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STATE OF MICHIGAN
COURT OF APPEALS

J.L. LEWIS & ASSOCIATES, INC.,

Plaintiff-Appellant,

v

MAGNA MIRRORS OF AMERICA, INC., and
MAGNA MIRROR SYSTEMS MONTERREY S.A.
DE C.V.,

Defendants-Appellees.

UNPUBLISHED

December 21, 2021

No. 347057

Oakland Circuit Court

LC No. 2017-161227-CB

ON REMAND

Before: RIORDAN, P.J., and O’BRIEN and SWARTZLE, JJ.

PER CURIAM.

This case is before us on remand by our Supreme Court.¹ Previously, we reversed the trial court’s grant of summary disposition in favor of defendants, Magna Mirrors of America, Inc., and Magna Mirror Systems Monterrey S.A. de C.V. (collectively “Magna”), and against plaintiff J.L. Lewis & Associates, Inc., on both of plaintiff’s breach-of-contract claims. In addition, we affirmed the trial court’s grant of summary disposition in favor of Magna on plaintiff’s statutory-conversion claim. For the reasons set forth below, we once again affirm the trial court’s grant of summary disposition in favor of Magna on plaintiff’s statutory-conversion claim and reverse the trial court’s grant of summary disposition in favor of Magna on plaintiff’s breach-of-contract claim concerning fraudulent concealment. However, on reconsideration, we now affirm the trial court’s grant of summary disposition in favor of Magna on plaintiff’s breach-of-contract claim concerning ownership of the patent at issue. Accordingly, we remand to the trial court for further proceedings as to plaintiff’s breach-of-contract claim concerning fraudulent concealment.

¹ *JL Lewis & Assoc, Inc v Magna Mirrors of Am, Inc*, 957 NW2d 817 (2021), in which our Supreme Court vacated Section II.A. of our previous opinion, “Ownership of the ‘946 Patent.”

I. FACTS AND PROCEEDINGS

In our previous opinion, we set forth the pertinent facts about this case:

Jimmie Lewis is the founder and owner of plaintiff, and alleged below that he is the inventor of what he referred to as the “Extendable Rearview Mirror,” for which Lewis owned a number of patents. Lewis engaged in a license agreement whereby Magna was given the exclusive right to develop, manufacture, and sell the Extendable Rearview Mirror, and in exchange, Lewis would receive quarterly royalties on the sales. Under the terms of the license agreement, Magna was required to inform Lewis of any improvements made to the Extendable Rearview Mirror during the life of the license agreement so that Lewis could pursue patent protection of the improvements. Lewis eventually assigned his patents and his rights under the license agreement to plaintiff.

In 2017, the original patents expired and thereafter, in May 2017, Magna stopped making installment payments under the license agreement. Plaintiff does not contest that, subsequent to the expiration of the patents, plaintiff was no longer owed royalties on sales pertaining to them. Plaintiff alleges however, that around that time, plaintiff discovered that Magna obtained a patent in 2009—U.S. Patent No. 7,490,946 (the ‘946 Patent)—“which built upon the concepts of the [Extendable Rearview] Mirror.” Thereafter, in October 2017, plaintiff filed a complaint for breach of contract, common-law conversion, and statutory conversion.

Plaintiff contended that, under the terms of the license agreement, the ‘946 Patent automatically belonged to plaintiff when the patent issued in 2009 and became subject to the terms of the license agreement. Therefore, although plaintiff’s underlying patents had expired, plaintiff was still owed quarterly royalties on sales pertaining to the ‘946 Patent and the failure of Magna to pay those royalties constituted a breach of contract. Plaintiff also alleged that Magna breached the license agreement by failing to inform plaintiff of the ‘946 Patent and related improvements to the Extendable Rearview Mirror sooner. Lastly, plaintiff claimed common-law conversion and statutory conversion for Magna’s development of the improvements and filing of the ‘946 Patent without plaintiff’s knowledge or consent, and for Magna’s subsequent failure to pay royalties on the patent.

Magna filed for summary disposition pursuant to MCR 2.116(C)(7) and (C)(8). First, Magna claimed that the breach-of-contract claims were barred by the statute of limitations under MCR 2.116(C)(7). Magna argued that, with respect to the breach-of-contract claim for failing to inform plaintiff of improvements to the Extendable Rearview Mirror, to the extent that the breach occurred at all, it occurred at the latest when Magna filed for the ‘946 Patent in 2009. Because breach-of-contract claims are subject to a six-year statutory limitation period, that breach-of-contract claim was barred. With respect to the breach-of-contract claim for failure to pay royalties on the ‘946 Patent, Magna argued that plaintiff also failed

to bring a suit to establish ownership of the '946 Patent within the statutory limitation period. Magna contended that plaintiff was time-barred from claiming ownership of the patent, and therefore could not claim that it was owed royalties for sales related to it. Next, Magna contended that plaintiff failed to allege actionable claims of common-law conversion and statutory conversion under MCR 2.116(C)(8). Specifically, Magna contended that, under Michigan law, actions in tort must be supported by legal duties independent from those arising out of contract. Magna contended that plaintiff's conversion claims were essentially breach-of-contract claims by another name.

Plaintiff responded that, with respect to the breach-of-contract claim for Magna's failure to pay royalties on the '946 Patent, plaintiff was not required to bring any action to establish ownership over the patent. Plaintiff contended that, under the terms of the license agreement, the patent was automatically assigned to plaintiff when it was issued. With respect to the breach-of-contract claim for Magna's failure to inform plaintiff of the alleged improvements to the Extendable Rearview Mirror, plaintiff contended that the statute of limitations period had been tolled by Magna's fraudulent concealment of the claim. Plaintiff noted that, although fraudulent concealment ordinarily must be supported by affirmative acts or misrepresentations, in this case, Magna owed a fiduciary duty to plaintiff to inform plaintiff of the improvements and the failure of Magna to do so constituted fraud. With respect to the conversion claims, plaintiff conceded that the common-law conversion claim was not supported by a duty distinctive from the obligations arising out of the license agreement, and agreed to dismissal of the claim. However, plaintiff argued that the same did not apply to the statutory conversion claim because statutory conversion is intended to provide cumulative remedies to other remedies available at law.

The trial court sided with Magna. The court held that the license agreement was insufficient to create an automatic transfer of the '946 Patent to plaintiff. Therefore, because the original breach of contract for failure to inform plaintiff of the alleged improvements occurred in 2009, and because plaintiff failed to bring a suit to claim ownership of the patent within the statutory limitation period following that alleged breach, both of plaintiff's breach-of-contract claims were barred by the statute of limitations. The trial court disagreed with plaintiff that the statutory limitation period was tolled by fraudulent concealment because plaintiff failed to establish that Magna had a fiduciary duty to inform plaintiff of the alleged improvements to the Extendable Rearview Mirror or the resulting patent. With respect to the conversion claims, the trial court agreed with Magna that plaintiff failed to establish any duty arising in tort separate and distinct from the duties that arose out of the license agreement. The trial court dismissed plaintiff's breach-of-contract claims under MCR 2.116(C)(7), and dismissed plaintiff's conversion claims under MCR 2.116(C)(8). [*JL Lewis & Assoc, Inc v Magna Mirrors of Am, Inc*, unpublished per curiam opinion of the Court of Appeals, issued April 23, 2020 (Docket No. 347057), at 1-3.]

Plaintiff appealed to this Court, and we reversed the trial court’s dismissal of plaintiff’s breach-of-contract claims but affirmed its dismissal of plaintiff’s statutory-conversion claim.² *Id.* at 1. With regard to the breach-of-contract claim for Magna’s failure to pay royalties on sales pertaining to the ‘946 Patent, we concluded in Section II.A that “the trial court erred in determining that plaintiff was required to take some sort of legal action to assert an ownership in the ‘946 Patent” because “transfer of title in the patent and the underlying property interests occurred by operation of law when the invention was made and the patent was filed.” *Id.* at 6. With regard to the breach-of-contract claim for Magna’s failure to inform plaintiff of the alleged improvements to the Extendable Review Mirror, we concluded in Section II.B that “further factual development could provide a basis for plaintiff to establish that fraudulent concealment occurred,” and as a result, plaintiff could maintain its claim notwithstanding that the alleged breach occurred when Magna acquired the ‘946 Patent in 2009. *Id.* at 7, 11. Finally, with regard to the statutory-conversion claim, we concluded in Section III that the trial court correctly dismissed the claim because “plaintiff did not allege any duty arising separately from plaintiff and Magna’s contractual relationship.” *Id.* at 12.

Magna sought reconsideration, which we denied. *JL Lewis & Assoc, Inc v Magna Mirrors of Am, Inc*, unpublished order of the Court of Appeals, entered July 21, 2020 (Docket No. 347057). Magna then sought leave to appeal in our Supreme Court, and that Court remanded this case to us for reconsideration:

On order of the Court, the application for leave to appeal the April 23, 2020 judgment of the Court of Appeals is considered and, pursuant to MCR 7.305(H)(1), in lieu of granting leave to appeal, we VACATE Section II.A. of the judgment of the Court of Appeals addressing “Ownership of the ‘946 Patent,” together with all conclusions and holdings derived from this section, and we REMAND this case to the Court of Appeals, which shall hold this case in abeyance pending the United States Court of Appeals for the Federal Circuit’s decision in *Omni MedSci, Inc v Apple Inc* (Case No. 20-1715). After *Omni MedSci* is decided, the Court of Appeals shall reconsider this case in light of *Omni MedSci*. [*JL Lewis & Assoc*, 957 NW2d 817.]

On remand, we held this case in abeyance as directed and allowed both Magna and plaintiff to file supplemental briefs after *Omni MedSci* was decided. *JL Lewis & Assoc, Inc v Magna Mirrors of Am, Inc*, unpublished order of the Court of Appeals, entered June 23, 2021 (Docket No. 347057). On August 2, 2021, the Federal Circuit decided *Omni MedSci*. *Omni MedSci, Inc v Apple Inc*, 7 F4th 1148 (CA Fed, 2021). Thereafter, both parties filed supplemental briefs, but plaintiff subsequently moved to hold this case in abeyance pending the Federal Circuit’s resolution of a petition for *en banc* rehearing of *Omni MedSci*. We granted the motion, stating as follows: “The motion for stay pending appeal is GRANTED, and further proceedings are STAYED pending resolution of this appeal or further order of this Court.” *JL Lewis & Assoc, Inc v Magna Mirrors of Am, Inc*, unpublished order of the Court of Appeals, entered October 27, 2021 (Docket No.

² Plaintiff did not challenge the dismissal of its common-law conversion claim in its appeal to this Court or our Supreme Court.

347057). On November 18, 2021, the Federal Circuit denied the petition. This appeal is now appropriate for resolution.

II. STANDARD OF REVIEW

“This Court reviews motions for summary disposition under MCR 2.116(C)(7) *de novo*.” *Russell v Detroit*, 321 Mich App 628, 631; 909 NW2d 507 (2017) (quotation marks and citation omitted). In addition, “[t]he proper interpretation of a contract and the legal effect of a contractual clause are questions of law that we review *de novo*.” *Sherman-Nadiv v Farm Bureau Gen Ins Co of Mich*, 282 Mich App 75, 78; 761 NW2d 872 (2008).

III. OWNERSHIP OF THE ‘946 PATENT

Our Supreme Court vacated our previous analysis concerning “Ownership of the ‘946 Patent” and directed us to reconsider that analysis in light of *Omni MedSci. JL Lewis & Assoc*, 957 NW2d 817. As before, the issue here is whether the ‘946 Patent was automatically assigned to plaintiff in 2009 under the license agreement, or whether that agreement merely established an obligation for Magna to assign the ‘946 Patent to plaintiff. If the ‘946 Patent was automatically assigned to plaintiff, then Magna may have breached the license agreement (i.e., the contract) when it declined to pay royalties for that patent to plaintiff in 2017, and consequently, plaintiff’s breach-of-contract claim for failure to pay royalties was timely maintained. See MCL 600.5807(9). On the other hand, if the ‘946 Patent was not automatically assigned to plaintiff, then the alleged breach of contract occurred in 2009 when Magna failed to assign the patent to plaintiff, and plaintiff’s breach-of-contract claim for failure to pay royalties was not timely maintained. See *id.*

As a threshold matter, we must first address whether state law or federal law controls our interpretation of the license agreement. Plaintiff argues that this Court must apply state law, while Magna argues that this Court must apply federal law. Ordinarily, of course, Michigan courts apply state law to contract interpretation. See *Amtower v William C Roney & Co*, 232 Mich App 226, 234; 590 NW2d 580 (1998). There are, however, limited circumstances in which Michigan courts must apply federal law to contract interpretation. See, e.g., *Arbuckle v Gen Motors LLC*, 499 Mich 521, 534; 885 NW2d 232 (2016) (explaining that federal law governs the interpretation of private collective-bargaining agreements). Relevant to this case, the Federal Circuit has explained as follows:

We note that there are certain instances where Federal Circuit law is intimately bound up in the contract interpretation issue. For example, we have held that the question of whether or not an agreement provides for automatic assignment is a matter of federal patent law. Although state law governs the interpretation of contracts generally, the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases. We have accordingly treated it as a matter

of federal law. [*Intellectual Ventures I LLC v Erie Indemnity Co*, 850 F3d 1315, 1320 n 1 (CA Fed, 2017) (cleaned up).]³

Once again, the issue here is whether ‘946 Patent was automatically assigned to plaintiff when it was obtained by Magna in 2009, or whether Magna was merely contractually obligated to assign the patent to plaintiff. Federal courts have repeatedly recognized that resolving this issue of assignment requires the application of Federal Circuit law. See, e.g., *Abraxis Bioscience, Inc v Navinta LLC*, 625 F3d 1359, 1364 (CA Fed, 2010) (“[T]he question of whether contractual language effects a present assignment of patent rights, or an agreement to assign rights in the future, is resolved by Federal Circuit law[.]”); *Intellectual Ventures I*, 850 F3d at 1320 n 1 (same). We therefore conclude that federal law, specifically the law of the Federal Circuit, must be applied here.⁴

With that in mind, in *Omni MedSci*, a professor at the University of Michigan signed an agreement with the University providing as follows:

Patents and copyrights issued or acquired as a result of or in connection with administration, research, or other educational activities conducted by members of the University staff and supported directly or indirectly (e.g., through the use of University resources or facilities) by funds administered by the University regardless of the source of such funds, and all royalties or other revenues derived therefrom shall be the property of the University. [*Omni MedSci*, 7 F4th at 1150.]

³ “[T]he general rule [is] that rights in an invention belong to the inventor.” *Bd of Trustees of Leland Stanford Junior Univ v Roche Molecular Sys, Inc*, 563 US 776, 785; 131 S Ct 2188; 180 L Ed 2d 1 (2011). “It is equally well established that an inventor can assign his rights in an invention to a third party.” *Id.* Thus, the question in cases such as the instant case is whether a particular contract operated as an automatic assignment of patent rights from the inventor to another party. See, e.g., *Intellectual Ventures I*, 850 F3d at 1320.

⁴ As plaintiff correctly observes, the issue of assignment typically arises in the context of standing in patent cases. Thus, plaintiff argues, because this case does not involve a question of standing, this Court is not obligated to apply Federal Circuit law. We disagree with plaintiff that Federal Circuit law only applies in the context of standing in patent cases. “[C]ourts generally have acknowledged the need for a uniform national rule that patent licenses are personal and non-transferable in the absence of an agreement authorizing assignment, contrary to the state common law rule that contractual rights are assignable unless forbidden by an agreement.” *Rhone Poulenc Agro, SA v DeKalb Genetics Corp*, 284 F3d 1323, 1328 (CA Fed, 2002). In other words, federal law incorporates specific principles concerning both how and the extent to which patents may be assigned, so application of Federal Circuit law is necessary for “a uniform national rule.” See *id.* In any event, Federal Circuit law is undoubtedly persuasive on issues of patent law, even if it is not strictly binding in this case. See *Speedco, Inc v Estes*, 853 F2d 909, 914 (CA Fed, 1988) (“As Congress created this court in order to bring uniformity to the national law of patents, presumably the state courts confronted with issues of federal law which relate to patents will therefore also look to the decisions of this circuit for guidance.”).

The professor subsequently obtained multiple patents on his particular inventions while on a leave of absence from the University, which he then assigned to Omni MedSci. *Id.* Thereafter, Omni MedSci sued Apple for an alleged infringement of two of those patents. *Id.* at 1151. Apple moved to dismiss for lack of standing, arguing that the University, not Omni MedSci, owned the disputed patents. *Id.* Specifically, Apple argued that the agreement quoted above “automatically transferred legal title to the patents at issue to [the University], leaving [the professor] with no rights in the invention to assign to Omni.” *Id.* Thus, the issue before the Federal Circuit was whether the agreement “automatically and presently assigned legal title of [the professor’s] inventions to [the University].” *Id.* at 1151-1152.

In resolving this issue, the Federal Circuit first noted that “[a] patent assignment clause may presently assign a to-be-issued patent automatically—in which case no further acts to effectuate the assignment are necessary—or may merely promise to assign the patent in the future.” *Id.* at 1152. The Federal Circuit then concluded that the agreement between the professor and the University did not “presently automatically assign [the professor’s] rights to the patent but rather, at most, reflects a future agreement to assign rather than a present assignment.” *Id.* (quotation marks omitted). The Federal Circuit reasoned as follows. First, the agreement did not “purport to effectuate the present transfer of a present or future right.” *Id.* Second, when the language “shall be the property of” was read in context, it must be understood as “a statement of an intended outcome rather than a present assignment.” *Id.* Third, the agreement did not “use present tense words of execution. Each case in which this court found a present automatic assignment examined contractual language with a present tense executing verb.” *Id.* at 1153. Fourth, the University had a separate form under which a professor expressly assigned his or her patent rights to the University, which indicated that the agreement at issue was not understood as a present assignment of rights. *Id.* at 1154. Finally, the Federal Circuit emphasized that “[t]he absence of an active verbal expression of present execution is a substantive indication that a present automatic assignment was not intended.” *Id.* at 1156. The Federal Circuit accordingly affirmed the federal district court’s denial of Apple’s motion to dismiss because the agreement was “at most, a statement of a future intention to assign the patents at issue,” and as a result, Omni MedSci had standing to prosecute the alleged patent infringement. *Id.* at 1157.

In this case, the license agreement between plaintiff and Magna provided, in relevant part, as follows:

5. Improvements. All patents and letters patent issued on improvements to Extendable Rearview Mirror conceived or reduced to practice during the term of this Agreement shall be the exclusive property of the Licensor, subject to the license granted herein. The Licensee shall promptly notify Licensor of any improvements; Licensor may then decide whether to file a patent application on the improvement. The Licensor shall have sole authority to prepare, file, and prosecute, at Licensee’s expense, Patents and application for letters patent in the United States and any foreign countries for all improvements made by the Licensor during the term of this Agreement or hereafter made by the Licensee. The Licensee shall, without further consideration, at the request of the Licensor, do all acts necessary to assist Licensor in obtaining, sustaining, reissuing or extending patents or any letters patent based on such improvements and shall give testimony and otherwise provide evidence in case of interference. [Emphasis added.]

For two reasons, we conclude that under *Omni MedSci*, the license agreement did not operate as a present automatic assignment of rights to the ‘946 Patent from Magna to plaintiff, but instead merely reflected an obligation by Magna to assign its patent rights to plaintiff. First, the license agreement states that patent rights “shall be the exclusive property of the Licensor.” This is phrased in the future tense.⁵ As in *Omni MedSci*, there are no other “present tense words of execution,” such as “hereby conveys, transfers, and assigns.” See *Omni MedSci*, 7 F4th at 1153. In our view, *Omni MedSci* clearly held that such present tense words of execution are necessary to effectuate a present automatic assignment of patent rights. See *id.* (“Each case in which this court found a present automatic assignment examined contractual language with a present tense executing verb.”). Second, the license agreement does not refer to “assignment” at all, either explicitly or implicitly. Rather, it simply provides that patent rights “shall be the exclusive property of the Licensor.” In *Omni MedSci*, the Federal Circuit indicated that although no “magic words” are necessary to create a present automatic assignment of patent rights, in previous cases in which such an assignment was found, the contract at issue either expressly or implicitly referred to an assignment. See *id.*⁶ The absence of such language in the license agreement further shows that it merely reflected an obligation by Magna to assign its patent rights to plaintiff. Simply put, given the fundamental similarities between the language in *Omni MedSci*, “shall be the property of the University,” and the language in this case, “shall be the exclusive property of the Licensor,” we conclude that the license agreement merely reflected a future obligation by Magna to assign its patent rights to plaintiff and did not create a present automatic assignment of patent rights.⁷

Having so concluded, we agree with Magna that plaintiff’s breach-of-contract claim for failure to pay royalties for the ‘946 Patent was untimely. “In Michigan, a breach of contract claim accrues ‘at the time the wrong upon which the claim is based was done regardless of the time when damage results.’” *Tenneco, Inc v Amerisure Mut Ins Co*, 281 Mich App 429, 458; 761 NW2d 846 (2008), quoting MCL 600.5827. Here, Magna allegedly breached the license agreement by failing to assign the ‘946 Patent to plaintiff when it was obtained by Magna in 2009. This was the “wrong” that gave rise to the breach-of-contract claim. Because plaintiff did not file the instant action until

⁵ Indeed, the license agreement later provides that Magna “shall . . . do all acts necessary to assist Licensor in obtaining, sustaining, reissuing or extending patents or any letters patent based on such improvements” This language is also phrased in the future tense.

⁶ For instance, in *Speedplay, Inc v Bebop, Inc*, 211 F3d 1245, 1253 (CA Fed, 2000), the contract used the language “hereby conveys, transfers, and assigns,” and in *Filmtec Corp v Allied-Signal, Inc*, 939 F2d 1568,1570 (CA Fed, 1991), the contract used the language “agrees to grant and does hereby grant.”

⁷ Plaintiff argues that *Omni MedSci* is factually distinguishable from this case. We agree that there are some dissimilarities between *Omni MedSci* and this case. For example, *Omni MedSci* discussed a separate document from the agreement at issue—an “Invention Report”—that further indicated that the agreement did not create a present automatic assignment of patent rights. In our judgment, however, the overarching holding of *Omni MedSci* was that such an assignment may only be created by present tense executing words, which are not present in the license agreement here. Thus, the different facts are not controlling.

2017, which was beyond the six-year period of limitations, see MCL 600.5807(9), the breach-of-contract claim at issue was untimely and properly dismissed by the trial court.⁸

IV. CONCLUSION

Upon reconsideration, our earlier conclusion that the license agreement created a present automatic assignment of patent rights for the '946 Patent was erroneous under *Omni MedSci*, and further, our related conclusion that plaintiff's breach-of-contract claim for failure to pay royalties for the '946 Patent was timely filed was also erroneous. Therefore, we now affirm the trial court's dismissal of that claim. In all other respects, our earlier decision is not the subject of our Supreme Court's remand order and consequently remains unchanged. Accordingly, we remand to the trial court for further proceedings as to plaintiff's breach-of-contract claim concerning fraudulent concealment.⁹ We do not retain jurisdiction.

/s/ Michael J. Riordan
/s/ Colleen A. O'Brien
/s/ Brock A. Swartzle

⁸ Plaintiff argues that its breach-of-contract claim for failure to pay royalties for the '946 Patent was timely because the claim did not accrue until "May 2017 when Magna stopped paying royalties and advised [plaintiff] that no further royalties would be paid." This argument misses the mark. The wrong itself giving rise to the claim was the failure to assign the '946 Patent to plaintiff in 2009. The failure to pay royalties in May 2017 was simply the resulting damage. See MCL 600.5827.

⁹ We note that both plaintiff and Magna, on remand, agree that such proceedings are warranted regardless of how we apply *Omni MedSci*. Specifically, plaintiff states in its supplemental brief that "independent of the Court's treatment of the ownership issue, the fraudulent concealment portion of this case should go back to the Circuit Court for trial," and Magna states in its supplemental reply brief that "Lewis correctly notes that further proceedings on remand will still need to take place to determine the timeliness of its claim that Magna failed to 'promptly notify [Lewis] of any improvement' to the Extendable Rearview Mirror during the life of the license agreement."