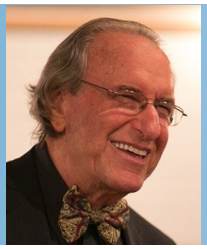
AVOID PATENT CO-OWNERSHIP PITFALLS



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It is not unusual during the invention and development of newer technologies to require contributions from people skilled in many disciplines, as scientists and engineers seek to solve and overcome technological problems. A common goal is to create a revenue-generating idea that can be patented. Co-owners of US patents possess types of legal rights that are not fully appreciated by many non-IP attorneys and by the lay public. In fact, US patent laws regarding rights of co-inventors and patent co-owners differ from those of many other western countries.

35 U.S.C. 262 governs joint patent owners and provides that:

> "In the absence of any agreement to the contrary, each owner may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States without the consent of and without accounting to the other owners."

The implications of this statute are quite profound and may, in the absence of care, produce circumstances that can seem unjust and offensive.

Example 1

Assume John Smith and Sam Jones are independent co-inventors who jointly develop a new business method process that they patent in both of their names as inventors. Also assume that Smith and Jones have neither an agreement between them relating to how the patented process will be commercialised nor how any revenue resulting from exploitation of the patent might be shared.

Smith, without Jones's knowledge, locates interested company X and negotiates the grant of a fully paid-up licence under the patent, for which company X delivers to Smith a $1 million cheque, payable to 'John Smith'. Smith has not misled or defrauded company X, which does not inquire about Jones.

Questions:

What obligations under US patent law does Smith owe to Jones in this scenario? Is Smith legally obligated to share any of the $1 million with Jones? Is Smith legally obligated to inform Jones of these events? Can Jones in any way legally interfere with the deal struck by Smith and company X? The answers to these questions will surprise many a reader!

Answers:

Smith is not legally obligated to (a) share any of these monies with Jones or (b) inform Jones of these events. And Jones has no recourse against Smith or company X. This is because there was an absence of what might have been a simple amicable agreement between co-inventors Smith and Jones that contemplated restrictions on these types of activities and the sharing of revenues.

Co-ownership of a patent may also arise other than via co-inventorship.

Example 2

Assume Jones and Smith in the above example accepted $50,000 to cover development costs from a non-inventor investor, Pat Slade, and for which Slade was assigned co-ownership rights in the patent equal to those of Smith and Jones.

Question:

What are Slade's rights as a co-owner of the patent?

Answer:

Again, assuming no commercialisation or revenue-sharing agreement between them (a scenario that occurs with remarkable frequency), Smith, Jones and Slade are each co-owners of an undivided interest in the entire patent. Smith's and Jones' rights are not subdivided by claims and are not related to the percentage contribution of each. Slade will find himself similarly situated with Jones under US patent law.

A US patent application must be filed in the name of the inventor(s). This is derived from the United States Constitution, which secures for a limited time to inventors the exclusive right to their discoveries. Properly naming inventors is critical to the validity of patents. An inventor cannot 'opt out' of being named, although he or she may decline economic benefits. To qualify as a co-inventor and co-owner of an entire US patent, a person must by clear and convincing evidence have contributed to the conception of at least one patent claim. The law provides for the correction of patents and patent applications in which there has been misjoinder, a wrongly added inventor, and/or nonjoinder, or a wrongly omitted inventor, provided the error arose without any deceptive intent. However, US law does not provide for entirely substituting one inventor for another single inventor on a patent.

Conclusion

The obvious way to prevent such scenarios is to encourage co-owners of patents to, very early on, shake hands on a simple written agreement that provides for their commercialisation goals, their respective responsibilities, their obligations to one another, and a fair and reasonable method of distributing any profits. ■

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