

I Signed WHAT?

What to Consider when Entering into Consulting or Other Agreements

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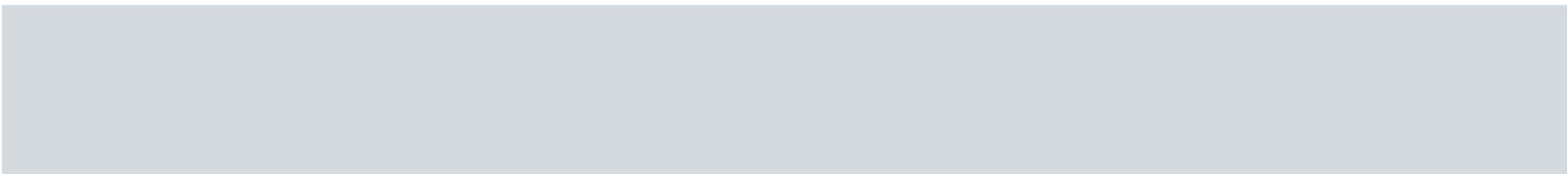
Osha Liang LLP

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Inventorship

- A legal determination made as a part of the patenting process
- Different from authorship
- A patent with incorrect inventorship can be invalidated on this basis
 - Whether names too few individuals
 - Whether names too many individuals

Inventorship

- Any individual who conceived of potentially patentable subject matter that is claimed must be listed as a named inventor on a patent application
 - “Conception” is crux of inventorship determination
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Conception

- Conception is the mental act of formulating an idea, particular and definite.
- Conception is complete when an idea is sufficiently definite and permanent such that one with ordinary skill in the art would know how to reduce it to practice.
- Reduction to practice is the process of transforming an intangible idea into a working physical reality.
- Thus, sometimes, conception is not complete until there is a reduction to practice.

-Ethicon, Inc. v. U.S. Surgical Corp.,
135 F.3d 1456, 1460 (Fed. Cir. 1998)



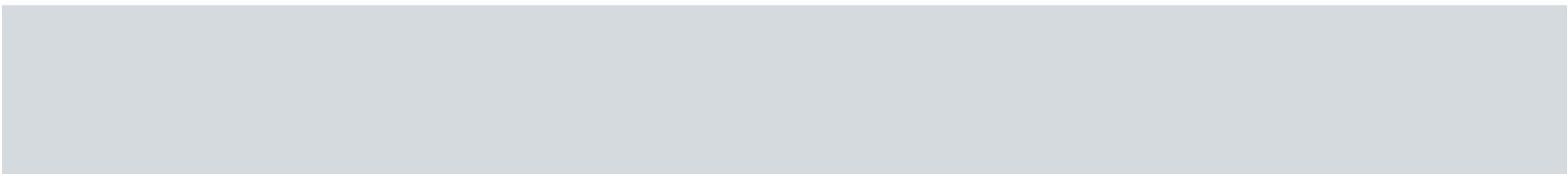
Joint Inventorship

- Any individual who contributes to the conception of at least one element of the patent must be listed as an inventor
- Inventors may apply for a patent jointly even though
 - (1) they did not physically work together or at the same time,
 - (2) each did not make the same type or amount of contribution, or
 - (3) each did not make a contribution to the subject matter of every claim of the patent

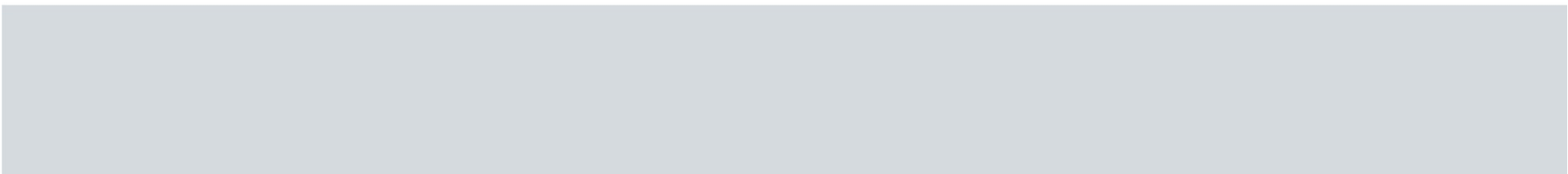
- 35 U.S.C. § 116



Types of activities that give rise to inventorship

- Contemporaneous contribution to conception:
 - such as from discussions or interactions where one stimulates thoughts of the other, thereby progressing combined ideas toward conception
 - Sequential contribution to conception:
 - incomplete conception that is subsequently completed by contribution of other
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Types of activities that give rise to inventorship

- Contribution of any unique or inventive input or independent deviation from the plan of the original inventor likely results in joint inventorship
 - Exhibiting ordinary skill in performing tests or experiments, assisting the sole inventor, or acting at the sole inventor's specific instructions does not qualify one as a joint inventor
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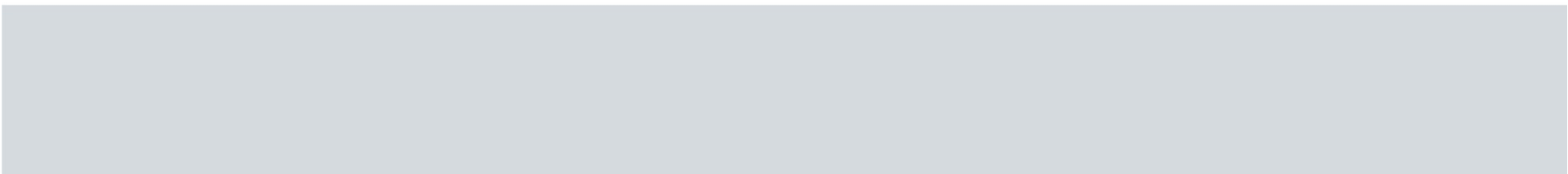
Hypothetical Inventorship Determination

- Party 1: conceives of series of compounds
- Party 2: synthesizes the compounds using known techniques
- Party 3: tests the compounds using standard assays

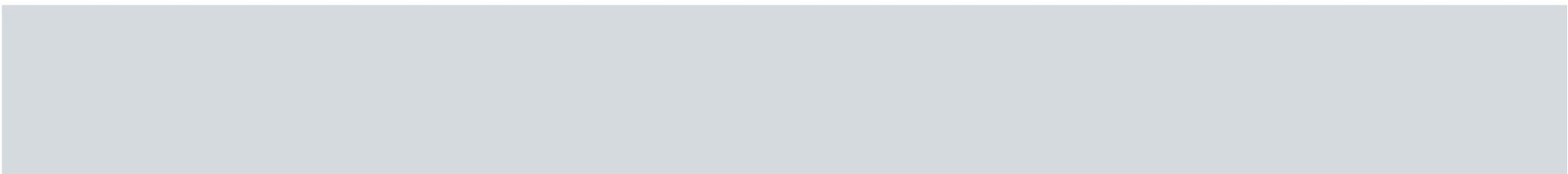
- Inventor(s): only Party 1

Hypothetical Inventorship Determination

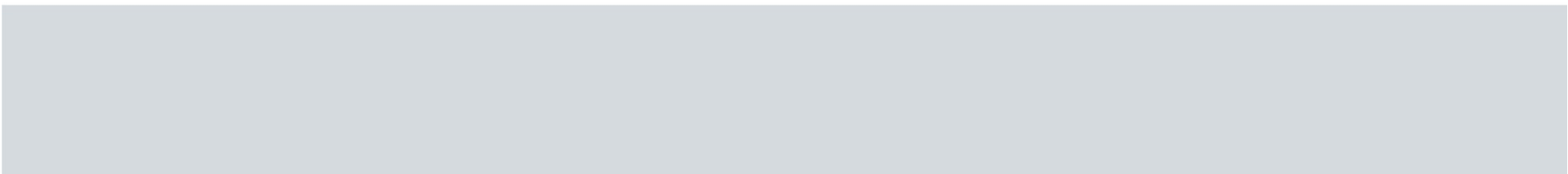
- Party 1: conceives of series of compounds
 - Party 2: synthesizes the compounds using known techniques
 - Party 3: tests the compounds using new test and finds additional unsuspected activity or unpredicted activity after extensive testing

 - Inventor(s): Parties 1 and 3
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Additional Hypotheticals

- Inventor conveyed definite and complete idea to chip designer with specifications for chip, chip design was simply exercise of normal skill expected for ordinary chip designer
 - Not a co-inventor if do no more than explain concepts that are well known and the current state of the art or perform experimental verification
 - Co-inventor if conceive of means to implement one or more aspects of the invention for which implementation was previously unknown
 - Co-inventor of chemistry that will solve given problem, if the chemistry is otherwise generally unknown to solve such problem
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Summary

- If no more than ordinary skill is required (to plod through) without any unique or inventive input, then not an inventor
 - But if there is any unique or inventive input or independent deviation from the plan of the original inventor, then joint inventorship is likely.
 - If extremely drastic, the second individual might be the sole inventor
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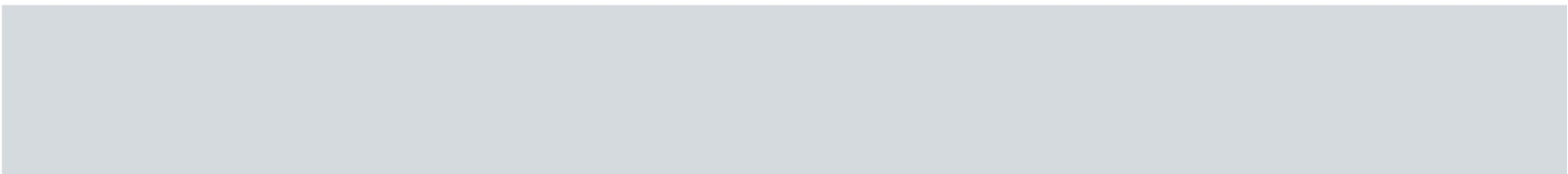
Rights of Joint Owners

- In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners.

- 35 U.S.C. § 262



Rights of Joint Inventors

- Each inventor have rights equal to those of all other named inventors
 - Joint inventors receive a complete bundle of ownership rights regardless of the quality or quantity of their contribution to the inventive subject matter
 - Joint owners each own an undivided share in the whole patent and may unilaterally license or assign their interest in the patent without accounting to other owners
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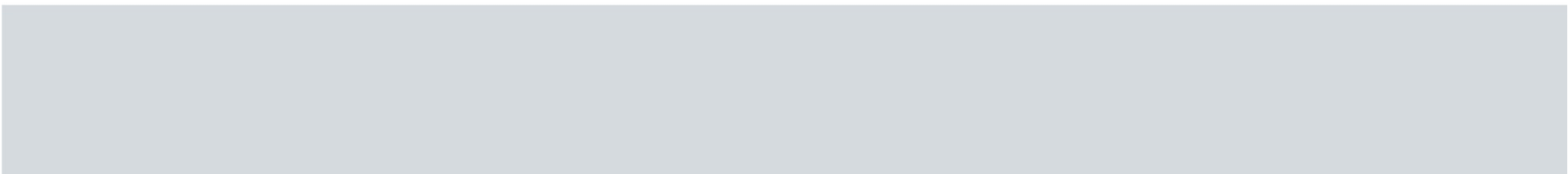
Flow of Patent Rights Generally

- Rights are initially in the possession of the inventors, absent an agreement or contract that transfers those rights
- Agreement or contract to transfer rights can be made before invention is even conceived or can be after the fact

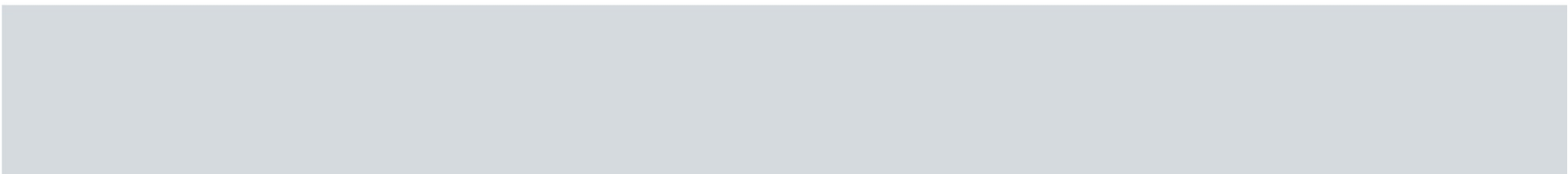
Flow of Patent Rights – Types of Agreements for Transferring Rights

- Internal development of technology
 - Employment agreement
 - Shop rights in absence of employment agreement
 - No work-for-hire for patents (copyrights only)
- External purchase of technology
 - Licensing Agreement
 - Consulting Agreement
- Jointly developing technology with an external party
 - Joint Development Agreements

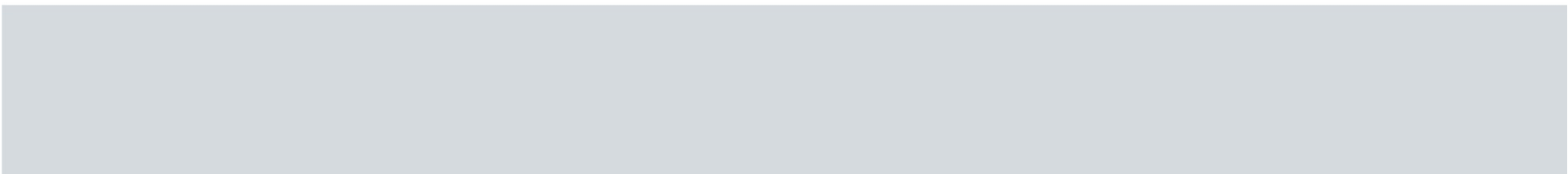
Typical things to look for in an employment agreement:

- Assignment of all rights in all inventions made during the course of employment
 - Disclosure of all previously made inventions by the potential employee
 - Helps the company if employee subsequently tries to claim he started working on the invention prior to employment
 - Assignment of negotiated prior patents, copyrights, etc.
 - Clause stating that for a period of time after employment employee will tell the employer about inventions for which employee files for patent
 - Non-compete clause
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Licensing/Purchasing Agreements

- Diligence in determining validity of patent, including over prior art and/or inventorship
 - Have previous licenses been granted?
 - Warranty of good title – as of the effective date of the Agreement, no actions, suits, investigations, claims, or proceedings are pending or threatened
 - Does licensor have the right to enter into the Agreement?
 - Ability to later challenge the validity of the patent without breach of agreement
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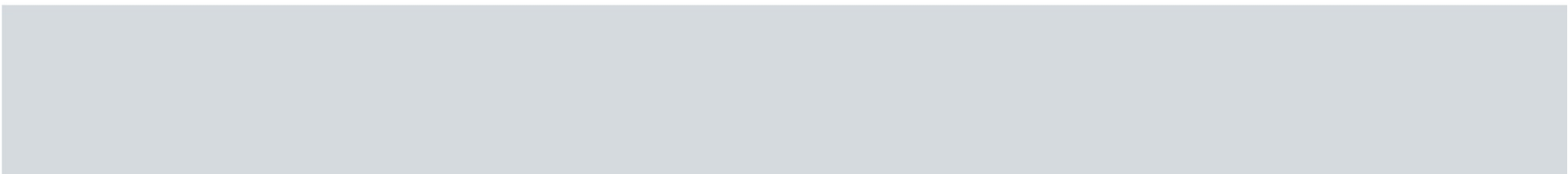
Joint Venture Agreement

- Define as precisely as possible what each party expects to receive from the partnership and what each party expects to contribute to the partnership
 - How costs and benefits will be shared
 - Allocation of IP rights
 - Tax consequences
 - Decision structure – who decides what
 - Dispute resolution
 - What happens upon dissolution of the joint venture
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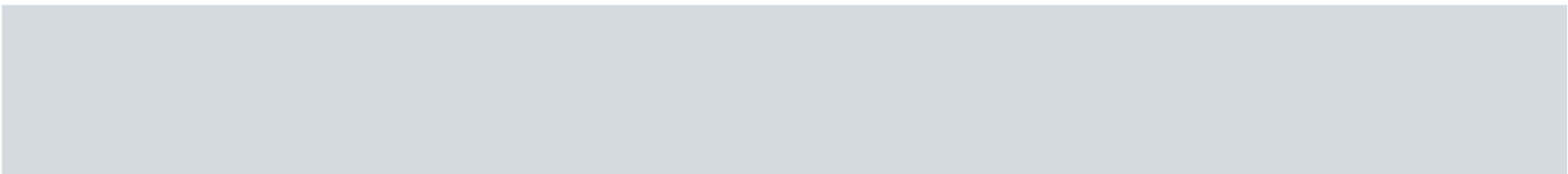
Consulting Agreements

- Most often, assignment of all rights in inventions made during and under the scope of the consulting agreement
 - In some cases the consultant may itemize and retain rights to prior IP
- Disclosure of any conflict in interest

How to negotiate for more rights as potential inventor or licensor

- Consider a joint development agreement instead of a consulting agreement to retain some IP rights in the developed work
 - Consider allocation of rights
 - Geographical allocation
 - Fields of use / exclusivity in different industries
 - Consider request for additional payment upon later issuance of patents
 - Consider preferred vendor status
 - Consider limiting licensee's ability to reverse engineer
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Structure of a Deal

- Exchange of non-confidential information – the technology that attracted the interest of the potential licensee
 - Non-Disclosure Agreement – exchange of confidential information
 - Parties discuss their interests and bargaining positions
 - Due diligence review
 - Legal: IP rights needed? Does patent offer a dominating IP position?
 - Business: costs and benefits
 - Outline of potential licensing agreement
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Valuation of IP

1. Cost Method: Look at the time paid for to develop the technology
 - Is it more likely to be used on a build or a buy (building a home v. buying a home)
2. Market Method: Compare to similar transactions in the market
 - Sometimes very difficult to obtain this information
3. Income: Useful when technology is far into development and can legitimately estimate potential income
 - Ex: when technology is already being sold
4. The Asking: Price was determined by what the other party asked for
 - Cost, market and income methods give you grounds to go beyond the asking price

Any Questions?

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