

Idea thief

What to do if your customer patents your invention

Many companies face an unrealized risk when approached by a customer with a problem. Companies will devote a great deal of time and money developing a solution, only to have that customer seek to secretly patent the solution without naming the company's personnel as inventors or at least co-inventors.

"This leads to several bad outcomes, depending upon the particular facts," says Steve Haas, a partner at Fay Sharpe LLP.

"At worst, the company and its other customers can be sued for patent infringement by the first customer, even though the company created the solution. Also, the first customer can source the solution from a third-party supplier without compensating the company that solved the problem — the original company that developed the solution does not get to supply it and cannot stop the new supplier."

Smart Business spoke with Haas about unscrupulous customers that profit from a company's hard work, and how to avoid getting cheated out of an invention.

How can a company legally attribute another company's invention as its own?

Technically speaking, the patent is not valid because it fails to name the correct inventors. Proving this, however, is often problematic because ideas and solutions are now generated and transmitted to a customer rapidly and without sufficient documentation. The routine emails that circulate while the project is ongoing are often vague and without the necessary evidence to invalidate the patent. Meetings are often informal and undocumented.

What can companies do to stop this?

Companies partnering to create an invention should work under a written joint

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development contract at the start of each engagement. This agreement specifies the rights and obligations concerning ownership of the intellectual property (IP) and the responsibility for filing and prosecuting patent applications. Negotiate these agreements carefully.

A company developing a solution on behalf of a customer should file at least a provisional patent application for all significant new developments and improvements to a product or process. If possible, the provisional patent application should be filed before disclosing the ideas and improvements to the customer. A provisional application establishes an early effective filing date and allows the term 'patent pending' to be used. The application filing fees for a provisional application are minimal compared to litigation and other fees that would result from a dispute.

Inventions should be carefully documented with written records, drawings and detailed letters/emails to the customer. It's important to be very specific in these messages. So, instead of writing, 'here is the latest thing we discussed,' write 'enclosed is the latest design for the project XYZ developed by our personnel to address ABC problem, which includes the following features.' Save all correspondence and engineering records in a way that's organized and easily searchable.

To be sure your development partner

hasn't snuck off and patented the invention without your knowledge, you should monitor the published patent applications of your customers and identify any with incorrect named inventors.

What can be done if a customer partner has filed for or obtained a patent?

In the event that this happens, consider initiating a derivation proceeding in the U.S. Patent and Trademark Office, a proceeding that allows the original inventor, who may not be the first to file, to challenge the first applicant's right to a patent. This requires a showing of complete conception of the claimed invention and communication of the invention to the other party, which then filed the patent application without authorization. That's why thorough documentation of the invention process is so important. A derivation proceeding must be initiated within one year of the first publication of the patent application or patent.

Another option is to initiate a federal court action that allows for the name of the inventor on a patent to be corrected by the court if the patent has already been issued.

In general, the best defense is a good offense. Aggressively pursuing patents for new ideas as soon as possible after development will minimize the chance that an unscrupulous customer will fraudulently secure patent rights for your IP. ●