Inventorship disputes don’t have to be costly

Jorge A Goldstein and Timothy J Shea, Jr look at how you can avoid inventorship disputes and explain how to resolve them when they occur

The past few years have seen a dramatic increase in inventorship disputes due to the large amount of research and development work being performed by collaborations between different entities. This increase is partly shown by the number of reported court decisions in which improper inventorship has been raised. This is only part of the story because, as members of the patent bar well know, the number of disputes is much higher than those found in reported decisions.

The stakes of being named – or not named – as a co-inventor on an issued patent for an important area of technology have never been higher. Apart from the prestige involved, co-inventorship of a federally funded invention carries with it royalty-sharing rights, and co-inventorship of an invention made partly by an inventor from another institution carries with it co-ownership of the resulting patent. As inter-company, inter-academic, and academic-company collaborations have increased, so have the disputes.

Determining proper inventorship is critical to obtaining a valid US patent. Indeed, improper inventorship is a defence to a charge of patent infringement, and can result in revocation of a patent. Moreover, because ownership of a US patent is based, in the first instance, on inventorship, some defendants to an infringement suit have successfully avoided liability by obtaining a licence under the asserted patent directly from an omitted inventor (see for example Ethicon, Inc v United States Surgical Corp, 135 F 3d 1456 (Fed Cir 1998)). While relatively simple procedures exist to correct errors in patents and patent applications that are inadvertent and non-contentious, the same cannot be said for situations in which inventorship is disputed.

The law of inventorship, particularly joint inventorship, is extremely complex, prompting one court to describe it as “one of the muddiest concepts in the muddy metaphysics of patent law” (Mueller Brass Co v Reading Indus, Inc, 352 F Supp 1357, 1372 (ED Pa 1972)). The complexities of an inventorship dispute are often aggravated by the intense personal emotions aroused by arguments over intellectual and creative contributions. These passions are intensified in the context of patents, and conspire to make inventorship disputes particularly contentious and legally complex.

Not surprisingly, parties seeking to resolve an inventorship dispute face a daunting task. Those who pursue recourse through the judicial system can expect the litigation to last several years and be costly. Although the US Patent and Trademark Office (USPTO) does have administrative procedures designed to resolve inventorship disputes, these procedures can also be quite time consuming and expensive and are not available for all disputes.

We will review the various mechanisms for resolving inventorship disputes and analyze the advantages and disadvantages of each. Arbitration by experienced scientist-lawyers is a particularly effective way to resolve inventorship disputes quickly, accurately and cost effectively.

How do inventorship disputes arise?

It has been our experience that the vast majority of disputes arise from a handful of common fact patterns, which we will review.

Academic collaborations

The university is a common place to find inventorship disputes. The typical scenario involves a valuable invention resulting from research conducted by a principal investigator (PI) and his or her graduate students. The dispute often arises when an application is filed naming the PI as inventor, but omitting one or all of the graduate students (see for example Chou v Univ of Chicago, 254 F 3d 1347 (Fed Cir 2001)). Resolution of such disputes often turns on whether the graduate students contributed in some way to the conception of the invention, or merely acted as a pair of hands to carry out the research plan of the PI.

Another common university scenario is collaborative work between two or more professors within the same institution. Due to the collegial nature of such collaborations (at least initially) they often do not have a formal agreement addressing inventorship. In one case, for example, the collegial relationship between two doctors who both worked in the field of implantable dental devices, and attended conferences and taught courses together, deteriorated into a dispute over who conceived of an invention that arose from a conversation they had at a restaurant (Linkow v Linkow, 517 F 2d 1370 (CCPA 1975)). Although most academic institutions have administrative bodies for resolving disputes between PIs generally, university politics and the lack of familiarity with substantive patent law make those bodies less than ideal for inventorship disputes.

The dissolution of an academic collaboration where the researchers continue to develop the collaborative technology independently can also give rise to inventorship disputes. For example, one dispute involved a postdoc who left a research team at a university to conduct research for a private company in the same field (Bd of Educ v American Bioscience, Inc
Advantages of arbitration

In our experience, of the several avenues open to resolving inventorship disputes, arbitration provides the most advantages.

• First, arbitration is generally cost-effective because it is a relatively quick process in comparison to resolving an inventorship dispute using district court litigation or interference proceedings at the USPTO. Arbitrations can be completed in a few months, resulting in reduced attorney fees and other expenses. In contrast, a typical court case might take years to close.

• Second, the parties can limit the scope of the arbitration to inventorship issues whereas discovery in district court litigation tends to be much broader in scope. This allows the parties to further control the overall cost of the process by determining how simple or complex the proceeding needs to be. For example, the parties could agree to a limited amount of discovery with strict timetables.

• Third, with a neutral arbitrator deciding the issues, the parties tend to be less emotional. This alleviates one of the traditional obstacles in resolving many inventorship disputes.

• Fourth, a well-reasoned arbitrator’s opinion can be used to prevent or discredit later challenges to the patent’s inventorship by competitors. This is an added value of resolving an inventorship dispute using a neutral arbitrator because competitors are less likely to allege that collusive or fraudulent conduct occurred during the resolution of the dispute (which could invalidate the patent) if neither of the parties made the final inventorship determination.

• Fifth, given arbitration’s more collaborative nature compared to adversarial litigation, business relationships between the parties can be preserved. The parties can present their case for inventorship in an organized forum without having to deal with scorched-earth litigation tactics or other adversarial litigation practices.

• Last, and most importantly, the parties can predetermine the qualifications and experience of an arbitrator within a pre-dispute contract or, once a dispute has arisen, they can choose a mutually acceptable arbitrator. This means that the arbitrator can be selected to have the requisite scientific as well as legal training to resolve the dispute. In contrast, a district court judge tends to be less familiar with the law of inventorship and technology than a well-chosen arbitrator would be.

333 F 3d 1330 (Fed Cir 2003)). When the university learned that the company had filed a patent application to the technology, it brought suit to add the university researchers as inventors. Ultimately, the court concluded that, while the university researchers had general knowledge about the technology, they had not contributed to the conception of the specific compounds claimed in the company’s patent, and therefore were not inventors of those compounds.

University/Industry collaborations

Collaborations between universities and industry are another prime source of disputes. Typically, the entities involved will already have some level of expertise in the field of interest at the time the collaboration is initiated – which is often the motivation for the collaboration in the first place. When a corporation sponsors research conducted at a university, scientists at the corporation will often work closely with the university researchers to decide on the overall research goals and on the broad research plan. Indeed, major collaborations typically have a formal joint research committee comprised of scientists from both entities who jointly decide on the goals of the collaboration and the manner in which the research will be conducted. In addition, the sponsor’s scientists will often get a first look at research results. This close relationship between the university’s and the corporation’s scientists can give rise to disputes over who contributed to conception of an invention that resulted from the research.

In some instances, disputes arise even in the absence of a formal collaboration. For example, a dispute arose between Eli Lilly and Aradigm Corporation even though a formal collaboration agreement was never reached (Eli Lilly and Co v Aradigm Corp, 376 F 3d 1352 (Fed Cir 2004)). The two companies held initial discussions regarding a potential collaboration, but ultimately decided not to enter into an agreement. Nevertheless, when Lilly learned of a patent obtained by Aradigm for a method of administering Lilly’s drug Lispro, Lilly brought suit in federal district court to correct the inventorship to include two Lilly scientists. Ultimately, the Court of Appeals for the Federal Circuit found that Lilly had failed to show that its scientists had contributed to Aradigm’s conception of the claimed method.

Industry/government collaborations

Inventorship disputes frequently arise from collaborations between industry and government. One famous case concerned inventorship to patents directed to the use of AZT in the treatment of AIDS (Burroughs Wellcome Co v Barr Laboratories, In, 40 F 3d 1223 (Fed Cir 1994)). Burroughs Wellcome, the company that developed AZT, approached the National Institutes of Health (NIH) to test AZT in an assay NIH had developed that could demonstrate a compound’s effectiveness against HIV in humans. The NIH scientists tested the compound and found that it was active against HIV. Prior to this testing, Burroughs Wellcome had filed for a patent on AZT...
including its use to treat HIV, and the NIH studies confirmed that the compound was effective in humans. After taking a licence from the government to whatever rights the NIH had in the AZT patent, Barr Laboratories sued in federal district court seeking to add the NIH scientists and inventors of the patent. Barr Laboratories alleged that the NIH scientists were coinventors of the patent because their studies were an essential part of the inventive process. The district court and Federal Circuit disagreed and did not add the NIH scientists as inventors.

Consulting relationships
Consultancy agreements are a common business arrangement that can lead to inventorship disputes. While these agreements normally contain — or should contain — an obligation by the consultant to assign to the company his/her rights to inventions, typically the consultant often continues troubleshooting the technology after the relationship ends. Such troubleshooting can be, and many times is, inventive, and may lead to a dispute (see for example Breed v Hughes Aircraft Co, 253 F 3d 1173 (9th Cir 2001)).

How may inventorship disputes be resolved?
Once an inventorship dispute has arisen, it may be difficult to resolve. The parties involved in the dispute tend to be emotional because each side probably has a financial and professional interest in being named as an inventor. This makes it difficult for the parties to work together to rationally determine proper inventorship, even if each side is assisted by its own patent attorney.

A well-drafted scientific collaboration agreement will contain a clause that spells out two items: first, who owns inventions that arise out of the collaboration and, second, how to resolve disputes on the identity of the correct inventors. The first item is simple and readily dealt with by contract.

The second item is more complex. US law requires that an inventor be one who made an actual contribution to the conception of the invention. Thus, a contract cannot properly designate a person as an inventor if that person did not contribute to the conception of the invention. Therefore, a well-drafted scientific collaboration agreement needs to contain a dispute resolution mechanism, such as neutral arbitration, in case the parties cannot readily decide how to credit the conception or co-conception of new inventions.

Many inventive collaborations, unfortunately, take place in the absence of such written agreements. Two professors meet at a conference and share a cab ride back to the airport during which they discuss concepts that later result in a patent in which only one is named as an inventor. One scientist discusses possible solutions to another’s problem over lunch. A consultant continues improving on the technology after termination of her contract. In such situations, there is no predetermined mechanism envisioned by the parties on how to resolve the emerging dispute. The parties may then turn to established means, which will allow a neutral third party to resolve the inventorship dispute.

Originality interferences
An interference is an administrative proceeding conducted by the USPTO to determine who is the first true inventor of a particular invention. It arises when two or more separate individuals or groups of individuals claim to be the inventors of substantially the same invention. A scientist who complains that he has been omitted as an inventor for a patent application can file another application with similar or identical claims and add himself to the second application. The USPTO will declare an originality interference between both applications, and the parties may then present their case for inventorship during this procedure. The advantage of such a mechanism is that the dispute goes before a neutral administrative patent judge, knowledgeable in the science and in inventorship law. A major disadvantage is that this option is not available in every instance. For example, if the dispute is within a university (for example graduate student versus PI) or within a company, this is probably not an option since both parties will have an obligation to assign their inventions to the same entity, and the USPTO will not declare interferences between commonly owned applications, instead forcing the owner to decide who invented first. In addition, the procedure can take several years and be costly.

Federal lawsuits
If our complaining scientist wishes to dispute inventorship of an issued patent, he can file suit in federal court to correct inventorship under 35 USC § 256. The courts have ruled that a potential inventor has standing to sue under 35 USC § 256 to be named as an inventor even though such a potential inventor does not have an expected ownership interest in the patent in that she may have to assign her rights to the very entity she is suing (see for example Chou v Univ of Chicago, 254 F 3d 1347 (Fed Cir 2001)).
The use of the federal courts to resolve inventorship disputes, however, should be a last resort. While the dispute is before a neutral federal judge, the judge is probably one without much scientific training or expertise, and furthermore without much knowledge or experience in the intricacies of inventorship law. While the full import of the federal discovery process is available to the litigants, especially the use of face-to-face depositions with their adversaries, such procedures are costly—in terms of money, time and aggravation.

Interventions at the USPTO

When a scientist finds out that a patent application is pending before the US PTO and believes that she/he should have been added as a co-inventor, the potential co-inventor also has the ability to intervene in the prosecution of the pending application—albeit to a limited extent. For example, one complaining inventor filed a protest action in order to bring additional facts about co-inventorship to the attention of the USPTO (see Cogan v. Schuyler, 464 F.2d 747 (DC Cir 1972)). Based on this, the USPTO delayed the grant of the application as a patent in order to consider the inventorship issue. The patent owner, but not the protested, was then able to explain why the original inventorship was correct, and the patent issued. The protesting scientist did not have any further rights to complain or request reconsideration. The marginal participation on the part of the protestors severely limits the usefulness of such ex parte protest mechanisms.

In our practice we have successfully used a variation of US PTO protest mechanisms. Two parties were involved in a lingering and bitter inventorship dispute regarding a pending US patent application. Upon recommendation from patent counsel for both sides, the original applicant agreed to file a continuation application (essentially the same text) claiming precisely the invention in dispute. The parties further agreed on a set of facts, and the applicant submitted an information disclosure statement (IDS) with the facts, and also included opening, opposing and replying briefs in the IDS—essentially, arguments from both sides as to why the complaining inventor or not should not be added. This process for resolving the inventorship dispute was written up in a letter agreement which both parties signed before proceeding and which they brought to the attention of the patent examiner. The letter agreement required that if the examiner raised a rejection to the application based on inventorship (for example, under § 102(f)) of the patent statute, which requires the correct inventors to be named), the original party would not contest inventorship further, other than to add the complaining inventor to the application. The reverse was also agreed to: if the examiner did not raise inventorship as an issue, the complaining party would drop the dispute. As it turned out, the examiner issued a rejection under 35 USC § 102(f). The complaining inventor was added pursuant to the letter agreement, and the dispute was quickly resolved in a cost-effective manner.

This mechanism is not readily available in all disputes, in that a fair amount of cooperation between the two sides was needed. In our situation it did not hurt that counsel for the other side clearly wanted the dispute resolved once and for all and was willing to go along with the procedural agreements.

Mediation

Mediation is a voluntary process in which parties to an inventorship dispute may work together with a neutral facilitator (the mediator) to reach a settlement. Unlike arbitration, the mediator does not decide the case or issue any type of decision which would be enforceable in court. Instead, the results of mediation are only binding if the parties enter into a settlement contract at the end, incorporating the results of the mediation.

The parties can contract to limit the scope of mediation, the procedure used and also the criteria for selecting a mediator. For inventorship disputes, the ideal mediator should have expertise in both the technology at issue and also in the laws governing inventorship. These credentials are critical because otherwise the parties, in the interest of expediency or fairness, could negotiate a settlement to the dispute which resolves the inventorship improperly. This could occur if, for example, as part of the settlement, the parties agree to name one scientist from each side but fail to include additional scientists who should be named in order to comply with the law. Further, if the parties to the dispute are competitors in a common market, the mediated dispute could raise antitrust concerns. Subject to these concerns, mediation has the advantage of directly engaging the parties to the dispute in the negotiation of the settlement. This negotiation is guided by the mediator who views the dispute objectively and can assist the parties in exploring alternatives that they might not have considered on their own.

Arbitration

Arbitration is the submission of a dispute to one or more impartial persons for a final and binding decision. Arbitrations are generally the product of a contract between the parties. The contract can predates the dispute, as for example, an arbitration clause in a collaboration agreement. Alternatively, the contract can be created to govern the dispute after it arises, for example if the parties sign a letter of agreement to submit the dispute to arbitration. Through these contractual provisions or other agreements, the parties can limit the issues to be resolved by arbitration, the scope of relief available, and also the procedure used to resolve the dispute. If the parties desire, the arbitrator’s decision can be made in writing and would be enforceable in court under state and federal statutes including the Federal Arbitration Act.

A credible neutral

Inventorship disputes often reach an impasse that cannot be easily solved by the attorneys involved in the case. Such an impasse may lead to costly litigation or interferences. Intervention by a disinterested third party who is a scientist or engineer deeply knowledgeable in the technology involved, who is an experienced patent attorney, and who is sensitive to personal issues in contests between scientists, may lead to quick out-of-court resolutions. Sometimes, all that is needed is a specialist in law and science who is trusted by both sides, acting as a credible neutral. Such a neutral arbitrator can readily clarify the basic principles of inventorship, apply them to the facts and provide a decision.

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