Presuming Patent Inventorship Without Further Examination: A Double-Edged Sword for Aerospace Companies

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I. INTRODUCTION

IN DRONE TECHNOLOGIES, INC. V. PARROT S.A., the Federal Circuit held that courts need not conduct a substantive examination of patent inventorship to decide standing issues in infringement cases where the plaintiff’s claim to title is not otherwise in dispute.1 The court stated that “while ownership and inventorship are related concepts, they involve separate inquiries.”2 But, it failed to recognize the importance of determining inventorship to confirm that the plaintiff has standing to sue. To have standing under Article III of the Constitution, a plaintiff must show they have suffered an “injury in fact,” which, in infringement cases, is “when a party infringes a patent in violation of a party’s exclusionary rights.”3

However, the court ignored how the standing rule applies in infringement suits brought by a patent assignee. In such suits, examining whether the patent rights passed from the sole inventor to the assignee should be a preliminary issue that the court decides as it determines whether the assignee possesses an “exclusionary right.”4 If the patent rights did not pass from the sole inventor, the assignee has no exclusionary right and thus would have an injury in fact necessary to establish standing.5

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1 Drone Techs., Inc. v. Parrot S.A., 838 F.3d 1283, 1293 (Fed. Cir. 2016).
2 Id. at 1293.
3 U.S. CONST. art. 3, § 2; Drone Techs., Inc., 838 F.3d at 1292; see also Lujan v. Defenders of Wildlife, 504 U.S. 555, 560 (1992).
4 Drone Techs., Inc., 838 F.3d at 1306–07 (Newman, J., concurring).
5 Id. (Newman, J., concurring).
The majority’s decision will increase the likelihood that courts will reach the merits of patent infringement claims. This can have both a beneficial and harmful effect on aerospace companies. On the one hand, it could mean that aerospace companies as patent assignees have a better chance of receiving favorable judgments in cases where they might otherwise have been dismissed. On the other hand, the decision could also expose aerospace companies to more potential liability in patent infringement cases where patent assignees have brought an action against them.

_Drone Technologies, Inc. v. Parrot S.A._ involved two patents owned by Drone Technologies (Drone).\(^6\) Yu-Tuan Lee (Ms. Lee), the named inventor on the patents, assigned them to Drone.\(^7\) The patents dealt with systems for remote-controlled machines.\(^8\) At the time of invention, remote-controlled systems had two components: “a remote-controlled device . . . and a handheld device with a control stick.”\(^9\) Under this system, movement was only controlled in two directions.\(^10\) The patents solved the weakness by “providing a system that enables a user to synchronize the movement of a remote-controlled device with the movement of a remote controller.”\(^11\)

Parrot S.A. (Parrot) is a drone designer, developer, and marketer that offered two types of drones in the United States: the AR.Drone and the AR.Drone 2.0.\(^12\) Parrot also offers a “FreeFlight” application, which is a software that consumers “could download and install on a touchscreen device . . . to pilot a Parrot drone.”\(^13\) Parrot drones require source code for their operation, and Parrot “uses source code for the FreeFlight application . . . and separate source code for the drone itself.”\(^14\)

Drone sued Parrot, alleging that Parrot indirectly infringed on its patents by virtue of Parrot’s customers’ actions.\(^15\) Drone claimed that once Parrot’s customers downloaded and implemented the FreeFlight application to pilot their drones, as Par-

\(^6\) Id. at 1288.
\(^7\) Id. at 1290.
\(^8\) Id. at 1288.
\(^9\) Id.
\(^10\) Id.
\(^11\) Id.
\(^12\) Id. at 1289.
\(^13\) Id.
\(^14\) Id.
\(^15\) Id.
rot instructed, the patents were infringed upon. The Western District of Pennsylvania entered a default judgment against Parrot as to liability. After a jury trial on damages, Drone was awarded $7.8 million.

After the default judgment, Parrot moved to dismiss Drone’s claim for lack of standing, asserting that Drone did not have complete ownership. Parrot argued that Bruce Ding (Mr. Ding) was the true inventor, not Ms. Lee. Parrot emphasized that Ms. Lee testified, “I came up with this idea about having the aircraft move following the motion of the remote controller,” but she also stated, “I only came up with the ideas, and subsequently Bruce told me that there was such a chip that could detect movement.”

The Western District of Pennsylvania denied the motion, finding that the record “sufficiently supported Ms. Lee’s claim to be a properly named inventor and that it did not demonstrate that Mr. Ding was at least a co-inventor.” Therefore, the court concluded that Drone had standing.

II. LEGAL FRAMEWORK: MAJORITY PRESUMES INVENTORSHIP BASED ON FACE OF THE PATENT WITHOUT FURTHER EXAMINATION

The majority stated that for a court to have jurisdiction over an infringement suit, plaintiffs must have both Article III standing and standing under the Patent Act. Under the Patent Act, a “patentee shall have remedy by civil action for infringement” and “patentee” includes successors in title to the patentee. The dispute was, in assessing standing, whether the court should (1) “presume that Ms. Lee is correctly named as the sole inventor,” or (2) confirm that she was, in fact, the sole inventor. The majority emphasized the “presumption that [a patent’s] named

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16 Id.
17 Id. at 1290.
18 Id.
19 Id.
20 Id.
21 Id. at 1306 (Newman, J., concurring).
22 Id. at 1291.
23 Id.
24 Id. at 1292; see generally U.S. Const. art. 3, § 2; 35 U.S.C. § 100(d) (2012); 35 U.S.C. § 281 (2012).
26 Drone Techs., Inc., 838 F.3d at 1292.
inventors are the true and only inventors.”27 There was no dispute that Ms. Lee was the sole named inventor or that she assigned Drone her interests.28 This satisfied standing, and the court did not examine whether Ms. Lee was, in fact, the sole inventor.29 This was because “another avenue exists for [Parrot] to challenge inventorship” by “raise[ing] the defense that a patent is invalid for failing to name the correct inventors.”30

The court concluded that Parrot did not cite any authority that suggested that the court must conduct “a substantive examination of inventorship . . . to resolve an issue of standing in an infringement action where the plaintiff’s claim to title is not otherwise in dispute.”31 The court distinguished cases Parrot cited on the basis that, in those cases, the court addressed ownership, not inventorship, to confirm standing.32 Because Ms. Lee was the named inventor, the court presumed this was correct without determining whether she was the true inventor. Thus, when she assigned her ownership interest, Drone attained complete ownership and had standing.

III. CONCURRENCE: COURTS MUST DETERMINE INVENTORSHIP AS A THRESHOLD ISSUE BECAUSE INVENTORSHIP AFFECTS OWNERSHIP

Concurring Judge Newman disagreed with the court’s decision that it was unnecessary to conduct a substantive examination to determine that Ms. Lee was, in fact, the patents’ true inventor.33 Judge Newman relied on Beech Aircraft Corporation v. EDO Corporation for the notion that a patent assignee’s ownership of the patent inherently depends on who initially invented the patent and, thus, who had the authority to assign the patent.34 In Beech Aircraft, the Federal Circuit held that “[a]t the heart of any ownership analysis lies the question of who first invented the subject matter at issue, because the patent right initially vests in the inventor who may then, barring any restrictions

27 Id. (quoting Acromed Corp. v. Sofamor Danek Grp., Inc., 253 F.3d 1371, 1379 (Fed. Cir. 2001)).
28 Id.
29 Id.
30 Id. at 1292–93.
31 Id. at 1293.
32 Id. at 1293–94.
33 Id. at 1306 (Newman, J., concurring).
34 Id. at 1306–07 (Newman, J., concurring).
to the contrary, transfer that right to another.”35 Thus, “[a]n incorrect inventor or inventive entity cannot pass title by assignment, because that entity has no title to pass.”36

Therefore, under Judge Newman’s view, inventorship must be determined in order to establish whether the patent assignee obtained lawful title to the patent so as to attain ownership rights.37 This viewpoint may have been outcome determinative in this case. The Federal Circuit has held that “one who merely suggests an idea . . . rather than means of accomplishing it, is not a joint inventor.”38 As such, because Ms. Lee herself said that she was only suggesting an idea, and that it was really Mr. Ding that did the rest, it would appear that Ms. Lee would not, in fact, be a joint inventor.39 This would mean that she could not assign the rights to the patent to Drone because she would have had no legal right to assign in the first instance.40

IV. THE CONCURRENCE EMPLOYS THE CORRECT FRAMEWORK BECAUSE INVENTORSHIP AFFECTS OWNERSHIP

The concurrence employs the correct analytical framework in determining, at the outset of patent infringement cases where patent rights have been transferred, whether a patent assignee has the requisite standing to sue for infringement.41 The majority correctly points out that that plaintiff must establish an injury in fact to establish Article III standing, and this occurs “when a party infringes a patent in violation of a party’s exclusionary rights.”42 However, the majority ignores that in order for a party to possess an exclusionary right in a patent infringement case, the party must possess full and complete ownership of the patent at issue. Indeed, “plaintiffs that hold all legal rights to the patent as the patentee or assignee of all patent rights—the entire bundle of sticks” have standing to sue for infringement.43 And when a patentee “transfers ‘all substantial rights’ to the pat-

35 Beech Aircraft Corp. v. EDO Corp., 990 F.2d. 1248, 1237 (Fed. Cir. 1993).
37 Id. (Newman, J., concurring).
40 Id. at 1307 (Newman, J., concurring).
41 See id. (Newman, J., concurring).
42 Drone Techs., Inc., 838 F.3d at 1292.
43 Morrow v. Microsoft Corp., 499 F.3d 1332, 1339 (Fed. Cir. 2007) (emphasis added).
ent, this amounts to an assignment or a transfer of title, which confers constitutional standing on the assignee to sue for infringement in its own name alone.”\(^{44}\) It follows that for a patent assignee to hold all legal rights to the patent, there must have been a valid transfer of title of those rights.

In his concurrence, Judge Newman pointed out that “[a]n incorrect inventor . . . cannot pass title by assignment, because that entity has no title to pass.”\(^{45}\) Thus, the court should determine, at the outset, whether the named inventor was, in fact, the sole inventor.\(^{46}\) This impacts whether the inventor had title to pass. If the named inventor is not the sole inventor, then she did not have all legal rights to the patent and could not assign ownership rights.

Admittedly, the majority correctly asserted that “while ownership and inventorship are related concepts, they involve separate inquiries.”\(^{47}\) However, inventorship ultimately decides who legally owns the patent after an assignment. “An incorrect inventor cannot pass title by assignment.”\(^{48}\) Therefore, if an assignee attains title from an incorrect inventor, they do not own all legal rights since the inventor did not have title to pass.\(^{49}\) Thus, “[i]nventorship affects not only the validity of the patent, but also ownership and transfer of ownership.”\(^{50}\)

The majority did not examine whether the named inventor on the patent is, in fact, the sole inventor because Parrot did not “advance a persuasive reason for not accepting” the presumption that a patent’s named inventors are the true inventors.\(^{51}\) In distinguishing cases Parrot cited for the proposition that this analysis is necessary to determine standing, the majority did not extend the analysis to determine original inventorship,\(^{52}\) even though it affects “ownership and transfer of ownership.”\(^{53}\)

The decision not to conduct a substantive examination of inventorship may allow assignees to sue for infringement even

\(^{44}\) Id. at 1340 (quoting Intellectual Prop. Dev. v. TCI Cablevision of Cal., 248 F.3d 1333, 1345 (Fed. Cir. 2001)).

\(^{45}\) Drone Techs., Inc., 838 F.3d at 1307 (Newman, J., concurring).

\(^{46}\) Id. at 1293 (Newman, J., concurring).

\(^{47}\) Id. (Newman, J., concurring).

\(^{48}\) Id. at 1307 (Newman, J., concurring).

\(^{49}\) Id.; Morrow v. Microsoft Corp., 499 F.3d 1332, 1339 (Fed. Cir. 2007).

\(^{50}\) Drone Techs., Inc., 838 F.3d at 1306 (Newman, J., concurring).

\(^{51}\) Id. at 1292.

\(^{52}\) Id. at 1293–94.

\(^{53}\) Id. at 1306 (Newman, J., concurring).
when they do not have full patent ownership. This may lead to more infringement suits brought by assignees who do not have full ownership rights. This in turn creates judicial economy issues, as courts will conduct a full analysis of the merits of complex infringement claims even though the court may not have jurisdiction to reach the merits because the assignee lacked standing. Furthermore, if courts can reach the merits of patent infringement suits where the assignee did not completely own the patent rights, the courts would be exercising power beyond their constitutional limits by deciding cases outside their jurisdiction. As the Supreme Court emphasized, “The requirement that jurisdiction be established as a threshold matter ‘springs from the nature and limits of the judicial power of the United States’ and is ‘inflexible and without exception.’”

By not requiring courts to examine the true inventorship of the patent, especially in infringement suits brought by assignees, the majority creates issues involving judicial efficiency and abuse of power. To avoid this, courts should follow Judge Newman’s framework and determine at the outset whether the patent assignees obtained title to the patent rights from the true and sole inventor, as that affects whether the assignee possesses all legal rights to the patent.

V. THIS ISSUE IMPACTS WHEN AEROSPACE COMPANIES CAN BOTH SUE AS PATENT ASSIGNEES AND BE SUED BY PATENT ASSIGNEES

Due to the prevalence of patents in the aerospace industry, the framework courts apply to determine standing for patent infringement could have a big impact on aerospace companies. Again, whether courts conduct a substantive examination of inventorship in infringement cases brought by assignees determines when assignees have standing to sue for infringement.

54 See id. (Newman, J., concurring).
55 See id. (Newman, J., concurring).
58 Id.
59 Coffey, supra note 56, at 824; see also Steel Co., 523 U.S. at 94–95.
60 Drone Techs., Inc., 838 F.3d at 1306–07 (Newman, J., concurring).
61 Id. (Newman, J., concurring).
According to PatSnap, an intellectual property analytics firm, “The major manufacturers in the aerospace and defense industries have a total of 29,139 granted patents and 29,215 patent applications distributed into 22,345 patent families” as of April 2017.62 Boeing, Raytheon, and Lockheed Martin own the most patents in the industry.63 Because new innovation and technology is widely used in the aerospace industry, an increased number of infringement suits may be filed in the coming years.64 These suits may be brought by aerospace companies as patent assignees or by patent assignees that sue aerospace companies for infringement. In either case, the way courts determine standing could influence when aerospace companies have standing to sue for infringement as assignees or when assignees have standing to sue them.65

With the majority’s framework, more patent assignees will have standing.66 This presents a double-edged sword for aerospace companies, depending on their party status in infringement cases, because more cases will reach the merits.67 As plaintiff/patent assignees, aerospace companies could see an increase in favorable judgments since their claims are more likely to reach the merits.68 Conversely, as defendant/alleged infringers, these companies could possibly be subject to more liability as more adverse infringement claims reach the merits, especially now that there is a relaxed standard for proving willful infringement.69

With Judge Newman’s framework, more infringement suits would be dismissed for lack of standing.70 In fact, it seems the infringement claim in Drone Technologies would have fallen victim to Newman’s analysis.71 Ms. Lee testified that she “came up with this idea” but she “only came up with the ideas, and . . . Bruce

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63 Id.
65 See Drone Techs., Inc., 838 F.3d at 1306–07 (Newman, J., concurring).
68 See id.
70 See Drone Techs., Inc., 838 F.3d at 1306 (Newman, J., concurring).
71 See id. at 1306–07 (Newman, J., concurring).
told [her] that there was such a chip that could detect movement.”72 “[O]ne who merely suggests an idea . . . rather than means of accomplishing it, is not a joint inventor.”73 Thus, the inventorship analysis was outcome determinative.74 This issue could impact many other patent infringement cases in the aerospace industry.

VI. CONCLUSION

The majority erred by declining to substantively examine inventorship and by accepting that the named inventor on the patent is the sole inventor. The majority ignored that inventorship affects whether an assignee obtained complete patent rights by assignment.75 If assignees do not own all legal rights to the patent, they have no exclusionary right that can be violated in infringement suits.76 Without an exclusionary right, there is no injury in fact to establish standing.77 The decision presents judicial economy issues due to more infringement claims reaching the merits when they can be dismissed for lack of standing.78 Finally, courts may now employ extrajudicial authority by reaching the merits in cases they do not have jurisdiction over.79

The majority’s analysis leaves aerospace companies with a double-edged sword. On the one hand, more of their claims as plaintiff/patent assignees are likely to reach the merits, increasing the likelihood that they receive a favorable judgment.80 On the other hand, as defendant/alleged infringers, they may become subject to more liability as patent infringers.81 Because patents are so prevalent in the industry, it will be interesting to see the majority decision’s effect.

72 Id. at 1306 (Newman, J., concurring).
74 See Drone Techs., Inc., 838 F.3d at 1306 (Newman, J., concurring).
75 See id. (Newman, J., concurring).
76 See id. (Newman, J., concurring).
77 See id. (Newman, J., concurring).
78 Coffey, supra note 56, at 823–24.