

# Spousal Rights to Inventions: A Latent Threat to Corporate Patent Portfolios

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## I. INTRODUCTION

In-house counsel gets the pleasure of working more intimately with their clients than would an attorney working at a law firm. This pleasure manifests itself in many ways, but one of the best ways is when somebody in the office stops by for a chat that quickly turns to a request for free legal advice. In-house counsel could (and should) explain to that person what it means to have the corporation, rather than an individual, as the client, and that the company does not pay its in-house counsel to be a free legal clinic to its employees. Still, as in-house counsel, and in particular, as in-house intellectual property counsel, it is not unheard of for a young marketing manager to knock on the door and eventually ask if the in-house counsel could represent her in her divorce.<sup>1</sup>

It is easy for in-house counsel to laugh off such a request (sympathetically, of course), especially in-house intellectual property counsel. But what if intellectual property counsel should pay closer attention to family law? What if the intersection of intellectual property law, specifically patent law, and family law creates an odd, unresolved conundrum that jeopardizes valuable company assets? What if—perish the thought—in-house intellectual property counsel actually *needs* to understand the employees' rights in marital property?

It might just be so.

Consider this. Under U.S. patent law, ownership of a patent automatically vests, as personal property, in the individual inventor.<sup>2</sup> Many, if not most, inventors are employees who, under some written obligation (such as a routine employment agreement), assign their ownership rights to the inventions created as part of their jobs to their employers. At the same time, however, property acquired by a married individual (in most, if not all states) is considered marital or community<sup>3</sup> property of the married couple. In that case, then, when an employee invents something and acquires an interest in a patent (which acquisition occurs automatically upon invention under U.S. law), doesn't that patent first become marital property of the

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<sup>1</sup> Any reference to real-life events, or real-life young marketing managers with seemingly troubled marriages, are purely coincidental.

<sup>2</sup> 35 U.S.C. § 261 (2018); *Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248 (Fed. Cir. 1993).

<sup>3</sup> The terms "marital" and "community" property are used interchangeably throughout this article to refer to property acquired during the course of the marriage by either spouse that is not otherwise excluded as "separate" property of the spouse under the state's marital laws. By contrast, we do not use these terms to imply that a community property regime or jurisdiction is a distinct system with its own rules regarding the control and distribution of marital property. Such a system is distinguishable from equitable-based common law regimes. When referring to a community property regime or jurisdiction, we designate it as such. These regimes will be discussed in greater detail in Part III of this article.

couple *before* the employee assigns *the employee's* interest to the employer? In other words, how does an employer who receives an assignment *from the employee alone of only the employee's interest* avoid ending up owning the patent jointly with the spouse who has his or her own undivided interest in the marital property?

In this article, an intellectual property lawyer and a family lawyer will explore this quirk in the law of patent ownership which creates serious unresolved ownership issues for corporate patent assets. This article will address the background of patent ownership from a federal patent law perspective, including how ownership of a patent is acquired and conveyed, and the peculiar but important difference between “legal” title and “equitable” title to a patent. This article will then discuss concepts of marital property, including how property acquired by one spouse during a marriage can become jointly held marital property. This article will address whether a spouse’s ownership interest in marital property acquired by the other spouse (such as a patent invented by that spouse) is “legal” or “equitable” ownership. This article will then address whether, if a patent is marital property, a married inventor’s conveyance of his or her interest in a patent to his or her employer is sufficient to convey the entire interest in the marital property, or whether the company employer has received less title than it thought. Having sufficiently stirred the pot, this article will attempt to unravel the emergent problem and propose workable solutions.

## II. PATENT OWNERSHIP AND ITS CONSEQUENCES

Article I, Section 8, Clause 8 of the U.S. Constitution provides that Congress shall be entitled “[t]o promote the progress of science and useful arts, by securing for limited times to *authors and inventors* the exclusive right to their respective writings and discoveries.”<sup>4</sup> The reference to “inventors” has been interpreted to mean that only natural persons can be inventors of a patent,<sup>5</sup> and ownership of a patent initially vests in the inventor.<sup>6</sup> Each inventor can, however, assign all or a part of her interest in her patent to another in writing.<sup>7</sup> Joint ownership of a patent has also been described as “tenancy in common” ownership.<sup>8</sup> A patent is a right to exclude others (as opposed to a right to *do* anything), and that right to exclude is specifically the right to prevent others from making, using, selling, offering

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<sup>4</sup> U.S. CONST. art. 1, § 8, cl. 8 (emphasis added).

<sup>5</sup> *Beech Aircraft*, 990 F.2d at 1248.

<sup>6</sup> *Id.*

<sup>7</sup> 35 U.S.C. § 261; *see, e.g.*, *Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1119–20 (Fed. Cir. 2003).

<sup>8</sup> *E.g.*, *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1471 (Fed. Cir. 1998) (Newman, J., dissenting) (patent ownership manifests the properties of tenancy in common).

for sale or import any patented invention.<sup>9</sup> The owner of that right to exclude can sue others who violate that right, or license someone to permit another party to use that right. Identifying proper ownership of a patent, therefore, is critical because only the owner of legal title to a patent has standing to sue as a plaintiff to enforce the patent right.<sup>10</sup> And, if there is more than one owner of a patent,<sup>11</sup> and one co-owner of a patent refuses to join a lawsuit, the suit must be dismissed for lack of standing.<sup>12</sup> Thus, a co-owner of a patent who does not want to join a lawsuit, or who desires to license the technology separately, can block the other co-owner from enjoying the patent right. Further, the courts have specified that *legal* title is what matters for standing, not *equitable* title.<sup>13</sup> In brief, *legal* title transfers when someone with an ownership interest actually conveys, in real time, her interest in the patent to another. By contrast, *equitable* title might arise when a person is under an obligation to receive title, but title has not actually been yet conveyed.<sup>14</sup> Of particular interest in patent cases, an agreement that an inventor “will assign” her inventions creates only *equitable* ownership of the purported assignee.<sup>15</sup> A present assignment, however, such as that the inventor “hereby assigns,” is sufficient to assign *legal* title.<sup>16</sup> Legal title can even be transferred in not-yet-created inventions through a present assignment (i.e., “hereby assigns”) of an expectation interest, such as inventions that will arise in the scope of future employment.<sup>17</sup> In that case, assignment vests legal title to the patent in the assignee the moment the patent application comes into being, i.e., it is filed.<sup>18</sup>

### III. FAMILY LAW AND OWNERSHIP OF PERSONAL PROPERTY: THE COMMUNITY PROPERTY AND EQUITABLE PROPERTY APPROACHES TO MARITAL PROPERTY

In this section of the article, we provide an overview of family law doctrines of property ownership, control, and dissolution during and after a marriage. Specifically, while family law varies (sometimes radically) from

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<sup>9</sup> 35 U.S.C. § 271(a).

<sup>10</sup> See *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991).

<sup>11</sup> This might occur if a patent is invented jointly; see *supra* notes 7–10 and accompanying text.

<sup>12</sup> *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891).

<sup>13</sup> *Arachnid*, 939 F.2d at 1579–82.

<sup>14</sup> *Id.* at 1578 n.3 (quoting BLACK’S LAW DICTIONARY 1486 (6th ed. 1990) (“Equitable title may be defined as ‘the beneficial interest of one person whom equity regards as the real owner, although the legal title is vested in another.’”)).

<sup>15</sup> *Id.* at 1581.

<sup>16</sup> *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1253 (Fed. Cir. 2000).

<sup>17</sup> *FilmTec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568, 1572 (Fed. Cir. 1991).

<sup>18</sup> *Id.* at 1573. As discussed *infra*, the court’s discussion of just how legal title vests should be read carefully, especially in light of the present subject matter of this paper.

state to state, this section notes trends among the states and highlights doctrines that serve to inform the challenges that arise at the intersection of family law and patent law when patent ownership is transferred during an intact marriage.

A. *Treatment of Marital Property During Marriage and at Dissolution*

For purposes of family law, different property regimes govern property ownership and control during the marriage and at the dissolution of marriage.<sup>19</sup> Traditionally, states focused exclusively on title to determine ownership and control of property during a marriage.<sup>20</sup> Under the common law doctrine of coverture, where the legal rights of the wife were subsumed by the husband under a theory of unity, married women could not acquire title to property on their own while married.<sup>21</sup> Therefore, all property acquired during marriage became the husband's property, and he held title to it.<sup>22</sup> By the mid-nineteenth century, most states enacted married women's property statutes, which eliminated the doctrine of coverture, giving married women the ability to retain title to property they acquired separately before the marriage and to hold title to property during the marriage.<sup>23</sup> For determining ownership and management of marital property *during* marriage, most common law jurisdictions still use a title system.<sup>24</sup> This necessitates determining how the property is held by the spouses, whether that be in "joint tenancy, tenancy by the entirety, [or by] tenancy in common," to determine whether either spouse may dispose of the property unilaterally.<sup>25</sup> Moreover, spouses are able to retain title in their separate property, typically property acquired before the marriage or property acquired by one spouse during the marriage through gift, devise, or bequest.<sup>26</sup>

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<sup>19</sup> DOUGLAS E. ABRAMS ET AL., CONTEMPORARY FAMILY LAW 471–73 (3d ed. 2012).

<sup>20</sup> *Id.* at 471.

<sup>21</sup> *Id.* at 472.

<sup>22</sup> See ROBERT E. OLIPHANT & NANCY VER STEEGH, WORK OF THE FAMILY LAWYER 466 (4th ed. 2016).

<sup>23</sup> ABRAMS, *supra* note 19, at 472.

<sup>24</sup> See *id.* at 471–72; Carolyn J. Frantz & Hanoch Dagan, *Properties of Marriage*, 104 COLUM. L. REV. 75, 124 (2004).

<sup>25</sup> ABRAMS, *supra* note 19, at 472.

<sup>26</sup> See NEV. REV. STAT. ANN. § 123.130 (West 2017) (defining separate property as “[a]ll property of a spouse owned by him or her before marriage, and that was acquired by him or her afterwards by gift, bequest, devise, descent or by an award for personal injury damages, with the rents, issues and profits thereof, is his or her separate property.”); see also 750 ILL. COMP. STAT. 5/503 (2019) (providing a more exhaustive definition of separate or non-marital property as:

(1) property acquired by gift, legacy or descent or property acquired in

At the dissolution of marriage, the traditional common law approach followed the title system, awarding property to the spouse who held title to the property.<sup>27</sup> In practice, this often resulted in inequitable property distributions, as the husband often held title to the majority of marital property. This inequity led some states to adopt a community property approach to marital property.<sup>28</sup>

Under a community property approach, spouses retain rights to ownership and control of their separate property.<sup>29</sup> However, spouses acquire a one-half vested interest in all marital property, regardless of who holds title to the property.<sup>30</sup> In response to the advent of community property regimes, traditional common law states also began to alter how they treated marital property at dissolution of the marriage.<sup>31</sup> While each spouse continued to retain his or her separate property, the court would divide all

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exchange for such property; (2) property acquired in exchange for property acquired before the marriage; (3) property acquired by a spouse after a judgment of legal separation; (4) property excluded by valid agreement of the parties, including a premarital agreement or a postnuptial agreement; (5) any judgment or property obtained by judgment awarded to a spouse from the other spouse except, however, when a spouse is required to sue the other spouse in order to obtain insurance coverage or otherwise recover from a third party and the recovery is directly related to amounts advanced by the marital estate, the judgment shall be considered marital property; (6) property acquired before the marriage, except as it relates to retirement plans that may have both marital and non-marital characteristics; (6.5) all property acquired by a spouse by the sole use of non-marital property as collateral for a loan that then is used to acquire property during the marriage; to the extent that the marital estate repays any portion of the loan, it shall be considered a contribution from the marital estate to the non-marital estate subject to reimbursement; (7) the increase in value of non-marital property, irrespective of whether the increase results from a contribution of marital property, non-marital property, the personal effort of a spouse, or otherwise, subject to the right of reimbursement provided in subsection (c) of this Section; and (8) income from property acquired by a method listed in paragraphs (1) through (7) of this subsection if the income is not attributable to the personal effort of a spouse.)

<sup>27</sup> See Frantz & Dagan, *supra* note 24, at 124.

<sup>28</sup> OLIPHANT & VER STEEGH, *supra* note 22, at 466 (discussing the evolution of marital property laws in equitable distribution jurisdictions).

<sup>29</sup> Frantz & Dagan, *supra* note 24, at 124–25. Community property states define separate property in a manner consistent with common law states as property acquired by one spouse before the marriage or during the marriage through gift, bequest or devise. See ARIZ. REV. STAT. § 25-211(A) (LexisNexis 2019) (defining separate property as “[a]ll property acquired by either husband or wife during the marriage is the community property of the husband and wife except for property that is: 1. Acquired by gift, devise or descent. 2. Acquired after service of a petition for dissolution of marriage, legal separation or annulment if the petition results in a decree of dissolution of marriage, legal separation or annulment.”)

<sup>30</sup> Frantz & Dagan, *supra* note 24, at 125; ABRAMS, *supra* note 19, at 473.

<sup>31</sup> ABRAMS, *supra* note 19, at 473–74.

marital property, regardless of title, in an equitable manner.<sup>32</sup> As a result, at the time of dissolution, community property and equitable distribution systems operated in very similar manners.

A minority of states treat all property, separate and marital, the same at the time of dissolution.<sup>33</sup> Under this “all property” approach, there are no legal distinctions between separate and marital property and the court is free to divide property in an equitable manner to the divorcing spouses.<sup>34</sup>

#### B. *Challenges to Treating Patents as “Property” Under Family Law*

One challenge raised by this article is whether family law would treat a patent as marital property irrespective of the regime it uses to determine property ownership in marriage. Most state statutes use very broad language to describe marital property.<sup>35</sup> Moreover, when interpreting these statutes, courts usually take a constrained approach in interpreting the exceptions to marital property, excluding only that property which is specifically designated as “separate” under the statute.<sup>36</sup> As a result, most forms of property acquired during marriage are considered marital (or community) property. Despite the broad statutory definitions of marital property, courts have rejected the application of marital property law in instances where it did not serve the larger purposes of family law.<sup>37</sup> For example, some courts have provided a differentiated analysis of personal injury awards received during marriage.<sup>38</sup> In *Hardy v. Hardy*,<sup>39</sup> the Supreme Court of West Virginia looked to the reason for the personal injury award in determining whether it could be characterized as separate or marital (community) property. In instances where the award was to compensate for “pain, suffering, disability, disfigurement, or other debilitation of the mind or body,” the court reasoned that the award should be considered separate property.<sup>40</sup> However, when the award was to compensate for economic loss, “such as past wages and

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<sup>32</sup> *Id.*

<sup>33</sup> ABRAMS, *supra* note 19, at 476 (citing J. THOMAS OLDHAM, DIVORCE, SEPARATION AND THE DISTRIBUTION OF PROPERTY § 3.03[2] (2011) and noting the all-property approach adopted by Connecticut, Hawaii, Indiana, Kansas, Massachusetts, Michigan, Mississippi, Montana, New Hampshire, North Dakota, Oregon, South Dakota, Vermont and Wyoming).

<sup>34</sup> *Id.*

<sup>35</sup> OLIPHANT & VER STEEGH, *supra* note 22, at 468.

<sup>36</sup> See OLIPHANT & VER STEEGH, *supra* note 22, at 468–69 (discussing the general presumption contained in many equitable distribution jurisdictions that “all property acquired legally or equitably during a marriage by either party is marital property”).

<sup>37</sup> JOHN DE WITT GREGORY ET AL., UNDERSTANDING FAMILY LAW, 387–404 (3d ed. 2005).

<sup>38</sup> *Id.* at 404–06.

<sup>39</sup> 413 S.E.2d 151 (W. Va. 1991).

<sup>40</sup> *Id.* at 156; see also GREGORY, *supra* note 37, at 405 (discussing the decision in *Hardy v. Hardy*).

medical expenses, which diminish the marital estate,” the award was to be considered marital property.<sup>41</sup>

Courts have similarly struggled with whether to classify degrees or professional licenses earned during marriage as marital property.<sup>42</sup> In rejecting the classification of a professional degree earned during marriage as marital property, the New Jersey Supreme Court, in *Mahoney v. Mahoney*,<sup>43</sup> emphasized the fact that the degree had an “uncertain and unquantifiable . . . future monetary value.”<sup>44</sup> This position, however, is not uniformly embraced across the country. Most notably, New York has treated a professional license as marital property. In *O’Brien v. O’Brien*,<sup>45</sup> the New York Court of Appeals explained that the New York equitable distribution marital property statutes “recognize[] that spouses have an equitable claim to things of value arising out of the marital relationship.”<sup>46</sup>

Finally, professional goodwill has received mixed treatment in family law courts across the country. Some jurisdictions refuse to treat professional goodwill as an asset to be distributed upon divorce, reasoning that it is only valuable to an individual and “cannot be separately sold or pledged by the individual owner[].”<sup>47</sup> Other jurisdictions, however, recognize it as marital property when it can be distinguished from the actual practitioner.<sup>48</sup> Still other jurisdictions treat professional goodwill generally as a marital property, despite struggling with how to assign it value.<sup>49</sup>

Patents share some of the same challenges to marital property classification as do personal injury awards, professional degrees and licenses and professional goodwill. Because a patent is only a right to exclude, and that exclusionary right may or may not exclude anything valuable, a patent is difficult to value and may not create any economic benefit to the marriage that would be subject to equitable distribution. However, unlike the professional degree or professional goodwill, it can be transferred to another individual or entity.<sup>50</sup> Moreover, a patent might be considered unique to the inventor in a way that is analogous to the way an individual loss is unique to

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<sup>41</sup> *Hardy*, 413 S.E.2d at 156; *see also* GREGORY, *supra* note 37, at 405 (discussing the decision in *Hardy v. Hardy*).

<sup>42</sup> GREGORY, *supra* note 37, at 406–07.

<sup>43</sup> 453 A.2d 527 (N.J. 1982); *see also* GREGORY, *supra* note 37, at 408 (discussing the decision in *Mahoney v. Mahoney*).

<sup>44</sup> *Mahoney*, 453 A.2d at 531.

<sup>45</sup> 489 N.E.2d 712, 715 (N.Y. 1985).

<sup>46</sup> *Id.* at 715; *see also* GREGORY, *supra* note 37, at 409–411 (discussing the decision in *O’Brien v. O’Brien*).

<sup>47</sup> *Holbrook v. Holbrook*, 309 N.W.2d 343, 350 (Wis. Ct. App. 1981); *see also* GREGORY, *supra* note 37, at 413.

<sup>48</sup> GREGORY, *supra* note 37, at 413.

<sup>49</sup> *Id.*

<sup>50</sup> *See supra* Part II (discussing the transferability of interests in a patent).

the injured spouse. As such, it might be defensible to treat a patent as separate property of the inventor spouse in much the same way as the pain and suffering component of a personal injury award is treated as the separate property of the injured spouse. On the other hand, a patent's potential to generate an economic benefit that could be recognized by the marriage would suggest that it is more closely analogous to the compensation for loss of future earnings. In fact, most patents that are subject to valuation are valued in the same way that a business would be valued, utilizing tools such as the income method, cost method, and the cost of substitute technologies.<sup>51</sup> Just as a business acquired during a marriage is routinely treated as marital property (and valued at dissolution), so might a patent. In fact, in the few cases that have addressed patent ownership in the context of marital dissolution, courts have implicitly accepted the premise that patents could be characterized as marital property.<sup>52</sup> This approach seems appropriate given the breadth of the definition of marital property and the fact that patents are transferable and have the potential to generate an economic benefit that could be distributed in a divorce action.

### C. *Management of Marital Property During the Marriage*

While issues surrounding management of marital property during an intact marriage do not arise with regularity in family law, these issues are critical to understanding the dilemma this article presents. As the authors will demonstrate below, the automatic vesting of patent ownership rights by virtue of an assignment typical for most employment agreements actually creates a problem of divided patent ownership if a spouse also “automatically” acquires an interest in a patent invented during the marriage. To understand whether, and to what degree, a spouse acquires an interest in a patent (or patent rights) acquired during the marriage, we must understand how marital property acquired during the marriage is handled. And, despite the similarities in treatment of marital property at the time of divorce, community property jurisdictions and equitable property jurisdictions have divergent ways of handling the management of property *during* the marriage. Those distinctions might be critical to the present dilemma.

In community property jurisdictions, spouses are “equal owners of all property acquired during marriage, regardless of how the property is

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<sup>51</sup> See Michael S. Kramer, *Valuation and Assessment of Patents and Patent Protection Portfolios Through Analytical Techniques*, 6 J. MARSHALL REV. INTELL. PROP. L. 463, 467 (2007); Daniel E. Orr, *How To Pick A Winning Patent*, 21 UCLA J.L. & TECH. 1, 2 (2017).

<sup>52</sup> See *infra* Part IV (discussing the treatment of patents in marriage in the Federal Circuit Court of Appeals); Allan Woodworth, Note, *Divorcing Ideas*, 43 MCGEORGE L. REV. 487, 495–505 (2012) (discussing the treatment of patents and copyrights as marital property).

nominally titled.”<sup>53</sup> The spouses each have a one-half interest in the community property.<sup>54</sup> As a result, *both* spouses need to consent to the transfer of community property.<sup>55</sup> As will be demonstrated below, this requirement creates an enormous potential ownership conflict if (and when) a married employee assigns inventions created in the course of his employment to his or her employer. By contrast, equitable property jurisdictions retain the use of title to determine property governance issues.<sup>56</sup> Therefore, the spouse who has title to the property could transfer the property without consent of his or her spouse.<sup>57</sup> Thus, where an employee is an inventor, and, under the patent laws, is the individual title holder to the patent right, he or she may be able to assign the invention to the employer without creating an ownership conflict with the spouse.

These differences in how jurisdictions handle management issues related to marital property highlight the challenge parties face in ensuring orderly and predictable ownership of a patent. We turn to that in more detail below.

#### IV. EXAMINATION OF PATENT OWNERSHIP DISPUTES AMONG EMPLOYEE, SPOUSE AND EMPLOYER IN THE FEDERAL COURTS

Married employees who invent, and, therefore, acquire patent rights, in the course of both their marriage and their employment, must serve two masters. As demonstrated above, in community property states, property acquired by the married employee during the marriage is immediately, upon acquisition (or, in other words, upon invention) one-half owned by the spouse who must consent to its transfer.<sup>58</sup> At the same time, an employer that requires its employees to sign a typical employment agreement stating that the employee “hereby assigns” all rights to future company inventions to the employer, expects to receive all such rights, *without* sharing ownership with the employee’s spouse. So which master prevails? In this section, the authors will discuss some of the most relevant case law to that difficult (and still open) question.

The intersection between the laws of patent ownership, acquisition and

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<sup>53</sup> Frantz & Dagan, *supra* note 24, at 125.

<sup>54</sup> *Id.* at 124–25; ABRAMS, *supra* note 19, at 473.

<sup>55</sup> ABRAMS, *supra* note 19, at 473 (Spouses can provide written consent to each other, empowering a spouse to have sole management decisions regarding the property.). See CAL. FAM. CODE § 1100–1103 (designating the rights of spouses to control community property).

<sup>56</sup> Frantz & Dagan, *supra* note 24, at 124.

<sup>57</sup> This is of course subject to the nature of how the spouses hold title to the property. For example, different management rules would apply if the spouses held the property in a joint tenancy, tenancy by the entirety, or by tenancy in common. ABRAMS, *supra* note 19, at 472.

<sup>58</sup> See *supra* notes 33–36 and accompanying text (discussing community property rules).

transfer, and the laws of marital property ownership, acquisition and transfer, has arisen in a handful of cases. The first, and perhaps most extensive discussion, of the topic was by the U.S. Court of Appeals for the Federal Circuit<sup>59</sup> in *Enovsys LLC v. Nextel Communications, Inc.*<sup>60</sup> In that case, Mr. Mundi Fomukong (“Fomukong”) conceived of and received two U.S. patents during his marriage to Fonda Whitfield (“Whitfield”).<sup>61</sup> About two years later, Fomukong and Whitfield filed for a summary dissolution, or as the court put it, a “quickie divorce,” under California law.<sup>62</sup> Under a summary dissolution under California law, the parties must attest that either (1) they have no community property, or (2) they have a signed property settlement agreement listing and dividing their community property and assets.<sup>63</sup> Despite the fact that the patents were acquired by Fomukong during the marriage, and, therefore, were presumptively community property, Fomukong and Whitfield filed for summary dissolution under the first option, checking the box on the petition next to the statement: “We have no community assets or liabilities.”<sup>64</sup> Under California law, their “quickie divorce” became final six months later.<sup>65</sup>

A few months later, Fomukong assigned the patents to a company he had formed, Enovsys.<sup>66</sup> Enovsys then sued Sprint Nextel for patent infringement.<sup>67</sup> Sprint Nextel moved to dismiss the claim for lack of standing, alleging that Whitfield had obtained co-ownership of the patents as community property under California law and that she had not assigned her interest to Fomukong, or for that matter, Enovsys.<sup>68</sup> The district court denied the motion, finding that Enovsys had full title and that any ownership issue, if there were one, would have to be resolved first in California state court.<sup>69</sup>

On appeal, the Federal Circuit discussed whether Whitfield had any ownership interest in the patents at the time the lawsuit against Sprint Nextel was filed. The court considered Sprint Nextel’s argument that the divorce decree, which identified that the parties had no community property, nevertheless failed to assign Whitfield’s interest, and that, therefore, she was

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<sup>59</sup> The U.S. Court of Appeals for the Federal Circuit has exclusive jurisdiction over appeals of cases arising under U.S. patent laws. 28 U.S.C. § 1295(a)(1).

<sup>60</sup> 614 F.3d 1333 (Fed. Cir. 2010).

<sup>61</sup> *Id.* at 1336.

<sup>62</sup> *Id.* at 1336–37.

<sup>63</sup> *Id.* at 1337.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *Enovsys*, 614 F.3d at 1337.

<sup>67</sup> *Id.* at 1337–38.

<sup>68</sup> *Id.* at 1338.

<sup>69</sup> *Id.*

still a co-owner of the patent.<sup>70</sup> On the other hand, Enovsys argued that the divorce decree was a binding judgment under which Whitfield retained no community property interest in the patents.<sup>71</sup> The court agreed with Fomukong.<sup>72</sup>

The court began by noting that ownership of legal title to a patent is a matter of state law.<sup>73</sup> The court acknowledged the presumption that “all property acquired by a married person during marriage is presumed to be community property.”<sup>74</sup> Noting the presumption applied here, the court made the following significant statement: “[p]rior to the divorce, the patents were thus presumptively community property in which Whitfield had *an undivided half-interest*.”<sup>75</sup> Nevertheless, the court decided that the parties’ California state court divorce decree should be given preclusive effect, and *res judicata* prevented re-litigation of Whitfield’s community property claim.<sup>76</sup>

Although the spouse was not found to be a co-owner in that case, the court’s decision plainly rested on the preclusive effect of the state court judgment finally resolving community property issues post-divorce. But, and most importantly for our consideration here, the court noted that “*prior to the divorce,*” the spouse is entitled to an “*undivided half-interest*” in patents invented by the other spouse.<sup>77</sup> That leaves open the possibility that, at least in a community property state like California, an employee’s spouse may, in fact, own an “undivided half-interest” in a patent an employee assigns to his employer.

*Taylor v. Taylor Made Plastics, Inc.*,<sup>78</sup> a case out of the U.S. District Court for the Middle District of Florida, is a case with similar facts, but a different divorce decree, which turned out differently. In that case, James and Mary Taylor were married February 14, 1987, and divorced March 7, 2011.<sup>79</sup> During the marriage, between about 1993 and 1998, Mr. Taylor conceived of, filed for, and received three patents.<sup>80</sup> The parties’ divorce settlement identified the three patents as the primary marital assets of the

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<sup>70</sup> *Id.* at 1341.

<sup>71</sup> *Id.*

<sup>72</sup> *Enovsys*, 614 F.3d at 1341.

<sup>73</sup> *Id.* at 1342.

<sup>74</sup> *Id.* (citing *Weingarten v. Superior Court*, 102 Cal. App. 4th 268, 277 (Cal. Ct. App. 2002)).

<sup>75</sup> *Id.* (emphasis added).

<sup>76</sup> *Id.* at 1343.

<sup>77</sup> *Id.*

<sup>78</sup> No. 8:12-CV-746-T-EAK-AEP, 2013 WL 1798964 (M.D. Fla. Apr. 29, 2013).

<sup>79</sup> *Id.* at \*1.

<sup>80</sup> *Id.*

marriage.<sup>81</sup> The case did not address the reasons why Mr. and Mrs. Taylor listed the patents as marital property, despite the undisputed fact of Mr. Taylor's sole inventorship (and, therefore, default legal title to the patent). Pursuant to the parties' settlement, equitable proceeds from the patents were to be distributed 60% to Mrs. Taylor and 40% to Mr. Taylor.<sup>82</sup> As best as can be gleaned from the record, the fact that the patents were considered to be marital assets was not in dispute, and we can assume the parties considered that fact to be uncontroversial when the patents were listed as marital property.

In April 2012, Mr. Taylor sued Taylor Made Plastics Inc. ("Taylor Made") for infringement of one of the three patents.<sup>83</sup> Taylor Made moved to dismiss the claim for lack of standing, arguing that Mrs. Taylor was a legal owner of the patent and had not joined the lawsuit.<sup>84</sup> Mr. Taylor argued that the divorce decree did not grant any ownership interest and that, therefore, Mrs. Taylor did not need to be joined.<sup>85</sup>

The court recognized that the threshold issue of standing required examination of who owned legal title to the patent, and determined that whether Mr. and Mrs. Taylor shared legal title required reference to Florida law.<sup>86</sup> The court noted that, under Florida law, property acquired during a marriage is presumptively a marital asset.<sup>87</sup> The court noted the framework utilized by the Federal Circuit in *Enovsys* and analyzed the case under that same framework.<sup>88</sup> The court began with the proposition that a patent is considered personal property under Florida law,<sup>89</sup> and because the patent was issued during the marriage, similar to the Federal Circuit's statement in *Enovsys*,<sup>90</sup> it was presumed to be marital property "prior to the issuance of the Divorce Settlement."<sup>91</sup> The court said, "[t]he Divorce Settlement merely reinforced that presumption" by allocating equitable distribution of proceeds from the patent.<sup>92</sup> The court concluded that Mrs. Taylor had legal title to the

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<sup>81</sup> *Id.*

<sup>82</sup> *Id.*

<sup>83</sup> *Id.*

<sup>84</sup> *Taylor*, 2013 WL 1798964, at \*1.

<sup>85</sup> *Id.*

<sup>86</sup> *Id.* at \*2.

<sup>87</sup> *Id.* (citing FLA. STAT. § 61.075(6)(a)(1) (2012)).

<sup>88</sup> *Id.* at \*3.

<sup>89</sup> *Id.* (citing *Gulbrandsen v. Gulbrandsen*, 22 So.3d 640, 644 (Fla. Dist. Ct. App. 2009)); see also 35 U.S.C. § 261 ("Subject to the provisions of this title, patents shall have the attributes of personal property.").

<sup>90</sup> See *Enovsys LLC v. Nextel Commc'ns, Inc.*, 614 F.3d 1333, 1342 (Fed. Cir. 2010).

<sup>91</sup> *Taylor*, 2013 WL 1798964, at \*2 (M.D. Fla. Apr. 29, 2013) (emphasis added), *aff'd*, 565 F. App'x 888 (Fed. Cir. 2014).

<sup>92</sup> *Id.*

patent and dismissed the suit.<sup>93</sup>

In an unpublished decision, the U.S. Court of Appeals for the Federal Circuit affirmed.<sup>94</sup> The Federal Circuit noted that Mr. Taylor conceded on appeal that Mrs. Taylor was co-owner of the patent.<sup>95</sup> Mr. Taylor's only arguments on appeal were two unconvincing arguments about waiver, which the court summarily dismissed.<sup>96</sup> Interestingly, however, before addressing Mr. Taylor's arguments, the Federal Circuit noted in its brief, five-sentence summary of legal principles that "a party is not co-owner of a patent for standing purposes merely because he or she holds an equitable interest in the patent."<sup>97</sup>

In both cases in which the Federal Circuit considered patents as marital property, the Federal Circuit noted the presumption that patents of one spouse filed during the marriage were community or marital property of the other spouse, at least until a divorce decree settled the matter differently. There is no indication that the court at all considered the context in which an employee had an obligation to assign his interest in the patent to his employer (or anyone else) during an intact marriage. Perhaps the Federal Circuit's unpublished decision in *Taylor* was meant to provide a pragmatic "out" for corporate America, namely, that marital property might be considered equitable instead of legal title.

That "out," if it exists, needs further exploration. The opinion, even unpublished, seems to add nothing to the overall disposition of the case. It could just as well have been a summary affirmation without opinion under the Federal Circuit's Rule 36.<sup>98</sup> Instead, the court took the time to write an opinion that did no more than dismiss the appellant's cursory arguments without discussion. It might very well be, therefore, that the Federal Circuit was taking pains to point out the difference between equitable and legal title in a patent to invite a deeper discussion of the *nature* of marital property (i.e., is marital property owned legally or equitably) next time around. While that reading of the court's decision is purely speculative, it does raise an

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<sup>93</sup> *Id.* at \*3.

<sup>94</sup> *Taylor v. Taylor Made Plastics, Inc.*, 565 F. App'x 888 (Fed. Cir. 2014).

<sup>95</sup> *Id.* at 889 n.1.

<sup>96</sup> *Id.* at 889 (criticizing Mr. Taylor's arguments as "stated only in a cursory fashion without any supporting facts").

<sup>97</sup> *Id.* (citation omitted).

<sup>98</sup> *See* FED. CIR. R. 36 ("The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following conditions exist and an opinion would have no precedential value: (a) the judgment, decision, or order of the trial court appealed from is based on findings that are not clearly erroneous; (b) the evidence supporting the jury's verdict is sufficient; (c) the record supports summary judgment, directed verdict, or judgment on the pleadings; (d) the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or (e) a judgment or decision has been entered without an error of law.").

interesting issue. As discussed above, the *nature* of patent ownership (i.e., legal or equitable title) is *the* critical inquiry in standing to sue.<sup>99</sup> While that distinction may not matter in equitable distribution states because there is no automatic ownership by the spouse of property acquired while the marriage is intact,<sup>100</sup> it might matter in a community property state where the spouse automatically acquires a one-half interest in property acquired during the marriage.<sup>101</sup> If the Federal Circuit were suggesting that, at least in community property states, a spouse's one-half interest in the spousal inventor's patent should be considered *equitable*, that might at least resolve the thorniest standing issues. However, no state (to the authors' knowledge) has made that distinction. Furthermore, creating such a distinction as to property owned *during* the marriage would create a second issue of whether the nature of the title is altered when property rights are assigned at the *dissolution* of the marriage.

If, in fact, the Federal Circuit were consciously wading into that discussion, it would be curious for another reason. The courts have long held that patent ownership is a matter of state law, not federal law. Thus, if marital property is going to be considered equitably owned by a spouse instead of legally owned, it would be up to the states to make that determination, and such a determination would have to be made on a state-by-state basis. While the Federal Circuit may have posited one apparent solution to the standing issue, it is not one over which it would have any control, nor would it guarantee any degree of consistency. Perhaps the proposed resolution by the Federal Circuit in *Taylor* is not such a resolution after all.

Another clue as to how courts might resolve the conflict between marital property and a spouse's obligation to assign inventions to his employer might be found in *FilmTec Corp. v. Allied-Signal Inc.*<sup>102</sup> In *FilmTec*, the inventor, John Cadotte, assigned his patent to his own company, FilmTec Corp., and sued Allied-Signal for infringement.<sup>103</sup> At the time Cadotte made his invention, however, he was employed by an organization known as MRI.<sup>104</sup> The record on appeal did not include any agreement between Cadotte and MRI; however, the work being done by Cadotte for

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<sup>99</sup> See *supra* Part II (explaining that only a party holding *legal* title to a patent has standing to sue).

<sup>100</sup> ABRAMS, *supra* note 19, at 472 (discussing the use of title to determine ownership *during* marriage in equitable distribution jurisdictions). Even in these jurisdictions, spouses may acquire ownership of marital property *during* marriage through joint tenancy, tenancy by the entirety and tenancy in common. *Id.*

<sup>101</sup> ABRAMS, *supra* note 19, at 473.

<sup>102</sup> 939 F.2d 1568 (Fed. Cir. 1991).

<sup>103</sup> *Id.* at 1570.

<sup>104</sup> *Id.*

MRI was pursuant to a contract between MRI and the government, whereby MRI “agree[d] to grant and d[id] hereby grant to the Government the full and entire domestic right, title and interest in [any invention, discovery, improvement or development (whether or not patentable) made in the course of or under this contract or any subcontract (of any tier) thereunder].”<sup>105</sup> Allied-Signal argued that the government, not FilmTec, was legal owner of the patent and had not joined the lawsuit, requiring dismissal of the lawsuit.<sup>106</sup> The district court determined that the government had, at most, an equitable title in the patent, and denied Allied-Signal’s motion.<sup>107</sup>

On appeal, the Federal Circuit vacated and remanded to assess proper ownership.<sup>108</sup> In its decision, the court laid out a number of principles that may have bearing on our problem. First, the court addressed the issue of an “expectant interest.”<sup>109</sup> The court noted that patents, as personal property, could be assigned between the time a patent is applied for and when it issues, and that “legal title to the ensuing patent will pass to the assignee upon grant of the patent.”<sup>110</sup> Stepping back even further in time, an assignment of rights “made prior to the existence of the invention . . . may be viewed as an assignment of an expectant interest. An assignment of an expectant interest can be a valid assignment.”<sup>111</sup> At the time of the assignment, the invention is non-existent, and, therefore, the assignee has, at most, an equitable interest.<sup>112</sup> But, “[o]nce the invention is made and an application for patent is filed . . . legal title to the rights accruing thereunder would be in the assignee (subject to the rights of a subsequent purchaser under § 261), and the assignor-inventor would have nothing remaining to assign.”<sup>113</sup> On appeal the court noted that, “if Cadotte granted MRI rights in inventions made during his employ, and if the subject matter of the . . . patent was invented by Cadotte during his employ with MRI, then Cadotte had nothing to give to FilmTec and his purported assignment to FilmTec is a nullity.”<sup>114</sup> In the court’s view, a present assignment of an expectant interest created an *automatic* assignment of legal title. The court made this explicit later in the opinion. Referring to the express grant from MRI to the government of future inventions, the court said, “no further act would be required once an invention came into being; the transfer of title would occur by operation of

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<sup>105</sup> *Id.* at 1570–71.

<sup>106</sup> *Id.* at 1571.

<sup>107</sup> *Id.* at 1570.

<sup>108</sup> *FilmTec*, 939 F.2d at 1574.

<sup>109</sup> *Id.* at 1572.

<sup>110</sup> *Id.* (citations omitted).

<sup>111</sup> *Id.* (citations omitted).

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> *FilmTec*, 939 F.2d at 1572.

law.”<sup>115</sup> Without knowing what Cadotte’s agreement was with MRI, the court could not determine whether MRI had obtained title from Cadotte, which would then transfer automatically to the government, leaving FilmTec with nothing.<sup>116</sup>

The court’s review of the record thus far was sufficient to require a remand, but the court anticipated and discussed a related issue that might arise. The court noted that historically a third-party purchaser of a patent “for value without notice of an outstanding equitable claim or title” would acquire “ownership of the patent” free and clear of any prior equitable claim.<sup>117</sup> The court then cited to 35 U.S.C. § 261, which provides that such a bona fide purchaser cuts off the rights of a prior assignee who has not recorded his assignment.<sup>118</sup> The statute, the court concluded, went beyond the common law to cut off prior *legal* ownership claims as well.<sup>119</sup> In the current case, the court referred to the district judge’s belief that FilmTec was such a bona fide purchaser, because, notwithstanding the automatic assignment under MRI’s contract with the government, that assignment was never recorded.<sup>120</sup> The court did not rule on that finding, but did caution the district court on remand that a subsequent purchaser cannot merely be a “donee or other gratuitous transferee,” but must have paid “valuable consideration” so that he can “claim record reliance as a premise upon which the purchase was made.”<sup>121</sup> Finally, the court noted that Cadotte, as a founder of FilmTec, may well have been aware of MRI’s obligation to the government (if not his own obligation to MRI), making any claim by FilmTec that it was a bona fide purchaser without notice dubious.<sup>122</sup>

*FilmTec* raises important issues for our current conundrum. First, it suggests that if an employer pays value for an employee invention (and in most states, employee wages and continued employment are considered sufficient value to compensate for assignment of inventions made within the scope of and during employment),<sup>123</sup> the assignment from the employee to the employer will be free and clear of any legal title claims that had not been recorded. The bona fide purchaser rule, however, protects a purchaser against an interest-holder who has failed to record the assignment of his prior interest. In the context of marital property, though, the spouse’s interest may

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<sup>115</sup> *Id.* at 1573.

<sup>116</sup> *Id.*

<sup>117</sup> *Id.*

<sup>118</sup> *Id.*

<sup>119</sup> *Id.* at 1573–74.

<sup>120</sup> *FilmTec*, 939 F.2d at 1574.

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> *See, e.g.,* Preston v. Marathon Oil Co., 277 P.3d 81, 88 (Wyo. 2012) (also discussing the issue in other states).

arise automatically upon the other spouse's acquisition of property; there is no prior assignment to record. In addition, the bona fide purchaser portion of the ownership statute, 35 U.S.C. § 261, by its terms only voids a prior "interest that constitutes *an assignment, grant or conveyance.*"<sup>124</sup> The spouse's interest, however, arises by operation of law as marital property and is not the result of any "assignment, grant or conveyance" from the other spouse. It does not appear that the recordation statute and bona fide purchaser rule would help the employer. Second, *FilmTec* states that an expectant interest vests automatically as soon as the interest arises.<sup>125</sup> Thus, if an employee makes a present assignment of future inventions, an employer might argue that invention immediately vests in the employer automatically, in essence, bypassing the employee. That circumstance pinpointed the necessity in *FilmTec* to determine on remand whether such an agreement existed. If such an agreement did exist, "then Cadotte had nothing to give to FilmTec and his purported assignment to FilmTec [was] a nullity."<sup>126</sup>

Carrying that analysis to the community property context, an employee's assignment might pass directly to the employer, and the employee would then have "nothing to give" to his spouse. But again, that fiction seems not to hold up to scrutiny. In community property states, marital property is no less an "automatic" transfer from the employee to his spouse than it is from employee to employer. Indeed, even after *FilmTec*, the Federal Circuit in *Enovsys* (applying the laws of a community property regime) stated that a spouse presumptively acquires an "undivided half-interest" in marital property upon acquisition of that property.<sup>127</sup> The race for which "automatic" ownership interest arises first would have to be decided as a matter of state law between marital property and employment contracts.

## V. ANALYSIS AND PROPOSAL

### A. *Federal Courts Cannot Use Preemption to Resolve This Dilemma*

The intersection between patent law and family law principles has the potential to create an irreconcilable conflict in the area of patent ownership. Patent law concerns itself with the distinction between equitable and legal title; marital property laws ignore any such distinction because such distinctions are irrelevant while the marriage is intact and immaterial to the equitable division of property at dissolution. Patent law concerns itself with documenting transfers of title in writing; marital law looks to the actual

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<sup>124</sup> 35 U.S.C. § 261 (emphasis added).

<sup>125</sup> *FilmTec*, 939 F.2d at 1572.

<sup>126</sup> *Id.*

<sup>127</sup> *Enovsys LLC v. Nextel Commc'ns, Inc.*, 614 F.3d 1333, 1342 (Fed. Cir. 2010).

effects of property transfer without regard to formality to avoid manipulation of property distributions at divorce. The two legal worlds operate by virtue of automatic vesting of title that appear to be unable to coexist. Patent law automatically vests ownership of patents in inventors; marital law, at least in community property states, automatically vests ownership of property in the spouse.

Consider the following problematic scenario under current law. A married employee has agreed to “hereby assign to Company all right, title and interest in and to any inventions created in the course of my employment.” Upon inventing a new product, for which Company files a patent, Company believes that, by virtue of his agreement, and relying on *Speedplay, Inc. v. Bebop, Inc.*,<sup>128</sup> it has full legal title to the patent. At the same time, however, employee’s spouse, relying on community property laws, believes she has a one-half interest in the patent. When Company sues a competitor for patent infringement, the competitor moves to dismiss the lawsuit, arguing that Company lacks standing because Company failed to join the employee’s spouse as the other co-owner of the patent.<sup>129</sup> A federal court would be called on to resolve the standing issue and would have to decide whether: (a) the assignment to Company “bypassed” the community property rights of the non-inventing spouse; (b) if not, whether the non-inventing spouse’s ownership were legal or equitable; or (c) if the spouse would otherwise own legal title, whether federal preemption doctrine allows the court to formulate special rules of patent ownership to override community property regimes. The reasons a federal court might *want* to utilize preemption doctrine to formulate such rules is evident. Imagine a company with over 10,000 employees and thousands of patents, and at least hundreds of those (if not more) invented by married employees in community property states. Just how many co-owners of the company’s patent portfolio are there?

Yet, the authors propose that a federal court would have difficulty holding that, in matters of patent ownership, federal patent law preempts traditional state laws of community property. First, marital law has long been the exclusive province of the states.<sup>130</sup> Even though patent law is indisputably federal, and Congress’s power to enact patent laws derives directly from the Constitution,<sup>131</sup> that federal power would be challenged were it to encroach on such traditional areas as family and marital property

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<sup>128</sup> 211 F.3d 1245, 1253 (Fed. Cir. 2000).

<sup>129</sup> See *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1582 (Fed. Cir. 1991).

<sup>130</sup> Jill Elaine Hasday, *The Canon of Family Law*, 57 Stan. L. Rev. 825, 872 (2004) (explaining that “[i]t is commonplace for courts and judges to assert that family law is, and always has been, entirely a matter of state government”).

<sup>131</sup> U.S. CONST. art. 1, § 8, cl. 8.

law. Second, patent law would find little help from preemption principles. The U.S. Supreme Court has long recognized that matters relating to the transfer of ownership of patents are essentially contracts for the transfer of personal property, and are, therefore, governed by state law regarding property transfer and contract.<sup>132</sup> Thus, courts would have little chance resolving a conflict based on the concept of field preemption, i.e., “federal law leaves no room for state regulation and that Congress had a clear and manifest intent to supersede state law.”<sup>133</sup> Courts have long recognized that states regulate patent ownership issues. A closer case can be made for “conflict preemption,” which occurs when “a state law conflicts with federal law such that compliance with both state and federal regulations is impossible,”<sup>134</sup> or when a challenged state law “stands as an obstacle to the accomplishment and execution of the full purposes and objectives of a federal law . . . .”<sup>135</sup> Here, however, it is not necessarily “impossible” to comply with both laws; the outcome may just be undesirable.

The issue of trying to balance patent law and marital law is even more complicated because the balance does not have just two sides of the scale. Instead, the same conflict exists fifty-fold, with each state having its own marital property laws that would need to be reconciled to create a cohesive solution to the patent ownership/marital property problem. Given that dynamic, the expectation is that a resolution would have to come at the federal level. But, for reasons explained above, current federal law likely does not preempt marital property law, even if the outcome is undesirable. It would seem, therefore, a federal solution needs to be a legislative one. Several are proposed below.

#### B. *Proposed Modifications to the Patent Statutes*

The operating assumption of this paper is that the patent ownership regime needs fixing to accomplish two related goals: (1) provide predictability, and (2) avoid the patchwork of state marital property laws.

One possible proposal would be for Congress to amend the patent laws

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<sup>132</sup> See, e.g., *Excelsior Wooden Pipe Co. v. Pac. Bridge Co.*, 185 U.S. 282, 285 (1902) (“The rule is well settled that, if the suit be brought to enforce or set aside a contract, though such contract be connected with a patent, it is not a suit under the patent laws, and jurisdiction of the Circuit Court can only be maintained upon the ground of diversity of citizenship.”); *Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997) (noting cases holding that state law governs patent ownership “long has been the law”).

<sup>133</sup> *Sikkelee v. Precision Airmotive Corp.*, 822 F.3d 680, 687–88 (3d Cir. 2016) (quoting *Elassaad v. Indep. Air, Inc.*, 613 F.3d 119, 127 (3d Cir. 2010)).

<sup>134</sup> *Id.* at 688 (3d Cir. 2016) (citing *PLIVA, Inc. v. Mensing*, 564 U.S. 604, 635–36 (2011)).

<sup>135</sup> *Williamson v. Mazda Motor of Am., Inc.*, 562 U.S. 323, 330 (2011) (quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)).

to state that ownership of a patent vests initially in the inventor alone, without regard to state law principles. This proposal is the likely (though not necessarily strongest) argument to be made under current law, namely that patents vest in the inventor alone, and because patent ownership can only be transferred in writing, marital property principles are overridden. As shown above in Part IV, however, it's not clear those arguments would prevail in every case, especially in the majority of states that operate under community property regimes. And, such a law would not be without controversy, as it would clearly have Congress invading an area of law long left to the states, or at least instructing that such law be ignored in particular circumstances.<sup>136</sup>

An alternative proposal might attempt to thread the needle more narrowly by incorporating equitable marital property distribution principles. For example, Congress could amend the Patent Act to say that “an invention invented by an inventor having an obligation to assign via written agreement, who has received the benefit of that agreement during the marriage, may fulfill that obligation on behalf of the marital property without accounting to the spouse, so long as the inventor and spouse (a) were married prior to the invention, (b) were married prior to the obligation to assign, and (c) were continuously married through the date of conveyance from the inventor pursuant to that agreement.” Additionally, the clause might say, “[a]n

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<sup>136</sup> There have been instances where Congress enacted laws that specifically overrode or modified outcomes that would have otherwise occurred under state property laws. Most such statutes involved maintaining consistency in retirement benefits of federal employees or matters related to the U.S. Treasury. Those matters deal, at their core, with questions of property and property distribution. For example, in *Hisquierdo v. Hisquierdo*, 439 U.S. 572 (1979), the Court considered the distribution of retirement benefits under a federal law that conflicted with state marital property law. In that case, in California, a divorcing wife received no interest in the decedent husband's benefits under the Railroad Retirement Act of 1974, due to the federal statute explicitly stating, “the nonemployee spouse's benefit terminates upon an absolute divorce,” even though California state law would have determined the retirement benefits as community property that flowed from husband's employment in marriage. *Id.* at 580. Addressing the preemption of California law by the Railroad Retirement Act, the Court stated, “this Court has limited review under the Supremacy Clause to a determination whether Congress has ‘positively required by direct enactment’ that state law be pre-empted. . . . State family and family-property law must do ‘major damage’ to ‘clear and substantial’ federal interests before the Supremacy Clause will demand that state law be overridden.” *Id.* at 581 (citing *Wetmore v. Markoe*, 196 U.S. 68, 77 (1904) and *United States v. Yazell*, 382 U.S. 341, 352 (1966)). In *Free v. Bland*, 369 U.S. 663 (1962), a widower claimed rights to a U.S. Savings Bond co-owned with his late wife, over the claim of the late wife's son who claimed interest under her will and community property laws. Citing Treasury Regulations requiring a surviving co-owner to be “the sole and absolute owner,” the Court stated that “[t]he clear purpose of the regulations is to confer the right of survivorship on the surviving co-owner. Thus, the survivorship provision is a federal law which must prevail if it conflicts with state law.” *Id.* at 668. It is not clear at all that patent law is as much intertwined with matters of property and property distribution as retirement benefits and ownership of U.S. debt.

inventor for whom the above clause applies<sup>137</sup> shall be deemed to have assigned the full scope of rights described in the agreement.”

That proposal focuses narrowly on the largest undesirable outcome of the conflict, namely, the uncertainty of corporate interests in their employees’ inventions. This proposal, by its terms, would only come into play if the inventor-spouse had an obligation to assign the invention *and* the marital estate already enjoyed the benefit of that obligation (which may include continued employment of, and therefore income to, the inventor-spouse). From a marital property distribution standpoint, this proposal accomplishes what is likely an already assumed outcome, i.e., that the non-inventor spouse assumes his or her share of the fruits of the labor of the invention.<sup>138</sup> The further requirements of the proposal ensure that the legislation would only apply to patent transfers that might otherwise be impacted by marital property laws (in other words, the patents and the obligation to assign arose during the marriage).

To see how this proposal would play out, consider a variation of the facts in *Taylor v. Taylor Made Plastics, Inc.*, discussed above.<sup>139</sup> There, Mr. and Mrs. Taylor were married in 1987, the inventions were conceived of and patents received between 1993 and 1998, the parties divorced in 2011 with a 60%-40% split of the patents’ proceeds, and Mr. Taylor sued a third party for infringement in 2012.<sup>140</sup> The court (affirmed by the Federal Circuit), held that Mrs. Taylor was a co-owner of the patents, and the suit was dismissed for lack of standing.<sup>141</sup> But, consider if instead Mr. Taylor had assigned his patents in writing in 2010 to the Mister Taylor Company, divorced his wife in 2011, and the Mister Taylor Company sued a competitor in 2012. Under community property laws and patent law as they presently exist, the outcome might very well be the same as it was in the original case, because Mrs. Taylor had a community property interest in the patents.<sup>142</sup> Mister Taylor Company’s lawsuit would be dismissed for lack of standing. Under the authors’ proposal, however, assuming the Taylors both benefited from the proceeds of the Mister Taylor Company during the marriage, (a) Mr. and

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<sup>137</sup> Or other appropriate self-referential language to be drafted as part of the statutory amendment.

<sup>138</sup> Cf. *Rodrigue v. Rodrigue*, 218 F.3d 432, 437 (5th Cir. 2000) (holding that the fruits of the copyright vest in the marital estate under Louisiana law even if other individual rights of the copyright vest in the author-spouse under the Copyright Act).

<sup>139</sup> See *supra* notes 78–97 and accompanying text (discussing the decision in *Taylor v. Taylor Made Plastics, Inc.*).

<sup>140</sup> No. 8:12-CV-746-T-EAK-AEP, 2013 WL 1798964, at \*1–3 (M.D. Fla. Apr. 29, 2013).

<sup>141</sup> *Id.* at \*7–8.

<sup>142</sup> Setting aside the issue of whether, post-divorce, that interest were legal or equitable. Let’s assume it was legal title.

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*SPOUSAL RIGHTS TO INVENTIONS*

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Mrs. Taylor were married prior to the invention in 1993–98, (b) Mr. and Mrs. Taylor were married prior to his obligation to assign in 2010, and (c) Mr. and Mrs. Taylor were continuously married through his conveyance in 2010. Accordingly, under the authors' proposal, Mister Taylor Company would have full legal title to the patents and standing to sue.

Consider yet another, more likely scenario. Here, Mr. and Mrs. Taylor are married in 1987. Mr. Taylor begins work at Acme Plastics Inc. in 1991 and signs an employment agreement assigning future inventions to Acme Plastics Inc. He invents numerous patented inventions from 1993 through 1998, and during his employment the benefits of the employment accrue to the marital estate. In 2011, he divorces Mrs. Taylor. In 2012, Acme Plastics Inc. sues a competitor for patent infringement. Under community property principles, the result is unclear at best because, depending on whether Mrs. Taylor's interest is legal or equitable, Acme alone may not have standing to sue. Under the authors' proposal, however, because Mr. Taylor had "an obligation to assign [his inventions] via written agreement" and "has received the benefit of that agreement during the marriage," and because Mr. and Mrs. Taylor "(a) were married prior to the invention [i.e., prior to 1993], (b) were married prior to the obligation to assign [i.e., prior to 1991], and (c) were continuously married through the date of conveyance from the inventor pursuant to that agreement [i.e., from 1993 through 1998]," Mr. Taylor fulfilled his obligation to assign to Acme Plastics Inc. without accounting to Mrs. Taylor. Acme Plastics Inc. has full legal title to the patents (just as is assumed today).

A legislative fix like the one above would intrude minimally on the state's traditional province of family law. While it does bypass certain property ownership conventions at play in community property states by providing a vehicle to nullify the automatic vesting of community property in the non-inventor spouse, it does so while still preserving the primary function of community property. In particular, the proposal above requires the benefits of the agreement be conferred on the married couple (e.g., the income of the employee-spouse who is obligated to assign his inventions to the employer) before any assignment of rights voids the community property rules. Additionally, and not insignificantly, it preserves the result that has been the standard operating assumption to date, namely, that the corporation has obtained full legal title from the employee-spouse.

*C. Alternative Practical Proposal for Employers*

At least until Congress acts to resolve the competing ownership regimes of community property states and federal patent law, employers can proactively ensure they own their employees' inventions. One way an employer might do this is to have the employee *and the employee's spouse*

consent in writing to the automatic assignment of future patent rights to the company. In that case, the employee may sign the same present assignment of future inventions as she does today. Her spouse, on the other hand, would separately sign some other agreement to permit transfer of full legal title to the patent. For example, the spouse may sign a power of attorney giving the employee-spouse the right to transfer legal title of the invention from the marital estate.<sup>143</sup> Employers might consider adding a separate section on the bottom of an employment agreement, after the employee's signature, that states: "I hereby assign to Company, as a condition of my spouse's continued employment, all right, title and interest, including all ownership interests, legal or equitable, including community property rights, in and to any Company inventions invented by my spouse, during our marriage, pursuant to this agreement."<sup>144</sup>

There are several possible impediments to implementing this solution. First, as a purely practical matter (and a matter of maintaining marital bliss), not every employee will want to have to present an employment agreement to his or her spouse. Nor will every employee be willing (or able) to explain why the spouse's signature is necessary. It may look like an inappropriate intrusion into an employee's personal life. Second, to be properly administered, the employer would have to update these agreements when employees become married during their period of employment. This may also be perceived as an inappropriate intrusion into employees' personal lives. Third, there is not really a good time to *start* implementing this type of agreement. The moment an employer introduces this new form, it could be seen as an admission by the employer that it might not have good title to past inventions assigned under prior forms of agreement. Similarly, unless the new form is executed by *all* married employees, those who don't execute the form (assuming that the employer then does not refuse employment to or terminate the employee) may also create evidence of acquiescence on behalf of the employer to the employee's spouse co-owning the invention as community property.

However, corporate implementation of new employment agreements is

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<sup>143</sup> Some community property states provide statutory limitations on the ability of spouses to transfer community property, requiring, for example, that consent be given in writing. *See* NEV. REV. STAT. ANN. § 123.230 (LexisNexis 2019). The fact that jurisdictions may enact additional limitations on the spouses' control of community property demonstrates the challenge to employers navigating diverse marital property law.

<sup>144</sup> Typical employment agreements define the scope of assignable inventions to be limited to those developed by the employee in the course of the employee's employment, relating to the employer's business, and developed using employer time or resources. *See, e.g.*, 765 ILL. COMP. STAT. 1060/2 (2019) (Illinois Employee Patent Act defining the proper scope of employee inventions assignable to an employer). The authors have shorthanded that definition above to simply "Company inventions," with the understanding that that term would be defined elsewhere in the employment agreement. *Id.*

certainly manageable. For example, employees who take advantage of employer health insurance are already on notice of the need to notify the employer of life changes (such as marriage) to extend insurance benefits to a spouse. Notifying the employer of marriage is, therefore, not seen (in many, if not most, cases) as an inappropriate intrusion. At the same time, implementing any new policy, or new forms, within an organization can be administratively difficult, but often human resource departments manage such changes on a regular (even if infrequent) basis as policies and regulatory environments change. The largest, and perhaps most significant, risk, however, is the perceived admission that prior inventions without spousal assignments may still be subject to a spouse's (or, in some cases, then-spouse's) ownership interest. Since patents may have a term of fifteen<sup>145</sup> to nearly twenty years,<sup>146</sup> a company may find it necessary to obtain corrective assignments going back twenty years. Some employees (or their spouses or ex-spouses) may not be easily locatable, or the interests may have passed to others through assignment or inheritance. This risk, alone, might be sufficient to have corporations continue the *status quo* in hopes that either (a) their ownership is never challenged, or (b) if their ownership is challenged, courts figure out a solution favorable to them in their particular case.<sup>147</sup>

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<sup>145</sup> 35 U.S.C. § 173 (term of a design patent is fifteen years from the issue date).

<sup>146</sup> 35 U.S.C. § 154(a)(2) (term of a utility patent is twenty years from the filing date).

<sup>147</sup> A company holding an older patent might, for example, make some sort of equitable claim, like laches, to prevent a previously unknown co-owner from asserting ownership rights after a period of years. There might be several problems with that argument. First, the patent recordation statute, 35 U.S.C. § 261, is designed to address that circumstance in favor of a bona fide purchaser. As discussed above, however, *supra* notes 124–125 and accompanying text, § 261, by its terms, only voids a prior “interest that constitutes an assignment, grant or conveyance.” The spouse’s interest, however, arises by operation of law as marital property and is not the result of any “assignment, grant or conveyance” from the other spouse. See *supra* Part III.C (discussing the rights of spouses to community or marital property during marriage). Courts may not be willing to create an additional bona fide purchaser exception when Congress has already created one. See, e.g., *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC*, 137 S. Ct. 954, 961 (2017) (holding that laches could not override the statutory six-year limitations period for bringing a patent lawsuit, stating, “[l]aches is a gap-filling doctrine, and where there is a statute of limitations, there is no gap to fill.”). Second, until a patent is actually enforced, or licensed, the owner of a patent need never reveal himself. While a patent owner *could* conceivably bring a quiet title action to resolve an ownership dispute, until either co-owner intends to make use of the patent somehow, i.e., to exercise any of its rights, there would be no reason to do so. Third, at least under current law (and so far as the authors can tell), spousal owners may not fully appreciate the rights they may have in corporate inventions, and vice versa. Without prior awareness of his interest, it would be difficult for a company to rely on equity to prevent a spousal co-owner from announcing his interest in the patent.

## VI. CONCLUSION

It is a terrifying proposition to consider that thousands of patents, perhaps hundreds of thousands of patents, may currently have uncertain ownership.<sup>148</sup> Corporations may have significant impairment of their patent assets on their hands. In addition, savvy defendants to patent lawsuits may have standing arguments available to quickly dispose of patent infringement suits before they even get started. A fix is required. Courts may not be able to do it, and it may be too late for companies to implement a strategy effectively. Congress should act to legislatively resolve the undesirable and unpredictable patent ownership outcomes occurring at the intersection of marital property law and patent law.

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<sup>148</sup> According to U.S. Patent and Trademark Office statistics, there are approximately 500,000 issued patents with U.S. inventors. See *Independent Inventor Utility Patents by Country, State, and Year* (December 2015), U.S. PATENT AND TRADEMARK OFFICE, (Dec. 2015) [https://www.uspto.gov/web/offices/ac/ido/oeip/taf/inv\\_utl\\_stc.htm](https://www.uspto.gov/web/offices/ac/ido/oeip/taf/inv_utl_stc.htm) (extrapolating data through 2015 to current date). The U.S. marriage rate is approximately 50%. See also Kim Parker & Renee Stepler, *As U.S. Marriage Rate Hovers at 50%, Education Gap in Marital Status Widens*, PEW RESEARCH CTR. (Sept. 14, 2017), <http://www.pewresearch.org/fact-tank/2017/09/14/as-u-s-marriage-rate-hovers-at-50-education-gap-in-marital-status-widens/>.