's decision in the pending appeal:

(1) *Omni MedSci, Inc. v. Apple Inc.* - U.S. District Court, N.D. California, Case No. 19-cv-05924-YGR;

(2) *Omni MedSci, Inc. v. Apple Inc.* - U.S. District Court, N.D. California, Case No. 19-cv-05673-YGR;

(3) *Omni MedSci, Inc. v. Apple Inc.* - U.S. District Court, N.D. California, Case No. 20-cv-00563-YGR;

(4) *Apple Inc. v. Omni MedSci, Inc.* - Patent and Trademark Office - Patent Trial and Appeal Board *Inter Partes* Review No. IPR2019-00916; and

(5) *Apple Inc. v. Omni MedSci, Inc.* - Patent and Trademark Office - Patent Trial and Appeal Board *Inter Partes* Review No. IPR2020-00175.

STATEMENT OF THE ISSUES

University of Michigan (“UM”) Bylaw 3.10 ¶1 applies only to “[p]atents ... involving ... research ... supported directly or indirectly ... by funds administered by the University.”

1. Did the district court correctly hold that Omni MedSci, Inc. owns the patents-in-suit as a matter of fact where:

- a) *UM and Apple do not dispute* that the inventor, Dr. Islam, who assigned the inventions to Omni, was on an unpaid leave of absence from UM at the time of his inventions;
- b) *UM and Apple do not dispute* the doctors who worked with Dr. Islam at UM’s Cardiovascular Center (“CVC”) confirmed that his inventions do not relate to Dr. Islam’s CVC research;
- c) *UM and Apple do not dispute* the district court’s finding that “Dr. Islam did not use UM funds to create the invention, as required to grant rights to UM under Bylaw 3.10 ¶1”;
- d) *UM and Apple do not dispute* the district court’s finding that UM’s reasons for contesting Dr. Islam’s ownership amounted to “mere employment” at UM; and
- e) *UM and Apple do not dispute* UM’s Rule 30(b)(6) designee’s testimony that “mere employment” at UM does not convey rights to UM.

2. Did the district court correctly hold that Omni owns the patents-in-suit as a matter of law where:

- a) Bylaw 3.10 uses the phrase “shall be ...” in three paragraphs (§§1, 4, and 5) to identify three different ownership objectives, which Apple admits “can be determined only in the future;”
- b) For two of the three Bylaw paragraphs (§§4 and 5), it is impossible to read them as assigning legal title even though one of them (§4) uses the identical “shall be the property of” terminology as §1;
- c) For inventions covered by §1, UM obtains legal title via its Technology Transfer Policy, which requires inventors of University Intellectual Property to submit an Invention Report that expressly “hereby assigns” title to UM;
- d) This Court has interpreted the phrase “shall be the property of” as only creating an obligation to assign in other cases; and
- e) The UM Bylaw and Technology Transfer Policy must be strictly construed against the drafter, UM.

INTRODUCTION

In 2012, Dr. Islam took an unpaid leave of absence from his tenured position as a Professor of Electrical and Computer Engineering at UM. Appx603. During that unpaid leave, he worked on “foundational intellectual property” for his new company, Omni MedSci, Inc. (“Omni”). *Id.* That work, done independently and without using UM resources, resulted in seven provisional applications filed on December 31, 2012. Appx877. In 2013, Dr. Islam filed seven non-provisional applications that claimed priority to the seven provisional applications. The patents-in-suit are the child and grandchild of one of those non-provisional applications. Appx178(1:10-14), Appx410(1:7-14).¹

Legal title to the patents-in-suit initially vested with Dr. Islam, the inventor. Because Dr. Islam made his inventions during his unpaid leave of absence and without using UM resources, Dr. Islam assigned his non-provisional patent applications to Omni and recorded those assignments in the U.S. Patent and Trademark Office (“PTO”) consistent with Bylaw 3.10 ¶4. Omni thus owns the patents-in-suit as alleged in the complaints. Appx2492; Appx6517.

¹ At the time of the district court’s order denying Apple’s Motion to Dismiss, there were seven patents-in-suit. Since then, Omni and Apple reached agreements and dismissed five of them, leaving Patent Nos. 9,651,533 and 10,188,299 as the remaining patents-in-suit. Recently, one additional patent issued, and Omni asserted that patent against Apple in a separate lawsuit not part of this appeal.

The Texas district court confirmed Omni’s ownership of the patents-in-suit—denying Apple Inc.’s (“Apple”) Motion to Dismiss Omni’s complaint. Appx1-11. The California district court agreed on the merits and denied Apple’s request for leave to move for reconsideration of the Texas district court opinion. Appx12-14.

To obtain a reversal, Apple must win *on both the facts and the law*. On the facts, the Texas district court found, “Dr. Islam did not use UM funds to create the invention, as required to grant rights to UM under Bylaw 3.10 ¶ 1.” Appx11, n.1. In 2013, UM’s Office of Technology Transfer (“OTT”) gave only two reasons for disputing Dr. Islam’s ownership: “[1] funds were expended towards [Cardiovascular Center (“CVC”)] ‘space costs, as well as [2] administrative time required for processing [Dr. Islam’s] joint appointment in Cardiovascular Medicine.’” Appx11, n.1 (citation omitted). The district court found those reasons inadequate to transfer ownership under ¶1 because “[u]nder this interpretation, mere employment grants UM title to a professor’s invention,” and “[e]ven UM acknowledges that mere employment does not convey any interest to the University.” *Id.* Apple and UM (in its Amicus Brief) ignore the district court’s fact findings—they neither mention them nor do they assert clear error.

In addition, UM and Apple never connect the “funds” to the asserted patents. On the contrary, the UM CVC doctors, who worked with Dr. Islam at the CVC and reviewed the patent applications, concluded in 2013 (and again in 2019) the

applications were unrelated to Dr. Islam’s CVC work. Neither Apple nor UM dispute the doctors’ statements. “[T]he facts here establish that UM had no rights to the Asserted Patents.” Appx11, n.1. Both Apple and UM concede that, under the facts as found by the district court, Omni owns the patents under Bylaw 3.10 ¶4. Blue Br. at 9, Amicus at 5.

Apple and UM skip past this factual hurdle and, instead, focus on the legal issue of whether the “shall be ...” language of the Bylaw automatically assigned Dr. Islam’s inventions to UM under ¶1. The structure of Bylaw 3.10 confirms that “shall be ...” in ¶1 is not an assignment at all. Bylaw 3.10 merely identifies intended ownership outcomes:

1. Patents ... issued ... in connection with ... research ... supported ... by funds administered by the University ... ***shall be the property of*** the University.

* * *

4. Patents ... resulting from activities which have received no support, direct or indirect, from the University ***shall be the property of*** the inventor
5. In cases which involve both University-supported activity and independent activity by a University staff member, patents ... ***shall be owned as agreed upon*** in writing

Appx1119 (reproduced in full in the Addendum).²

² Throughout the Brief, all emphasis added except as otherwise noted.

Apple admits that the determination as to which scenario applies “can be determined only in the future.” Blue Br. at 41. Read in its entirety, Bylaw 3.10 does not transfer title. This is easiest to see in ¶5, where “patents ... ***shall be owned as agreed upon*** in writing.” If, as Apple and UM argue, “shall be ...” is language of automatic assignment, to whom are the patents automatically assigned in ¶5? For inventions falling under ¶1, UM obtains assignments by requiring employees to sign a ***separate form*** that expressly transfers legal title to UM. Appx1731. Dr. Islam did not sign that form. These facts confirm that Bylaw 3.10 merely identifies intended ownership outcomes.

In addition, this Court has determined that “shall be ...” *ownership* language of the type used in the Bylaw creates, at most, an obligation to assign. *See, e.g., Chou v. Univ. of Chi.*, 254 F.3d 1347 (Fed. Cir. 2001); *Regents of Univ. of N. Mex. v. Knight*, 321 F.3d 1111 (Fed. Cir. 2003). And, because UM drafted the Bylaws and the Technology Transfer Policy (“Transfer Policy”), the Court must construe them against UM. *Turner Constr. Co. v. United States*, 367 F.3d 1319, 1321 (Fed. Cir. 2004).

Finally, UM’s actions over the years confirm that it knows Bylaw 3.10 does not transfer title. In 2016, well after Dr. Islam made his inventions, UM revised its intellectual property forms to use “hereby assigns” language of present conveyance—language missing from Bylaw 3.10. UM’s Bayh-Dole policy also

“hereby assigns” patent ownership, but the Transfer Policy does not. And, in May 2019, UM drafted and sent to Omni an unsolicited document in which it merely said UM “may” have rights in the patents-in-suit and announced, “THE UNIVERSITY MAKES NO REPRESENTATIONS ... THAT IT IS AN OWNER OR THE OWNER OF THE PATENTS” Appx1104, Appx1106. These are not the actions of a party who believes its Bylaw automatically assigns patent rights.

The Court should affirm because the facts and the law confirm Dr. Islam had legal title to his inventions, which he assigned to Omni, not UM.

STATEMENT OF THE CASE

Under Fed. Cir. R. 28(b), Omni focuses this Statement of the Case on areas of disagreement with Apple.

A. Background facts

1. Bylaw 3.10 and the Transfer Policy

Apple and UM assert that Bylaw 3.10 and UM's Transfer Policy apply to Dr. Islam and his 2012 inventions. Bylaw 3.10 has three relevant paragraphs. Appx1119. To fall within ¶1, Apple and UM must show the Omni patents-in-suit "*issued ... as a result of or in connection with* ... administration, research, or other educational activities ... supported" by UM funds. If they cannot do so, ¶4 states the patents "shall be the property of the inventor." In addition, under ¶5, if the patents-in-suit cover both "University-supported activity and independent activity by a University staff member," the patents "shall be owned" as afterward agreed between the Vice-Provost for Research and the staff member.

The 1987 Intellectual Property Manual (in effect when Dr. Islam signed his June 1992 employment contract) clarifies that UM does not expect its faculty to assign all their inventions to UM. Appx1816. The Manual, whose purpose includes "provid[ing] for the implementation of Bylaw 3.10," Appx1817, quotes the identical Bylaw 3.10 at issue here and, under the heading "Rights in Inventions," explains:

The University is concerned *only with* those ideas that are a direct result of the use of University laboratories and other facilities or equipment

and the use of University funds or funds administered by the University. These funds include general funds, special funds, grants, and contracts.

Appx1822.

UM's 2009 Transfer Policy does not change the Bylaw's rules, it "implements" them. Appx605. It repeats the Bylaw ¶1 phrase, "shall be the property of the University"—without defining it—and acknowledges the exceptions of ¶4 and ¶5. Appx606, §II, ¶1. Section III of the Transfer Policy, "Invention Reporting," requires inventors to "report any University Intellectual Property promptly." Appx607. The OTT created a reporting form, called an "Invention Report," Appx1730-1732, which *the inventor must sign and submit* for any "University Intellectual Property," *i.e.*, applications falling under ¶1. The Invention Report form includes a "Declaration & Signatures" section including the following statement:

As required, *I/we hereby assign our rights* in this invention and all resulting patents ... *to the Regents of the University of Michigan*.

Appx1731. This form, not Bylaw 3.10, assigns legal title to UM for inventions covered by Bylaw 3.10 ¶1.

Dr. Islam never signed this form because, as explained in §I.A.2, below, his inventions fell under Bylaw ¶4 and thus were not University Intellectual Property in the first place.

While Dr. Islam continued his employment with UM during his leave of absence, UM's 30(b)(6) designee, Bryce Pilz, confirmed that "the mere fact that

someone's an employee, the mere fact that they're getting a salary *does not mean that we'd [UM] own an invention created by them.*" Appx575(240:18-241:5). He also confirmed "the mere fact that a professor has space at the University" does not mean "that any of his inventions fall within 3.10, Sub 1." Appx580(258:12-17).

In Apple's "fact" section, it repeats UM's self-serving claim that "Bylaw 3.10 automatically transfer[s] the rights in the patented invention when the invention is made." Blue Br. at 6. That is not a "fact"—it is a conclusory legal statement that both the Texas and the California district courts rejected. Analyzing the relevant cases, the Texas court identified three legal reasons why "shall be ..." in ¶1 does not operate as an automatic assignment of patent rights to UM:

1. Because Bylaw 3.10 has three subparts that use "shall be ..." to describe ownership, and each addresses ownership by different entities, decisions must be made post-invention as to which subpart applies, precluding automatic assignment of future patents;
2. The Bylaw must be construed against UM, the drafter; and
3. The Transfer Policy does not change Bylaw 3.10 into an automatic assignment.

Appx7, Appx10, Appx11. Likewise, the California court held, "The words 'shall be' found in Mr. [sic] Islam's agreement with the University of Michigan ordinarily

indicate an agreement to assign inventions in the future—not a present assignment.”

Appx13 (citation omitted).

2. The inventions of the patents-in-suit are unrelated to Dr. Islam’s UM work

Apple and UM agree that, to fall within Bylaw 3.10 ¶1, UM must show “an invention was supported by” UM funding. Blue Br. at 7-8, citing Appx520(19:17-20). The undisputed evidence is that Dr. Islam’s inventions were not related to his work at UM.

In 2013, when Robin Rasor, then the Director of Licensing for UM’s OTT, refused Dr. Islam’s request to confirm that Dr. Islam owned his inventions, she gave only two reasons: “[1] Medical school funds were expended via the CVC/Cardiovascular Medicine/Department of Internal Medicine to support [Dr. Islam’s] *space costs*, as well as [2] *administrative time* required for processing [his] joint appointment in Cardiovascular Medicine.” Appx895; Appx893; *see also* Appx11, n.1. As the district court found—a finding Apple and UM do not contest—those reasons amount to “mere employment” and do not give UM ownership, regardless of how one interprets Bylaw 3.10 ¶1. Appx11, n.1; *see* Blue Br. at 9; Amicus at 5. Both of Ms. Rasor’s reasons focus on Dr. Islam’s appointment to UM’s Cardiovascular Center (“CVC”), but neither reason addresses the *inventions*.

Omni presented unrefuted evidence that Dr. Islam’s work at the CVC was *not* related to the inventions. As Mr. Pilz testified, in 2013, the CVC doctors who

worked with Dr. Islam reviewed “the patent applications in question here, and *they confirmed that those [patent applications] did not relate to their work with Dr. Islam.*” Appx580-581(261:14-262:3). And, again in 2019, when Mr. Pilz contacted two doctors while preparing for his deposition, they again “confirmed something they had told Dr. Islam earlier, which was, you know, *the particular invention that they had worked on with Dr. Islam, from their review of these patent applications was not covered by the patent applications.*” Appx566-567(205:10-206:3). This evidence, that Dr. Islam’s patent applications did not relate to his UM research, is uncontroverted and undisputed, which puts the patents-in-suit squarely under Bylaw 3.10 ¶4.

When asked “if Dr. Islam did any research in the cardiovascular center to support the inventive activities that we’re discussing today?” Mr. Pilz admitted, “I think we have not seen documents that show of [*sic*] specific research activity he’s conducted in the cardiovascular center.” Appx580(258:5-11). To this day, Apple and UM have *no evidence* to support the claim that the at-issue patents resulted from research supported by UM. That failure of proof ends the appeal.

3. The parties’ actions confirmed that Dr. Islam—not UM—owned his 2012 inventions

In February 2012, Dr. Islam informed UM he was taking an unpaid leave of absence. Appx601. In a follow-up letter, he told UM he planned to “pull[] together the foundational intellectual property” for his new company, “Omni MedSci, Inc.”

Appx603. UM's Associate Dean in the College of Engineering later confirmed, "everyone acknowledges that you took a leave to write these patents." Appx917.

During his leave, Dr. Islam received no compensation from UM. Appx904. He paid COBRA for medical coverage. *Id.* He bought and used his own computer and worked on his patent applications away from UM. *Id.* And he "did not use any sponsored funds [*i.e.*, indirect UM funds] for the patent work." *Id.* Dr. Islam's leave was not a sabbatical—he was financially independent from UM.

Dr. Islam filed his seven provisional patent applications on December 31, 2012, before he returned to UM.³ Appx877. In January 2013, he met with UM officials and gave them copies of the provisional applications. Appx904; Appx877. Despite his certainty that he owned the inventions, Appx1161(744:3-11), Dr. Islam sought a release (not reassignment) from UM to avoid the very dispute playing out on this appeal. Appx877. Dr. Islam explained, "without a release letter from UM, there may be ambiguity of ownership that would make it difficult to bring in investors to mature these applications and develop the technology." Appx911.

Throughout the discussions with UM, Dr. Islam was unwavering that he owned the inventions. Even Apple agrees that Dr. Islam "did not ask the University to 're-assign' the patents to him." Blue Br. at 2. As concisely stated by Dr. Islam:

³ He refiled one provisional in January 2013 to correct a minor error. Appx535(79:24-80:7).

“I am the inventor of these patents. I’ve assigned these to Omni. There is no ambiguity.” Appx5611(166:12–14).

Initially, the OTT was willing to “disclaim all [University] ownership” in Dr. Islam’s inventions. Appx886; *see also* Appx539(95:16-23.) Ms. Rasor planned to “send [a] letter to [Dr. Islam] agreeing NOT to claim ownership.” Appx886 (capitals in original). She had “showed some of the relevant patent applications to Drs. Oral, Berenfeld and Gurm and they are satisfied that they are not inventors on what is claimed.” *Id.*

If Bylaw 3.10 included an automatic assignment as Apple contends, Ms. Rasor’s proposal to “NOT claim ownership” makes no sense. The statement makes sense only if UM’s ownership was not automatic but must be “claim[ed].”

Apple suggests that Dr. Islam wavered in his ownership position because, in 2013, he offered UM a license to the patents as a compromise. Blue Br. at 17. But Dr. Islam told UM the patents “*are rightfully mine*” and “*are owned by me.*” Appx679, Appx920. UM understood these were “proposals [and Dr. Islam] was framing it in the context of finding a resolution.” Appx581(264:9-14).

Apple cites a 2007 agreement between UM and another of Dr. Islam’s companies, about an unrelated patent (No. 6,943,925), as evidence that “the University, not Cheetah Omni, had always owned the patent pursuant to Bylaw 3.10.” Blue Br. at 11. Contrary to Apple’s assertion, Dr. Islam never “agreed,

paragraph 1 of Bylaw 3.10 functioned to automatically transfer his entire interest in the invention to the University without any further action by him.” *Id.* at 12 (emphasis omitted). As Dr. Islam explained, “I never had any doubt in my mind that I owned Patent Number 6,943,925.” Appx1155(143:22-144:21.) He did not agree that UM owned the rights automatically. *Id.* The document was “a form letter” containing boilerplate language UM made him sign, saying essentially: “This is our form. You've got to sign it.” *Id.*

On the other hand, in two separate documents, UM has confirmed that it does *not* automatically own patents under Bylaw 3.10. In 2010, UM “waive[d] any claim to ownership” of certain of Dr. Islam’s inventions. Appx677. If, as Apple and UM now contend, UM *automatically* owns patent rights, UM would not have *waived* an ownership claim; it would have *assigned* the inventions to Dr. Islam.

Apple contends, incorrectly, that the 2010 agreement related to patent applications written during “a leave of absence.” Blue Br. at 12-13.⁴ Instead, as the agreement states, Dr. Islam wrote the applications on a “sabbatical,” during which UM paid Dr. Islam’s salary (unlike his unpaid 2012 leave). Appx677. Under the Transfer Policy, this is significant because, §II, ¶3 says UM “*will retain ownership*

⁴ Apple is also wrong when it asserts UM made “a specific finding that ‘no University support, such as employee time, facilities, or resources were used [, and] no University administered funds were used.’” Blue Br. at 13 (emphasis omitted). UM made no such findings; it merely accepted Dr. Islam’s representations. Appx677.

of Intellectual Property produced by Employees while participating in sabbaticals.” Appx606. Today, Apple and UM assert the phrase “will retain ownership” means UM owned the inventions Dr. Islam made on his sabbatical. Blue Br. at 34-35; Amicus at 9. But if so, in 2010, UM should have *assigned* the inventions, not merely *waived* an ownership claim. As discussed above, Ms. Rasor, used similar language when describing her recommendation not to “claim” ownership even had Dr. Islam used UM resources. Appx886.

More recently, in May 2019, UM confirmed the absence of an automatic assignment in ¶1 of the Bylaw. After Apple filed its Motion to Dismiss, UM sent Omni an unsolicited draft quitclaim assignment. In it, UM said it would assign whatever rights “it *may* have” in the patents-in-suit, Appx1104, ¶2.1, and disclaimed representations of ownership: “THE UNIVERSITY MAKES NO REPRESENTATIONS ... THAT IT IS AN OWNER OR THE OWNER OF THE PATENTS ...,” Appx1106, ¶5.1 (capitals in original).

Apple ignores this evidence, which contradicts Apple’s argument that UM automatically owns the patents.

4. UM has informal and formal processes for resolving ownership disputes and only the Vice President of Research decides ownership on behalf of UM

UM, like many universities, seeks to resolve disputes through informal consensus building when possible. The 2009 Transfer Policy reflects that

philosophy. It creates a multi-step ownership dispute resolution process based on consensus building.

Section VII of the Transfer Policy anticipates that, if there is an ownership dispute, both sides will try “informal procedures and consultation” to resolve the dispute. UM and Dr. Islam engaged in the informal dispute resolution process in 2013. Dr. Islam asserted that he owned his patent applications and UM disputed it. In the end, the dispute remained unresolved—Dr. Islam maintained his ownership and UM disputed it.

According to §VII, if “informal procedures and consultation” do not resolve a dispute, “any member of the University community” may “resort to a formal procedure” to resolve it by first “request[ing] in writing a review by the Associate VP, Technology Transfer.” *Id.*

Apple asserts “any member” means “employee” and only an “employee” may “resort to [the] formal procedure.” Blue Br. at 9-10. But a “dispute” has two sides and the Transfer Policy expressly allows either side—“any member”—to “resort to [the] formal procedure.” The Policy, itself, confirms this. It uses the term “Employee” repeatedly throughout the Policy. Appx605-612. Had UM intended that only an “Employee” could request formal review, it would have said “Employee” instead of “any member of the University community.” UM’s Policy

makes sense because, when “informal procedures and consultation” do not resolve a dispute, department heads, for example, may wish to have it resolved.

Mr. Pilz explained the two-step formal process: “they must request in writing a review by the associate vice president of technology transfer. And if they feel that does not resolve the issue, then they may request in writing an interpretation resolution from the vice president of research.” Appx527(47:18-23). This is the only time a **decision** is made: “The Vice President for Research (or designee)” after “diligently consult[ing] the involved parties and other University administration officials as necessary” “*communicate[s] the decision*, which shall be final, in writing, to the appellant.” Appx610.

Here, UM and Dr. Islam engaged only in “informal procedures and consultation,” which did “not provide resolution of [the] dispute.” Appx571(222:4-23), Appx582(267:20-268:3), Blue Br. at 3. Contrary to Apple’s arguments, these “informal procedures and consultation[s]” could not and did not result in any “determination,” “decision,” or “ruling” by UM and Dr. Islam does not “collaterally attack” any UM “decision.” Blue Br. at 10, 15-20, 38. As Mr. Pilz confirmed, neither side invoked the formal dispute resolution process of §VII. Appx571(222:10-11); Appx582(267:20-268:3). Thus, the only person at UM authorized to issue a “decision,” *i.e.*, the Vice President for Research, never made a “determination,” “decision,” or “ruling” resolving the dispute.

5. Other UM documents confirm that “shall be ...” in Bylaw 3.10 does not assign ownership

Apple asserts, without citation, that Dr. Islam is “flouting” UM’s “decades-long reading of its own Bylaws.” Blue Br. at 39. To the extent evidence exists of UM’s “decades-long reading,” that evidence supports Dr. Islam, not Apple. Besides UM’s 1987 Patent Policy, Appx1816-1822, and the 2010 and 2019 agreements, discussed in §I.A.3, above, Mr. Pilz authored a 2012 law review article where he explained that, when employers want to “assign rights in inventions prior to their creation” they “commonly include in employment agreements language of present assignment (i.e., ‘hereby assigns’) transferring to the employer rights in inventions an employee makes on the job.” Appx1693. No such “hereby assigns” language appears in the Bylaw, the Transfer Policy, or any document Dr. Islam signed. UM added such language to its forms in 2016.

For example, UM asks visiting scholars to sign an “Ownership of Intellectual Property” form. Paragraph 1 of the 2014 version of that form says, “I agree that such Intellectual Property *shall be* assigned to the University.” Appx1726. Realizing that “shall be ...” was not language of present assignment rights, in 2016, UM revised the form to say: “I agree that such Intellectual Property *is hereby* and shall be *assigned* to Michigan.” Appx1728.

In 2016, UM also changed its Supplemental Appointment Information form that professors sign. The 2016 Supplemental Appointment Information form states,

“As part of my obligations under Bylaw 3.10, I *hereby assign* to the Regents of the University of Michigan (‘University’) all right, title, and interest in patent rights in inventions made [with UM funds].” See <http://researchenterprise.org/2016/03/02/the-university-of-michigans-mess-of-a-present-assignment-part-1/> (last accessed 7/21/2020). “I hereby assign” is redundant if the Bylaw automatically assigns ownership to UM. *The 1992 version of the form, which Dr. Islam signed, had no such language*, Appx1674, and Dr. Islam has executed no such assignment for the patents-in-suit. Appx1636(748:18:749:4).

UM’s “Invention Report” form, Appx1730, implements Bylaw 3.10 ¶1. In the signature block, inventors agree: “I/We have reviewed and understand the University of Michigan Board of Regents Bylaw Sec. 3.10 ... and confirm that I/we will abide by the same.” Appx1731. Two sentences later, they “*hereby assign* our rights in this invention ... to the Regents of the University of Michigan.” *Id.* Once again, if the Bylaw assigned ownership to UM, the subsequent “hereby assign” would be redundant.

6. UM has not acted as the owner of the patents-in-suit

Since 2013, UM has known that Dr. Islam asserted full ownership of the inventions, and, since 2018, that Omni was suing Apple for infringing the patents. Yet, UM never “demanded that Dr. Islam cease and desist from claiming ownership

of the patents” nor has it “taken legal action” to enforce its purported rights. Appx582(268:14-22).

After Apple filed its Motion to Dismiss in the district court, UM did nothing to protect its alleged ownership rights: it did not join in Apple’s motion, it did not move to intervene, it did not file an amicus brief, and it did not attend the hearing on the motion. In the PTO, UM has not recorded its purported ownership, has prosecuted none of the patent applications, and has not told the PTO it owns the patents. And UM has not offered to reimburse Dr. Islam the significant amounts he has spent to prosecute the patents. Appx1068-1069.

By July 2019, Apple had filed six *Inter Partes* Review petitions directed to the at-issue patents and served those petitions on UM. Appx5939-5950. Under PTO regulations, a patent owner *must* file mandatory notices, 37 C.F.R. §42.8(a)(2), but UM failed to do so in every IPR. Appx5952. Thus, while UM claims to own the patents, its actions belie that claim.

B. Procedural background

Apple asserts, “[t]he court’s standing decision rested *entirely* on the threshold question of whether Dr. Islam’s employment agreement was an automatic assignment or an obligation to assign rights in the future.” Blue Br. at 20. But that was not the “entire[.]” basis for the court’s decision. The court also supported its decision based on its fact findings. Appx11, n.1. Apple does not contest those fact

findings on appeal. Hence, even if Apple were correct that the Bylaw 3.10 effectuates an automatic assignment (it does not), the Court should affirm the district court's decision because the requisite conditions for such an assignment were never met.

SUMMARY OF THE ARGUMENT

To prevail, Apple must prove (i) the patents-in-suit fall within Bylaw 3.10 ¶1—a fact question—and (ii) ¶1 automatically transferred legal title to UM—a legal issue. Neither the facts nor the law support Apple’s arguments.

Apple has no evidence to support its claim that the patents-in-suit fall within Bylaw 3.10 ¶1. Apple must show that the patents “issued ... in connection with ... research ... supported” by UM funds, which it has not done and cannot do. The doctors who worked with Dr. Islam at UM each said that Dr. Islam’s inventions do not relate to his work there. Apple and UM do not dispute that evidence and they have no contrary evidence that Dr. Islam’s patents issued in connection with UM-funded research. In addition, Apple makes no showing of clear error as to the district court’s finding that Dr. Islam did not use UM funds to create the inventions, as required to grant rights to UM under Bylaw 3.10 ¶1.

On the legal issue, the phrase “shall be ...” in Bylaw 3.10 assigns no rights. This is most apparent in ¶5, which requires a post-invention agreement to transfer title from the inventor. Paragraph 4 also confirms that Bylaw 3.10 assigns no rights. Like ¶1, ¶4 uses the phrase “shall be the property of.” If that phrase assigns legal title, as Apple and UM claim, ¶4 is nonsensical—it says the inventor assigns legal title to himself. Apple and UM do not, and cannot, explain why “shall be the property of” assigns rights in ¶1 but not in ¶4.

UM knows that Bylaw 3.10 does not, itself, assign any rights because it created a completely different mechanism to assign University-funded inventions to UM. UM's Transfer Policy, which implements the Bylaw, requires inventors to assign UM-funded inventions using an Invention Report form that, unlike the Bylaw, "hereby assigns" title to UM. The Transfer Policy contains sections inconsistent with the notion that the Bylaw assigns title. And UM's Bayh-Dole policy, which is not based on Bylaw 3.10, uses the language of present assignment, which is missing from the Bylaw and the Transfer Policy.

Because Apple cannot prevail on both the facts and the law, the Court should affirm.

STANDARD OF REVIEW

Apple correctly states the standard of review for legal issues is *de novo*. *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1363 (Fed. Cir. 2010). Apple does not mention the standard of review for the district court’s fact findings: “To the extent [any] jurisdictional facts are in dispute, however, the findings of fact are reviewed for clear error.” *Id.* (citations and quotation marks omitted) (alteration in original); *Alfa Laval Separation, Inc. v. United States*, 175 F.3d 1365, 1367 (Fed. Cir. 1999) (“Although we review legal conclusions of the [court below] *de novo*, we disturb its factual findings only if they are ‘clearly erroneous.’”)

ARGUMENT

Under the Constitution and Patent Laws, title to inventions initially vest in the inventor. *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 563 U.S. 776, 785 (2011) (“Since 1790, the patent law has operated on the premise that rights in an invention belong to the inventor.”). An inventor may transfer title by written assignment. *Taylor v. Taylor Made Plastics, Inc.*, 565 Fed. Appx. 888, 889 (Fed. Cir. 2014) (“Legal title vests initially in the inventor, and passes to others only through assignment or other effective legal transfer.”)

A patent assignment clause in a contract may automatically assign future patent rights or may merely create an obligation to assign. *DDB Tech. v. MLB Adv. Media, LP*, 517 F.3d 1284, 1290 (Fed. Cir. 2008) (citations omitted). Although assignment contracts, in general, are governed by state law (here, Michigan law) Federal Circuit law controls whether a patent assignment clause is a present/automatic assignment or merely obligates the inventor to assign patent rights in the future. *Id.* With an automatic assignment, legal title passes from the inventor to the assignee; with an obligation to assign, legal title remains with the inventor and the assignee obtains, at most, equitable rights under the assignment clause. *Id.*

“In patent litigation between private parties, equitable rights of ownership of strangers to the suit cannot be raised as defenses against the legal titleholder of a patent.” *FilmTec Corp. v. Hydranautics*, 982 F.2d 1546, 1550 (Fed. Cir. 1992)

(citation omitted). Therefore, there is no basis to dismiss this case unless (i) the patents-in-suit fall within Bylaw 3.10 ¶1 and (ii) ¶1 automatically transferred legal title to UM.

A. Apple must prove Bylaw 3.10 ¶1 applies to the patents-in-suit

Dr. Islam is the sole inventor of the patents-in-suit. In 2013, he filed the first non-provisional parent/grandparent application, Serial No. 14/108,986 (“the ‘986 application”), assigned the application to Omni, and recorded the assignment in the PTO. Appx1808. The ‘986 application is the parent of the asserted ‘533 patent, and the grandparent of the asserted ‘299 patent, both of which are continuations. Appx178(1:10-14), Appx410(1:7-14). Apple confirms these facts. Blue Br. at 18.

Omni made the necessary *prima facie* showing of legal title, putting the burden on Apple to rebut it. *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319, 1327-28 (Fed. Cir. 2010) (“The recording of an assignment with the PTO ... creates a presumption of validity as to the assignment and places the burden to rebut such a showing on one challenging the assignment.”). Paraphrasing the district court in another lawsuit involving Apple: “Apple, as the party asserting that [Omni’s] U.S. patent rights were assigned to [UM] has the burden to rebut the presumption of validity of the recorded chain-of title.” *Smartflash LLC v. Apple, Inc.*, No. 6:13-CV-447-JRG-KNM, 2015 WL 11072177, at *5 (E.D. Tex. Feb. 3, 2015), *adopted*, No. 6:13-CV-447-JRG-KNM, 2015 WL 11089751 (E.D. Tex. Feb. 13, 2015).

B. The uncontested facts confirm Dr. Islam owned the patents-in-suit under Bylaw 3.10 ¶4 and that should end the appeal

To meet its burden of proof, Apple must show how the patents-in-suit—initially disclosed in the provisional patent applications—relate to Dr. Islam’s work at UM’s CVC. *See Wehr Co. v. Winsor*, 19 F.2d 231, 231 (6th Cir. 1927) (“[t]he burden was on [the employer] to prove that the invention came within the terms of the [employment] agreement.”). Apple and UM have no such evidence. They never compare the patents to Dr. Islam’s CVC work because, as Mr. Pilz admitted, UM does not even have evidence of the “specific research activity [Dr. Islam] conducted in the cardiovascular center,” Appx580(258:5-11). Because Apple does not link the patents to any UM-funded work, Dr. Islam and Omni own the patents under Bylaw 3.10 ¶4.

1. The uncontested analyses of Dr. Islam’s inventions confirm they were *not* based on his work at UM

In January 2013, when he returned from his leave of absence, Dr. Islam met with UM officials and gave them copies of his seven provisional applications. Appx904; Appx877. Dr. Islam also gave copies to the CVC doctors with whom he had been conducting research. Appx580-581(261:14-262:3).

As noted in §I.A.2, above, Ms. Rasor’s reasons for disputing Dr. Islam’s ownership were based on his appointment to UM’s CVC. To verify whether the inventions related to Dr. Islam’s CVC research, Ms. Rasor “showed some of the relevant patent applications to Drs. Oral, Berenfeld and Gurm *and they are satisfied*

that they are not inventors on what is claimed.” Appx886. Mr. Pilz agreed that the CVC doctors had reviewed “the patent applications in question here, and they confirmed that *those [patent applications] did not relate to their work with Dr. Islam.*” Appx580-581(261:14-262:3). They had memorialized their analyses in emails, which “confirmed that the patent applications in question *did not relate to their work with [Dr. Islam] that had resulted in that invention that was disclosed to tech transfer.*” Appx558(171:9-172:6).

The CVC doctors never wavered. After Apple subpoenaed UM for deposition in these lawsuits, Mr. Pilz, who succeeded Ms. Rasor as OTT Director of Licensing, contacted two of the doctors to prepare for his deposition. Appx566(205:10-15). They again “confirmed something they had told Dr. Islam earlier, which was, you know, the particular invention that they had worked on with Dr. Islam, from their review of these patent applications was not covered by the patent applications.” Appx566-567(205:10-206:3).

This evidence from the people most knowledgeable about Dr. Islam’s work is uncontroverted and undisputed. UM and Apple offer no contrary evidence addressing the at-issue inventions. Apple asserts in its Introduction that “the University determined that University funds did support the asserted patents,” and later that the heads of UM’s CVC and College of Engineering “agreed with the University’s determination.” Blue Br. at 1, 15. But Apple’s statements are notable

for their lack of specificity—Apple cites no comparison between Dr. Islam’s patent applications and his UM work. One would expect Apple, and its well-respected counsel, to have presented charts comparing the patents to Dr. Islam’s research. No such charts—or any comparison—exist.

Apple does not link the funds for “space costs” and “administrative time” to Dr. Islam’s patent applications as required under Bylaw 3.10 ¶1. On the contrary, Mr. Pilz agrees that incurring “space costs” for a professor does not give UM ownership of the professor’s inventions. Appx580(258:12-17). Likewise, expending funds for an “appointment” to the CVC does not give UM ownership of a professor’s inventions. Appx580(260:14-18).

In its Brief, Apple adds a third reason not stated by Ms. Rasor. It claims: “The University also found that Dr. Islam had received support from University faculty members, who had ‘helped springboard ideas with [Dr. Islam]’ related to his patent applications.” Blue Br. at 14-15. But contrary to Apple’s editorial alteration of the quote, the quoted sentence does not refer to (nor does any other part of the email refer to) Dr. Islam’s “patent applications.” Appx885. The phrase “springboard ideas” is a broad generalization. Ideas about what? Neither Apple nor UM present evidence that Dr. Islam’s patent applications used the alleged “springboard ideas” in his patents. To this day, no one at Apple or UM has ever contradicted the CVC

doctors or shown the patents-in-suit “issued ... as the result of ... research” supported by UM funds.

Apple also cites emails from the Dean of Engineering (Dr. Munson) and Director of the CVC (Dr. Pinsky) as “evidence” that Dr. Islam used UM funds for his inventions. *See* Blue Br. at 15 citing Appx885, Appx889, Appx893, Appx541-542(103:2-104:6, 106:8-109:9). But the cited emails contain no specifics and no evidence that the Dean and Director analyzed the patent applications or linked them to UM funding as the Bylaw requires. Dr. Munson asked Ms. Rasor for “more information,” Appx541(102:2-9), but there is no record she gave him copies of the patent applications. Likewise, there is no record that Ms. Rasor gave Dr. Pinsky copies of Dr. Islam’s patent applications. Instead, she gave them to the CVC doctors who worked with Dr. Islam, who said Dr. Islam’s applications did not cover the research they had done together. Appx889-890.

UM makes the same conclusory argument as Apple: “The University’s investigation revealed that Professor Islam had, in fact, used University resources while inventing the claimed inventions.” Amicus at 5. Like Apple, UM gives no specific examples of “resources” used “while inventing” because none exist. UM string cites blocks of Mr. Pilz’s deposition transcript, but his comments are conclusory statements lacking any specifics or evidence showing that the patents arose from the research.

Omni's evidence from the CVC doctors who knew Dr. Islam's CVC work and who reviewed his applications, stands uncontested and unrefuted: Dr. Islam's patent applications did *not* relate to Dr. Islam's work at UM. Appx558(171:9-172:6); Appx566-567(205:10-206:3); Appx580-581(261:14-262:3); Appx886.

2. Apple ignores the district court's fact findings and makes no showing they are clearly erroneous

As support for its holding that Omni owned the at-issue patents, the district court made the following fact findings:

- “UM's only basis for obtaining any rights to the Asserted Patents was that funds were expended towards ‘space costs, as well as administrative time required for processing his joint appointment in Cardiovascular Medicine;’”
- Spending money on “space costs” and “administrative time required for processing” an appointment constitutes “mere employment;”
- “UM acknowledges that mere employment does not convey any interest to the University;”
- “Dr. Islam did not use UM funds to create the invention, as required to grant rights to UM under Bylaw 3.10 ¶ 1.”

Appx11, n.1. Apple and UM ignore these findings. Apple has not even tried to show that the district court's findings were clear error as required to overturn them. *Abraxis*, 625 F.3d at 1363; *Alfa*, 175 F.3d at 1367.

The district court’s undisturbed fact findings and the CVC doctor’s undisputed evidence should end the appeal. Dr. Islam did not use UM resources for his patents, which means “the invention[s] would belong to him under subpart (4) of Bylaw 3.10.” Amicus at 5.

C. Apple wrongly characterizes the legal dispute as an Article III “standing” issue

Apple asserts the issue to be decided here is Article III “standing.” *See, e.g.,* Blue Br. at 1, 3, 5, 14, 20, 21-22, 24, 26-30. It is not. In *Lone Star Silicon Innovations LLC v. Nanya Tech. Corp.*, 925 F.3d 1225, 1235-36 (Fed. Cir. 2019), the Court held, “[w]e therefore firmly bring ourselves into accord with *Lexmark [Int’l, Inc. v. Static Control Components, Inc.]*, 572 U.S. 118 (2014)] and our sister circuits by concluding that ***whether a party possesses all substantial rights in a patent does not implicate standing or subject-matter jurisdiction.***”

Apple ignores *Lone Star*’s holding that an ownership dispute like the one raised in Apple’s appeal “does not implicate standing.” Apple relegates the pertinent discussion of *Lone Star* to a mere footnote. Blue Br. at 30, n.13.

At the pleading stage, the plaintiff need only make “general factual allegations” to satisfy Article III standing requirements. *Lone Star*, 925 F.2d at 1234 (quoting *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 561 (1992)). In *Lone Star*, the Court held that *Lone Star* had adequately pled Article III standing because it “alleged that it possesses exclusionary rights and that Appellees infringe those rights.” *Id.*

This was true despite the district court’s finding, affirmed on appeal, that Lone Star did not have such rights. *Id.* at 1236 (“although Lone Star does not possess all substantial rights in the asserted patents its allegations still satisfy Article III.”).

The Court recently confirmed, “[a]s long as a plaintiff alleges facts that support an arguable case or controversy under the Patent Act, the court has both the statutory and constitutional authority to adjudicate the matter.” *Schwendimann v. Arkwright Adv. Coating, Inc.*, 959 F.3d 1065, 1071 (Fed. Cir. 2020). The Court held, “[b]ecause Ms. Schwendimann’s Complaint contained such allegations—that she is the owner by assignment of the ’845 patent and Appellants infringed that patent—there is no ‘standing’ issue to be decided in this appeal.” *Id.*

Apple contends, in footnote 13, that the Court can treat Apple’s Rule 12(b)(1) motion as a Rule 12(b)(6) motion and doing so is “harmless.” Apple ignores that a 12(b)(6) motion is limited to allegations in the pleadings. *Lee v. City of Los Angeles*, 250 F.3d 668, 688 (9th Cir. 2001) (“As a general rule, a district court may not consider any material beyond the pleadings in ruling on a Rule 12(b)(6) motion.”) (internal quotation marks and citation omitted). Such a conversation also makes Apple’s argument that Rule 12(b)(1) allows “affidavits or other evidence” irrelevant. Blue Br. at 28-29.

Apple does not dispute that both of Omni’s complaints contained the requisite allegations for Article III standing: Omni stated it owns the patents by assignment,

Appx2492; Appx6517, and that Apple infringes the patents, Appx2496-2509; Appx6520-6531. Because Omni's complaint properly plead ownership and infringement, Apple's Article III standing arguments are moot.

D. The district courts correctly held that “shall be ...” in Bylaw 3.10 is not language of present assignment

1. Bylaw 3.10 assigns no rights

Apple and UM assert that the phrase “shall be ...” in Bylaw 3.10 ¶1 automatically assigns future patents to UM. That argument ignores Bylaw 3.10 as a whole, the Transfer Policy, and UM's conduct.

(a) Bylaw 3.10, as a whole, confirms that the Bylaw assigns no rights

Bylaw 3.10, read as a whole, reveals that the Bylaw does not operate to assign *any* rights to anyone. Instead, it identifies three intended ownership outcomes and leaves it to the Transfer Policy to implement the Bylaw and obtain assignments.

The three relevant paragraphs cover the three possible invention scenarios: patents made with UM funds (¶1), patents made without UM funds (¶4), and patents made partly with UM funds and partly without (¶5). In each case, the Bylaw uses the phrase “shall be ...” to identify the intended ownership outcomes:

1. Patents ... issued ... as the 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, ... *shall be the property of the University.*

* * *

4. Patents ... resulting from activities which have received no support, direct or indirect, from the University ***shall be the property of the inventor*** ... 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 ... ***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 It is understood that such agreements shall continue to recognize the traditional faculty and staff prerogatives and property rights concerning intellectual work products.

Appx1119.

According to Apple, Bylaw 3.10 is a contractual obligation that “Dr. Islam is ... bound to follow.” Blue Br. at 22. As a contract, it “must be considered as a whole and interpreted to effectuate its spirit and purpose, giving reasonable meaning to all parts.” *Hunt Constr. Group, Inc. v. United States*, 281 F.3d 1369, 1372 (Fed. Cir. 2002) (citations omitted); *accord.*, *Medlin Constr. Group, Ltd. v. Harvey*, 449 F.3d 1195, 1200 (Fed. Cir. 2006) (reviewing the contract as a whole to determine the meaning of relevant provisions). UM agrees: “Federal Circuit law holds that courts should consider the full contractual language in determining whether the assignment is automatic or merely a promise to assign in the future.” Amicus at 9, n. 4. Read as a whole, the phrase “shall be ...” in the Bylaw cannot assign legal title because, in two of the three paragraphs, it is *impossible* for that phrase to operate as an assignment.

Apple and UM focus on ¶1, ignoring ¶¶4 and 5, which do not and cannot assign patent rights. Under ¶4, patents “shall be the property of the inventor”—the same “shall be the property of” phrase as ¶1. Applying Apple and UM’s theory that “shall be the property of” automatically assigns rights, the phrase “shall be the property of the inventor” automatically assigns the invention to the inventor. But that is nonsense—inventors do not assign inventions to themselves; they have legal title *ab initio*. *Roche*, 563 U.S. at 780; *Taylor*, 565 Fed. Appx. at 889. Because Apple and UM’s interpretation of “shall be the property of” makes ¶4 absurd, it cannot be the correct interpretation. *Giove v. Dep’t of Transp.*, 230 F.3d 1333, 1340 (Fed. Cir. 2000) (“[w]e must interpret the contract in a manner that gives meaning to all of its provisions and makes sense.”); *Gould, Inc. v. United States*, 935 F.2d 1271, 1274 (Fed. Cir. 1991) (clarifying that a preferable interpretation of a contract gives meaning to all parts of the contract rather than one that leaves a portion of the contract “useless, inexplicable, void, or superfluous”).

Apple and UM do not, and cannot, explain the inconsistency that “shall be the property of” assigns rights in ¶1, but the identical phrase does not do so in ¶4. Applying the rule that identical contract language “should certainly receive identical construction,” *Drouillard v. Am. Alternative Ins. Corp.*, 504 Mich. 919, 921, 929 N.W.2d 777, 779 (2019) (citation and footnote omitted), “shall be the property of” assigns no rights in ¶1 because it **cannot** assign rights in ¶4.

Paragraph 5 also confirms that Bylaw 3.10 assigns no rights, automatically or otherwise. Under ¶5, the inventor and UM must decide who will own the invention, and in what proportions, before the patent “shall be” owned by one or both. Indisputably, “shall be ...” in ¶5 does not assign legal title.

All three paragraphs of Bylaw 3.10 use “shall be ...” to express an intended ownership outcome. But, for the Bylaw to make sense, “shall be ...” cannot operate as an assignment. UM knows this, which is why it does not rely on the Bylaw to transfer legal title to University-funded inventions.

(b) The Transfer Policy, implementing the Bylaw, requires a “further act”—employees must submit an Invention Report that “hereby assigns” University-funded inventions to UM

To “implement[]” Bylaw 3.10, Appx605, Section III of the Transfer Policy (titled “Invention Reporting”) requires inventors to “report any University Intellectual Property promptly” to the OTT. Appx607. The OTT created an “Invention Report” form an inventor must sign and submit for all “University Intellectual Property,” *i.e.*, inventions falling under ¶1 of the Bylaw. Appx1730-1732. The Invention Report form includes a “Declaration & Signatures” section that identifies Bylaw 3.10, Appx1731, but does not rely on the Bylaw to transfer title from the inventor. Instead, the form states, “*I/we hereby assign our rights in this invention and all resulting patents ... to the Regents of the University of Michigan.*” *Id.* The Invention Report form thus transfers legal title using express words of

present assignment, not because of Bylaw ¶1. UM created this mechanism to assign UM-funded inventions because Bylaw 3.10 does not do so.⁵

Other sections of the Transfer Policy also confirms that “shall be ...” in Bylaw 3.10 is not language of present assignment. In §II, “Ownership of Intellectual Property,” UM repeats the language of Bylaw ¶1: “shall be the property of the University.” Appx606, §II, ¶1. Paragraphs 2-7 of §II elaborate further on ¶1. Appx606-607.

In §II, ¶4, the Transfer Policy says, “the University does *claim ownership* of Intellectual Property created by students in their capacity as Employees.” If the Bylaw automatically assigned inventions made by Employees to UM, UM would have written, “the University *owns* Intellectual Property created by students in their capacity as Employees,” not “claim ownership.”

Compare §II, ¶7: “Trade and service marks not incorporating previously-existing University marks ... are within the scope of this Policy as they *are owned* by the University” This unambiguous statement of present ownership—“are

⁵ Apple and UM ignore that the Transfer Policy expressly requires “further action,” including “execut[ing] a separate assignment” when they assert that UM does not require “employee-inventors to take further action to transfer title to inventions after they are made,” Blue Br. at 7, and “[a]n employee *does not* have to execute a separate assignment or take another action for title to transfer to the University,” Amicus at 7-8 (emphasis in original).

owned”—contrasts with ¶4 and Bylaw 3.10, neither of which asserts present ownership.

Section II, ¶5 of the Transfer Policy has a similar problem if UM automatically owns inventions. It says, “[t]he University *will own* Intellectual Property made by a former University employee [if funded by UM].” Why the future-tense “will”? Why not just say “owns” like ¶7? The future-tense “will own” again confirms UM’s understanding that “shall be ...” in Bylaw 3.10 is not an assignment.

Ignoring these paragraphs, Apple and UM cite §II, ¶3’s “will retain ownership” language out of context. That paragraph applies only to “Intellectual Property produced by Employees while participating in sabbaticals or other external activities if they receive salary from the University for such activity.” In context, the point of the paragraph is to explain that paid sabbaticals (unlike Dr. Islam’s unpaid leave) are not exempt from the Policy. “[W]ill retain ownership” simply means UM is not relinquishing ownership claims.

Apple and UM also cite §VI of the Transfer Policy as support for an automatic assignment. Blue Br. at 9, 34; Amicus at 10. But like §II, ¶3, this section reveals nothing about how UM obtained its rights in the first place. As discussed in §I.A.5, above, UM obtains present assignments of legal title when an inventor submits an Invention Report, executes an Ownership of Intellectual Property form, or signs a Supplemental Appointment Information form, for example. Each form “hereby

assigns” patent rights to UM. Because UM acquires ownership through various forms, §II, ¶3 and §VI do not support Apple and UM’s argument.

(c) The “shall be ...” language in Bylaw 3.10 is not a present assignment of future patent rights under Federal Circuit law

The following table summarizes the agreement language from this Court’s cases resolving contractual patent ownership disputes.

Case	Present Assignment	No Present Assignment
<i>Roche</i> , 563 U.S. 776 (2011), <i>aff’g</i> , 583 F.3d 832 (Fed. Cir. 2009)	“do[es] <i>hereby assign</i> ”	
<i>DDB Techs.</i> , 517 F.3d 1284 (Fed. Cir. 2008)	“agrees to and does <i>hereby grant and assign</i> ”	
<i>Chou</i> , 254 F.3d 1347 (Fed. Cir. 2001)		“ <i>shall be the property of</i> the University, and <i>shall be assigned, as determined by the University</i> , to the University, to an organization sponsoring the activities, or to an outside organization deemed capable of administering patents”
<i>Speedplay, Inc. v. Bebop, Inc.</i> , 211 F.3d 1245 (Fed. Cir. 2000)	“ <i>hereby</i> conveys, transfers, and <i>assigns</i> ”	
<i>Knight</i> , 321 F.3d 1111 (Fed. Cir. 2003)		“such inventions and discoveries <i>belong to the University</i> ”

Case	Present Assignment	No Present Assignment
<i>Arachnid, Inc. v. Merit Indus., Inc.</i> , 939 F.2d 1574 (Fed. Cir. 1991)		<i>“shall be the property of [Arachnid], and all rights thereto will be assigned by IDEA ... to [Arachnid]”</i>
<i>FilmTec Corp. v. Allied-Signal Inc.</i> , 939 F.2d 1568 (Fed. Cir. 1991)	<i>“does hereby grant . . . the full and entire domestic right, title”</i>	

The clear line of demarcation is the presence or absence of language immediately transferring legal title, *e.g.*, the “hereby assigns” or “hereby grants title” in *Roche*, *DDB*, *Speedplay* and *FilmTec*. Apple calls them “magic words,” but words matter. In contrast, the *Chou*, *Knight*, and *Arachnid*, agreements **lack** language of automatic title transfer. The language at issue in the present case most closely aligns with *Chou*, *Knight*, and *Arachnid*, and lacks the present assignment or title transfer language in *Roche*, *DDB*, *Speedplay* and *FilmTec*.⁶ As the Texas court below held and the California court confirmed, “[t]he words ‘shall be’ found in [D]r. Islam’s agreement with the University of Michigan ordinarily indicate an agreement to assign inventions in the future—not a present assignment.” Appx13.

⁶ Apple claims that the “hereby assigns” cases apply here because “Dr. Islam’s agreement says ‘I agree.’” Blue Br. at 44, n. 15. But Dr. Islam did not “agree” to assign patent rights, he merely “agree[d] to abide by all University rules and regulations.” Appx592.

The two primary cases UM relies on are not relevant here. *First*, they are district court cases, not Federal Circuit cases. *C.R. Daniels v. Maztec Int'l Grp.*, No. 11-01624, 2012 WL 1268623 (D. Md. Apr. 13, 2012); *Affymetrix, Inc. v. Illumina, Inc.*, 446 F. Supp. 2d 292 (D. Del. 2006). *Second*, they are readily distinguishable. In *C.R. Daniels*, the district court's decision turned on contract language not present here: "In my view, the phrase 'without further consideration' ***is of key importance in the analysis***, as it indicates that the agreements contemplated that 'no further act would be required once an invention came into being; the transfer of title would occur by operation of law.'" 2012 WL 1268623, at *11 (quoting *FilmTec*, 939 F.2d at 1568.) Not only is the contract language of *C.R. Daniels* not present in the Bylaw, the Transfer Policy expressly requires the "further act" of reporting the invention and assigning legal title to UM, as discussed in §I.D.1(b), above.

In *Affymetrix*, the district court (1) applied California state contract law, not Federal Circuit law, (2) cited testimony from one of the inventors it was the result they expected, and (3) found "[inventor] Wagner has never challenged Affymax/Affymetrix's ownership of the invention." 446 F. Supp. 2d at 296-97. In the present case, (1) Federal Circuit law applies, (2) Dr. Islam has not said that he expected UM to own the patents-in-suit, and (3) Dr. Islam has expressly "challenged" UM's purported ownership.

The Federal Circuit’s “university” cases, which Apple and UM overlook, are more on point. *Chou* confirms that “shall be the property of the University” does not automatically transfer legal title. The University’s Patent Statute in *Chou* used the same “shall be the property of the University” phrase as Bylaw 3.10. *Id.* at 1357. Like Bylaw 3.10, the University’s Patent Statute defined three ownership outcomes: (1) assignment to the University, (2) assignment to an organization sponsoring the activities, or (3) assignment to an outside organization capable of administering patents. *Chou*, 254 F.3d at 1357. (“if Chou is indeed an inventor of the contested subject matter, she **would be obligated to assign** those inventions to the University.”).

Similarly, in *Knight*, the Court analyzed a university Patent Policy that said inventions made with university funds “belong to the University” and the Co-Inventor Agreement states, “the University is the owner of the Inventions.” 321 F.3d at 1119. UNM (Univ. of N. Mex.) sued for breach of contract because two faculty members refused to assign ownership of certain patent applications. The Federal Circuit held “they have violated their contractual obligation to assign.” It found that the faculty members “were contractually **obligated to assign** the patents and applications to UNM” and “UNM is therefore **entitled to be** the rightful owner of the beta-alethine patents and applications.” *Id.* at 1121; *see also, id.* at 1122-23 (“UNM is **entitled to own**”). The Court did not say that the Patent Policy had already

transferred title to the inventions to UNM. Even though the Patent Policy has language more closely aligned with a present transfer of legal title, the inventors merely had an obligation to assign.

(d) The contrast between UM’s Transfer Policy and its Bayh-Dole policy confirm “shall be ...” is not language of automatic assignment

UM’s policy on “Bayh-Dole Compliance” confirms that the Bylaw does not transfer rights automatically. UM’s Bayh-Dole policy automatically assigns patent rights, but not by virtue of Bylaw 3.10: “As required by *37 CFR 401.14(f)(2) and other funding agreements*, any employees and researchers ... *hereby assign* to the University the entire right, title and interest in and to each invention.” <http://techtransfer.umich.edu/for-inventors/policies/bayhdole/> (last accessed 7/22/2020). This Bayh-Dole policy confirms two things. *First*, Bylaw 3.10 is irrelevant to the Bayh-Dole policy and patent ownership under it—the policy does not mention the Bylaw. *Second*, UM knows to use “hereby assign” when it wants a present assignment of inventions. Using “hereby assign” in the Bayh-Dole policy but *not* in the Transfer Policy or Bylaw 3.10 confirms that “shall be the property of” in the Transfer Policy and Bylaw is not a present assignment.

UM claims, without citing support, that Bylaw 3.10 must automatically assign inventions to UM so it can comply with the 1980 Bayh-Dole Act (35 U.S.C. § 200, *et seq.*). Amicus at 2, 8. The Regents did not create Bylaw 3.10 to comply with

Bayh-Dole. The Bylaw 3.10 has existed in its present form since 1976, four years *before* the Bayh-Dole Act. *See* University of Michigan, Proceedings of the Board of Regents (1975-1978), pp. 337-38 (available at http://quod.lib.umich.edu/u/umregproc/ACW7513.1975.001/347?rgn=full+text;view=image;q1=patent*, last accessed 7/26/2020).

Bylaw 3.10 ¶1 does not affect UM's compliance with the Bayh-Dole Act. The Bayh-Dole Act does not "mandate university ownership of inventions." Nelson, "Defending the Freedom to Innovate: Faculty Intellectual Property Rights after *Stanford v. Roche*," p. 7 (Am. Ass'n. of Univ. Profs. 2014) (available at <http://www.aaup.org/report/defending-freedom-innovate-faculty-intellectual-property-rights-after-stanford-v-roche-0>, last accessed 7/24/2020). Although universities "have tried to claim that the only way they can guarantee that faculty members will honor these responsibilities is by taking ownership of all faculty inventions, ... faculty members have long been able to honor [the Act's] requirements without assigning their intellectual property rights to the university." *Id.* Under the Act, compliance is achieved through a government funding agreement, not by assigning patent rights to the university: "Each funding agreement ... shall contain appropriate provisions to effectuate" the statute's requirements. 35 U.S.C. § 202(c)(1). Thus, UM relies on funding agreements and its Bayh-Dole policy, not Bylaw 3.10, to comply with the Bayh-Dole Act.

(e) UM's actions show it knows "shall be ..." is not language of automatic assignment

UM has shown by its actions that Bylaw 3.10 ¶1 does not assign inventions. This is plain from positions UM has taken with Dr. Islam, changes it has made to its forms, and statements of Ms. Rasor.

In May 2019, after Apple had filed its Motion to Dismiss, UM drafted, and sent unsolicited to Omni, a quitclaim assignment in which UM said it would assign whatever rights "it *may* have" in the at-issue patents. Appx1104. Confirming its understanding there had been no automatic assignment, UM said (in all caps), "THE UNIVERSITY MAKES NO REPRESENTATIONS ... THAT IT IS AN OWNER OR THE OWNER OF THE PATENTS" Appx1106. If UM believed it already owned the patents-in-suit, it would not have referred to rights "it may have" and would not have repudiated ownership in capital letters.

UM's capitalized disclaimer is not mere boilerplate. The disclaimer does not appear in other UM agreements, *compare* Appx1106, ¶5.1 with Appx620, ¶8, and UM personalized the clause by specifically naming "OMNI AND ISLAM." UM wrote it in all capitals to ensure that anyone reading the agreement would see it.

In March 2013, Ms. Rasor said, in separate emails written on different days, "Arguably the University *could make a claim on inventions made using our funding and facilities.*" Appx880; Appx886. If UM believed Bylaw 3.10 assigned rights automatically, Ms. Rasor, the OTT Licensing Director, would have said

“Arguably the University the University *owns* inventions made using our funding and facilities.”

In 2011, Ms. Rasor wrote about the impact *Roche* had on university patent policies. She noted that a problem Stanford had was, “[i]n Stanford’s form of inventor agreement, the professor promised they would assign any inventions they subsequently made when they made them.” <http://community.autm.net/blogs/robin-rasor/2011/06/07/supreme-court-decision-in-stanford-vs-roche> (last accessed 7/28/2020). She contrasted Stanford’s form with Roche’s, which “said ‘I do hereby assign any inventions I make’ to Roche.” *Id.* Ms. Rasor, then noted, “Many U.S. universities may have used the problematic Stanford language in employment contracts and invention disclosure forms and are planning to, or already have, address the matter.” *Id.*

UM is an example of a university who used “the problematic Stanford language.” UM fixed the problem by changing its *forms*, but not the Bylaw or the Transfer Policy, to include language of present assignment, *i.e.*, “hereby assigns” as detailed in §I.A.5, above. If the Bylaw assigned inventions automatically to UM, why did UM go to the trouble and expense of revising its forms to add present assignment language? Apple and UM offer no explanation.

2. The Court must construe the Bylaw against UM

UM asserts, based on its self-proclaimed autonomy, that ambiguities in the Bylaw and Transfer Policy should not be construed against UM, the drafter. Amicus at 18-21. But courts do not defer to governmental entities when construing contracts. Instead, they construe them against government agencies. *Turner Constr.*, 367 F.3d at 1321 (“Contracts between the government and private contractors are subject to the general law of contracts When a dispute arises as to the interpretation of a contract and the contractor’s interpretation of the contract is reasonable, we apply the rule of *contra proferentem*, which requires that ambiguous or unclear terms that are subject to more than one reasonable interpretation be construed against the party who drafted the document.”) (citations omitted); *Hills Materials Co. v. Rice*, 982 F.2d 514, 516 (Fed. Cir. 1992) (“Where [] a latent ambiguity exists, the court will construe the ambiguous term against the drafter of the contract when the nondrafter’s interpretation is reasonable.”).

Even assuming, for argument’s sake, that UM’s autonomy warranted deference under some circumstances, that deference is inapplicable here. Courts give deference when “[a]gencies (unlike courts) have ‘unique expertise,’ often of a scientific or technical nature, relevant to applying a regulation ‘to complex or changing circumstances.’” *Kisor v. Wilkie*, 139 S. Ct. 2400, 2413 (2019) (citation omitted). Here, UM’s proposed interpretation is not grounded in any “unique

expertise” and it is a financially motivated interpretation. In *So. Cal. Edison Co. v. United States*, this Court held deference is inappropriate in a contract dispute in which the agency has a financial interest. *So. Cal. Edison Co. v. United States*, 226 F.3d 1349, 1357 (Fed. Cir. 2000); *see also Brown v. United States*, 195 F.3d 1334, 1340 (Fed. Cir. 1999) (“The interpretation of regulations which are incorporated into government contracts is a question of law which this court is free to resolve.”). Under the governing principles of contract interpretation, Bylaw 3.10 must be construed against UM.

E. Apple focuses on cases that did not address the issue presented here

Citing *Roche*, Apple asserts that “future-tense language” in certain Atomic Energy Commission, NASA, and Department of Energy *statutes* transfer rights “automatically” from inventors to the Federal government Blue Br. at 32. The Supreme Court did not say that. It noted that the AEC, NASA, and DoE statutes vest rights *ab initio* in the government—requiring no transfer of legal title—unlike “the Bayh-Dole Act [which] ‘does not automatically void *ab initio* the inventors’ rights in government-funded inventions.” *Roche*, 563 U.S. at 784 (citation omitted).

The issue on this appeal is not where rights vest *ab initio*. No one disputes that, *ab initio*, the rights at issue here vested in Dr. Islam. The question is whether, *after* those rights vested, did legal title transfer to UM? Nothing the Supreme Court

said about vesting under the AEC, NASA, or DoE statutes helps to answer that question.

Apple also cites the “magic words” “shall vest in the United States” from the Federal Circuit’s 1992 *FilmTec* case. Blue Br. at 32. Once again, however, the issue before the Court was vesting, not transfer of ownership after vesting—the issue here.

Apple cites *Heinemann v. United States*, 796 F.2d 451 (Fed. Cir. 1986) as “analogous” to *Roche*. Blue Br. at 32-33. Again, *Heinemann* did not consider the issue here and *Heinemann* differs on both the facts and the law.

Heinemann developed advanced munitions technology for the Army. Heinemann later filed an infringement suit against the government asserting that the government’s use of his invention was a taking without due process in violation of the Fifth Amendment. Ultimately, the Court of Claims tasked the Army with making a “final determination” under Executive Order 10096, which concerned inventions made by government employees.

The Army determined “the Government is entitled to an assignment of the invention.” Heinemann appealed the decision to the PTO Commissioner, who affirmed the Army’s decision, but said the “Government is entitled to retain all right, title and interest in and to the invention.” After the Claims Court dismissed Heinemann’s complaint, Heinemann appealed to the Federal Circuit.

The Federal Circuit applied the “arbitrary or capricious” standard of review under the Administrative Procedure Act and did not disturb the underlying fact findings. *Heinemann*, 796 F.2d at 454. Also, “Heinemann did not challenge the material facts relied upon in the Government’s motion.” *Id.* at 456. Here, in contrast, the district court did not find that UM owns Dr. Islam’s inventions, just the opposite. Appx11.

Legally, the Federal Circuit’s affirmance does not help answer the question on this appeal because the Court did not consider or discuss the assignment clause in the Executive Order. The Executive Order states “the Government ***shall obtain*** the entire right, title and interest in and to all inventions,” which implies a subsequent assignment obligation. Consistent with that implication, the Army concluded that “the Government ***is entitled to an assignment*** of the invention”—*i.e.*, it imposed an obligation to assign. The PTO, however, turned that obligation into a present assignment with no reasoning or explanation mentioned in the Federal Circuit’s decision. No one raised the discrepancy and the Federal Circuit did not address it. Thus, *Heinemann* never reached the legal issue in this case.

Likewise, the D.C. Circuit, in the unpublished decision Apple cites on Blue Br. p. 33, did not hold that the phrase “[t]he Government shall obtain” automatically assigns legal title. *Li v. Montgomery*, 221 F.3d 196 (D.C. Cir. 2000) (unpublished). The court was addressing a *pro se* plaintiff’s alternative argument and merely

referred to a “presumption” without citing any caselaw or analyzing whether “shall obtain” automatically transferred title or not.

F. Apple’s citation of policies from other universities does not prove they are automatic assignments

On the last two pages of its Brief, Apple asserts the Court should rule that “shall be ...” assigns patent ownership automatically because other universities use “divergent language.” Blue Br. at 46-47. Putting that non-sequitur aside, Apple offers no evidence that the policies it quotes have been litigated to determine if they automatically assign ownership.

Not all universities wish to own an employee’s inventions automatically. For example, “Stanford [University]’s contemporary Administrative Guide to ‘Inventions, Patents, and Licensing’ states: ‘Unlike industry and many other universities, Stanford’s invention rights policy allows all rights to remain with the inventor if possible.’” *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 583 F.3d 832, 841 (Fed. Cir. 2009), *aff’d*, *Roche*, 563 U.S. 767. In 1962, Archie Palmer comprehensively surveyed U.S. universities regarding their “currently prevailing policies, practices and procedures for the administration and conduct of university research and for the handling of patentable discoveries and inventions growing out of such research.” Palmer, “University Research and Patent Policies, Practices, and Procedures,” p. 25 (Washington, DC: National Academy of Sciences—National Research Council) (1962) (available at

<http://hdl.handle.net/2027/wu.89038756599>, last accessed 7/24/2020). Based on his survey, Palmer described the traditional rights university faculty have in their inventions:

[M]ost educational institutions place little or no restriction on the disposition of discoveries and inventions resulting from research conducted on an individual's own time and at his own expense, even though institutional facilities and equipment may have been used in their development. Such discoveries and inventions are considered to be the exclusive property of the inventor and he retains the full patent rights and complete freedom to make whatever disposition of them he deems proper.

Id., p. 27.

UM's Bylaw 3.10 recognizes traditional faculty rights: "It is understood that such [ownership] agreements shall continue to recognize the traditional faculty and staff prerogatives and property rights concerning intellectual work products." Bylaw 3.10 ¶5. Such rights should not be stripped from UM's faculty by interpreting Bylaw 3.10 ¶1 in a manner inconstant with ¶¶4 and 5.

CONCLUSION AND RELIEF SOUGHT

The uncontested facts confirm Bylaw 3.10 ¶4, not ¶1, governs the patents-in-suit, regardless of whether the Bylaw assigns legal title, which it does not. The Court should affirm the district court's order denying Apple's Motion to Dismiss.

Respectfully submitted,

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ADDENDUM

University of Michigan Technology Transfer Policy (2009)	Appx605-611
University of Michigan Regents Bylaw 3.10 (1976)	Appx1119

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Revision Effective June 1, 2009

This Policy supersedes the January 1, 2007 Technology Transfer Policy as of June 1, 2009.

I. Applicability and Scope of Policy

This Policy implements [Section 3.10 of the Bylaws of the Board of Regents](#). The Policy further defines the ownership, distribution, and commercialization of rights associated with Intellectual Property developed at or received by the University of Michigan, and describes the general obligations associated with the technology licensing process. Substantive changes to this Policy, as long as consistent with Section 3.10 of the Bylaws of the Board of Regents, may be modified from time to time by the Vice President for Research in consultation with the President, with notice to the Regents.

The University recognizes and supports technology transfer as an integral component of the University's mission. Licensing of Intellectual Property rights to parties outside the University is one significant manner in which technology transfer is accomplished, and is the focus of this Policy. The objectives of technology transfer include the following: to facilitate the efficient transfer of knowledge and technology from the University to the private sector in support of the public interest; to support the discovery of new knowledge and technology; to attract resources for the support of University programs; to provide services to University Employees to facilitate their efforts to carry out the University's mission; and to promote local, state, and national economic development.

This Policy is applicable to all units of the University including its colleges, schools, departments, centers, institutes, and hospitals, and to all of its Employees. This Policy replaces the [1996 Revised Policy on Intellectual Property](#) (amended 2004) and, except as provided below, applies as of the date of this policy revision. The U-M Office of Research and U-M Tech Transfer are authorized to administer this Policy and to implement further rules and procedures within the framework provided herein to facilitate technology transfer and compliance with this Policy. Applicable law and the terms of specific sponsored research agreements and other contractual arrangements undertaken by the University or one of its units in good faith will govern where such agreements differ from the provisions of this Policy and have been approved by authorized University representatives. The University reserves the right to amend this Policy at any time, including with respect to current and former Employees.

II. Ownership of Intellectual Property

1. Intellectual Property made (e.g., conceived or first reduced to practice) by any person, regardless of employment status, with the direct or indirect support of funds administered by the University (regardless of the source of such funds) shall be the property of the University, except as provided by this or other University policy. Funds administered by the University include University resources, and funds for employee compensation, materials, or facilities. Rules in this Policy regarding ownership of copyrights are subject to ownership rules directly addressed in the University's copyright ownership policy, entitled "Ownership of Copyrighted Works Created At or In Affiliation With the University of Michigan" or successor Policy that is approved by the Regents.
2. It is the obligation of Employees engaged in consulting and other activities with outside entities to ensure that their activities and agreements with third parties are not in conflict with the provisions of this Policy or other commitments involving the University. UMOR shall set and administer rules regarding the ownership of Intellectual Property made during outside employment activities (e.g., consulting). Employees should inform those outside parties with whom they make agreements of their obligations to the University.
3. The University generally will retain ownership of Intellectual Property produced by Employees while participating in sabbaticals or other external activities if they receive salary from the University for such activity. Exceptions to this rule may be approved by the Vice President for Research. It is the responsibility of any such Employee to seek review by his or her appointing department (or equivalent) and UMOR in advance of entering into any intellectual property ownership agreements that may be associated with these activities or where such Employee is receiving partial salary.
4. The University will not generally claim ownership of Intellectual Property created by students. (A "student" is a person enrolled in University courses for credit except when that person is an Employee.) However, the University does claim ownership of Intellectual Property created by students in their capacity as Employees. Such students shall be considered to be Employees for the purposes of this Policy. Students and others may, if agreeable to the student and Tech Transfer, assign their Intellectual Property rights to the University in consideration for being treated as an Employee Inventor under this Policy.
5. The University will own Intellectual Property made by a former University employee if the Intellectual Property was made both (1) with substantial University faculty guidance or University resources and (2) during activity directly relating to and closely following employment. For example, if a graduate student researcher completes a research project and is no longer technically an Employee, and an invention is conceived during the creation of a dissertation or similar activity relating to the research involving faculty guidance, the University will own the patent rights related to the invention. This rule does not affect a graduate student's ownership of the copyright on the dissertation itself.
6. All Intellectual Property made under sponsored research agreements and material transfer agreements shall be owned by the University except where previously agreed otherwise in writing based on the circumstances under consideration. Such exceptions shall be approved and negotiated by UMOR;

Intellectual Property subject to such an exception shall nevertheless be subject to the disclosure requirements of this Policy.

7. Trade and service marks not incorporating previously-existing University marks and that are related to University Intellectual Property and technology transfer activities are within the scope of this Policy as they are owned by the University, and will be managed by Tech Transfer. University marks, including the University of Michigan Seal, are governed by other University policy.

III. Invention Reporting

1. In order to comply with federal law, to identify and assess University Intellectual Property as an asset of the University, and to facilitate fair treatment of researchers, Employees have an obligation to cooperate reasonably with Tech Transfer. Employees have an obligation to report any University Intellectual Property promptly and completely to Tech Transfer; a report to Tech Transfer of a summary of the Intellectual Property shall satisfy this requirement unless additional information is requested by Tech Transfer. Employees shall use their best efforts to disclose the names of all Inventors and persons that might have contributed to the making of Intellectual Property. Employees and persons having knowledge of facts concerning inventorship issues, problems, or questions (even if they do not know the full implication of such facts) shall have a duty to raise such matters with Tech Transfer immediately upon knowledge of the same and facilitate resolution of the same.
2. Employees who believe that they have created patentable Intellectual Property not owned by the University shall not commercialize such inventions or file (or assist others to file) patent applications without providing at least thirty days notice and a brief written summary of the inventions and the circumstances of the inventions to Tech Transfer. Such disclosures shall not be required in situations where an Employee has a reasonable belief that (a) the Intellectual Property is a scholarly work (as defined in [University Copyright Policy](#)) or (b) the Intellectual Property is the result of work that is clearly and demonstrably outside both the Employee's field of work and the Employee's University responsibilities.

IV. Commercialization

1. It is the objective of Tech Transfer to diligently pursue the best opportunities to transfer UM Intellectual Property consistent with the missions of the University and for the public benefit. In consultation with Inventors, except as provided herein, Tech Transfer shall have authority for decisions concerning the route of commercializing or transferring a particular Intellectual Property, as well as the selection and use of outside resources, including outside legal counsel, to assist in commercialization.
2. Tech Transfer generally shall have authority for those agreements that are primarily transfer of University-owned (a) patent rights, (b) computer software and other copyrightable materials (such as electronic materials, written materials, and data) with any associated service agreements, and (c) Tangible Materials. Responsibility for patent administration, including the retention of patent counsel, is shared by Tech Transfer and the Offices of the Vice President for Research and the General Counsel.
3. From time to time, parties may wish to donate intellectual property rights to the University. Decisions as to whether to accept such donations will be made by the Office of the Vice President for Development, Tech Transfer, and any involved University unit. The University generally will accept donations of intellectual property only where the rights are related to areas of technical or research interest for the University. Tech Transfer will be responsible for the assessment, protection and commercialization, as Tech Transfer deems appropriate, of intellectual property received by the University.
4. Tangible property, including models, devices, designs, computer programs and other software, cell lines, antibodies, recombinant materials, laboratory animals, chemical compounds, compositions, formulations, plant varieties, and records ("Tangible Materials") that comprise University Intellectual

Property may be distributed outside of the University consistent with applicable laws, policies, and existing license agreements. UMOR shall set and administer rules regarding transfers of Tangible Materials.

V. Revenue Distribution

1. Revenues generated by the licensing of University Intellectual Property provide a strong incentive for Employee participation in technology licensing and support further investment in research and technology transfer. The University shall share revenues received from commercialization efforts with all involved University Inventors, except as may otherwise be provided. UMOR shall set rules for instances where revenues are for the recovery of production expenses for applicable types of Intellectual Property (e.g., Tangible Materials). This Section V shall apply to new agreements entered into after January 1, 2007. This Policy does not apply to funds received as gifts or for sponsored research.
2. After recovery of University Expenses, aggregate revenues resulting from royalties and sale of equity interests shall be shared as follows. The division of revenues are subject to change through appropriate University procedures. Up to \$200,000:

50% to the Inventor(s)
17% to the Inventor's department
18% to the Inventor's school or college
15% to the central University administration

Over \$200,000 (and up to \$2,000,000):
30% to the Inventor(s)
20% to the Inventor's department
25% to the Inventor's school or college
25% to the central University administration

Over \$2,000,000:
30% to the Inventor(s)
35% to the Inventor's school or college
35% to the central University administration

For agreements entered into between July 1, 2004 and January 1, 2007:

Up to \$200,000:
50% to the inventor(s)
17% to the originating unit(s)
18% to the originating school, college, division or other responsibility center(s)
15% to the central administration

Over \$200,000 (and up to \$2,000,000):
30% to the inventor(s)
20% to the originating unit(s)
25% to the originating school, college, division or other responsibility center(s)
25% to the central administration

Over \$2,000,000:
30% to the inventor(s)
35% to the originating school, college, division or other responsibility center(s)
35% to the central administration

For agreements entered into between July 1, 1996 and July 1, 2004:

Up to \$200,000:

50% to the inventor(s)

25% to the originating unit(s)

25% to the originating school, college, division or other responsibility center(s)

Over \$200,000 (and up to \$2,000,000):

33 1/3% to the inventor(s)

33 1/3% to the originating unit(s)

33 1/3% to the originating school, college, division or other responsibility center(s)

Over \$2,000,000:

33 1/3% to the inventor(s)

66 2/3% to the originating school, college, division or other responsibility center(s)

For agreements effective before July 1, 1996:

Up to \$100,000:

50% to the inventor(s)

25% to the originating unit(s)

25% to the central administration

The second \$100,000:

40% to the inventor(s)

30% to the originating unit(s)

30% to the central administration

Over \$200,000:

33 1/3% to the inventor(s)

33 1/3% to the originating unit(s)

33 1/3% to the central administration

3. UMOR shall set and administer rules for determining the Inventor share of revenues within the parameters outlined in this Policy. This Policy, including the revenue sharing provisions, is subject to change with respect to both current Employees and Employees that have left the University.
4. UMOR shall set and administer rules for cases where an Inventor changes departments, is affiliated with a University institute or center, an Inventor does not have a department or school/college affiliation, or when other unusual circumstances apply. Although the University units described above shall have discretion for distributing the revenue they receive, generally it is expected that revenues will be used for research and educational purposes or for investment in further commercialization activities, such as in the laboratories of Inventors.
5. An allocation from all revenues will fund patent expenses beyond the annual base Tech Transfer Patent Budget. Each year, based on projections of license revenues and patent expenses, a patent allocation percentage will be assessed on all revenues as a University expense. Such funds will facilitate investment in new Intellectual Property protection.
6. Consideration for a license may include equity in a business. If equity is liquidated, it shall be treated as revenues and distributed according to this Policy. Equity will be held, liquidated, or directly distributed to Inventors (to the extent permitted by law) at the discretion of the University. Neither Tech Transfer nor Inventors will control the timing and terms of the liquidation of such equity received by the University. The Office of the Treasurer of the University will manage the disposal of equity held by the University. The holding of equity by Inventors may be subject to University conflict of interest

policies.

7. The Vice President for Research shall have authority to resolve any unusual circumstances and may make exceptions to the distribution rules after consulting the affected parties.

VI. Granting Rights Back to Inventors

1. Upon request by one or more Inventors, the University may at its discretion elect to assign or license its rights in University Intellectual Property back to one or more Inventors when permissible under University policies, related sponsorship agreements, and/or federal law, and where other commercialization routes are not effective or available. Before taking such action, Tech Transfer should reasonably attempt to seek unanimous approval of all the Inventors, but Tech Transfer need not obtain approval of all Inventors. Where the assignment is back to fewer than all the Inventors, revenues under subsection VI.C. below shall be shared with the non-assignee Inventors under Section V.
2. Tech Transfer is not required to market, protect, and license the Intellectual Property where rights have been granted back to Inventors. Tech Transfer may require other terms as a condition of such an agreement. The Inventor(s) receiving an assignment or license shall not share in University revenues.
3. Consideration to the University for assignment of ownership of University Intellectual Property shall consist of recovery of any out-of-pocket University expenses, plus 15% of royalties, equity, or other value received by the Inventor(s) through subsequent use, licensing, or further assignment of the Intellectual Property. Assignment may be subject to internal University conflict of interest rules, which may limit the assignee's use at the University of the assigned Intellectual Property.

VII. Appeal Process

1. If informal procedures and consultation do not provide resolution of a dispute or policy issue involving the matters discussed in this Policy, any member of the University community may resort to a formal procedure. Initially, such person(s) must request in writing a review by the [Associate VP, Technology Transfer](#). If this does not result in resolution of the issue, then such person may file a request in writing for formal dispute resolution or policy interpretation with the [Vice President for Research](#), citing this Policy. The University typically shall rely upon outside University patent counsel retained in conjunction with Offices of the Vice President and the General Counsel for determinations of inventorship of patents and patent applications.
2. The Vice President for Research (or designee) shall diligently consult the involved parties and other University administration officials as necessary, and shall communicate the decision, which shall be final, in writing, to the appellant.

VIII. Conflict of Interest Commitment

1. Agreements entered into by the University and its Employees may be subject to disclosure, review and approval under the University's [Conflict of Interest Policy\(ies\)](#) and the [Conflict of Interest](#) policies of the University unit in which the Employee is appointed.
2. Agreements, such as license, option, materials transfer, and assignment agreements, between the University and Employee(s) or between the University and a company in which University Employee(s) hold a financial or management interest may fall under the [State of Michigan Conflict of Interest Statute](#). This Statute may permit such agreements if certain disclosure, approval, and reporting requirements are met.

IX. Definitions

“Employee” means a person who receives a salary or other consideration from the University for performance of services, part-time or full time. A University employee with less than a full year (e.g., 9-month) appointment shall be considered an “Employee” for acts during a period of appointment. A student that is compensated (e.g., financially through a stipend, tuition, etc., including graduate student research assistants and graduate student instructors) is considered an Employee under this Policy.

“Intellectual Property” means inventions, processes, compositions, life forms, computer software, copyrighted works, mask works, research tools and data, certain defined trade and service marks, Tangible Materials, and legal rights to the same.

“Inventor,” with respect to patentable subject matter, means an Employee who has made an inventive contribution to the Intellectual Property as defined under U.S. patent laws, meaning that an Inventor must have contributed to the conception of ideas claimed in a patent.

“Inventor,” with respect to software and other copyrightable materials and associated trade and service marks, means an Employee who has participated (a) materially in the conception of the idea of the operation or design thereof (e.g., the operation of software) or (b) extensively in translating an idea into a fixed medium.

“Inventor,” with respect to unpatented biologic and chemical materials or laboratory animals (e.g., plasmids, vectors, cell lines, mice, etc.), means an Employee who has taken part (a) in the conception of the idea of the specific material that is to be made and/or (b) significantly in making the material but only where making the material was not a routine or known practice. A person providing material to a second person that uses the material to produce a new material generally will not be considered hereunder to be an Inventor of the new material.

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By the Numbers

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Sec. 3.10. Ownership of Patents, Copyrights, Computer Software, Property Rights, and Other

Unless otherwise provided by action of the Regents:

1. Patents and copyrights issued or acquired as the 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.
2. Computer software created by members of the university staff in connection with administration, research, or other educational activities supported directly or indirectly by funds administered by the university, regardless of the source of such funds, shall be the property of the university. Such computer software may be made available for use on a non-exclusive basis by those who pay appropriate charges to reimburse the university for the costs of development, distribution, and reproduction.
3. The provisions of 1 and 2, *supra*, shall apply unless they are inconsistent with the terms of any applicable agreement with a third-party sponsor or provider of funds, in which case the university's agreement with such sponsor or provider shall control.
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 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 rights 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 president 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.

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If you have questions or suggestions regarding the bylaws section of our website, please email them to erikatz@umich.edu.

Bylaws updated: October 2012 (*Revision of Sections 6.02 and 11.02*)

**CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME, TYPEFACE
AND TYPE STYLE REQUIREMENTS**

This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a) or Federal Circuit Rule 28.1(b). This brief contains 11,792 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b).

This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). This brief has been prepared in a proportionally spaced typeface using Microsoft® Word 2010 and Times New Roman typeface, 14-point.

Respectfully submitted,

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