

**Keywords:** patent assignments, patent ownership, foreclosures

**General:** Although federal law requires all assignments of patents to be in writing, assignments are not the only valid means of transferring patent ownership. Such other transfers of ownership are controlled by state law, which may not require a writing.

*Sky Technologies LLC v. SAP AG*  
91 U.S.P.Q.2d 1854 (Fed. Cir. 2009)  
Decided August 20, 2009

## I. Facts

Jeffrey Conklin (“Conklin”) founded TradeAccess, Inc. (“TradeAccess”) in 1996. He and the other inventors filed for five patents in 1998 and 2000, assigning all rights to TradeAccess. The patents are directed to a variety of online negotiation processes. TradeAccess later changed its name to Ozro, Inc. (“Ozro”). In 2001, Ozro executed security agreements, controlled by the Massachusetts Uniform Commercial Code, with Silicon Valley Bank (“SVB”) and Cross Atlantic Capital Partners, Inc. (“XACP”) to secure loans. The security interests included all of Ozro’s rights in collateral, which included the patents. The security agreements were properly filed with the United States Patent and Trademark Office (“PTO”). In 2002, SVB assigned its security interest to XACP, making XACP the only holder of the security interest in the patents. This assignment was also recorded with the PTO.

In 2003, Ozro defaulted on its loans and XACP foreclosed on the patents. The foreclosure notice was issued in February 2003 to all of Ozro’s creditors, inventors, and counsel. The notice specified that the patents were to be sold at public auction. At about the same time, Conklin founded a new company called Sky Technologies LLC (“Sky”). According to its website, Sky is an “intellectual property licensing firm.” In June 2003, Conklin and XACP signed a Settlement Agreement in which XACP agreed to transfer ownership of the patents to Sky after the auction. In July 2003, XACP foreclosed and purchased all the assets of Ozro, which included the patents. Then, pursuant to the Settlement Agreement, XACP assigned by written instrument all of its rights in the patents to Sky. Ozro never executed any written agreement to assign its rights to XACP.

In 2006, Sky brought an action for patent infringement of the five patents against SAP AG (“SAP”), an international company that provides enterprise software to businesses. SAP moved to dismiss for lack of standing. The U.S. District Court for the Eastern District of Texas (Folsom, J.) held that Sky had standing because the patents were validly transferred from Ozro to XACP through the foreclosure proceedings. The district court granted SAP’s Motion for Certification of Question for Interlocutory Appeal. Judge Spencer, sitting by designation from the U.S. District Court of the Eastern District of Virginia, authored the Federal Circuit opinion.

## II. Issue

Did XACP have the legal right, title, and interest in the patents-in-suit to transfer all of those rights to Sky, thereby giving Sky standing to bring a patent infringement claim?

## III. Discussion

Yes. As an Article III standing question is a question of law, the Federal Circuit reviewed the lower court’s decision de novo. In its decision, the Federal Circuit listed four reasons why it agreed with the district court. First, the Federal Circuit found that the district court had properly relied on the case of *Akazawa v. Link New Technology International, Inc.*, 520 F.3d 1354 [86

---

U.S.P.Q.2d 1279] (Fed. Cir. 2008). In *Akazawa*, the inventor of a patent died intestate and the inventor's wife and daughters agreed that all the inventor's rights transferred to the wife. The wife later transferred her rights to the plaintiff and the defendant challenged the plaintiff's standing based on an alleged defect in patent ownership. The court's analysis relied on 35 U.S.C. § 261, which concerns the ownership and assignment of patents.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

Based on this federal statute, the district court held that the plaintiff lacked standing because no writing was used to transfer rights from the inventor to his wife. However, according to the Federal Circuit, "federal law is used to determine the validity and terms of an assignment, but state law controls any transfer of patent ownership by operation of law not deemed an assignment." Therefore, the Federal Circuit reversed, holding that because passage of title through intestacy is not an assignment, no writing was required. Applying this reasoning to the instant case, the court found that transfer of patent ownership was made by foreclosure under state law and not by assignment under federal law. Thus, § 261 is inapplicable and state law controls.

Second, the court found that transfer of title was proper according to the Massachusetts UCC, which allows a secured party to sell collateral in a commercially reasonable manner and to purchase that property at public auction. Moreover, after the collateral has been disposed of, the transferee for value takes all of the debtor's rights in the collateral. The court found that XACP properly obtained title to the patents because it acted in accordance with the Massachusetts UCC. SAP had argued that 35 U.S.C. § 154 ("Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns") restricted patent ownership to only those three categories and that accordingly *Akazawa* was not controlling because it involved heirs. The court found the argument unpersuasive because § 154 does not restrict ownership to only those three classes and furthermore does not address transfers of ownership. The court also dismissed SAP's argument that a provision of the Massachusetts UCC requires any transfer of collateral comprising patents to be in writing. The court found that under the plain meaning of the provision, a writing was permissible, but not mandatory.

Third, the court held that no state law was preempted because § 261 applies only to patent assignments. No federal law requires a writing for all transfers of patent ownership.

Finally, the court listed several public policy justifications for its holding. First, if foreclosures were not valid methods of transferring patent ownership, then many patents subject to a security interest would be invalidated and the interests of secured creditors would not be preserved. Second, the worth of patents would be less because patent owners would be limited to transfers by assignment and would be unable to use patents as collateral. Third, obtaining a writing would be impractical when dealing with foreclosures of companies that may no longer exist.

#### **IV. Conclusions**

Transfers of patent ownership are not limited to assignments and if made without an assignment, state law controls, which may not require a writing. Therefore, foreclosure under state law is a permissible method of transferring patent ownership. Still, regardless of what method is used to transfer patent ownership, filing with the PTO, and reducing transfers to writing where possible are good practices to ensure a clear chain of title.