Keywords: **inventorship, assignment of patent rights**

General: **An inventor does not automatically have standing to sue for being improperly excluded from being listed as an inventor, and thus the inventor must be able to show additional cognizable harm before the court will hear the case.**

Shukh v. Seagate Tech, LLC
No. 2014-1406 (Fed. Cir. March 2, 2015)

I. Facts

Alexander Shukh is a foreign native and leading scientist in the field of semiconductor physics, with a Ph.D. in Condensed Matter Physics and a B.S. and an M.S. in Electronics and Electronic Engineering. In 1997, Seagate recruited and hired Dr. Shukh. Dr. Shukh was employed at Seagate from September 1997 until his termination in early 2009.

At the outset of his employment, Shukh signed Seagate's standard "inventions agreement," which prohibited him from filing a patent application without permission from Seagate, and included a present assignment to Seagate of all future inventions made during his term of employment. Subsequently, Shukh contended that Seagate failed to name him as a co-inventor on six patents and four pending patent applications covering subject matter that he had allegedly contributed. Seagate terminated him in 2009, in part due to his confrontational manner and reputation for claiming credit for discoveries made by other Seagate researchers. He then filed suit seeking to correct inventorship of the patents under §256 and asserting several state-law tort and breach of contract claims.

At the motion to dismiss stage, the U.S. District Court for the District of Minnesota ruled that Shukh lacked any ownership or financial interest in the patents and applications based on his assignment of all rights to Seagate and, thus, granted summary judgment on the §256 claim on the grounds that the plaintiff lacked standing.

II. Issues

A. Did the district court err in granting summary judgment that Shukh lacked any ownership or financial interest in the patents?

B. Did the district court err in granting summary judgment that Shukh lacked standing based on reputational injury?

III. Discussion

A. No. The panel agreed that the district court correctly ruled that Shukh lacked any ownership or financial interest in the patents as being supported by binding precedent. *Filmtec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (Fed. Cir. 1991). The panel noted that to overrule this precedent required an *en banc* decision.

B. Yes. The panel vacated and remanded the district court's grant of summary judgment, ruling that concrete and particularized reputational injury can give rise to Article III standing. As noted in *[Chou v. Univ. of Chi.*, 254 F.3d 1347, 1357 (Fed. Cir. 2001)], "being considered an inventor of important subject matter is a mark of success in one's field, comparable to being an author of an important scientific paper." 254 F.3d at 1359. The panel reasoned that "[p]ecuniary consequences may well flow from being designated as an inventor." Id. This is particularly true when the claimed inventor is employed or seeks to be employed in the field of his or her claimed invention. For example, if the claimed inventor can show that being named as an inventor on a patent would affect his employment, the alleged reputational injury likely has an economic component sufficient to demonstrate Article III standing.

The panel found that Shukh presented enough evidence of a specific reputational injury to create a triable issue on his claim to correct inventorship. First, evidence and expert testimony established that being a named inventor on patents was a significant factor in the professional reputation and stature of scientists in Shukh's field. In particular, Seagate itself recognized issued patents as an indicator of good performance. Although the district court observed that the plaintiff already had an excellent reputation as an inventor, the panel noted that the evidence suggested that his reputation would be enhanced had he been named on multiple additional patents and applications. The panel also noted that being named on the additional patents could have rehabilitated Shukh's bad reputation for claiming credit for Seagate innovations, since it would tend to validate his role as a co-inventor. Finally, Shukh presented evidence that his bad reputation was a factor in his inability to find employment after termination from Seagate. The panel found that a jury could infer that his status as a co-inventor on additional Seagate patents would rehabilitate his reputation, which would improve his employment prospects and have a direct financial impact.

IV. Conclusion and Practical Implications

The *Shukh* decision suggests that in some situations, a plaintiff may seek to correct the inventorship of an issued patent even if he or she has assigned all rights to an employer or other third party. The decision in this case is based on two unusual facts. First, the plaintiff admitted that he suffered from a poor reputation, based in part on the perception that he claimed credit for inventions developed by others in the Seagate semiconductor research department. Second, he provided evidence that his reputation prevented other companies from hiring him after his termination from Seagate. The panel did not suggest that standing would apply in all cases in which a putative inventor cited increased fame as a result of being added to a patent. In at least some situations, however, plaintiffs may be able to establish standing by linking correction of inventorship to a specific and particular reputational injury.

In an *en banc* petition, Shukh challenged the Federal Circuit's "automatic assignment" rule announced in its 1991 *Filmtec* decision. This rule states that a pre-invention contract that states "I hereby assign" potential future inventions is deemed an effective transfer of title even though the future inventions have not yet been conceived. Indeed, prior to *Filmtec*, the general rule was that, while "an agreement to assign in the future inventions not yet developed may vest the promisee with equitable rights in those inventions once made, such an agreement does not by itself vest legal title to patents on the inventions in the promisee." Arachnid (Fed. Cir. 1991). In *Filmtec*, however, the court held that, "[i]f an assignment of rights in an invention is made prior to the existence of the invention, this may be viewed as an assignment of an expectant interest," and that "[o]nce the invention is made and an application for patent is filed, however, legal title to the rights accruing thereunder would be in the assignee." Under this "automatic assignment" rule, equitable title to a future

invention automatically ripens into legal ownership in an assignee, even though the "assignor" was no longer employed by the assignee when the patent application for the invention had been filed.

The previous interpretation of a purported transfer of a not-yet-owned property is, at most, as a conveyance of equitable rights (but not legal title) was discussed in oral arguments at the Supreme Court and set forth in a dissenting opinion for a separate Supreme Court case. See *Stanford v Roche* (2011) (Breyer, J., dissenting) (citing G. Curtis, A Treatise on the Law of Patents for Useful Inventions §170 (1867)). Shukh's request for *En banc* review for the present matter was denied 6-5, but the decision may yet be appealed to the Supreme Court.