Marquette Intellectual Property Law Review

Volume 24 | Issue 2 Article 6

Summer 2020

Confusion, Conflict, and Case Law: Analyzing the Language of the United States Patent Act and Conflicting Case Law Regarding the Transfer of Patent Rights in the 21st Century

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CONFUSION, CONFLICT, AND CASE LAW: ANALYZING THE LANGUAGE OF THE UNITED STATES PATENT ACT AND CONFLICTING CASE LAW REGARDING THE TRANSFER OF PATENT RIGHTS IN THE 21ST CENTURY

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I. INTRODUCTION

Intellectual property can be a complicated area of the law as it relates to the right to assign, pass on, or distribute the rights and ownership interests in intellectual property. Patents, in particular, pose unique issues due to their regulation in both state and federal law.[1] Unlike copyrights and trademarks, patents are almost exclusively subject to governance by federal law.[2] Because patents are largely governed by the United States Patent Act (hereinafter "Patent Act"), the majority of patent litigation takes place in federal courts, however, one key area where federal law does not exclusively control is the transfer of patents as

1. *See* Louisa M. Ristick, *Intellectual Property Issues in Estate Planning and Administration*, COLO. LAW., Dec. 2017, at 46, 50.

2. Lawrence M. Sung, MD. B. ASS'N, *Patents, in* PATENT, COPYRIGHT, TRADE SECRET, RIGHT OF PUBLICITY, TRADEMARK HANDBOOK FOR MARYLAND BUSINESS AND LITIGATION LAWYERS, ch. 1(I)(A) (2013).

personal property.[3] Issues of probate and the classification of what makes up personal property is an issue reserved to the states, however, not all states make it abundantly clear whether patents are classified as property, muddying the waters on patent transfer in the event of an intestate decedent.[4]

This Comment analyzes the language of the Patent Act as it relates to the transfer of ownership interests as they relate to patents, focusing specifically on how interests in a patent would transfer in the event of the owner dying intestate and not otherwise assigning the interest in the patent. Additionally, it will address how Wisconsin classifies property and does not explicitly list patents as property, which creates a potential issue in the probate of patent interests. Section II will introduce patents and some of the issues regarding patent transfer. The development of the Patent Act and its language regarding the transfer of interests in a patent will be discussed in Section III of this Comment. Section IV will introduce a focused example of how patents are treated in Wisconsin specifically and the issues with how states classify personal property for the sake of probate law. This Comment will discuss why the Patent Act can be interpreted to show a thread of treating patents as personal property, even if not explicitly stated in the earlier iterations of the Patent Act. Sections V and VI will look at the reasoning and interpretation used by courts in the 21st century, focusing primarily on three cases from the 2000s that shaped and refined the ways in which the Patent Act is applied. Additionally, the public policy reasoning behind the United States Court of Appeals for the Federal Circuit decisions in *Akazawa v. Link New Technology Intern, Inc.*, and *Sky Technologies LLC v. SAP AG* will be addressed. The Comment will conclude in Section VII with a brief assessment of the Federal Circuit's interpretation of the Patent Act and a suggested course of action for states to resolve uncertainty regarding the status of patents as personal property.

II. OVERVIEW OF PATENTS AND THE SIGNIFICANCE A CLEAR AND TIMELY TRANSFER

A patent is a grant given by the United States Patent and Trademark Office that allows the owner of the patent to maintain a monopoly on the subject of the patent for a set period of time to have exclusive use and development of an invention.[5] "To obtain a patent, the new invention must be both (1) novel, meaning the invention is different from the prior art . . . and (2) nonobvious, meaning generally remote or surprising to one skilled in the art."[6] Additionally,

3. *Id.*
4. *Id*.
5. Ristick, *supra* note 1, at 49.
6. *Id.*

an invention or idea must have utility to be patentable.[7] Most patents are non-renewable, and the subject of the patent enters the public domain once the term of the patent expires.[8]

The value in a patent largely stems from the exclusive right to produce, use and profit from the invention.[9] The time restrictions on the ownership of a patent creates a need for certainty and timeliness in determining how ownership interests in a patent are transferred.[10] Time spent deliberating on the transfer may affect the rights of the owner to capitalize on and profit from the patent.[11] These issues are further complicated when the rights to such a patent need to be determined when the decedent owner dies without first assigning the interest or creating a testamentary document to devise the interest in the patent. Additionally, patent owners must pay regular maintenance and renewal fees to prevent lapse and retain enforceable rights and interests in the patent.[12] These fees cannot be paid in advance, which creates the potential for loss in opportunity to profit off a patent if an owner of a patent does not devise their interest in the patent or dies intestate without establishing who will take ownership of the patent.[13]

The Patent Act is much more complex regarding the transfer of patent ownership than other intellectual property codes, such as copyrights.[14] For example, 17 U.S.C. § 201(d) states, "The ownership of a copyright may be transferred in whole or in part by any means of conveyance or operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession."[15] The United States Code makes it abundantly clear that copyrights are to be treated and transferred in the same manner as personal property and explicitly addresses the intestate transfer of a copyright.[16] This is a stark contrast to how the U.S. Code deals with property rights in patents.[17]

One of the most significant attributes of personal property is the ability the owner of that property has to transfer, convey, or dispose of that property.[18]

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7. 35 U.S.C. § 101 (2012).

8. Ristick, *supra* note 1, at 49.

9. JOHN GLADSTONE MILLS, III, DONALD C. REILEY, III, & ROBERT C. HIGHLEY, PATENT LAW BASICS § 12:2 (14th ed. 2019).

10. *See* 35 U.S.C. § 154 (2012).

11. MILLS ET AL., *supra* note 9, at § 12:2.

12. Denise S. Rahne & Shira T. Shapiro, *Practical Considerations for Valuing Intellectual Property Assets in Estate Planning*, 31 PROB. & PROP., no. 4, July–Aug. 2017, at 8, 12.

13. *Id.*

14. *See generally* Copyright Act, 17 U.S.C. §§ 101-1401 (1978).

15. 17 U.S.C. § 201(d)(1) (2010).

16. *Id*.

17. *See* 35 U.S.C. § 154 (2012).

18. MILLS ET AL., *supra* note 9, at §12:1.

This attribute extends to and applies in the same manner to patents.[19] Under 35 U.S.C. § 261, the federal statutes address the issue of ownership of patent rights and the ability to assign said patents.[20] In the opening line of the section it states, "[s]ubject to the provisions of this title, patents shall have the attributes of personal property . . . ."[21] This, however, creates an immediate issue, as the section further touches on what can be done with the interests in a patent, stating "[a]pplications for a patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representative may in like manner grant and convey an exclusive right under his application for patent, or patents . . . ."[22] An assignment of a patent is sufficient so long as it meets those statutory requirements.[23]

This language alone creates an immediate issue, as property is said to have attributes of personal property which is typically left for the states to determine how personal property can be transferred. However, 35 U.S.C. § 261 immediately follows up with conflicting language controlling how the interest in the patent must be assigned in writing.[24] If the patent is not assigned before the death of the owner, what happens to the patent? What testamentary documents constitute a property assignment? In the absence of assignment or testamentary disposition of the patent, does the patent move through the probate process and intestacy as personal property? The general rule would seem to be that patents transfer by operation of law in a similar manner in which any other personal property under the same circumstances would.[25]

Additionally, 35 U.S.C. § 261 states that after the assignment of the patent, the assignees "may in like manner grant and convey an exclusive right under his . . . patent . . . ."[26] There is "[n]o particular form [that] is required for the assignment of a patent interest and patent assignments are subject to the same rules of construction that apply to contracts generally, the intention of the parties being or primary concern in construing them."[27] While this language establishes that the rules of assignment are similar to those of contracts and that the courts take the intent of the parties into account, this does not help to clarify

19. *Id*.

20. 35 U.S.C. § 261 (2012).

21. *Id*.

22. *Id.*

23. THE ENCYCLOPEDIA OF PATENT PRACTICE AND INVENTION MANAGEMENT 755 (Robert Calvert ed. 1964).

24. 35 U.S.C. § 261 (2013).

25. Calvert, *supra* note 23, at 77.

26. 35 U.S.C. § 261 (2013).

27. United States v. Krasnov, 143 F. Supp. 184, 201 (E.D. Pa. 1956) (citing Crosley Radio Corporation v. Dart, 160 F.2d 426 (6th Cir. 1947)).

what should take place in the event of the death of the owner of the patent before assignment.[28] This language directly implicates the way in which an assignee, heir, or devisee may use and distribute the interest in the patent.

35 U.S.C. § 154 states, "Every patent shall contain . . . a grant to the patentee, his *heirs or assigns*, of the right to exclude others from making, using, offering for sale, or selling the invention . . . ."[29] This section of the Patent Act makes the issue of assignment even more uncertain through the explicit phrasing of "heirs or assigns," which opens the door to the possibility of testate or intestate heirs and their potential rights to interest in a patent, even in a scenario in which there has not been a proper assignment as outlined in 35 U.S.C. § 261.[30] Finally, the United States Court of Appeals for the Federal Circuit stated that patents have two natures to them, one in federal law and the other in state law.[31] The nature of a patent as an exclusive right is a matter for the federal courts to handle, whereas the issue of ownership of the patent and those rights is generally a question of state law.[32]

There also exists a "probate exception," which has been recognized by the United States Supreme Court, which denies a federal court from distributing any assets in a decedent's estate and reserving that power to state law.[33]

III. THE EVOLUTION OF THE LANGUAGE AND PROTECTIONS OF THE PATENT ACT

The first version of the Patent Act was passed by the federal government in 1790, shortly after the United States Constitution was ratified.[34] The Patent Act of 1790 set basic guidelines that proved to be comparatively simple to patent law in the years to come.[35] The Patent Act of 1790 specified that "any useful art, manufacture, engine, machine, or device, or any improvement therein not before known or used" could be the subject of patent protection.[36] Additionally, it was left to the discretion of the United States Secretary of State, the Secretary for the Department of War, and the United States Attorney General to

28. Krasnov, 143 F. Supp. at 201.

29. 35 U.S.C. § 154(a)(1) (2015) (emphasis added).

30. 35 U.S.C. § 154(a)(1) (2015); 35 U.S.C. § 261 (2013).

31. Jim Arnold Corp. v. Hydrotech Sys., Inc., 109 F.3d 1567, 1572 (Fed. Cir. 1997).

32. *Id*.

33. Marshall v. Marshall, 547 U.S. 293, 308 (2006) (first citing Markham v. Allen, 326 U.S. 490 (1946); then citing Sutton v. English 246 U.S. 199 (1918); and then citing Waterman v. Canal-Louisiana Bank & Trust Co., 215 U.S. 33 (1909)).

34. P. J. Federico, *Operation of the Patent Act of 1790*, 18 J. PAT. OFF. SOC'Y 237 (April ed. 1936), *reprinted in* 85 J. PAT. & TRADEMARK OFF. SOC'Y 33 (Supp. 2003).

35. *Id*.

36. Patent Act of 1790, ch. 7, § 1, 1 Stat. 109, 110–12 (1790) (current version at 35 U.S.C. §§ 1–390 (2012)).

determine whether the invention was "sufficiently useful and important" to warrant a patent.[37] The term of each patent was not to exceed fourteen years.[38]

Most relevant to this topic, the Patent Act of 1790 does not specifically address the nature in which interests in a patent may be transferred or assigned.[39] However, when discussing the penalties for infringing on a patent, the Patent Act of 1790 lists that any awarded damages shall be given to "the said patentee or patentees, his, her or their executors, administrators or assigns . . . ."[40] This language was repeated throughout the Patent Act of 1790, which seems to establish that while there is no direct provision of how patent interests could be transferred, conveyed, or assigned, the transfer could still occur because their assigns could be entitled to damages in the event of a successful infringement suit.[41] The lack of specificity as to how these transfers would be governed can be interpreted to show that the interest in the patent would transfer just as any other personal property at the time.

In 1793 amendments were made to the Patent Act of 1790, creating the Patent Act of 1793.[42] Substantial additions and changes were made to the process of applying for a patent.[43] For the purposes of this Comment, the most notable change came in Section 4 of the Patent Act of 1793.[44] Section 4 stated,

> [I]t shall be lawful for any inventor, his executor or administrator to assign the title and interest in the said invention . . . and the assignee having recorded the said assignment, in the office of the Secretary of State, shall thereafter stand in the place of the original inventor, both as to right and responsibility, and so the assignees of assigns, to any degree.[45]

Included was an official provision allowing for the assignment of patent interests and direction as to how the assignment must occur.[46] More significantly, the Patent Act of 1793 also affirmatively stated that the assignee has the same rights as the original inventor and can assign the patent if they so desire.[47]

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37. *Id.*
38. *Id.*
39. *Id.* § 4.
40. *Id.*
41. *Id.* §§ 1, 4.
42. Patent Act of 1793, ch. 11, §§ 1–12, 1 Stat. 318, 319–23 (1793) (current version at 35 U.S.C. §§ 1–390 (2012)).
43. *Id.* § 3.
44. *Id.* § 4.
45. *Id.*
46. *Id.*
47. *Id.* § 12.

While there is not much clarity with regards to how a patent interest would be assigned in the event of an intestate decedent, the inclusion that an administrator or executor of an estate can assign a patent would seem to establish that the executor or administrator would do so in a manner similar to other personal property. This interpretation, if accurate, would fall in line with the proposed reading of the Patent Act of 1790.

The Patent Act of 1793 remained in effect until the Patent Act of 1836 replaced it.[48] One of the major changes included the establishment of the Patent Office to preside over the issues of patent issuance and enforcement rather than the Secretary of State.[49] This iteration of the Patent Act again elaborated on the transfer of patent interests implied through the use of specific language in Section 5 of the 1836 Patent Act.[50] Here, "[e]very such patent shall . . . in its terms grant to the applicant or applicants, his or their *heirs*, administrators, executors, or assigns, for a term not exceeding fourteen years, the full and exclusive right and liberty of . . . the said invention or discovery . . . ."[51] Section 11 goes into detail on assignments of a patent interest, stating, "[E]very patent shall be assignable in law, either as to the whole interest, or any undivided part thereof, by any instrument in writing . . . ."[52]

The inclusion of the term "heirs" in the Patent Act of 1836 shows a clear intent to allow for the passage of patents through spousal or familial connection.[53] It is also of note that the term "heirs" was added to the language of the Patent Act of 1836 and did not serve to replace the possibility of assignment or simply take its place.[54]

The basic structure of modern patent law was established with the Patent Act of 1952, which is currently still used in its amended form.[55] The Patent Act of 1952 recognized that patents shall have the same attributes and be treated as personal property.[56] This explicit statement and affirmation removed some of the doubt as to how patent interests were to be recognized by the law, seemingly allowing for patents to be transferred, held, or used in the same manner as any other personal property.[57] This treatment also applies to the disposition of the

48. Patent Act of 1836, ch. 357, §§ 1–21, 5 Stat. 117 (1836) (current version at 35 U.S.C. §§ 1–390 (2012)).

49. *Id.* § 1.

50. *Id*. § 5.

51. *Id.* (emphasis added).

52. *Id.* § 11.

53. *Id*. § 5.

54. *Id.*

55. 35 U.S.C. §§ 1–390 (2012) (originally enacted as Act of July 19, 1952, ch. 950, 66 Stat. 792, 793–814).

56. 35 U.S.C. § 261 (2012).

57. *Id.*

interest in the patent at the time of the owner's death whether they died intestate or with a testamentary device in place.[58]

Additionally, the Patent Act of 1952 followed the Patent Act of 1836 in using the term "heirs" when addressing the provisional rights of patent ownership.[59] 35 U.S.C. § 154 reaffirmed that an heir may have an interest in a patent by stating, "Every patent shall contain a short title of the invention and a grant to the patentee, his *heirs or assigns*, of the right to exclude others . . . ."[60] This language of the Patent Act of 1952 largely affirms the thread throughout the previous Patent Acts that there is a general right to convey the interests in a patent as one wishes. It also distinguishes assignees from heirs, although not in great detail, showing that there may be different treatment of members in either group and that formalities must be followed in transferring a patent interest to each group.[61]

IV. FOCUS ON WISCONSIN PROBATE AND PROPERTY STATUTORY DEFINITIONS

Because probate and property law are controlled on a state level, classifications as to what property can transfer automatically via operation of law as non-probate property upon the death of an intestate decedent are reserved to the individual states.[62] Wisconsin Statute Section 705.10 addresses which property is non-probate upon death and not subject to the probate process.[63] The statute makes no mention of patents being a non-probate transfer, thus making patents a form of property that is subject to probate in the event that the owner dies intestate.[64]

However, under Wisconsin probate law, property is defined as "any interest, legal or equitable, in real or personal property, without distinction as to kind, including money, rights of a beneficiary under a contractual arrangement, choses in action, digital property, as defined in [section] 711.03(10), *and anything else that may be the subject of ownership*."[65] Patents are not explicitly listed in the statutory definition of property, and can only be inferred to be included through the catch all clause "and anything else that may be the subject of ownership."[66] Patents are not like other items in that they expire and their

58. *Id.*
59. 35 U.S.C. § 154(a)(1) (2012).
60. *Id.* (emphasis added).
61. *Id.*
62. WIS. STAT. § 705.10(1) (2015).
63. *Id.*
64. *Id.*
65. WIS. STAT. § 851.27 (2015) (emphasis added).
66. *Id.*

ownership is not indefinite or tangible in the way that personal property might be.[67] While a Wisconsin court may be likely to include a patent under the umbrella clause of being subject to ownership, there is an unnecessary amount of wiggle room left in the exclusion of express mention of patents as property.[68] This ambiguity creates a potential problem, because while the Patent Act treats patents as personal property under federal law, this treatment and classification does not trickle down and apply to state law, leaving the issue to the state legislature or statutes and their definitions of what constitutes property.[69]

V. CONFUSION IN CASE LAW OVER VALID AVENUES OF PATENT TRANSFER

As recently as 2003, it was shown how the Patent Act's language and nature caused confusion and uncertainty in the federal courts with regard to how an interest in a patent might be assigned.[70] In *Frugoli v. Fougnies*, the court stated that it believed "the only way title to a patent may be transferred is by assignment."[71] The case was brought before the court when an inventor sued his employer for fraudulently omitting the inventors name from the patent application.[72] The court's statement came in the process of rejecting the defense's claim for summary judgment on the premise that the plaintiff-inventor disclaimed his interests in the patent and assigned those interests to his employer when he signed an employment agreement at the beginning of his employment.[73] The court rejected this argument.[74] The court cited a treatise from Ernest Liscomb III on patents, citing that title to patent only passes by assignment, which had been accepted as authoritative on the issue in the Ninth Circuit.[75]

While this case specifically dealt with the creation and assignments of patents in a workplace setting, the ruling of the court was still of note, as it generally stated that assignment was the only way to transfer an interest of a patent.[76] There was no qualifying statement that this specific idea related only to a workplace or work product setting.[77] It is not certain whether its holdings on

67. 35 U.S.C. § 154(a)(2) (2012).

68. WIS. STAT. § 851.27 (2015).

69. *See* 35 U.S.C. § 261 (2012).

70. Frugoli v. Fougnies, No. CIV 02-957-PHX RCB, 2003 U.S. Dist. LEXIS 26651, at *13–14 (D. Ariz. July 24, 2003).

71. *Id.* at *15.

72. *Id.* at *3.

73. *Id.* at *12–13.

74. *Id.* at *14.

75. *Id.* at *13–14 (citing 5 ERNEST BAINBRIDGE LISCOMB III, LISCOMB'S WALKER ON PATENTS § 19.1 (3d Ed. 1986); United States v. Solomon, 825 F.2d 1292, 1296 (9th Cir. 1987)).

76. *Frugoli*, 2003 U.S. Dist. LEXIS 26651, at *6–7.

77. *Id.* at *13–14.

the ownership interests and their transferability only applied in the case before them, or whether in all circumstances, even of an intestate death of an owner of a patent, the same requirement of assignment would apply to convey proper ownership interest in a patent.[78]

VI. FEDERAL CASE LAW AFFIRMING PATENT TRANSFER VIA OPERATION OF LAW

The Federal Circuit Court of Appeals addressed patent transfer as an operation of law and intestacy in 2008 in *Akazawa v. Link New Technology International, Inc.*, a case that has been repeatedly cited to as the primary authority for related patent transfer disputes.[79] Yasumasa Akazawa was an inventor and the sole named inventor for U.S. Patent No. 5,615,716 (hereafter listed as the "716 patent").[80] Akazawa lived in Japan, and at the time of his death in March of 2001, passed without any executed will or testamentary document.[81] This created a novel issue for the court, as Akazawa was living in Japan underneath Japanese intestacy law while owning a United States patent that had not been assigned before his death.[82] Because there was no testamentary disposition of the patent, it was left to determine who the ownership and assignment rights of the 716 patent belonged to.[83] Akazawa had two daughters and a wife who survived him and each survivor believed they had ownership interests in the patent under Japanese intestacy law.[84] The two daughters assigned their interests in the patent to their mother initially.[85] Then their mother assigned the whole interest in the patent to a third-party, Akira Akazawa.[86]

In 2003 Akira, joined by Palm Crest Inc., brought suit alleging patent infringement against Link New Technology International.[87] The district court ruled that Japanese intestacy law may be used to determine who the patent could be transferred to upon death, but that the assignment of the patent after

78. *See id.*

79. Akazawa v. Link New Tech. Int'l, Inc., 520 F.3d 1354, 1354–58 (Fed. Cir. 2008) (discussing a patent for an Engine Coolant Changing Apparatus that changes a radiator engine's coolant without requiring manipulation of the radiator drain or requiring a vehicle with such devices to be put on a jack).

80. *Id*. at 1355.

81. *Id.*

82. *Id.*

83. *Id.*

84. *Id.*

85. *Id.*

86. *Id.* The court does not directly mention that Akira Akazawa is kin or related to Yasumasa or his family despite sharing the same last name. Because of this ambiguity they will be addressed as a third party rather than a family member for the purposes of this Comment.

87. *Id.*

death must be governed by the Patent Act.[88] The court granted summary judgment for the defendant on the basis that the estate of Akazawa held the patent, but Akira failed to produce a writing that showed a proper assignment of the patent interest from the estate under the Patent Act.[89] The plaintiffs moved for appeal, focused on the requirements of patent assignment under 35 U.S.C. § 261, which states "[a]pplications for patent, patents, or any interests therein, shall be assignable in law by an instrument in writing . . . ."[90]

On appeal, the defendant appellees argued that there must be a valid and proper assignment of an interest in a patent when there is a transfer of a patent upon death and that the conflict must only be resolved based on United States law and the Patent Act because the patent was filed under these laws.[91] As such, the appellant did not have standing to sue because they could not establish: (1) there was a writing transferring the patent from the estate of Akazawa to his daughters or wife, (2) there was a writing documenting the assignment of the interests of the daughters to the mother, and (3) Akira was assigned any interests in the patent by writing either from the estate directly or from the mother as purported by the appellants.[92] The appellants countered by proposing that the Japanese law of intestacy was applicable in this conflict and that the interest in the patent, which is classified as property, is transferred upon death to the decedent's heirs and was never property of the estate.[93]

However, on appeal, the United States Court of Appeals for the Federal Circuit concluded that the district court's hyper-focus on 35 U.S.C. § 261 was not proper and that 35 U.S.C. §154 needed to be addressed in relation to this conflict over assignment.[94] 35 U.S.C. § 154 states that "[e]very patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States . . . ."[95] The district court focused on the language of the statute, specifically stating that the statute mentions "heirs or assigns" rather than solely saying "assigns."[96] The court stated that there is nothing in 35 U.S.C. §§ 154 or 261 that limits the transferring the ownership of a patent solely by written assignment.[97] Rather, the case law

88. *Id.*
89. *Id.*
90. 35 U.S.C. § 261 (2012); *Akazawa*, 520 F.3d at 1355.
91. *Akazawa*, 520 F.3d at 1355.
92. *Id.* at 1356.
93. *Id.*
94. *Id.*
95. 35 U.S.C. § 154(a)(1) (2012).
96. *Akazawa*, 520 F.3d at 1356–57.
97. *Id.*

regarding patent ownership has established that it may be transferred by operation of state law.[98]

The precedent that was cited in support of this statement came from a Wisconsin case that went before the United States Court of Appeals for the Federal Circuit in 1983.[99] In this case there was a similar dispute over how the patent would transfer after the owner has bequeathed the patent in a will and proceeded to pass.[100] The court in *Stickle* ruled that under Texas law, the title to the patent immediately vests in the devisee upon death.[101] The distinction between *Stickle* and *Akazawa* is that in *Stickle* there was a valid and properly executed will devising the interests in the patent, whereas there was no such instrument in *Akazawa*.[102] However, the *Akazawa* court held that the importance of the *Stickle* holding was that the title to a patent may be transferred according to state probate law.[103] The *Akazawa* court made it clear that state law governs patent ownership rather than federal law, even as it relates to determining ownership of a patent following the death of the owner.[104] The court noted that 35 U.S.C. § 261 stated that only *assignments* of a patent had to be in writing.[105] Thus, patent ownership may pass as an operation of law without any formal documentation or writing validating the transfer.[106]

Ultimately the case was vacated and remanded to the district court to determine how the Japanese intestacy law should be applied in this conflict.[107] The court stated that if the patent was found to be transferred to the daughters and mother through Japanese intestacy law, then the transfers afterward would convey ownership to Akira without the need for a written assignment.[108] Here, it is clear that the Federal Circuit held state probate and intestacy laws may be used to transfer the interests in a patent without need for a formal written assignment.[109] In an instance where there is not a valid will or document assigning the interest in the patent, under 35 U.S.C. § 154 the interest in the patent

98. *Id.*; *see* Stickle v. Heublein, Inc., 716 F.2d 1550 (Fed. Cir. 1983).

99. *Stickle*, 716 F.2d at 1557–58; *see* Winkler v. Studebaker Bros. Mfg. Co., 105 F. 190, 190–91 (C.C.S.D.N.Y. 1900) ("Under Indiana law, if there be no debts and no administration, personal property vests by operation of law in the next of kin. [citation omitted] This patent . . . was not administered and passed by operation of law to those legally entitled to it.").

100. *Stickle*, 716 F.2d at 1556–57.

101. *Id.* at 1557.

102. *Id.*; *Akazawa*, 520 F.3d at 1356–57.

103. *Akazawa*, 520 F.3d at 1357.

104. *Id.*

105. *Id.* at 1356.

106. *Id.*

107. *Id.* at 1358.

108. *Id.*

109. *Id.*

may still be conveyed to an heir, and any subsequent transfers would also be valid.[110]

In the year following *Akazawa*, the Federal Circuit again heard a case that raised the issue of transfer of patents and whether state or federal law controls the transfer of interests in patents.[111] The case tasked the court with determining whether the district court properly relied on *Akazawa* in holding that a patent can be transferred via state foreclosure law.[112] The question came about after an owner of patents, Conklin, assigned all of his interests in the patents to a company, Orzo, which later executed an Intellectual Property Security Agreement with two separate companies to secure a loan in exchange for the right to the patents in the event of default.[113] The security agreement eventually came to rest solely in the hands of a single company, XACP.[114] Orzo eventually defaulted on their loan obligations, and as a result, XACP issued a foreclosure notice identifying that the patents would be sold at public auction.[115]

At the auction, XACP was the only bidder on the patents.[116] Subsequently, XACP assigned all of its interests in the patents to Conklin, who had started a company named Sky Technologies and sought to regain ownership of the patents.[117] At no point during the foreclosure process and assignment to Conklin did Orzo execute any form of written assignment to XACP after defaulting on their loan obligations, which triggered the foreclosure.[118] In 2006, Conklin and Sky Technologies filed a patent infringement suit against the defendants, SAP AG.[119] SAP AG moved to have Sky Technologies' claims dismissed for lack of standing because the patents were never assigned to XACP and could not be assigned to Sky Technologies.[120] The district court heard arguments as to whether the security interest completed by Orzo and XACP transferred only substantial rights, similar to that of licensing, or whether the title transferred completely to XACP and held that the patents were fully transferred from Orzo to XACP through the foreclosure proceedings that took place in 2003.[121] The district court relied on the *Akazawa* court's opinion and holding in making its

110. *Id.* at 1356.
111. Sky Techs. LLC v. SAP AG, 576 F.3d 1374 (Fed. Cir. 2009).
112. *Id*. at 1376.
113. *Id.* at 1376–77.
114. *Id.* at 1377.
115. *Id.*
116. *Id.* at 1378.
117. *Id.*
118. *Id.*
119. *Id.*
120. *Id.*
121. *Id.*

decision that the chain of title had never been broken, and the assignment to Sky Technologies was valid.[122]

The United States Court of Appeals for the Federal Circuit heard the case on interlocutory appeal to answer whether XACP had the legal right to transfer the interests in the patents in question.[123] The court stated, "Usually, 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."[124] Here, the transfer in question occurred through state foreclosure law and not assignment.[125] Thus the requirements of the Patent Act did not apply, just as they would not apply had the dispute over ownership been caused by the probate and distribution of an intestate estate under state law.[126] "[T]he district court's reliance on [*Akazawa's*] reasoning was appropriate because transfer of patent ownership by operation of law is permissible without a writing."[127] Additionally, the court dismissed the defendant's claim that if state law is allowed to transfer patent ownership without following the writing requirement, then federal preemption must occur in accord with 35 U.S.C. § 261–reiterating that 35 U.S.C § 261 only speaks to assignments and not transfers by operation of law.[128] It appears that the court hoped to quash future claims on the same grounds of federal preemption by underlying the significance of whether a transfer of ownership interests in a patent occurred through assignment or operation of law.[129]

Finally, the court in *Sky Technologies* further justified its holding in support of public policy.[130] "[B]y restricting transfer of patent ownership only to assignments, the value of patents could significantly diminish because patent owners would be limited in their ability to use patents . . . ."[131] Requiring an assignment to transfer patent interests in all situations would add complexity and be impracticable to most people.[132]

The significance of this case is that state law is deferred to with regards to the transfer of patents, just as personal property, and the process by which that

122. *Id.*
123. *Id.* at 1378–79.
124. *Id*. at 1379.
125. *Id.* at 1380.
126. *Id.* at 1381.
127. *Id.* at 1380.
128. *Id.* at 1381.
129. *See id*.
130. *Id.* at 1381–82.
131. *Id.* at 1381.
132. *Id.* at 1381–82.

transfer must be completed.[133] Only in an instance of assignment, as stated in 35 U.S.C. § 261, does there need to be a formal writing and document that conforms to the Patent Act.[134] So long as the transfer meets the requirements of the relevant state, the transfer will be deemed valid and solely a matter of state law.[135] In an instance where there is an intestate decedent with ownership of a patent, the patent will transfer via operation of law in accordance with the intestacy statute of the applicable state, as shown by both *Akazawa* and *Sky Technologies*.[136]

VII. CONCLUSION

The United States Court of Appeals for the Federal Circuit successfully clarified the manner in which interests in a patent may be transferred or conveyed in the absence of an assignment, testamentary document, or otherwise in its holdings in *Akazawa* and *Sky Technologies*. In holding that patents may be transferred as an operation of law and that 35 U.S.C. § 261 only requires that assignments be in writing, the Federal Circuit ensured public policy would be protected by allowing the transfer of ownership interest to occur through state intestacy law. It would be contrary to the public interest to allow for a valuable and otherwise valid patent to lapse in the event of an untimely death of the owner. As such, the decisions in *Akazawa* and *Sky Technologies* ensure that the state's rights to determine the transfer of personal property, of which patents are recognized, as being reserved to the states rather than being controlled through the Patent Act. In the balancing act between state and federal law, it appears that the Federal Circuit made the right and rational choice in its interpretation and application of the law in cases of patent transfers.

It would be beneficial for clarifying language to be added to the Patent Act, mirroring the Copyright Act's language, which directly addresses the issue of intestacy and the treatment of copyrights as personal property. Individual states would also be better served to explicitly name patents and other forms of intellectual property as personal property in attempts to prevent confusion during and intestate probate proceeding or where intellectual property has not been devised through a testamentary instrument. The federal government should issue an instruction to the states addressing the language issue and urge the states to adopt similar language to the Patent Act, affirmatively stating that patents will be treated as personal property. This would serve to remove any doubt in the minds of patent owners and estate planning attorneys. When estate planning

133. *Id.* at 1380.
134. *Id.* at 1381.
135. *Id*. at 1380.
136. *Id.*; *Akazawa*, 520 F.3d at 1358.

or probate and patents come together, it is a confluence of law where attorneys rarely have experience or knowledge of both areas. This is why it is imperative to make state statutes on the matter as plain and clear as possible.

Estate planning attorneys need to carefully consider and catalog any intellectual property interests that their clients own when drafting testamentary documents or planning for the future. While it appears that the law has shifted to protect ownership interests in a patent that an intended heir may have, the only way to truly protect the owners is to properly address the intellectual property interests. Estate planning attorneys need to be aware of the intricacies of the transfer of intellectual property interests so that their clients can fully maximize the value of the intellectual property and hopefully avoid the costs of litigating a dispute over the ownership of the interest. It would likely be in the best interest of an attorney who is planning the estate of a client with intellectual property interests to consult and work with a colleague who specializes in intellectual property law. This is especially true for patents, as there is a very limited window of time in which patent interest owners can benefit before the patent expires. Because of the limited length of patent protection, the protections may very well expire before they transfer through a testamentary device.