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## **AN INVENTOR LOSES HIS RIGHTS; THE IMPORTANCE OF ESTABLISHING CLEAR AGREEMENTS**

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A recent court decision demonstrates the importance of negotiating and entering into clear agreements involving transfers of intellectual property rights. In particular, it illustrates the importance of establishing unambiguous conditions for closing a transaction.

This case (*Quantum Leap Research Inc. v. Kay, 2010 QCCS 1449*) dealt with the ownership of rights to an invention developed through a collaboration between Mr. Ira Kay, an external consultant, and Quantum Leap Research Inc., for which a patent was filed and granted. In 2004, the parties had agreed to develop the invention upon certain conditions set out in a letter of intent, including, amongst other elements, that Mr. Kay be named as the sole inventor of the invention while assigning all of his rights to a new company (Newco) owned by him and Quantum.

Afterwards, the parties executed a memorandum of understanding (MOU) whereby Mr. Kay would immediately assign his rights in the invention to Quantum for and on behalf of Newco. The MOU provided for an assignment with immediate effect, subject to Mr. Kay's right to resolve the contract in the event that Quantum refused to enter into agreements giving effect to the transaction. Quantum submitted draft agreements to Mr. Kay in order to set up Newco and put the transaction in place, but Mr. Kay did not comment or follow-up on such draft agreements.

At the beginning of 2005, Mr. Kay informed Quantum of his loss of interest in his collaboration with Quantum and requested the retrocession of his rights in the invention, as per his option in the MOU. This request led to legal proceedings amongst the parties.

In its decision, the court determined that the MU was enforceable and that the condition to close the transaction did not precede the MOU, as it was subsequent to the MOU. The Court also found that the condition that would trigger Mr. Kay's option to retrieve his rights in the invention was Quantum's refusal to enter into the relevant agreements and not the absence of agreement amongst the parties, here mainly caused by Mr. Kay's refusal to pursue his discussions with Quantum to close the

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contemplated transaction. Accordingly, the Court confirmed Quantum as the owner of all rights in the invention, and declared the retrocession rights of Mr. Kay forfeited.

This decision demonstrates the importance of negotiating and entering into clear agreements and establishing unambiguous closing conditions. Moreover, this decision serves as a reminder that in certain cases, intellectual property rights are essential in order to be able to commercialize certain inventions. The assignment and cooperation of the inventor might be required even if the ownership rights in the invention belong to the party having financed or ordered its development. It is therefore essential to have clear and definitive agreements in place with any partner, collaborator and even employees in order to secure all rights required in the pursuit and commercialization of contemplated business projects.



