

May 2012

LABORING THROUGH THE AMERICA INVENTS ACT

Are your employment policies ready for changes in the Patent Law?

The America Invents Act (the "AIA") is the most significant change to patent law in over 50 years. Effective September 2012, provisions will go into effect that could change your employment policies.

Some background

All patent applications must include a declaration from the inventor in which the inventor swears that he believes s/he is the first individual to invent the invention and that s/he understands s/he has a duty of candor to disclose relevant prior technologies to the Patent Office. Occasionally, these declarations may be somewhat difficult for a company to acquire from the inventor(s). Management and in-house legal counsel can spend time hounding the inventor, and end up paying unnecessary government extension or petition fees before the documents are signed. Consider the following hypothetical sequence of events.

Congratulations! You have just been hired as the Chief Operating Officer ("COO") for MorittHock Invents, your dream job. Exciting things are happening at MorittHock Invents. The company has discovered new ideas that it wants to patent and bring to the market. But, there are a few problems. First, a prolific inventor quit 3 weeks ago. While no one at MorittHock Invents is quite certain, it appears that he went to work at MorittHock Invents' chief competitor. Second, he had not signed any agreements with MorittHock Invents. You are concerned that the inventor will not be interested in signing a patent declaration and, indeed, may be working with your competitor to bring a similar product to market. Now what do you do?

The Declaration

Historically and through September 2012, patent rights in the United States are owned by the inventor until s/he assigns those rights to another entity. Patent applications are therefore prosecuted and issued with the inventor's name.

In the corporate context, this system can lead to complications. For example, a particular product may require a portfolio of 15 patents to be developed; each patent may have its own inventor. Even if company X employs all 15 different inventors and has written agreements with each of them whereby it owns the inventions, it may still be logistically difficult (and expensive) to obtain all 15 declarations. If several of those inventors do not want to cooperate, the employer's job can be complicated substantially.

Effective September 2012, under the AIA, the burdens on employers like MorittHock Invents may ease somewhat. Under the AIA, a declaration must state (in addition to acknowledging the duty of candor) that: 1) the patent application was made or authorized to be made by the declarant and 2) that the declarant believes himself to be the first inventor. Thus, MorittHock Invents may be able to file one document relating



STRENGTH IN PARTNERSHIP

ALERT

Moritt Hock & Hamroff LLP is a broad based commercial law firm with 45 lawyers and a staff of paralegals. The firm's practice areas include: commercial foreclosure; construction; corporate, securities & financial services; creditors' rights & bankruptcy; employment; equipment & vehicle leasing; healthcare; landlord & tenant; litigation; marketing, advertising & promotions; not-for-profit; real estate; tax; trademarks, patents & other intellectual property; trusts & estates; and white collar defense, government investigations, compliance & internal investigations.

This Alert was written by Steven S. Rubin and A. Jonathan Trafimow.

Mr. Rubin, of counsel with the firm, heads the firm's patent practice where he concentrates his practice in all phases of patent-related matters, both domestically and internationally. Mr. Trafimow, a partner with the firm, heads the firm's employment and labor practice where he represents employers in all areas of workplace discrimination, retaliation, harassment and civil rights claims, and class actions. He also routinely advises employers on compliance with local and federal employment laws and regulations.

Any questions concerning the matters raised in the Alert should be addressed to either Mr. Rubin or Mr. Trafimow. They can be reached at (516) 873-2000 or by email at srubin@moritthock.com or itrafimow@moritthock.com

to 15 distinct inventions, rather than having to burden 15 separate inventors.

Of particular interest to MorittHock Invents, according to the statute, these statements may be added to an assignment agreement. Even an individual under an obligation to assign the rights to an invention, such as by virtue of an employment agreement, may include declaration statements in an assignment document, such as an employment agreement with appropriate assignment language. So, in one document, an inventor/employee can 1) assign his current and/or future rights with respect to any future inventions to his employer, 2) include declaration type statements, and 3) otherwise set forth the material terms of the employment relationship. Historically, the patent rights would have to be outlined in a separate document, and executed at a later time (after conception of an invention) when the power or nature of the relationship with the inventor may have changed.

Who can file a patent application?

If an employer can show that the inventor has assigned, or has an obligation to assign, his patent rights, or that the employer otherwise has a "sufficient proprietary interest," the employer can apply for a patent on its own. A patent granted on such an application will be granted to the real party in interest. This is pretty significant. This means that a company, instead of having 15 patents issue to 15 different inventors, may obtain those same patents in its own name. This may allow the company to more clearly identify and market what patents and patent applications it owns. Unfortunately, it may also be easier for the company's competitors to find out this information, and so some companies may consider assigning patents and applications to subsidiaries and then list those companies as the assignees/applicants. In this way, a search for patents will yield the patent portfolio where the company that developed the potential invention is listed as the applicant but will exclude patents where the subsidiary is listed as the applicant.

So, what should you do?

In assignment documents with inventors identifying specific patent applications, employers should consider adding declaration type language. For example, one document may be effective to transfer rights from the inventor to an assignee and may also indicate: that the inventor believes he is the first inventor; that the application is being filed on his behalf; and that he acknowledges his obligation of the duty of candor.

Further, in an employment agreement when the potential inventor is first hired, you may want to consider including some language indicating that if the employer and employee agree to file a patent application: 1) the employee acknowledges that such a patent filing would mean the employee believes he is the first inventor, 2) the employer would be applying for the patent on the employee's behalf, and 3) the employee understands he has a duty of disclosure and candor before the Patent Office. An example assignment document may be added to the employment agreement as an appendix. The prospective type statements regarding an invention not yet conceived may be somewhat complex to draft but they could provide a desired back-up should the inventor end up being recalcitrant to sign a declaration.



This Alert is published solely for the interests of friends and clients of Moritt Hock & Hamroff LLP for informational purposes only and should in no way be relied upon or construed as legal advice.