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Patent Inventor Identification: Truth and Consequences

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Special to the Legal

When a new invention is developed and a client communicates with a patent attorney regarding it, sometimes an invention disclosure is provided with inventors and inventor information already identified. In other situations, a patent attorney may need to ask the client, "Who should be named as an inventor on the patent?" and may be lucky enough to get a quick response from the client. While it would be nice to take such easy answers and lists at face value, there is more needed to complete the evaluation and clearly identify the true inventors of a patent application.

This can be a difficult issue to evaluate, particularly where there is potential third party involvement, a joint venture or an inventor no longer working with the client. Even more difficult situations arise when clients, particularly inexperienced ones, simply have a lack of understanding of what it means to be an inventor and of how to determine inventorship. Clients may seem very sure when presenting inventorship lists, but they could be operating under misconceptions that can create problems later, when the patent owner is engaged in costly patent enforcement litigation or trying to seek a high value for a property in a business transaction or loan.

Misconceptions about evaluating inventorship can lead to errors, many of which are harmless or mere mistakes that are readily correctable while the application is pending. A request to amend the application to add or delete an inventor or a continuation patent application can resolve such errors. If a

patent is issued when the error is found, there are routes available to patentees to correct a patent.

However, not all problems are correctable. Problems arise when facts support a deliberate or willful misrepresentation by the client or its counsel regarding inventorship to the U.S. Patent and Trademark Office (PTO). Deliberately misleading the PTO is not a harmless error that may be properly corrected using PTO procedures. Instead, certain factual circumstances may be sufficient to constitute fraud on the PTO, rendering an issued patent unenforceable. Such facts can also lead to common law and related causes of action for theft of technology, misappropriation of trade secrets, conversion and the like.

Such circumstances may not come to light until well after a patent is litigated in court in a patent infringement situation. Determination of true inventorship is not only important when applying for a patent, but also important before embarking on a patent litigation or other due diligence project.

These issues stem from U.S. patent law. In the United States, inventorship is a direct path to ownership, and only the inventors may be applicants. While it is true that once inventors assign their rights, the owner can control prosecution, it is the inventors who are the applicants of record and who declare to the PTO that they have read the patent application and are the true inventors.

In other countries, a corporation may be a patent applicant and claim a right to an invention by establishing an employer/employee relationship and/or



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by being the "first to file." In the United States, the law provides that being the first to invent something entitles that first, true inventor to ownership, even if the first to invent is not the first to file.

Being the true inventor is also of significance as true inventors are the first to own the patent. A corporation only acquires rights to an invention when the inventor assigns rights transferring ownership. Most companies make execution of such documents a condition of employment, particularly where a person is "hired to invent," such as a researcher. But there are difficult situations in which high-level employees hired for other reasons do not have proper terms in their employment contracts and may refuse to assign an invention, causing legal issues for the company.

Ways to try to avoid these problems before they come to light in a costly setting — like patent litigation — include adopting and using in-house inventorship evaluation procedures and clearly identifying whether

a company is entitled to ownership of inventions when hiring. It is also recommended that in-house and outside counsel each take an objective and active interest at different stages in the patent application process to assess inventorship.

At an early stage in drafting the application, the attorney should get a feel for who the potential inventors are and consider those people involved in development of the invention as potential inventors. At the application filing stage, the attorney and client should review and be cognizant of the patent claims to determine who contributed to the conception of each claim. This is particularly important when filing a regular, nonprovisional patent application in which development of the invention is still on going after the initial invention evaluation (or perhaps after the filing of a provisional patent application). Upon allowance, the client should reaffirm inventorship when substantive amendments were made that may have altered the claim scope. If a divisional application is filed directed to only a portion of the original subject matter in the prior filing, the client should also re-affirm listing of correct inventors.

While attorneys can provide guidance, it is sometimes difficult for them to ensure that their clients are correctly and honestly answering their questions. While inventors make innocent and correctable mistakes, sometimes clients are not motivated to provide their attorneys with the correct inventorship information, whether with misguided good intentions or bad faith. The client may think inventorship is not an important issue, or they may think it has little legal impact, outweighed by other issues more important in the client's view. Such behavior varies in degree of culpability.

One example is the "well-intended" glory grabber, such as a senior person in a research group to whom being named as an inventor is key either for a royalty arrangement, prestige or to satisfy a company benchmark. There is also the "profits-driven" client who may consider withholding a non-employee inventor's name as a harmless act in comparison with having to deal with ownership issues arising from sharing exclusivity with another person. There is also the "employee problem," in which an inventor has left the

company, is an ex-consultant and/or not reachable, and the client thinks it more expedient to leave the inventor's name off rather than deal with that person.

There are also instances of bad business dealings amounting to fraud and those who make bad inventorship decisions motivated by human emotions like greed, personal dislike or hostility, or plain old arrogance. Even when attorneys do their best to inquire after and avoid such situations, the information may not always be forthcoming or may have been filtered.

Patent attorneys need to try to keep clients from making such bad inventorship decisions by educating clients on the consequences of such actions. Bad faith actions in providing misleading inventorship information while attempting to secure patent protection are not properly correctable through PTO procedures. Even if they are corrected, facts that later are found to support fraud on the PTO would not be alleviated by correction filings.

A key decision from the Court of Appeals for the Federal Circuit on this topic is *Frank's Casing Crew & Rental Tools Inc. v. PMR Technologies Ltd.* In that case, the patent applicants omitted a true inventor of the patent, Mr. Weiner, in a deceptive manner during prosecution. Weiner had been acting as a consultant for the original applicants, but when the relationship deteriorated, the applicants applied for a patent without informing Weiner. The owners (who had licensed the patent to PMR) initiated patent infringement litigations. During litigation against Frank's, the court found facts supporting that the failure to list Weiner was fraud on the PTO, so the patent was unenforceable. The district court found evidence of deliberate scheming to claim the patent while excluding Weiner's ownership interest.

The district court finding of unenforceability was affirmed on appeal. Weiner had assigned his rights to Frank's. Since it was shown Weiner was a true inventor, Frank's sought patent correction by the court. Frank's also argued the applicants were not true inventors and could not have rendered the patent, which was rightfully Weiner's, unenforceable. The Federal Circuit agreed that Weiner and Frank's should be able to seek correction of the patent listing Weiner

as an inventor. However, while that battle was won, the war was lost: The court also held that though Weiner was an innocent co-inventor, the applicants committed inequitable conduct by misrepresenting inventorship to obtain the patent, rendering it unenforceable.

Such circumstances can easily occur. Many are never discovered, because the patent is not tested or otherwise challenged. This leads to a false sense of security in patent owners that the patent is not impacted by the behavior. However, if a patent is useful as collateral for a loan, as an asset for sale or for enforcement and/or licensing, patentees should know that they are putting their patent up for scrutiny through a valuation, due diligence or litigation, any of which can lead to knowledge that there are inventorship issues.

Regardless of whether the facts show fraud, such issues can lead to lower value as an asset and create a cloud on title. Educating clients on the significance of such facts helps provide motivation to clients to do the right thing when looking at inventorship, even if it means that a client may give up a little prestige, take a few extra steps in the process or deal with a third party, so long as valuable rights are secured in the end.

A further recent Federal Circuit case in this area is *MyMail Ltd. v. America Online Inc.* In that case, the patent was involved in a foreclosure action and assigned to Mr. Derby, who sold the patent to MyMail Ltd. The defendants claimed the original transfer to Derby was fraudulent as to the promissory note in the foreclosure sale, and asserted the patent was unenforceable. The Federal Circuit clarified that unenforceability results from fraud on the PTO occurring during procurement of the patent. Thus, this case shows enforceability of the patent is not the only issue, but that the party present in court must also have the title to enforce the patent.

While possible fraud in procurement is an important consideration, other fraud considerations stem from ownership issues in fraudulent acquisitions, too. Patent purchasers acquiring rights should take care to seek patent counsel advice not only on due diligence to screen out potential unenforceability issues, but also to confirm proper transfer and ownership recordation as well. •