

Chapter 9

-- Patent Ownership --

In many respects, a patent is like personal property. A patent can be bought and sold, given as a gift or inherited. A patent is also similar, in some respects, to real property or real estate. A patent can be “leased,” i.e., licensed for a royalty that is similar to rent. Multiple people or other entities can own rights in a single patent.

When a patent is sold or the rights of any one owner of the patent are transferred, we refer to the transfer as an assignment. The ownership of the patent, full or partial, is “assigned” from a present owner to a new owner. The new owner may be purchasing the interest in the patent or could be receiving it as a gift.

An assignment covers a transfer of ownership rights and is distinct from a license. A license allows the licensee to make, use or sell the invention with authorization from the patent owner. A license does not typically transfer any ownership rights in the patent.

-- Assignment Document --

Because it is not possible to physically hand someone rights in a patent, assignments are made by written sales contracts. Such a contract is also referred to as an assignment. An assignment will typically specify the rights the current owner has in the patent, the amount those rights are being purchased for, and the identity of the new owner or purchaser.

Sample forms for an assignment are appended at the end of this chapter. The first form is captioned “Assignment of Application” and can be used to transfer rights to a patent application. The second form is captioned “Assignment of Patent” and can be used to transfer ownership rights to an issued patent. These assignment forms are provided by the U.S. Patent Office.

An instrument transferring rights in a patent should identify the patent by number and date (the name of the inventor and title of the invention as stated in the patent should also be given). An instrument transferring right in a patent application should identify the application by its application number and date of filing, the name of the inventor, and title of the invention as stated in the application should also be given. Sometimes an assignment of an application is executed at the same time that the application is prepared and before it has been filed in the Office. Such assignment should adequately identify the application, as by its date of execution and name of the inventor and title of the invention, so that there can be no mistake as to the application intended. If an application has been assigned and the assignment is recorded, on or before the date the issue fee is paid, the patent will be issued to the assignee as owner. If the assignment is of a part interest only, the patent will be issued to the inventor and assignee as joint owners.

-- Assignment Recordation --

For a variety of reasons, the U.S. Patent Office maintains records of the assignment of any U.S. patents. Thus, when an interest in a patent is transferred, the assignment, the written document effecting the transfer, can be recorded in the U.S. Patent Office. This is similar to recording a deed to a piece of real property with the county recorder.

When an entity receives an interest in a patent, that entity will usually want to record the transfer with the U.S. Patent Office. This is done by submitting a copy of the assignment document to the Patent Office. The assignment document is microfilmed by the U.S. Patent Office and made a part of an archive that is available to the public. Because the assignment document itself is recorded, the exact nature of the rights in the patent that are transferred can be ascertained by anyone interested.

It is not required that an assignment be recorded in the U.S. Patent Office. However, recording an assignment provides certain benefits to the new owner. For example, if someone comes across a patent and is interested in licensing that patent and paying revenue to the patent owner or owners, the potential licensee will have to identify and contact the patent owner(s) regarding the proposed license. The potential licensee can use the assignment records in the U.S. Patent Office to identify the current owner or owners of the patent who should be approached to obtain a license.

In another scenario, it is possible to use a patent as collateral for a loan, just like other property. In such a case, the bank or other creditor making the loan has a right to foreclose on the patent and take ownership of the patent if the terms of the loan are not met. The creditor will likely want to record evidence of the loan and its potential right to the patent. Thus, if the debtor-patent owner attempts to take out other loans on the patent or to sell the patent, the prospective second creditor or patent purchaser can search the assignment records and learn of the first loan and the encumbrance created thereby on the ownership of the patent.

Perhaps, most importantly, if an assignment, grant, or conveyance of a patent or an interest in a patent (or an application for patent) is not recorded in the U.S. Patent Office within three months from its date, it is void against a subsequent purchaser for a valuable consideration without notice, unless it is recorded prior to the subsequent purchase. That means that if a dishonest patent owner sells you a patent and you do not record the sale at the Patent Office, if that patent owner then sells the same patent to another who has no notice of your prior purchase, the patent will be owned by the later purchaser and not by you. The result is different if you record your purchase before the dishonest seller sells to a second party. Thus, it is very important to record assignments of patent rights with the U.S. Patent Office.

For all these reasons, and others, it is standard practice to record each assignment of patent or an interest in a patent with the U.S. Patent Office.

-- Obligation to Assign --

In Chapter 7, we discussed employment contracts which render any inventions discovered by the employee during the course of his or her employment the property of the employer. Such contracts usually require the employee-inventor to execute an assignment for the invention, patent application or patent at the request of the employer. This is known as an obligation to assign.

Thus, even though the employment contract specifies that inventions made in the course of employment are the property of the employer, it is still common practice for the inventor-employee to sign an assignment for each invention as the patent application for that invention is being filed. That assignment is then usually recorded in the U.S. Patent Office.

Sometimes, an employee may have left a company between the time the invention was discovered and the patent application was filed. The company may not know how to contact the inventor. Alternatively, the inventor, whether in or out of the company, may refuse to sign the assignment.

In such cases, the U.S. Patent Office will allow the employer to submit a copy of the employment contract demonstrating the obligation of the inventor to assign the invention to the company. The U.S. Patent Office will then allow the employer to file and pursue a patent application for the invention without the cooperation of the inventor. The employer may also record the employment agreement as an “assignment” of the invention.

If an invention is discovered outside of the course of employment and has nothing to do with an employee’s duties, typically there is no obligation to assign the invention. Thus, only the inventor could pursue a patent on such an invention.