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Innovative Companies Beware: Inventorship Disputes Can Undercut Your Patent Security and Profits



by Ariel Rogson, attorney, Marger Johnson & McCollom

Any company that is driven by innovation could be at risk of losing its hard-earned intellectual property assets. That is, it could fall prey to legal maneuvers that capitalize on ambiguities in the law and lack of legal precedent regarding inventorship.

While software companies are some of the most innovative, they also can be some of the most vulnerable when it comes to inventorship. Because software used to be considered copyrightable but not patentable, some software companies need to update their practices now that they are securing patents on their software inventions. Software patents and software copyrights differ both in scope of protection and in the procedures needed to obtain the forms of protection.

If your patent inventorship and ownership are not well managed, beware. Your patents can be found invalid or unenforceable, and your company can be left vulnerable to unnamed inventors who can independently license or sell your property rights and usurp your financial rewards.

For example, I recently worked with one software company whose founder left the company and then tried to wrestle patent rights away from the company by arguing that he still had rights in the inventions. While the company was able to retain ownership of the patents, a court had to decide the matter. The litigation cost the company a great deal of time and money.

While it is common, when filing for patent protection, to focus on the finer nuances of the software code and its purpose, the inventive concepts, which often are broader than the implementation specifics, also should be identified. Focus also should be directed to pinpointing and securing the inventorship and your company's ownership of the patent rights. It can save you time, money and heartache.

Understand why inventorship is important to your patent's long-term security

- Anyone identified as an inventor of a patented invention is presumed by the courts to have an ownership interest in the patent. Those inventors have the potential to assert independent rights to that invention unless they have signed over their ownership rights to the company.
- Each inventor (who has not signed ownership rights over to the company) has the independent ability to make money by licensing the invention or transferring his/her patent ownership interests to other parties.
- The cooperation of every co-owner is required in an action to enforce a patent, which often takes the form of suing for patent infringement. Therefore, without the cooperation of every co-owner, a patent enforcement action will be dismissed.
- In practical terms, if you sue a company that you think is infringing your patent rights, they are likely to search to find anyone involved in the development of your technology who was not named as an inventor. If they are able to find someone who arguably contributed to that invention, they can potentially obtain a license or purchase the rights from that unnamed inventor. By arguing that that person should have been named an inventor on your patent application, they have created for themselves a potential defense to your infringement action that can be difficult and expensive to disprove.

Understand what "inventorship" is

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- The determining factor in inventorship is “conception” of the idea behind the invention.
- Inventors are the individuals who generate concepts that enable others — software engineers and code writers, for instance — to put the invention into practice. The application of ordinary skill or conventional wisdom to the project, such as might be applied by a software engineer, does not necessarily make someone an inventor. However, if a high-level employee gives only a general idea of what is to be accomplished, but no specifications, the code writer might end up playing a role in shaping the direction of the invention and might then be considered an inventor.
- It is relatively uncommon for an invention to be the product of a single mind. This is especially true in the software realm, where people with differing kinds of expertise come together to shape and determine implementation of an idea.
- Because inventorship is a legal determination, your patent lawyer will need to help analyze your development environment and determine who should be named as an inventor and who should not.

Thoroughly identify and name all inventors

- Identify each person who participated in the development of the invention and clearly define his or her role in the inventive process.
- Determine which of these people should be named inventors on the patent by using your patent attorney’s expertise to compare the roles of the people against the claims in the patent application. Remember, there is no limit to the number of inventors you can name in a patent application.
- In identifying the inventors, be sure to name everyone who should be named, and be equally sure to avoid naming anyone who should not be named. If you make either of these mistakes, no matter how innocently, your patent could be found invalid until the mistake is corrected. If you make either of these mistakes knowingly and deceptively, your patent could be found permanently unenforceable. What’s more, this could affect other related patent applications if the patent with improper inventorship is a “parent” application with subsequent applications that build on it.

Ensure that every employee assigns patent ownership rights to the company

- Because patent protection is still a relatively new concept in the software world, some software companies have lagged behind those in other industries when it comes to including patent rights in their employment contracts. Consider working with your intellectual property attorney to ensure that your employment contracts obligate employees to transfer patent rights to the company.
- Whether or not they are named inventors, each and every employee should sign a contract under which they agree to assign ownership of inventions to the company, so there can be no later opportunity to claim separate, individual rights. Make this a standard procedure as soon as an employee joins the company, so they cannot claim they participated in a key inventorship role before they relinquished their rights to the company. If an employee later refuses to assign his or her rights in a patent application to the company, the contract can be used to ensure the company owns the patents, even without the inventor’s cooperation.
- All independent contractors, vendors and others involved in developing the components of the invention also should agree to assign ownership rights to the company, preferably before they begin working on the company’s projects. This is especially important when dealing with copyrights because the company does not automatically own the copyright on works authored by non-employees.
- Build in a structure through which the inventors will help with the patenting process if they leave the company, or even if the company folds or is acquired. Because employee jumps and entity changes are frequent in the software industry, and because it typically takes between 18 months and three years for software patents to be examined, it is possible that inventor input will be needed to respond to the U.S. Patent and Trademark Office at some point in the process. It is important that whoever owns the patent rights is able to contact the inventors, and that the inventors remain cooperative, whether through a good-faith relationship or a consulting agreement.
- In the same vein, make sure that inventors assign their rights in any patent applications, including provisional patent applications, as soon as possible. If an inventor assigns his or her rights in one patent application to a company, that assignment can be used to support corporate ownership of any later patent applications that further develop the ideas in the earlier patent application. Further, the assignment of the earlier patent application can be used to

address potential problems in the filing requirements of later patent applications caused by the inventor's absence.

- Even if employees have assigned patent ownership rights to the company, carefully consider any employee requests to use the patented inventions outside the corporate environment. If not done correctly, this could create a loophole through which the employee could later try to wrestle rights away from the company.
- Because the laws regarding the obligations of employees, contractors and vendors to assign rights to their employers vary from state to state, be sure to have a corporate attorney review your contractual relationships and documents.
- Because inventorship issues have significant ramifications to your patent security and chances in court, it is well worth developing and maintaining internal systems to secure your company's invention ownership and patent security.

This article further develops material in an article written by Craig R. Rogers of Marger Johnson & McCollom, P.C., and published in the January 2006 issue of the *Portland Business Journal*.

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