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IP FRONTIERS

Assignments: best practice tips

The timing and sufficiency of an assignment document can become critical for protecting the rights of the assignee. These rights include the assignee's right to sue for infringement, ownership right and right to claim priority.

Right to sue for infringement

In the recent case of *Diamond Coating v. Hyundai*, 823 F.3d 615 (Fed. Cir. 2016), the court made it clear that anything less than a transfer of the "entire exclusive patent right" runs the risk of the assignee not obtaining "patentee status" and therefore not having standing to sue for infringement under 35 U.S. Code § 281. If less than the entire exclusive right is transferred, than the courts must analyze the agreement to determine if the assignee has obtained all "substantial" rights. If significant restrictions are placed on those rights, than the agreement will be deemed a license and the assignee will not have standing to sue for infringement.

Right of ownership

Under U.S. law, a patent or patent application "shall be assignable in law by an instrument in writing" (35 U.S. Code § 261). In the United States, an assignment that is signed by only the assignor is considered a valid assignment.

This is in contrast to Europe, wherein an assignment of a patent must be in writing and "shall require the signature of the parties to the contract" (Article 72 European Patent Convention (EPC)). "Parties" in this case means the assignor and the assignee. Therefore an assignment signed only by the inventor may not be considered valid in some European countries.

Fortunately, validity of an assignment is



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governed by the laws of the country where the assignment is executed. Therefore, if an assignment is executed and valid in the United States, it will also be accepted by the European Patent Office. However, for companies with inventors in multiple countries, care must be taken as to the legal requirements for a valid transfer of ownership in the country where the assignment is executed.

Right to claim priority

The right to claim priority in a European or PCT patent application is governed by Article 87 EPC, which states that "any person ... or his successor in title, shall enjoy ... a right of priority during a period of twelve months from the date of filing of the first application." Therefore, for an applicant of a European or PCT application to claim priority to priority application, that applicant:

- Must be the identical legal person (or persons) who filed the earlier application, or
- Must be a successor in title, and
- Must claim the right within 12 months of the filing date of the priority application.

Recent European decisions have provided fact specific details in determining if the above conditions have been met. Firstly, in *Edwards v. Cook*, [2009] EWHC 104 (Pat), the English court ruled that the applicant in this case was not a successor in title and did not have the right to claim priority at the

time of filing a PCT application.

More specifically in *Edwards v. Cook*, a U.S. provisional patent application named three inventors (i.e., Obermiller, Osse and Thorpe) as applicants. Subsequently, a PCT application was filed claiming priority to the U.S. application, but named only Cook Biotech Inc. (Cook) as the applicant. Obermiller was an employee of Cook and had assigned his right in the invention to Cook prior to the PCT filing date. However, Osse and Thorpe were not employees of Cook and only assigned their rights to Cook after the PCT filing date. The English court found that Cook did not have the right to claim priority because:

- At the time of asserting the priority claim, Cook alone was not the exact legal person who filled the priority application,
- Nor was Cook a successor in title, and
- The subsequent assignments did not restore the priority right.

However, in *KCI v Smith*, [2010] EWHC 1487 (Pat), the English court ruled that the Applicant in the case was a successor in title based on the wording of an employment agreement. In that case the sole inventor of a U.S. provisional patent application was an employee of KCI. The inventor had signed a "confidentiality agreement" as a condition of employment with KCI. A PCT application was filed naming KCI as the Applicant and not the inventor. The main issue was whether or not the employment agreement was legally effective in making KCI the successor in title.

The court found that the pertinent part of the employment agreement read as follows:

- "in consideration of employment with

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KCI Inc. ... ”

• “I hereby assign and agree to assign to the Company all right, title and interest in all confidential information, inventions ... ”

The court concluded that the agreement was effective to assign legal title to KCI and, therefore, KCI had the right to claim priority.

It is important to note that the court’s ruling is fact specific and the KCI case was based on an employment agreement that was an actual assignment, wherein the inventor stated: “I hereby ... assign and agree to assign.” The court did not indicate how it would have ruled if the employment agreement was watered down to be closer to that of an obligation to assign. For example, if

the employment agreement had merely stated that the inventor did “agree to assign,” it is not clear if the court’s ruling would have been the same.

Best practice tips

Based on the above, some recommended best practice tips would be:

- Assignment should be made for the “entire right, title and interest” in the invention.
- Both assignee and assignor should execute the assignment.
- If possible, ensure that employment agreements include sufficient language to be considered an assignment, e.g., “I hereby ... assign and agree to assign”, similar to that of the KCI case.

• Ensure that all assignments for a priority application are executed before filing a priority claiming application (e.g., a European or PCT application).

• If there is any doubt as to the Applicant’s right to claim priority, then add the “person” who filed the original priority application as an additional Applicant to preserve the priority right. Corrections to the assignments and/or ownership rights can be made later.

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