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The Importance of a Clear Chain of Title

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In the United States, the owner of a valid patent has the right to exclude others from making, using, offering for sale, or selling an invention claimed in the patent. While ownership is originally determined by inventorship,[1] these rights are often assigned to a company or other organization. This alert provides an overview of the patent assignment landscape, best practices, and pitfalls related to a company's securement of patent ownership.

Effect of an Incomplete Title

Each owner has the full authority to monetize the patent (e.g., by licensing the invention to others) without obtaining permission from others, including other owners. Also, co-owners of a patent are typically necessary and indispensable parties in an infringement lawsuit.[2] In other words, a patent enforcement action can be dismissed unless all owners agree to be involved. In view of this landscape, an incomplete chain of title can have a huge impact on the value of a patent, and in some instances, it can prevent enforcement.

Ethicon, Inc. v. United States Surgical Corp.[3] provides a cautionary tale. In this case, Ethicon believed it had full ownership of a patent involving an endoscopic device and brought an infringement suit. In litigation discovery, the alleged infringer discovered an inventor who had not assigned his rights in the patent and therefore remained a co-owner. Since this inventor remained a co-owner, Ethicon's lawsuit lacked an indispensable party, and it could not prevent him from retroactively licensing his rights to the alleged infringer. The lawsuit was ultimately dismissed. As a direct result of the incomplete chain of ownership, the patent was unenforceable and rendered worthless.

Identification of Inventorship

In the United States, patent ownership is initially determined by inventorship. Absent an agreement to the contrary, each inventor has an equal and undivided interest by default, meaning that each inventor has the ability to use or monetize the patent without the permission of his or her co-inventors. Thus, the first and perhaps most-critical step in securing patent ownership rights is correctly identifying the inventors. In the U.S., "inventors" are those who conceived of the ideas included in the patent claims. Inventorship is determined by law, and a patent filer (typically an organization) cannot simply pick-and-choose which inventors are listed.

Importantly, a contribution to every claim is not required for inventorship. A contribution to only one claim can be enough for joint ownership of the entire patent, even when the contribution involves only a relatively low-value dependent claim. In the *Ethicon* case, for example, the later-discovered inventor contributed to only two of 55 patent claims. Ideally, a patent attorney should review the claims of a patent application with those involved in the invention's development to ensure inventorship is right in the first place.

Inventorship is also a significant consideration when altering the claims of a patent application and when continuing applications are filed. Notably, inventorship can change when the claim scope changes (even during an application's pendency), and different patent applications in the same patent family may have different inventorship. It is therefore important that the patent practitioner have sufficient knowledge of the contributions by each person involved in a project.

When a patent application is filed based on a joint effort between multiple parties (or otherwise involves anyone outside a company's walls), identifying inventors requires extra care. This is especially true when a joint development agreement was not negotiated beforehand. In some instances (e.g., when the contributions of potential inventors are clear and well documented), a skilled patent attorney can craft patent claims to exclude certain inventors and include others. For example, if outside influences may have provided input into certain embodiments of the invention, those aspects can be excluded from the claims of a patent application to avoid a joint-ownership situation.

Assignment from Inventors to an Organization

In most corporate settings, ownership is transferred, by written contract or employment agreement, from the employee inventors to a company. Companies new to intellectual property matters should consult with a patent attorney to implement sound pre-filing processes and procedures that achieve seamless ownership transfer. While intellectual property assignment templates and employment contracts addressing intellectual property have pitfalls of their own, the stakes are relatively low when all inventors are employed by the organization and when a proper contractual landscape is established. For example, when full intellectual property rights are assigned as a condition of employment, it is unlikely that an employee omitted from a patent application (unintentionally[4]) can return later to disrupt enforcement.

When two or more organizations team up, negotiation regarding IP ownership should take place before any innovation occurs, and certainly before filing a patent application. It is also important that *all* organizations involved have a proper employment agreement in place. In any event, the most conservative (and recommended) approach is to require all inventors to execute a written assignment specifically referring to the patent application prior to any filings, *especially* if any independent contractors are involved and may be acting outside an employer-employee context.

Avoid Joint Ownership Agreements

When intellectual property is developed as a joint venture between two or more parties, it may seem tempting for the parties to remain co-owners. But joint ownership should be avoided in most situations. For example, this ownership structure may cause issues down the road if opinions on handling the intellectual property differ during the patent's term, which can last up to 20 years from filing. Since each co-owner has the full authority to monetize the patent, one co-owner may license the patent to a third party without sharing royalties or otherwise engage in monetization activities without permission from other co-owners. Refusal to join a lawsuit may also preclude other co-owners from enforcing their rights in the intellectual property. In view of these drawbacks, the existence of joint ownership may also render the intellectual property less valuable in the context of potential licensing arrangements or as well as business acquisitions.

Rather than joint ownership, consider solutions where one party retains full ownership. To ensure an equitable solution, exclusive or non-exclusive licensing opportunities may be provided to others involved in the intellectual property development, and royalties may be distributed to those who assign their rights to the one remaining owner. While each situation is different, it is best to consult with intellectual property counsel who can help craft a creative solution tailored to ensure a fair result for all parties.

Record Rights with the U.S. Patent and Trademark Office

In all situations, a patent owner should record its interest with the U.S. Patent and Trademark Office ("PTO"). In fact, recordation of an ownership interest is required within three months, by U.S. statute (35 U.S.C. 261), or else this interest will be inferior to rights obtained by a third party if that third party was unaware of the unrecorded assignment.

The PTO will accept a wide variety of documents that provide evidence of ownership. For example, assignment recordals may include executed assignment documents targeting specific patent applications, employment contracts, security agreements, and similar documents. Even when a written assignment already exists (e.g., in an employment contract), organizations often ask inventors to execute confirmatory assignments to provide evidence of a clean chain of title. Using a confirmatory assignment also avoids public disclosure of other unrelated information that might be included in an agreement that includes an assignment with other terms.

Key Takeaways

To summarize, patent owners and those considering patent protection should consider the following:

- Failure to obtain a clear and complete chain of ownership can have a significant effect on the value of a patent potentially preventing enforcement;
- Proper identification of inventors prior to filing and during prosecution is a critical step in determining or obtaining ownership;
- It is important to obtain a written assignment document and to record the same in the PTO;
- In nearly all circumstances, default joint ownership between two or more parties should be avoided.

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[1] An inventor must be a person. A company cannot be an inventor.
[2] Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456, 1467-68 (Fed. Cir. 1998).
[3] Id.
[4] Intentionally leaving off inventors may render a patent unenforceable if considered inequitable conduct.

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