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# TITLE TO PATENTS UNDER NEVADA LAW – THE BASICS

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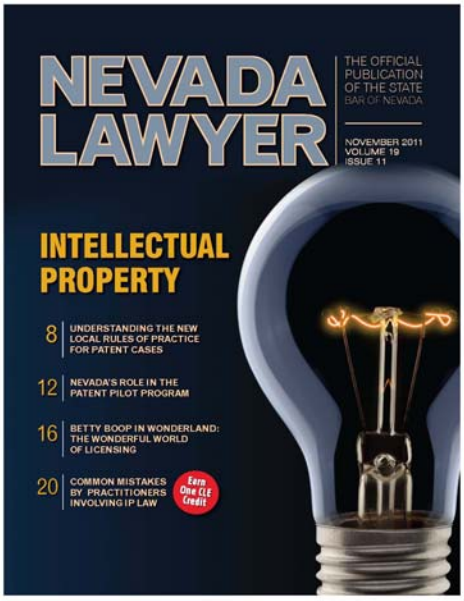

## INTRODUCTION

Patents and patent applications are pieces of property. This means that patents and patent applications can be sold, licensed, pledged as collateral, etc. The intent of this article is to cover the basics in regards to the ownership of patents. Various complicated issues are not covered in this article such as: licensing, maintaining security interests, legal title versus equitable title, provisional applications, legal effect of joint ownership, and ownership of patents as a result of federally funded research, all possible acts that could be patent infringement and standing to sue. Those topics would require a lot more space than this publication allows.

Generally, unless there is some other form of legal transfer (i.e. contract, by operation of law, employee/employer relationship, special statute, etc.), a patent or a patent application is owned by the inventor(s). These forms of legal transfer are generally governed by state law: "[w]ho has legal title to a patent is a question of state law" (*Akazawa v. Link New Technologies,* 520 F3d 1354, 1357 (Fed. Cir. 2008)). Some of these types of legal transfers will be discussed below. I will also very briefly explain some basic concepts regarding patents.

## PATENT VS. PATENT APPLICATION

A U.S. patent that would still be enforceable in the present has a seven digit number like: 8,000,000. A U.S. patent application will have a number like XX/XXX,XXX. The application itself is not a patent until the application is examined by the United States Patent and Trademark Office (USPTO) and a patent is granted. In essence, a patent application is a request for a patent.

## WHAT IS A PATENT?

Basically, in exchange for a disclosure of an idea to the public, the United States government grants, for a fixed period of time (i.e. patents do expire), the exclusive right to the patent owner to exclude others from making, using, selling, offering for sale or importing the patented invention (*See* 35 U.S.C. 271(a)). A violation of these exclusive rights gives rise to a civil claim for patent infringement. The "right to exclude others" does not mean that a patent gives the patent owner the right to practice the invention. To illustrate this concept, here is an example:

Person A has a patent on a stool.
Person B has a patent on a chair (a stool with the addition of a back).
The patent on the stool predates the patent on the chair.
Person B cannot sell a chair without a license from Person A.
Person A cannot sell a chair without a license from Person B.
Person A can sell a stool without a license from Person B.

## THE PATENT CLAIMS AND LEGAL TITLE

At the end of a U.S. Patent, a phrase similar to "what is claimed is" will be written followed by numbered paragraphs. Each numbered paragraph (i.e. 1, 2, 3 etc.) is a claim. The claims define the invention. Most of the rest of a patent explains how to build one or more versions of the invention. In a lot of patents, there are multiple inventors. How do you figure out the owner of the patent when there are multiple claims and multiple inventors?

If Person A invents claim 1 of a patent and Person B invents claim 2 of a patent, then both Person A and Person B are co-inventors of the patent (*See generally Lucent Technologies, Inc. v. Gateway, Inc.,* 543 F.3d 710, 721 (Fed. Cir.

2008)). Person A and Person B are also co-inventors of the patent if both Person A and Person B work together in inventing claims 1 and 2. In both examples, absent some other form of legal transfer, the inventors (Person A and Person B) are co-owners of the entire patent.

The ownership of the patent cannot be split between the claims (*Id*). So, claim 1 cannot be owned by a different patent owner than claim 2.

## RECORDING OWNERSHIP

Ownership of patents and patent applications can be recorded at the USPTO. This process is just like how a Nevada homeowner records their ownership in a home at the appropriate county recorder's office. The statute that governs the recording of patents is 35 U.S.C. 261, which can be summarized as follows: "[a] notice act [which] shields a subsequent purchaser from earlier purchasers' claims when the subsequent purchaser gives value and has no actual or constructive notice of the earlier purchase" (*Shuffle Master, Inc. v. Smart Shoes, Inc.,* 2009 WL 3336115 page 4 (D. Nev. 2009)). The constructive notice is the recording of ownership with the USPTO within a three-month safe harbor period.

## PATENT ASSIGNMENT DOCUMENTS

Typically, the document transferring ownership of a patent or a patent application that is recorded at the USPTO is a patent assignment document. Under 35 U.S.C. 261, patent assignment agreements must be in writing. However, "[c]onstruction of patent assignment agreements is a matter of state contract law" (*Euclid Chemical Company. v. Vector Corrosion Techs., Inc.,* 561 F.3d 1340, 1343 (Fed. Cir. 2009)). The *Euclid* case involved ambiguous terms in a patent assignment agreement.

Bouncing back to federal law, 35 U.S.C. 261 also contains a rule that when an assignment has a "certificate of acknowledgement under the hand and official seal of a person authorized to administer oaths within the United States" (i.e. a notary would suffice) then the assignment document is prima facie evidence of the execution of the document (i.e. you don't need a witness). Nevada (NRS Chapter 240), like other states, has a statute that tells a lawyer the proper form of a Certificate of Acknowledgement and how that document should be executed. These rules vary by state, so what works in Nevada may not necessarily work in another state.

## TRANSFER OF TITLE BY OPERATION OF LAW

The title to patents can also transfer by operation of law. A foreclosure under state law can transfer patent rights by operation of law even without a written document (*See Sky Technologies v. Sap AG and Sap America, Inc.,* 576 F.3d 1374 (Fed. Cir. 2009)). The Court of Appeals for the Federal Circuit has also applied the same principle to a patent owner who died intestate (*See Akazawa*). These two cases are only some of the examples of state legal title issues which have been litigated.

Instead of trying to regurgitate all of Nevada's laws regarding transfers of property, I will focus on one particular obscure statute just dealing with "patentable inventions and trade secrets" created by employees. In Nevada, we have a rather interesting statute that states: "[e]xcept as otherwise provided by express written agreement, an employer is the sole owner of any patentable invention or trade secret developed by his or her employee during the course and scope of the employment that relates directly to work performed during the course and scope of employment" (NRS 600.500). This statute was enacted as an employer-friendly departure from the common law rules regarding the ownership of patent rights as between employers and employees. The statute provides for an "operation of law" transfer of a "patentable invention or trade secret" from an employee to an employer under certain circumstances. Although I have not researched the subject completely, I am not aware of any other state which has such an employer-friendly law regarding patents.

## CONCLUSION

The issues surrounding patent title can be a confusing mix of state and federal law. My best advice in dealing with these issues is to consult a patent lawyer. This article will at least give a Nevada lawyer a basic understanding of these issues.

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