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Standing required to assert co-inventorship of patents

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On March 29 2017 the US Court of Appeals for the Federal Circuit in *Huster v J2 Cloud Services* held that a woman asserting that she should be listed as a co-inventor on nine patents lacked standing because she had no economic interest in obtaining co-inventor status. The plaintiff had assigned her interests in the patents to her holding company and was subsequently divested of any interest in the company.

The patents in question were directed to systems and methods for storing, delivering and managing electronic messages – including faxes – over the Internet, and listed a single inventor, Charles R Bobo II.

Phyllis Huster (the plaintiff) was retained as a consultant and shareholder for Bobo's company in December 1994 and asserted that she had conceived the idea of transmitting and storing telefax emails digitally before that time. Subsequently, they allegedly agreed to be named as co-inventors on a patent application. Shortly thereafter, Huster switched employers and, without further communication from Bobo, assumed that he had decided not to pursue the patent application. She only learnt of some of the actual applications and patents in 2010, when she was contacted by an attorney for a party that had been sued for infringement.

In 2012 Huster assigned her interest in the patents to her personal holding company. In August 2013 she brought a correction of inventorship suit against Bobo and several other companies that were alleged assignors, assignees or licensees of the patents.

However, while the inventorship case was pending, Huster's former attorney was awarded a default judgment of approximately \$40,000 against her for a debt. In June 2014 the state court issued a conditional order divesting Huster of any right, title and interest in her holding company until satisfaction of the judgment.

The district court then dismissed Huster's correction of inventorship claim for lack of standing under Article III of the Constitution. To establish standing, a plaintiff must have suffered an injury in fact that is fairly traceable to the challenged conduct of the defendant and is likely to be redressed by a favourable judicial decision.

On appeal, Huster asserted two grounds establishing an economic interest:

- Yahoo agreed to pay her \$25,000 for a licence to the patents if she were added as an inventor.
- The value of her indirect interest in the patents eclipsed the amount of the debt on which the conditional order was based.

The Federal Circuit rejected these assertions because they were not made to the lower court below and unpreserved arguments are not generally considered for the first time on appeal.

Moreover, the Federal Circuit noted that these contentions were insufficient as presented because the assignment by Huster transferred her entire right, title and interest to the holding company, including her right to sue for all infringements. The conditional order was not limited, but divested her of any right, title and interest until she satisfied the judgment. Accordingly, she had no present interest in the patents and lacked standing. While Huster could reacquire her interest in the holding company by paying the judgment amount, a conjectural basis was insufficient to support standing.

The Federal Circuit recognised that a "concrete and particularized reputational injury" can give a plaintiff standing to sue to be added as an inventor, but rejected the argument because Huster had failed to allege or introduce any facts into the record relating to a reputational injury.

Huster prevailed on one issue: the Federal Circuit clarified that the dismissal was without prejudice. Consequently, if a change of circumstances – such as satisfying the state court judgment and thereby regaining her interest in the holding company – allowed Huster to secure standing, she could file a new lawsuit asserting a correction of inventorship claim.

This case underscores the importance of standing as a key threshold issue in federal court actions. A putative co-inventor should carefully ensure that he or she has a cognisable economic interest in the patent or patents in question and consider asserting and establishing their importance to his or her reputation and status as an



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