

The Limited Monopoly™

Don't Cut Corners... Consider Assigning That Provisional Patent Application

by Robert Gunderman, PE and John Hammond, PE

An assignment transfers ownership of a certain types of property from one party to another. In the United States, ownership of a patent or a patent application remains with the inventor(s) until such time as an assignment is executed that conveys ownership to another entity. This is commonly done by employees of a corporation who agree to assign ownership rights to their employer as part of their ongoing employment relationship. It is common for a patent or a patent application to also have multiple inventors named, so an assignment by all inventors to a corporation places ownership with the corporation, and not the individuals.¹

In the case of a provisional patent application, and much to our disapproval, often there is a tendency to cut corners with the disclosure, the drawings, and the overall quality of the submittal. This is commonly caused by both a need to keep costs low and a need to get something on file quickly.² Unfortunately, when corners are cut, this mindset carries on after filing and can impact post filing decisions as well. One example: not assigning the provisional patent application, but waiting instead until the subsequent utility application is filed before executing an assignment of ownership. Not assigning a provisional patent application may be acceptable practice if there is one inventor and no legal entity (such as a corporation) to take ownership, but often this is not the situation and not assigning that provisional patent application is generally a bad idea. Here are a few reasons. We are sure there are others that may come up depending on what business situation you find yourself in.

Reason #1: A Deceased Inventor

If an inventor named on a provisional patent application dies before an assignment is executed, the inventor's legal representative (executor, administrator, etc.) may take actions on behalf of the deceased inventor. If the deceased inventor had an agreement to assign with his employer, ownership is more straightforward, but the employer still must deal with the legal representative. If no agreement to assign has been executed, the situation can become more difficult and can impact ownership and even prosecution of any subsequent utility patent application or foreign applications.

Not assigning a provisional patent application, and instead waiting until a utility patent application is filed to execute an assignment is generally a bad idea.

All of this can be avoided if the provisional patent application is assigned when filed.

Reason #2: The Inventor Who Loses Mental Capacity

An inventor who becomes mentally incompetent due to mental illness or other circumstances can create a myriad of problems with a pending patent application. An assignment executed prior to the mental illness allows the assignee to take actions without an assertion of ownership by the inventor, and also establishes clear title without the necessity of signatures later on.

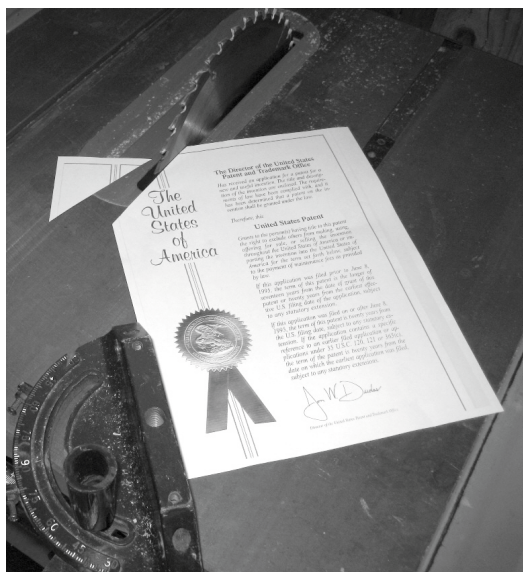
Reason #3: A Hostile or Missing Inventor

Should an inventor leave the company, he or she may no longer be willing to sign papers, including assignment documents. The employee may be disgruntled or simply not interested in signing papers. In addition, an inventor may move and not provide a forwarding address, or otherwise be missing. Contact with an inventor can become important during subsequent prosecution, for example. Dealing with hostile or missing inventors can create

problems for your company's intellectual property. Knowing that an inventor has transferred ownership to your company through an assignment alleviates many of these potential problems.

Reason #4: A Green Light for Continued Investment

If all inventors named on a provisional patent application have assigned their rights to your company, ownership is clear and trouble free. This equates to a green light to continue investing in research and development, knowing that future investments made in the subject technology are free and clear of ownership issues. Without clear title to a patent application, provisional or otherwise, any investments made in the technology will be to the benefit of not only the company, but also to any named



inventors until such time as they assign ownership. With all of the uncertainty associated with the development of any new technology, the simple task of executing an assignment at least avoids one facet of uncertainty - that of ownership.

Reason #5: A Clear Chain of Title for an Acquisition

Should your company be acquired, or should you spin off a division, a product line, or even a patent or patent portfolio, the purchaser will demand that there is a clear and unambiguous chain of title for the technology or business being purchased. The purchaser will require many things, including title documents, certifications, files, and similar paperwork, all of which are intended to ensure that what is being purchased has a clean title. It is not at all uncommon for a purchaser of an issued patent to insist on executed and recorded assignments for any underlying provisional patent application, even if that provisional patent application has long since expired. If the inventors on that long expired provisional are no longer with your company, it can be difficult and sometimes impossible to obtain signatures for an assignment. Either the inventors can't be located, or they have no motivation to execute an assignment because they are no longer with your company. Either way, you can save yourself a lot of work and aggravation if that provisional is assigned right away.

Reason #6: Better License Agreements

Should you license a subsequent patent or patent portfolio, the licensee will want to know that there is clear title to all intellectual property, including provisional applications. If a licensee plans to not only pay an ongoing license fee, but also invest in the tooling, marketing and production capabilities necessary to build and sell the product they have licensed from you, they certainly want to ensure that there will be no ownership issues that could prompt a third party to in any way jeopardize their business initiatives and investments.

Reason #7: PCT and Foreign Entitlements

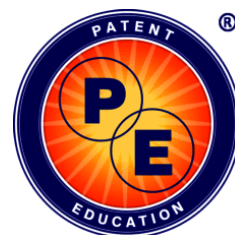
The United States requires that the applicant on all patent applications is the inventor or inventors. This is not so in most foreign countries. Most foreign countries, as well as the provisions of the Patent Cooperation Treaty (PCT)³, allow the applicant to be a company or other legal entity. This enables a company to take actions and direct prosecution of the foreign applications, and can be beneficial to the company who employs the inventors and is paying for the patent applications. In order to name a company or other legal entity in a PCT application, the PCT Request must establish the right of the applicant, in this case a company or legal entity, to apply for and be granted a patent. Further, to claim priority to an earlier patent application such as a United States Provisional Patent Application, the Applicant must prove that they are entitled to make this priority claim. The most common way to establish rights of an applicant to file and be granted a patent, and also establish rights to make a priority claim, is by referencing an assignment from the inventors to the company. Without an assignment of a provisional patent application, it is difficult or impossible to establish these rights.

Reason #8: Establish Ownership Early

Businesses should perfect their ownership rights on a timely basis. This means provisional patent applications that reflect the work and assets of a company should be assigned to the company right away. This lays the groundwork for a solid and clean intellectual property asset base that can yield positive financial returns. Delays in establishing ownership by way of properly prepared and executed assignments can turn out to be very costly to take care of at a later date when inventors have left the company or otherwise become unavailable. If the technology is important to your business, you should take actions not only to protect it by way of a patent application or applications, but you should also take actions necessary to establish and secure ownership right away.

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1. The Limited Monopoly March 2006. "Have Brain, Will Invent: Who Owns Your Inventions?" Reprints may be obtained at www.patenteducation.com/patentarticles.html under the topic "Ownership Rights"
 2. The Limited Monopoly June 2009. "Weaknesses of the "Quick and Dirty" Provisional Patent Application" Reprints may be obtained at www.patenteducation.com/patentarticles.html under the topic "Provisional Patent Applications"
 3. The Limited Monopoly November 2007. "Filing International Patent Applications- Tuning In To The Patent Cooperation Treaty." Reprints may be obtained at www.patenteducation.com/patentarticles.html under the topic "International Patent Applications"

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