Issues of Patent Assignments and Title

And A Few Best Practice Tips For Avoiding The Most Frequently Occurring Pitfalls

Timothy French
Principal
Agenda

I. Recordation/Why?
II. Recordation/What?
III. A Few Basic Tenets
IV. Recordation
V. Errors/Corrections
VI. Other Documents Affecting Title
VII. Practice Tips
VIII. Questions
RECORDATION / WHY?
35 USC 261, Para. 4:

- "An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valid consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months of its date or prior to the date of such subsequent purchase or mortgage."

- In short, if an assignment is not recorded within three months after signing, the assignee stands at risk of having its rights subordinated to a subsequent bona fide purchaser or lender acting without notice of the assignment.
Failure to record with local (foreign) authorities:

- Rights are not enforceable by assignee without a recorded assignment
- No recovery of damages for infringement in period prior to recordation
- Sales by unrecorded assignee are not counted towards use or working requirements, e.g. for repelling compulsory licensing
RECORDATION / WHAT?
Technically, the PTO is charged with recording assignments and all other documents "affecting title to applications, patents and registrations." (37 CFR 3.11) Only on very rare occasion is a question raised about a document being recordable.
Formal Requirements

• Transfer of (intangible) property
• Local venue requirements for transfer apply
  • A writing
  • Witness(es) or Notary
  • Clear identification of property
  • Recitation of exchange of consideration
  • Acceptance signature by assignee?
    • Foreign, yes
    • US, typically no
Change of Corporate Name

• Not a change of corporate entity, so there is not a change of ownership.

• However, recordation is recommended for reflecting proper chain of ownership.

• Recordation document is a Certificate obtained from Secretary of State for state of incorporation.

• A copy of the Certificate is recorded; the original document, and signatures, are not required.
A merger is a change of corporate entity, one company merging into another with only the latter surviving. There is change of ownership.

A Certificate of Merger is obtained from Secretary of State for either state of incorporation.

Original certificate, signatures are not required.

Often includes a change of name for surviving corporation, requiring a second recordation of the certificate.

Recordation is recommended for maintaining proper chain of record title.
Provisionals, Parents, Continuations, Divisionals, CIPs

• What do you own?
• What can you record?
• Not always necessary to assign for ownership, but recommended for notice (third parties, potential infringers, etc.) and for reflecting record chain of ownership and standing
When is execution of a new assignment required

• If the applications are identical, there is technically no requirement to record an assignment against the new application. However, in many instances, e.g. funding, sale of company, etc., it will be far easier (and less expensive) to record than to explain why it isn't necessary. Recording also ensures that anyone looking for ownership information will more easily find it.

• If the applications are at all different, a new assignment should be executed and recorded against the application.
When is execution of a new assignment required (cont.)

• In the case of a CIP, assignment of the parent conveys ownership of “inventions and improvements” so the assignee of the parent may own rights in the CIP; however, the PTO will not accept an assignment of the parent for recordation against the CIP (taking the position new matter creates a new property).

• This does not apply in the case of a DIV or CON where, new claims or not, the application belongs to the assignee of the parent (but unlike prior days, the assignee must submit the document for recordation; the USPTO will not do it for you).
Confirmatory Assignments

• Bare recitation of an earlier effective date is, without more, often entitled to little weight.

• Better to recite, e.g., obligation to assign, employment, earlier agreement, mutual understanding, etc., in support of the earlier, “confirmed” date.
Assignments nunc-pro-tunc ("now for then") can undermine an argument that a valid assignment has already been made.

Consider instead a simple confirmatory document to which documents supporting the earlier date (e.g. employment agreement, notes of understanding, etc.) are at least clearly referenced, if not copies attached.
A FEW BASIC TENETS
Transfer of (Intangible) Property—Assignment to Incorrect Party

• Once a patent application is validly assigned to a third party, but it is discovered that the assignment was in error:
  • The error **cannot** be corrected by a new assignment by the same assigning party.
  • The error can only be corrected by assignment back and then re-assignment.
Intent of the parties controls

In the case of other errors in an assignment, e.g.:

- Error in party name or state of incorporation;
- Error in identification of the listed property;

the intent of the parties controls, making the error correctible.
Assignments of patent rights (intangible property) must be in writing.

An oral agreement for transfer must be confirmed by written agreement.

This requirement does not apply in all jurisdictions (e.g. in Germany); but applies to assertion of U.S. patent rights, even if transferred in Germany.
RECORDATION
USPTO Recordation Cover Sheet Requirements

(1) The name of the party conveying the interest;
(2) The name and address of the party receiving the interest;
(3) A description of the interest conveyed or transaction to be recorded; and
(4) Identification of the interests involved.
Foreign Recordation Project (a step-by-step approach)

(1) Confirm status of listed property with local associate; consider with client recordation of assignment only for active rights.
(2) Provide draft documents to associate for review and comment; request revisions, supplemental documents required for recordation.
(3) Provide client/signers with sets of documents organized and marked (“flagged”) for signature.
(5) Obtain apostilles/consular certifications as required.
(6) Transmit full set of executed documents to associate for recordation.
ERRORS / CORRECTIONS
A party who wishes to correct a typographical error on a recorded cover sheet must submit the following to the Assignment Services Division:

• (A) a copy of the originally recorded assignment document (or other document affecting title);
• (B) a corrected cover sheet; and
• (C) the required fee for each application or patent to be corrected.

The party requesting correction should also submit a copy of the original cover sheet, to facilitate comparison of the corrected cover sheet with the originally recorded document.
Correction of Error in Naming Assignor and/or Assignee

- Option 1: On a copy of the executed assignment, mark out the incorrect assignee name and mark in the correct assignee name, then have the assignor inventors initial and date the change in the margin. The corrected assignment should then be submitted to the PTO as a correction/substitution for the original assignment in the PTO's records.

- Option 2: If the inventors are uncooperative or unavailable, have a representative of affected signing party initial and date the change in the margin. Again, the corrected assignment should then be submitted to the PTO as a correction/substitution for the original assignment in the PTO's records.

- Option 3: Prepare an affidavit or declaration by an officer of the proper assignee attesting to the error and setting forth the correct corporate name. The executed document can then be submitted to the PTO with a request for correction of the assignment record.

- Under any of these option, much headway can often be gained by having a rep from one of the paralegal go-fer services around the PTO hand carry the document and give personal attention to the request for the desired corrective action.
Once an assignment is recorded, the PTO will **not** remove the document from its records.

However, where none of the corrective procedures provided at MPEP 323.01 (a) through (c) applies, a petition for expungement may be recommended.

But note that expungement does **not** remove the "assignment document" from the records, but does remove indexing to the patent/patent application.
Addresses

• In the US it is not necessary that the document reflect a change in address. However, the current address of the assignee must be listed on the recordation cover sheet, even if it differs from the address in the accompanying assignment.
Party Defunct

• What to do where a party in a chain of title is dissolved or otherwise defunct?
  • Identify successors-in-interest.
  • Identify former officers with knowledge of disposition of rights.
• Prepare confirmation of assignment document reciting facts of transfer acceptable to available and willing signatory, e.g. with recitation of missing link(s) in chain, or personal knowledge by former involved individual.
Change of Address

- Not an issue for US practice.
- A potential concern in many foreign countries.
- It is a good practice to recite prior address(es) in chain of title.
OTHER DOCUMENTS AFFECTING TITLE
Acquisition of Rights in Bankruptcy

- Document establishing transfer of ownership to court
- Court order permitting sale
- Assignment / bill of sale from authorized trustee with detailed schedule of rights acquired
- (signature of prior owner NOT required)
Security Agreements

• Not a present ownership interest

• However, an interest superior to subsequent assignment and security interests is created
A security agreement is recorded at the PTO (and/or under local UCC rules) to put potential purchasers on notice of the secured party’s interests. The patent owner can still assign its rights, but until a formal release is filed, any subsequent purchaser takes ownership subject to the security interest.

- Recordable grant of security interest to lender.
- Not a present ownership interest.
- Very often, responsibility for recording releases lies with the borrower, and the interest holder will not bother to provide or record a release when the terms of loan are met, leaving a lingering defect on patent owner title.
Release of Security Interests (cont.)

- Security agreements recite procedure and requirements for release, and holders most often will comply with a reasoned request for relief (if it can be established that loan was met).
- Recordation of security interest releases with the USPTO is quite often neglected (perhaps through being out of the normal course for UCC practice). A recommended practice is to contact the secured party. Assuming the obligations of the security agreement have, in fact, been met, they will either have a copy of an executed release in their records, or will willingly have a release executed. All you need is a copy for recordation at the USPTO.
Recordation under UCC

• Presumably, the security interest is also recorded with one or more state offices, under the UCC. There is a UCC form for release of a security interest. You may be able to record a copy of that in the USPTO, with a standard recordal cover sheet identifying the involved patent, trademark or application.
Security Assignments

• Rare, but still requested at times.
• Grants present ownership to lender, with agreement to assign back.
• Bad for many reasons.
• In trademarks, held to constitute an assignment in gross (transfer lacking effective goodwill), potentially destroying the trademark rights.
Additional Warranties (optional)

- The Assigned Rights are free and clear of all and any pledge, lien, collateral assignment, security interest, mortgage, title retention, conditional sale, or other security arrangement, or any charge, adverse claim of title, ownership, or right to use, or any other encumbrance of any kind whatsoever.

- Assignor represents that it has not made, and covenants with Assignee, its successors, assigns, and transferees that it will not hereafter make, any assignment, grant, mortgage, license, or other agreement affecting the rights, titles, and interests in the Assigned Rights. Assignor further covenants that it has the full right to convey the rights, titles, and interests assigned by this Assignment.
PRACTICE TIPS
Always confirm party name from original sources

Client contacts and officials are NOT always the best sources of party particulars:

Examples:

• "The General Hospital Corporation" rather than "Massachusetts General Hospital“;
• “President and Fellows of Harvard College” rather than “Harvard University”;
• “Polartec, LLC” rather than “Polartec LLC”;
• “IdeaPaint, Inc.” rather than “Idea Paint Inc.”
Inventors to inventors assignments

Where assignment document is related to less than all inventors as assignors, recommended to recite all non-assigning inventors as assignee, to maintain accurate assignment records:

- Joint Inventors A and B;
- Inventor A has obligation to assign to employer, Company C;
- In assignment, recite “Inventor A assigns to Company C and Inventor B as Joint Owners.”

PTO assignment records will otherwise show only Company C as owner.
Acceptance by Assignee

• ASSIGNEE hereby acknowledges receipt of the entire right, title and interest in and to the PATENTS AND PATENT APPLICATIONS.

• Reputable EP counsel have expressed the opinion that lack of acceptance of an assignment prior to PCT filing can result in a defect on priority.
Notary Public

- US
- Foreign
- Apostille
- Prime facie evidence of the identity of the person signing, and so it is preferred, but there is no formal requirement for notarization.
- However, in most foreign countries, the only Notary is at the U.S. consulate, so compliance with local requirements for transfer of property is sufficient (usually a writing with two witnesses), but check with local counsel.
In Massachusetts, for example, yes:

(f) A notary public shall not provide or send a signed or sealed notarial certificate to another person with the understanding that it will be completed or attached to a document outside of the notary public’s presence.

(1) In connection with a commercial, non-consumer transaction, a notary public may deliver a signed, sealed, or signed and sealed notarial certificate to an attorney with the understanding that:

(2) (i) the attorney will attach the certificate to a document outside of the notary’s presence; (ii) the attorney will hold such notarial certificate in escrow; and (iii) the attorney informs the notary public that the attorney will obtain the approval of the principal, or principals, involved before attaching the certificate to the document.

(g) A notary public shall not notarize a signature on a blank or incomplete document, except as provided in 6(f)(1) above.

In other jurisdictions, check local rules.
Create a clean, easily followed record

• Simplifies due diligence for subsequent sale or grant of security for collateral ("you will be appreciated")

• May avoid errors or misunderstandings by third parties resulting in unnecessary expense to client
Chronology of Recordation

• Not an issue (in US). For proper title, there must be a complete chain of documents from the inventors to the present owner, but it is not necessary that the documents are submitted or recorded in chronological order.

• The law in equity holds, e.g., that an assignment is effective to transfer the listed rights to the assignee even when the assignor doesn't acquire title until after the date of the assignment.
Must the assignment identify the patent / patent application by number?

• Technically, yes, but in terms of practice, identification of the patent / patent application by number on the Recordation Cover Sheet is treated as sufficient.

• However, if the assignment is to stand up to scrutiny, it must contain sufficient evidence to tie it to the property, e.g., application title, inventors, attorney docket no., client reference or identification number, date of signing / date of recordation, etc.
PCT filing and ownership of priority

- At least one PCT applicant must own any claim of priority, either by assignment or by existing obligation to assign, at application filing.
- A confirmatory assignment signed after the filing date but reciting an effective date prior to filing is not effective without prior obligation; recitation of details in the assignment is recommended.
- Recitation of one or more inventor as a applicant addresses the issue, even under AIA.
- The applicant is easily amended after assignment.
Questions?
Timothy French
Principal
617-521-7015
French@fr.com