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The "In Writing" Requirement for Copyright and Patent Transfers: Are the Circuits in Conflict?

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Cover Page Footnote

I am grateful to Jane Henning, Richard Saphire, Jennifer Tate and Susan Wawrose for their comments on a working draft of this article and to my research assistant, Kathy Merkel Lowry for her helpful research assistance. I am also grateful to Linda Kreiss for her comments on drafts of this article and for her encouragement and support in many other ways.

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Robert A. Kreiss

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THE "IN WRITING" REQUIREMENT FOR COPYRIGHT AND PATENT TRANSFERS: ARE THE CIRCUITS IN CONFLICT?

*Robert A. Kreiss***

I. INTRODUCTION

Do copyright courts and lawyers read patent cases? Do patent courts and lawyers read copyright cases? Given the inconsistencies in results between patent and copyright cases involving the "in writing" requirements of each law, one would have to conclude that neither body of law looks to the other for analysis. This article will point out the inconsistencies in court decisions between these two bodies of law and indicate how these inconsistencies should be resolved.

The Copyright Act¹ and the Patent Act² require a writing for an *inter vivos* transfer³ of ownership of a copyright or patent.⁴ The purposes of

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¹ 17 U.S.C. §§ 101-1332 (1994 & Supp. IV 1998), *amended by* 17 U.S.C.A. §§ 101-1332 (West Supp. 2000).

² 35 U.S.C. §§ 1-376 (1994 & Supp. IV 1998), *amended by* 35 U.S.C.A. §§ 1-376 (West Supp. 2000).

³ This article will not deal with transfers of ownership at death or divorce or through proceedings such as in bankruptcy. Nor will it deal with the possibility of transfers through community property laws. *See, e.g.,* Rodrigue v. Rodrigue, 218 F.3d 432 (5th Cir. 2000) (holding that community property law is not preempted by copyright law and granting spouse an economic interest in copyrights in works created during marriage); *In re Marriage of Worth*, 241 Cal. Rptr. 135 (Cal. Ct. App. 1987) (holding that community property law is not preempted by copyright law and granting spouse one-half interest in copyrights in works created during marriage).

⁴ The copyright provision provides:

§ 204. Execution of transfers of copyright ownership

(a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

17 U.S.C. § 204(a) (1994).

The patent provision provides, in pertinent part:

§ 261. Ownership; assignment

these requirements are the same for both statutes. Judge Kozinski lays out many of these purposes in *Effects Assocs., Inc. v. Cohen*:⁵ (1) to prevent misunderstandings between the parties; (2) to spell out the terms of the deal; (3) to force the parties to clarify their thinking; (4) to consider problems that could arise; (5) to encourage the parties to take their promises seriously; (6) to avoid giving away copyrights inadvertently; (7) to determine precisely which rights are being transferred and at what price; and (8) to enhance predictability and certainty of copyright ownership.⁶ Other courts have emphasized that the writing requirement protects copyright holders from persons mistakenly or fraudulently claiming oral transfers⁷ and gives third parties notice of who the owner is.⁸

Three questions have arisen about this "in writing" requirement. The easy question is whether the "in writing" requirement requires a writing in order to have an assignment. The second is whether a writing is required for agreements to assign as well as for the assignments themselves. For example, are there situations, such as between employees and employers, where the "in writing" requirement need not be met? The third question is one of timing. Assuming that a writing is required, must it exist at the time of the transfer or can an oral transfer be valid if it is later reduced to writing?

In spite of the parallel objectives and similar language of the "in writing" requirements of the Copyright and Patent Acts, the courts have only agreed on the answer to the first of the three questions.⁹ They have answered the second and third questions differently.

Copyright and patent courts agree that a writing is required in order to have an assignment of a copyright or patent.¹⁰ Oral assignments are invalid. On this question, the courts reach consistent results, but there is no consistency on the other two questions.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

35 U.S.C. § 261 (1994).

⁵ 908 F.2d 555 (9th Cir. 1990), *cert. denied sub nom.*, 498 U.S. 1103 (1991).

⁶ *See id.* at 557.

⁷ *See Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982).

⁸ *See Blakeney v. Goode*, 30 Ohio St. 350 (1876).

⁹ *See infra* Parts II., III.

¹⁰ *See infra* notes 16, 69-70 and accompanying text.

As to the second question, the patent courts have held that no writing is required for an agreement to assign a patent.¹¹ In reaching this conclusion, they have held that the validity of such an agreement is a matter of state law and they have completely ignored the statutory requirement of the Patent Act that a writing is required for an assignment. In contrast, copyright courts have held that the Copyright Act's "in writing" requirement applies to agreements to assign as well as to assignments themselves.¹² The patent and copyright cases are inconsistent.

As to the third question, the cases are also in conflict. Patent courts have adopted the view that the statutory provision requires that a writing exist at the time of the alleged transfer.¹³ In contrast, copyright courts have interpreted the parallel copyright provision to allow a later writing to memorialize an earlier oral agreement so long as the parties to the transfer agree as to the contents of that writing.¹⁴

This inconsistency in interpretation of two parallel statutory provisions is unwarranted by the statutory language and the policies underlying the provisions. By applying the statute to oral agreements to assign as well as to assignments, the copyright cases are more consistent with the policies underlying the statute than the patent cases. Moreover, the approach taken in copyright cases builds in some sensible flexibility for situations in which the owner did make such an oral transfer and wishes to stand by that transfer. In similar patent situations, there is no policy reason to disallow a later writing which memorializes the transfer and there are sensible reasons to interpret the statute to allow such a writing.

Parts II and III of this article will review the statutory provisions and important cases in which courts have interpreted the transfer provisions of the Copyright Act and Patent Act, respectively. Part IV will analyze these statutory provisions and the cases. It will show that while both patent and copyright decisions are consistent with the statutory language of the "in writing" requirements, the copyright decisions do a better job of implementing the policies underlying these requirements. The article concludes that both patent and copyright courts should follow the decisions of copyright courts on these matters.

¹¹ See *infra* note 71 and accompanying text.

¹² See *infra* note 17 and accompanying text.

¹³ See *infra* note 72 and accompanying text.

¹⁴ See *infra* note 18 and accompanying text.

II. CASE LAW CONCERNING THE "IN WRITING" REQUIREMENT UNDER THE COPYRIGHT ACT

Section 204(a) of the Copyright Act sets forth the "in writing" requirement for an inter vivos transfer of ownership of a copyright. It states, "[a] transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent."¹⁵

On the first question posed above, courts have had no difficulty in concluding that a writing is always required in order to have a transfer of copyright ownership.¹⁶ On the second question, of whether this requirement also applies to agreements to assign, the answer has been that it does—oral agreements to assign are not enforceable.¹⁷ On the third question, the timing issue of whether an oral transfer which is later reduced

¹⁵ 17 U.S.C. § 204(a) (1994).

¹⁶ See, e.g., *Budget Cinema, Inc. v. Watertown Assn.*, 81 F.3d 729 (7th Cir. 1996); *Imperial Residential Design, Inc. v. Palms Dev. Group, Inc.*, 70 F.3d 96 (11th Cir. 1995); *Playboy Enters., Inc. v. Dumas*, 53 F.3d 549 (2d Cir. 1995); *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990), *cert. denied sub nom.*, 498 U.S. 1103 (1991); *Foamation, Inc. v. Wedward Enters., Inc.*, 970 F. Supp. 676 (E.D. Wis. 1997); *Design Options, Inc. v. Bellepointe, Inc.*, 940 F. Supp. 86 (S.D. N.Y. 1996); *Saenger Org., Inc. v. Nationwide Ins. Licensing Assn. Comm'n Inc.*, 864 F. Supp. 246 (D. Mass. 1994); *Cassway v. Chelsea Historic Properties I, L.P.*, 1993 U.S. Dist. LEXIS 5329 (E.D. Pa. 1993); *Pamfiloff v. Giant Records, Inc.*, 794 F. Supp. 933 (N.D. Cal. 1992); *Brooks v. Bates*, 781 F. Supp. 202 (S.D. N.Y. 1991); *PMC, Inc. v. Saban Entertainment, Inc.*, 52 Cal. Rptr. 2d 877 (Cal. Ct. App. 1996).

¹⁷ See, e.g., *Jacob Maxwell, Inc. v. Veek*, 110 F.3d 749 (11th Cir. 1997); *Effect Assoc. Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990); *Valente-Kritzer Video v. Pinckney*, 881 F.2d 772 (9th Cir. 1989), *cert. denied*, 493 U.S. 1062 (1990); *Mellencamp v. Riva Music Ltd.*, 698 F. Supp. 1154 (S.D. N.Y. 1988). Other cases contain dictum that agrees with these cases. See, e.g., *A. Brod, Inc. v. SK&I Co. LLC*, 998 F. Supp. 314, 323-24 (S.D. N.Y. 1998) ("Section 204 applies not only to purported oral transfers of copyright ownership, but also to oral agreements to (re)transfer copyright ownership in the future."); *Glovarama, Inc. v. Maljack Prods., Inc.*, 1998 U.S. Dist. LEXIS 2399 (N.D. Ill. 1998) (citing *Valente-Kritzer*).

Another case, *Library Publications, Inc. v. Medical Economics Co.*, 548 F. Supp. 1231 (E.D. Pa. 1982), *aff'd*, 714 F.2d 123 (3d Cir. 1983), is often cited for the proposition that § 204(a) applies to oral agreements to transfer ownership. *Library Publications*, however, is a weak case for claiming that § 204(a) bars oral agreements to transfer copyrights. In that case, the plaintiff had alleged that the defendant had orally agreed to give it certain exclusive distribution rights and the court had held the agreement invalid because of § 204(a). Later courts have cited *Library Publications* as a case involving a breach of contract claim, presumably based on the court's statement, early in the opinion, that the defendants "orally agreed (1) to give" certain exclusive distribution rights to the plaintiff. The full *Library Publications* decision, however, makes this case suspect as a breach of contract claim as the court actually treats the oral agreement as a present transfer of exclusive rights. The subtle distinction between "agrees to give" and "hereby gives" does not seem to have been considered by the court, a point noted by Laura Lape. See Laura G. Lape, *Ownership of Copyrightable Works of University Professors: The Interplay Between the Copyright Act and University Copyright Policies*, 37 VILL. L. REV. 223, 247 n.102 (1992).

to writing is valid, the courts have generally upheld the transfer when the issue is raised by a party accused of infringement and the parties to the transfer agree as to the existence of the transfer.¹⁸

There are three leading cases which illustrate the courts' approaches to these three issues. These cases are discussed in the next sections.

*A. Writing Is Required By Section 204(a) of the Copyright Act In Order to Transfer Copyright Ownership.*¹⁹

The first case is a straightforward application of § 204(a) in a dispute between the two parties to the alleged transfer. In *Effects Assocs., Inc. v. Cohen*,²⁰ the Ninth Circuit rejected a claim that an oral agreement could transfer ownership of a copyright. In *Effects*, Larry Cohen, a movie producer, asked Effects Associates, a small special effects company, to create footage to enhance certain action sequences for *The Stuff*, a horror movie in which Earth is invaded by an alien life form that looks and tastes like frozen yogurt. Although Effects offered, in a letter, to prepare the footage, the actual agreement was oral and apparently the parties did not discuss who would own the copyright in the footage.

When Cohen used the footage in the film, but refused to pay the full agreed-upon price because he was dissatisfied, Effects sued for copyright infringement. Cohen argued that the "in writing" requirement of § 204(a) should not be applied to situations such as his because of the custom of the movie industry not to have written licenses.²¹ He argued that "moviemakers are too absorbed in developing 'joint creative endeavors' to 'focus upon the legal niceties of copyright licenses.'"²²

¹⁸ See, e.g., *Magnuson v. Video Yesteryear*, 85 F.3d 1424 (9th Cir. 1996); *Imperial Residential Design, Inc. v. Palms Dev. Group, Inc.*, 70 F.3d 96, 99 (11th Cir. 1996); *Arthur Rutenberg Homes, Inc. v. Drew Homes*, 29 F.3d 1529 (11th Cir. 1994); *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27 (2d Cir. 1982); *Balsamo/Olson Group, Inc. v. Bradley Place Ltd. Partnership*, 966 F. Supp. 757 (C.D. Ill. 1996); *Great Southern Homes, Inc. v. Johnson & Thompson Realtors*, 797 F. Supp. 609 (M.D. Tenn. 1992); *Boothroyd Dewhurst, Inc. v. Poli*, 783 F. Supp. 670 (D. Mass. 1991); *Kenbrooke Fabrics Inc. v. SoHo Fashions, Inc.* 690 F. Supp. 298 (S.D. N.Y. 1988). Cf., *Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994).

¹⁹ Others have also written about the "in writing" requirement. See, e.g., Edward A. Klein, *Doing Lunch*, 21 LOS ANGELES LAWYER 37 (April 1998).

²⁰ 908 F.2d 555 (9th Cir. 1990), cert. denied sub nom., 498 U.S. 1103 (1991).

²¹ The Copyright Act states that transfers of ownership include exclusive licenses. See 17 U.S.C. § 101 (1994 & Supp. IV 1998), amended by 17 U.S.C.A. § 101 (West Supp. 2000) (definition of "transfer of copyright ownership"). Because of this definition, § 204(a) applies to exclusive licenses as well as to complete assignments of an entire copyright.

²² *Effects*, 908 F.2d at 556-57 (quoting Appellees' Brief).

The Ninth Circuit made short work of this argument, both on statutory and policy grounds. As to the statute, the court noted, "[t]he law couldn't be clearer . . . [S]ection 204 of the Copyright Act invalidates a purported transfer of ownership unless it is in writing."²³

1. The Policy Reasons for the Statute Strongly Supported the Writing Requirement.

Common sense tells us that agreements should routinely be put in writing. This simple practice prevents misunderstandings by spelling out the terms of a deal in black and white, forces parties to clarify their thinking and consider problems that could potentially arise, and encourages them to take their promises seriously because it's harder to backtrack on a written contract than on an oral one. Copyright law dovetails nicely with common sense by requiring that a transfer of copyright ownership be in writing. Section 204 ensures that the creator of a work will not give away his copyright inadvertently and forces a party who wants to use the copyrighted work to negotiate with the creator to determine precisely what rights are being transferred and at what price. Most importantly, section 204 enhances predictability and certainty of copyright ownership—"Congress' paramount goal" when it revised the Act in 1976. Rather than look to the courts every time they disagree as to whether a particular use of the work violates their mutual understanding, parties need only look to the writing that sets out their respective rights.²⁴

Thus, in one compact paragraph, the Ninth Circuit lays out the reasons for the "in writing" requirement. It ensures reflection by the copyright owner, forces the parties to spell out the terms of the deal, provides clarity and certainty, and prevents disputes. Other courts have added that the requirement also protects copyright holders from persons mistakenly or fraudulently claiming oral transfers²⁵ and gives third parties notice of who the owner is.²⁶ As we shall see, these same reasons enable us to answer the other questions involving the "in writing" requirement, and they apply with equal force in the patent context.

The Ninth Circuit also noted that the "in writing" requirement is not a burdensome one:

²³ *Id.* at 556.

²⁴ *Id.* at 557 (citations omitted).

²⁵ See *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982). Accord *Lape*, *supra* note 17, at 249-59.

²⁶ See *Blakeney v. Goode*, 30 Ohio St. 350 (1876).

Section 204's writing requirement is not unduly burdensome; it necessitates neither protracted negotiations nor substantial expense. The rule is really quite simple: If the copyright holder agrees to transfer ownership to another party, that party must get the copyright holder to sign a piece of paper saying so. It doesn't have to be the Magna Charta; a one-line pro forma statement will do.²⁷

It is important to note that Cohen was not left with nothing. Even though Cohen did not obtain ownership of the copyright, the court held that Cohen did have a non-exclusive license to use the special effects footage.²⁸ Non-exclusive licenses need not be in writing and the conduct of the parties created an implied non-exclusive license.

2. Agreements to Transfer Copyright Ownership Have To Be In Writing.

The second of the three questions posed above is whether § 204(a)'s requirement of a writing applies to oral agreements to assign copyrights as well as to the assignments themselves. The cases dealing with this issue agree that § 204(a) does apply.²⁹

For example, in *Valente-Kritzer Video v. Pinckney*,³⁰ the Ninth Circuit was faced with a breach of contract claim. Valente-Kritzer alleged that Pinckney had orally agreed to grant certain exclusive rights³¹ in a book if certain conditions were met. When Pinckney refused to make the copyright transfer, Valente-Kritzer sued. The Ninth Circuit noted, "[s]ection 204(a) not only bars copyright infringement actions but also breach of contract claims based on oral agreements."³²

In *Mellencamp v. Riva Music Ltd.*³³ the Southern District of New York reached the same conclusion. Plaintiff John Mellencamp, a songwriter, performer, and recording artist, assigned certain copyrights to the defendants Riva Music, Ltd., and related companies, under agreements in which the defendants were to publish and promote Mellencamp's songs. Becoming dissatisfied with the defendants' efforts on his behalf, Mellencamp sued them for breach of their obligations to him. In addition, Mellencamp alleged breach of an oral agreement under which the

²⁷ *Effects*, 908 F.2d at 557.

²⁸ See *id.* at 558-59. Other courts have reached similar results. See, e.g., *Jacob Maxwell, Inc. v. Veek*, 110 F.3d 749 (11th Cir. 1997).

²⁹ See cases cited *supra* note 17.

³⁰ 881 F.2d 772 (9th Cir. 1989), *cert. denied*, 493 U.S. 1062 (1990).

³¹ This would amount to a claim of transfer of copyright ownership. See *supra* note 21.

³² *Valente-Kritzer*, 881 F.2d at 774.

³³ 698 F. Supp. 1154 (S.D. N.Y. 1988).

defendants were to release him from his obligations under the publishing contracts and to assign the copyrights back to him.³⁴ The defendants argued that § 204(a) barred Mellencamp's claim that the copyrights were to be reassigned to him. They argued that an oral agreement to transfer the copyrights is no more valid than an oral transfer of copyrights. Mellencamp argued that § 204(a) only applied to an oral transfer of copyrights and did not apply to an oral agreement to transfer.³⁵

The court held that § 204(a) applied both to oral transfers and to oral agreements to transfer.³⁶ In reaching this conclusion, the court relied on the policy underlying § 204(a), stating that, "[m]oreover, Mellencamp's cramped interpretation of § 204 is inconsistent with the underlying purpose of the statute of frauds which is 'to protect copyright holders from persons mistakenly or fraudulently claiming oral licenses.'"³⁷

Effects is also a case that is on point.³⁸ Although the court did not provide facts indicating whether the alleged agreement was one of a present license or involved an oral agreement to license the copyrighted works, it is more likely to be the latter since the works had not yet been created. One cannot seriously imagine two people over lunch saying "I will pay you \$1,000 after you create this work and you, right now, give me a license to use that work." It is much more likely that the parties in *Effects* and other parties in similar situations would say, "I will pay you \$1,000 after you create the work and you agree that you *will give* me an exclusive license to use the work."³⁹ It is the likely use of words in the future tense that suggests an agreement to assign rather than an assignment.

As an agreement-to-assign case, *Effects* is powerful because the Ninth Circuit applies § 204(a) to invalidate an oral agreement and, in doing so, shows that the eight reasons underlying § 204(a) apply equally to oral agreements to assign and to oral assignments themselves.⁴⁰

³⁴ See *id.* at 1155-56.

³⁵ See *id.* at 1161.

³⁶ See *id.* at 1162.

³⁷ *Id.* (quoting *Eden Toys, Inc.*, 697 F.2d at 36).

In addition, the court cited *Library Publications, Inc. v. Medical Economics Co.*, 548 F. Supp. 1231 (E.D. Pa. 1982), *aff'd*, 714 F.2d 123 (3d Cir. 1983), a case cited also cited by *Valente-Kritzer*. For comments on this use of *Library Publications*, see *supra* note 17.

³⁸ See *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990), *cert. denied sub nom.*, 498 U.S. 1103 (1991).

³⁹ One cannot really imagine people being this formal in their language. The point is that the words they use are much more likely to have been in the future than the present tense; more likely to be words like, "you *will give* me use of the work" than like, "you *give* me use of the work."

⁴⁰ See *supra* notes 5-6 and accompanying text & Part II.A.

There are two distinct ideas here. First, implicit in *Effects*, *Valente-Kritzer*, and *Mellencamp* is the idea that the validity of an oral agreement to transfer copyright ownership is governed by federal law.⁴¹

Second, explicit in *Effects* and in *Mellencamp* is the idea that the policy reasons for requiring a writing to transfer ownership of a copyright apply equally to agreements to transfer ownership in the future. *Effects* lays out these policy reasons in great detail and shows that they apply to oral agreements as well as to oral assignments.⁴²

B. When Must The Writing Be Created?

While *Effects* and *Valente-Kritzer* wrestled with questions concerning the need for a writing, other courts have wrestled with the timing question—when must the writing be created.⁴³ Can the “in writing” requirement of § 204(a) be satisfied by an oral assignment later ratified or confirmed by a written memorandum of the transfer? The leading case addressing this issue is *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*,⁴⁴ in which the Second Circuit held that, under appropriate facts, a later writing memorializing an oral agreement could satisfy the writing requirement of § 204(a).

The case involved the copyrightable fictional character Paddington Bear, a figure in a series of children’s books. Eden Toys obtained a North American license to market a variety of Paddington products from Paddington and Company, Ltd. (“Paddington”), the copyright owner. The written license, executed in 1975, covered children’s clothing, but did not include adult clothing. Sometime between 1975 and 1977, Ivor Wood drew a series of sketches of Paddington Bear (the “Wood sketches”) which were included on gift wrap marketed under Eden’s license.⁴⁵

In 1979, Eden discovered that Florelee Undergarment Co., Inc., was selling an adult nightshirt featuring a print of a bear nearly identical to one of the Wood sketches of Paddington Bear. Eden filed suit against Florelee in April 1980 alleging copyright infringement. Florelee raised as a defense the lack of any written agreement between Paddington and Eden granting

⁴¹ The copyright cases involving questions of assignments analyze the issue in terms of § 204(a) of the Copyright Act rather than considering whether the contract might be valid under state law.

⁴² See *supra* Part II.A.1-2.

⁴³ See cases cited *infra* notes 44, 56-59. Some commentators have also analyzed this issue. See, e.g., Scott J. Burnham, *The Interstices of Copyright Law and Contract Law: Finding the Terms of an Implied Nonexclusive License in a Failed Work For Hire Agreement*, 46 J. COPYRIGHT SOC’Y OF THE USA 333, 340-50 (1999).

⁴⁴ 697 F.2d 27 (2d Cir. 1982).

⁴⁵ See *id.* at 29-30.

Eden an exclusive license with regard to adult clothing.⁴⁶ Absent such a writing, Florelee argued, Eden was not a copyright owner and could not bring suit.⁴⁷ Eden asserted that it had an informal understanding giving it exclusive North American rights which covered adult clothing and the understanding was reduced to writing in 1980, apparently after the lawsuit against Florelee was filed.⁴⁸ Upon Florelee's motion for summary judgment, the district court dismissed the copyright claim on the grounds that Eden was not the copyright owner.⁴⁹

The Second Circuit recognized that the Copyright Act expressly requires a writing and that a writing existed.⁵⁰ The issue in the case was one of timing—did it matter that the writing was created later in time? The Second Circuit noted the applicability of § 204(a), saying that Eden's claim "*seemingly* must fail" because of the requirement that an exclusive license is not valid unless it is in writing.⁵¹ The court held, however, that an accused infringing party such as Florelee should not be able to take advantage of § 204(a) where the two parties to the license agree as to its existence and reduce that agreement to writing.

[S]ince the purpose of the provision is to protect copyright holders from persons mistakenly or fraudulently claiming oral licenses, the 'note or memorandum of the transfer' need not be made at the time when the license is initiated; the requirement is satisfied by the copyright owner's later execution of a writing which confirms the agreement. In this case, in which the copyright holder appears to have no dispute with its licensee on this matter, it would be anomalous to permit a third party infringer to invoke this provision against the licensee.⁵²

The Second Circuit remanded the case, noting that the district court had made no findings on the issue of whether Paddington had orally granted Eden an exclusive license or whether that understanding was ever

⁴⁶ See *id.* at 30, 36.

⁴⁷ Under copyright law, only copyright owners can sue for infringement. See 17 U.S.C. § 501(b) (1994). Exclusive licensees are explicitly made copyright owners as to the matter within the scope of their exclusive licenses. See 17 U.S.C. § 101 (1994 & Supp. IV 1998), amended by 17 U.S.C.A. § 101 (West Supp. 2000) (including an exclusive license as being a "transfer of ownership").

⁴⁸ The decision does not indicate the date of the 1980 agreement, indicating that the Second Circuit does not think that the date is important. Since the district court dismissed the copyright claim on the grounds that there was no written agreement, it seems likely that the writing occurred after the lawsuit was filed.

⁴⁹ See *Eden Toys*, 697 F.2d at 36.

⁵⁰ See *id.*

⁵¹ *Id.* (emphasis added).

⁵² *Id.* (citations omitted).

committed to writing. The Second Circuit said that findings of fact on these matters were required.⁵³

The *Eden Toys* decision is noteworthy in several ways. First, it confirms what the statute says—that a writing is required in order for a copyright transfer to exist.

Second, the court implicitly indicated that the text of the statute is silent as to *when* the writing has to be created.⁵⁴ In the absence of any definite answer based on the text of the Copyright Act, the court was able to use other methods of statutory interpretation in reaching its conclusions. In particular, the court looked to the policies underlying the “in writing” requirement to answer the timing question.

Third, the court recognized that the rationale for the “in writing” requirement is based on disputes between the parties to an alleged transfer. The court implied that, while strict application of the requirement might be appropriate in situations in which those parties dispute the existence or terms of their agreement, such a strict application is inappropriate where those parties are in agreement and an accused infringing party is trying to raise the issue. This suggests that § 204(a) should be applied more rigorously in two-party disputes between a copyright owner and an alleged transferee than would be the case in three-party disputes where the in writing requirement is raised as a defense by an accused infringer and the copyright transferor and transferee are in agreement about the transfer. Several Circuits have distinguished between these situations.⁵⁵

The *Eden Toys* interpretation of § 204(a) has been adopted by the Ninth Circuit,⁵⁶ the Eleventh Circuit,⁵⁷ and numerous district courts.⁵⁸ Courts are,

⁵³ See *id.*

⁵⁴ The court did not explicitly refer to any statutory language having a bearing on the issue of *when* the writing had to be created.

⁵⁵ See *infra* notes 56-68 and accompanying text.

⁵⁶ See *Magnuson v. Video Yesteryear*, 85 F.3d 1424 (9th Cir. 1996). *Magnuson* seemed to represent a change of position from language in an earlier Ninth Circuit case. While only dictum, in *Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994), the Ninth Circuit, struck a note of caution, if not disagreement, with the *Eden Toys* interpretation. The *Konigsberg* court questioned *Eden Toys* in a footnote, writing:

Given that Congress has declared oral transfers “not valid” in the absence of a writing, we have doubts about whether a later writing can validate a purported transfer that substantially predates the writing. In any case, we read the Second Circuit’s rule as applying only to writings executed during the life of the purported license—not, as here, many years later.

Konigsberg, 16 F.3d at 357 n.3.

The *Konigsberg* case was, like *Effects*, a two party dispute between the alleged transferor and transferee of an exclusive copyright license rather than a three-party matter in which an accused infringer was raising the “in writing” requirement. The Ninth Circuit reiterated the goal of § 204(a) as that of enhancing predictability and certainty of ownership as well as protecting authors from fraudulent claims. In *Konigsberg*, the party claiming the benefits of the exclusive licensee attempted

however, cautious about allowing later writings to satisfy the "in writing" requirement. As noted, *Eden Toys* and cases following it tend to be cases in which an accused infringer raises the writing requirement issue and the two parties to the oral agreement agree as to its existence and create the later writing. In two-party disputes where the parties to the agreement disagree as to its existence or terms, courts apply the "in writing" requirement much more rigorously.

For example, *Konigsberg Int'l, Inc. v. Rice*⁵⁹ involved a two-party dispute between an alleged transferor and transferee of an exclusive copyright license. Author Anne Rice allegedly entered into an oral agreement with two movie producers under which she agreed to create a "bible" (i.e., a detailed story which could be made into a novel) and novel (*The Mummy*) which could be the basis for movie and television programming. In return, the producers claimed that they were to receive certain exclusive rights during a two-year period and to have an option to extend those rights. Rice wrote the novel. The producers failed to exploit their rights. The parties disagreed about whether the producers had exercised their option to extend. No written agreement was entered into at the time.

The producers sued. The district court citing § 204(a), dismissed the lawsuit because there was no written agreement. In a strange twist, Rice then wrote to the producer saying, "[a]s far as I am concerned, . . . these

to point to a letter written three and a half years after the alleged oral agreement, a year and a half after its alleged term would have expired (the exclusive license had been for a two year term), and even after a district court had dismissed a lawsuit on the subject because of the lack of a writing. The court noted that the writing was "not substantially contemporaneous with the oral agreement. Nor was it a product of the parties' negotiations; it came far too late to provide any reference point for the parties' license disputes." *Id.* at 357. Because of its lack of timeliness, the Ninth Circuit held that it was not the type of writing required under § 204(a).

Magnuson distinguished *Konigsberg*, explicitly noting that *Konigsberg* involved a dispute between the two parties to the alleged agreement, whereas those two parties were in agreement in the three-party situation in *Magnuson*. The Ninth Circuit quoted *Eden Toys* language that "it would be anomalous to permit a third party infringer to invoke [§ 204(a)] against the licensee." *Magnuson*, 85 F.3d at 1428 (quoting *Eden Toys*, 697 F.2d at 36).

⁵⁷ See *Imperial Residential Design, Inc. v. Palms Dev. Group, Inc.*, 70 F.3d 96, 99 (11th Cir. 1996) (writing: "Therefore, we agree that, where there is no dispute between the copyright owner and the transferee about the status of the copyright, it would be unusual and unwarranted to permit a third-party infringer to invoke section 204(a) to avoid suit for copyright infringement.").

⁵⁸ See, e.g., *Balsamo/Olson Group, Inc. v. Bradley Place Ltd. Partnership*, 966 F. Supp. 757 (C.D. Ill. 1996); *Great Southern Homes, Inc. v. Johnson & Thompson Realtors*, 797 F. Supp. 609 (M.D. Tenn. 1992); *Boothroyd Dewhurst, Inc. v. Poli*, 783 F. Supp. 670 (D. Mass. 1991); *Kenbrooke Fabrics Inc. v. SoHo Fashions, Inc.*, 690 F. Supp. 298 (S.D. N.Y. 1988).

⁵⁹ 16 F.3d 355 (9th Cir. 1994).

contracts, though never signed, were honored to the letter.”⁶⁰ She continued, “[t]hey got exactly what they paid for. A bible script and the television rights to the novel, THE MUMMY for over two years.”⁶¹ In addition, her letter said that the producers failed “to pick up their option, or extend it.”⁶² The producers immediately returned to court, claiming that they now had what they lacked before—a signed writing showing the agreement.

The Ninth Circuit rejected this claim. The court said that the writing requirement ensures that authors will not give away their copyrights inadvertently and forces the parties to determine precisely what rights are being transferred and at what price. The court noted that an agreement serves “as a guidepost for the parties to resolve their disputes” so they will not have to turn to courts when there are disagreements as to what the agreement was.⁶³ The writing requirement enhances predictability and certainty of ownership. The letter, written by Rice more than three and a half years after the alleged oral agreement, a year and a half after its alleged term would have expired, and even after the district court had dismissed a lawsuit on the subject because of the lack of a writing, was not adequate. The court noted that the writing “was not substantially contemporaneous with the oral agreement. Nor was it a product of the parties’ negotiations; it came far too late to provide any reference point for the parties’ license disputes.”⁶⁴ Because of its lack of timeliness, the court held that it was not the type of writing required under § 204(a).⁶⁵

Konigsberg shows that courts apply § 204(a) more rigorously where the parties to the alleged agreement disagree as to its terms than in three-party situations where the only dispute is with an accused infringer.⁶⁶ Indeed, the Ninth Circuit made exactly this point in a later case, *Magnuson v. Video Yesteryear*.⁶⁷ In distinguishing *Konigsberg*, the court quoted the *Eden Toys* language that “it would be anomalous to permit a third party infringer to invoke [§ 204(a)] against the licensee.”⁶⁸

⁶⁰ *Id.* at 356.

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.* at 357.

⁶⁴ *Id.*

⁶⁵ *See id.*

⁶⁶ Scott Burnham discusses various implications of reading *Konigsberg* broadly or more narrowly in his article. *See* Burnham, *supra* note 40, at 340-48.

⁶⁷ 85 F.3d 1424 (9th Cir. 1996).

⁶⁸ *Id.* at 1428 (quoting *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982)).

The cases, taken as a whole, indicate that copyright courts have a flexible approach to § 204(a)'s "in writing" requirement. In three-party disputes where the parties to an oral agreement are in agreement as to its terms and write it down later, the courts are likely to find that such a later writing will satisfy § 204(a). On the other hand, in two-party situations where the parties disagree about the existence or exact terms of an oral agreement, courts are likely to enforce the "in writing" requirement more rigorously.

III. CASE LAW CONCERNING THE "IN WRITING" REQUIREMENT UNDER THE PATENT ACT

The Patent Act also contains an "in writing" requirement. The next sections discuss how that requirement has been interpreted and show that the cases under the Patent Act reach different results from cases under the Copyright Act on two of the three questions analyzed in this article. On the first question, the cases confronting this issue state that a writing is always required in order to have a transfer of patent ownership.⁶⁹ There is a small group of cases that indicate that a writing is not required between the parties to the assignment, but these pronouncements are only dicta.⁷⁰ On the question of whether writings are required for agreements to assign, patent courts have held that writings are not required.⁷¹ On the timing question, patent courts have held that a later writing cannot validate an earlier oral agreement.⁷²

⁶⁹ See, e.g., *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090 (Fed. Cir. 1998); *Gaia Technologies, Inc. v. Reconversion Technologies, Inc.*, 93 F.3d 774 (Fed. Cir. 1996); *United States v. Solomon*, 825 F.2d 1292 (9th Cir. 1987), *cert. denied*, 484 U.S. 1046 (1988); *Kenyon v. Automatic Instrument Co.*, 160 F.2d 878 (6th Cir. 1947); *Procter & Gamble Co. v. Paragon Trade Brands, Inc.*, 917 F. Supp. 305 (D. Del. 1995); *Valmet Paper Machinery, Inc. v. Beloit Corp.*, 868 F. Supp. 1085 (W.D. Wis. 1994), *rev'd on other grounds*, 105 F.3d 1409 (Fed. Cir. 1997); *University Patents, Inc. v. Kligman*, 762 F. Supp. 1212 (E.D. Pa. 1991); *Potlatch Corp. v. Innovations, Inc.*, 189 U.S.P.Q. 436 (N.D. Ill. 1975).

⁷⁰ See, e.g., *Westinghouse Electric & Mfg. Co. v. Formica Insulation Co.*, 288 F. 330 (6th Cir. 1923); *Kahn v. General Motors Corp.*, 33 U.S.P.Q.2d 2011 (S.D. N.Y. 1994); *F.A.R. Liquidating Corp. v. McGranery*, 110 F. Supp. 580 (D. Del. 1953), *rev'd sub nom. on other grounds*, *F.A.R. Liquidating Corp. v. Brownell*, 209 F.2d 375 (3rd Cir. 1954); *Flowers v. Commissioner*, 1951 Tax. Ct. Memo Lexis 312 (U.S. Tax Ct. 1951); *Mariani v. Summers*, 52 N.Y.S.2d 750 (N.Y. Sup. Ct. 1944).

⁷¹ See, e.g., *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403 (Fed. Cir. 1996), *cert. denied*, 519 U.S. 1009 (1996); *University Patents, Inc. v. Kligman*, 762 F. Supp. 1212 (E.D. Pa. 1991); *Great Lakes Press Corp. v. Froom*, 695 F. Supp. 1440 (W.D. N.Y. 1987); *Kennedy v. Wright*, 676 F. Supp. 888 (C.D. Ill. 1988). See generally cases cited in 8 DONALD S. CHISUM, CHISUM ON PATENTS § 22.03[5] and 5 LIPSCOMB'S WALKER ON PATENTS (3d ed.) § 19.15.

⁷² See, e.g., *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090 (Fed. Cir. 1998); *Gaia Technologies, Inc. v. Reconversion Technologies, Inc.*, 93 F.3d 774 (Fed. Cir. 1996); *Valmet Paper*

A. Is a Writing Required by Section 261 of the Patent Act, and if so, When Must It be Created?

Section 261 of the Patent Act states that a writing is required for an assignment of a patent: "Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing."⁷³ Courts faced with this issue have held that a writing is required.⁷⁴ A leading case is *Enzo APA & Son, Inc. v. Geapag A.G.*,⁷⁵ in which the Federal Circuit addressed both the question of whether a writing is required for an assignment of a patent and the question of when that writing must exist. *Enzo* involved three parties. They are Spidem, S.r.L. ("Spidem"), the patent owner/licensor; Geapag A.G. ("Geapag"), the patent licensee; and Enzo APA & Son, Inc. ("Enzo"), the accused infringer. The patent was Patent No. 4,715,274 ("the '274 patent").

The chronology of events was important to the Federal Circuit's decision. Spidem had acquired ownership of the '274 patent by the time it issued on December 29, 1987. Spidem apparently issued licenses to companies under various European and other patents, and those companies issued sublicenses. Geapag was apparently under the impression that it was a licensee or sublicensee under the '274 patent by early 1993. It turns out that Geapag's impression was false. It did not actually have a license, a matter that Spidem and Geapag later attempted to rectify with a writing.⁷⁶

On January 27, 1993, Enzo brought a declaratory judgement action against Geapag, seeking a judgment of patent invalidity and noninfringement of the '274 patent.⁷⁷ Geapag responded by filing a separate action against Enzo for patent infringement.⁷⁸ The cases were consolidated in Florida district court at the parties' request.

At this point, Geapag must have recognized that it might have problems with standing and Geapag and Spidem took steps to clear the chain of title to the '274 patent.⁷⁹ On October 15, 1993, Geapag and Spidem entered into an agreement under which Geapag received a retroactive, exclusive license

Machinery, Inc. v. Beloit Corp., 868 F. Supp. 1085 (W.D. Wis. 1994), *rev'd on other grounds*, 105 F.3d 1409 (Fed. Cir. 1997).

⁷³ 35 U.S.C. § 261 (1994).

⁷⁴ See *supra* note 69. A few cases contain dictum to the contrary. See *supra* note 70. These cases will be discussed *infra* notes 130-143 and accompanying text.

⁷⁵ 134 F.3d 1090 (Fed. Cir. 1998).

⁷⁶ See *id.* at 1092.

⁷⁷ See *id.* at 1091.

⁷⁸ See *id.*

⁷⁹ See *id.* at 1092.

effective as of December 4, 1992 (i.e., to a date preceding the date when the lawsuits were filed). The license granted Geapag the exclusive right to make, distribute, use and sell the products and methods under the '274 patent.⁸⁰

Geapag alleged that the Spidem-Geapag License was a memorialization of the pre-suit oral agreement of the parties. While the patent was reexamined by the United States Patent and Trademark Office, Geapag moved for partial summary judgment on the issues of standing, invalidity, and infringement. Enzo filed a cross-motion for partial summary judgment of patent invalidity. In April 1995,⁸¹ the court granted Geapag's motion for partial summary judgment on the issue of standing, holding that Geapag had standing. After a later hearing, the court held the '274 patent valid and infringed and issued a permanent injunction against Enzo.⁸²

On appeal the Federal Circuit took up the issue of Geapag's standing to bring the patent infringement lawsuit. It noted that under the Patent Act, the only party who may bring suit is the "patentee," a term which includes not only the patentee to whom the patent issued, but also the successors in title to the patentee.⁸³ Case law had also established that certain exclusive licensees—those which have received all of the substantial rights under the patent—can also be treated as virtual assignees, thereby giving them standing to sue for patent infringement.⁸⁴ Geapag argued that it was the virtual assignee under the terms of its *nunc pro tunc* Spidem-Geapag License agreement.

The Federal Circuit rejected Geapag's claim. It first discussed the "in writing" requirement of the Patent Act. It read § 261 of the Patent Act to require a writing in order to create an assignment of a patent and properly concluded that the same rule should apply to claims of a virtual assignment. Thus, on the question of whether the Patent Act requires a writing in order for transfer of ownership to occur, the Federal Circuit was very clear. The court noted that a major reason for the "in writing" requirement is that it provides certainty.⁸⁵ If oral agreements were permitted, "[p]arties would be free to engage in revisionist history, circumventing the certainty provided by the writing requirement of section

⁸⁰ See *id.*

⁸¹ The 1993-1995 gap in time occurred.

⁸² See *Enzo*, 134 F.3d at 1092.

⁸³ See 35 U.S.C. § 281 (1994) ("patentee" has remedy by civil action); 35 U.S.C. § 100(d) (1994) (defining "patentee").

⁸⁴ See *Enzo*, 134 F.3d at 1093 (citing *Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870 (Fed. Cir. 1991)).

⁸⁵ See *id.*

261 by claiming to be patentee by virtue of a verbal licensing arrangement.”⁸⁶

On this issue, then, the Federal Circuit reached the same conclusion about the Patent Act as did the Ninth Circuit in *Effects* about the Copyright Act.⁸⁷ Importantly, in focusing on the certainty provided by a writing, the Federal Circuit was looking to the policy reasons underlying the statutory provision. Not surprisingly, certainty is also one of the reasons for the “in writing” requirement that have been given by copyright courts.⁸⁸

As to the question of *when* the writing must be created, the Federal Circuit considered Geapag’s claim that a later writing could validate an earlier oral agreement so as to confer standing. The court held that it could not do so. It quoted the following passage from a lower court opinion on the issue and called it “sound reasoning:”

As a general matter, parties should possess rights before seeking to have them vindicated in court. Allowing a subsequent assignment to automatically cure a standing defect would unjustifiably expand the number of people who are statutorily authorized to sue. Parties could justify the premature initiation of an action by averring to the court that their standing through assignment is imminent. Permitting non-owners and licensees the right to sue, so long as they eventually obtain the rights they seek to have redressed, would enmesh the judiciary in abstract disputes, risk multiple litigation, and provide incentives for parties to obtain assignment in order to expand their arsenal and the scope of litigation. Inevitably, delay and expense would be the order of the day.⁸⁹

Enzo provides the Federal Circuit’s answers to two of the questions posed about the “in writing” requirement of the Patent Act. First, a writing is required. On this issue, the Federal Circuit interprets the “in writing” requirement of the Patent Act the same way as the Ninth Circuit (in *Effects*) and other copyright courts interpret the “in writing” requirement of the Copyright Act.

On the second question, *Enzo* gives quite a different answer to the answer given by the Second Circuit in *Eden Toys*. In both cases, a third party accused of infringement claimed that a later memorialization of an oral transfer was not allowed by the statute even though the parties to the agreement agreed that the transfer occurred. In *Eden Toys*, the Second Circuit noted that the purpose of the provision is to protect copyright holders from persons mistakenly or fraudulently claiming oral licenses, and

⁸⁶ *Id.*

⁸⁷ See *supra* notes 23-24 and accompanying text.

⁸⁸ See *supra* notes 24-25 and accompanying text.

⁸⁹ *Enzo*, 134 F.3d at 1093-94 (quoting *Proctor & Gamble Co. v. Paragon Trade Brands, Inc.*, 917 F. Supp. 305, 310 (D. Del. 1995)).

held that this purpose could be satisfied by a later writing which confirmed the transfer. The court noted that where "the copyright holder appears to have no dispute with its licensee on this matter, it would be anomalous to permit a third party infringer to invoke this provision against the licensee."⁹⁰

In contrast, the Federal Circuit in *Enzo* did not consider the policy underlying § 261 of the Patent Act. It read the text of § 261 as requiring a writing which was contemporaneous with the transfer.⁹¹

On the timing question, this article will argue that the text of § 261 does not dictate the result in *Enzo* and that the "in writing" requirements of the Copyright and Patent Acts should be interpreted the same way. It will argue that the Second and Federal Circuits are in conflict in their interpretations of the "in writing" requirement and that the Supreme Court should resolve this conflict by adopting the reasoning of the Second Circuit in *Eden Toys*.⁹²

Before leaving these first two questions, it must be noted that there is dicta in a small number of cases which states that oral agreements to assign patent interests are sometimes valid. The origin of this dicta is *Westinghouse Electric & Mfg. Co. v. Formica Insulation Co.*⁹³ *Westinghouse* actually involved a far different issue—whether an inventor-employee who assigns rights in his invention thereby makes any warranties as to the validity of later-drafted patent claims for that invention. At the time of the assignment, there was neither a patent application nor a patent, so the case did not involve a patent assignment and the court held that the invention assignment could not have contained covenants of warranty. Although the court wrote, "[a]n assignment of patent need not be in writing at all, as between the parties; but, if it is, the common form contains no covenants of warranty,"⁹⁴ the court's attention was on the last portion of the sentence, rather than on the first portion. As a pronouncement on whether writings are required for patent assignments,⁹⁵ the first portion of the sentence is only dictum. Moreover, the court cited no authority for the first portion of the sentence, making the dictum even more suspect. In the

⁹⁰ *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982). See *supra* notes 50-52 and accompanying text.

⁹¹ See *Enzo*, 134 F.3d at 1093-94.

⁹² See *supra* notes 50-52 and accompanying text.

⁹³ 288 F. 330 (6th Cir. 1923).

⁹⁴ *Id.* at 333.

⁹⁵ One should probably read the first portion as speaking of an "assignment of the invention" or as speaking of an agreement to assign the patent. Either way, the sentence had nothing to do with oral assignments of patents themselves.

Analysis section below, it is argued that this dictum is inconsistent with the clear language of the statute and it should be given no credence.⁹⁶

B. Does the "In Writing" Requirement of Patent Law Apply to Unwritten Agreements to Transfer Ownership?

We have seen that courts in copyright cases apply copyright's "in writing" requirement both to transfers of copyrights and to agreements to transfer copyrights.⁹⁷ For those courts, it does not matter whether an agreement says "I hereby assign the copyright" or "I agree to assign the copyright." In either case, the agreement must be in writing in order to comply with the Copyright Act. Courts in patent law cases, on the other hand, do distinguish between assignments and agreements to assign. One of the recent cases where this was done is *Teets v. Chromalloy Gas Turbine Corp.*⁹⁸

In *Teets*, the Federal Circuit held that J. Michael Teets, the inventor of a hot forming process relating to engine fan blades for jet engines, was held to have agreed to assign his invention to Chromalloy Gas Turbine Corporation ("Chromalloy"), his employer, by virtue of his conduct. In reaching this conclusion, the Federal Circuit did not focus on the lack of a written assignment nor on the requirements of § 261 of the Patent Act. Instead, the court relied on the venerable common-law doctrine of "hired-to-invent" under which employers can claim ownership of patents produced by employees who are specifically hired to invent something.⁹⁹

⁹⁶ See *infra* Part IV.A.

⁹⁷ See *supra* Part II.A.1-2.

⁹⁸ 83 F.3d 403 (Fed. Cir. 1996), *cert. denied*, 519 U.S. 1009 (1996).

⁹⁹ There is an extensive literature dealing with this doctrine. See, e.g., Christopher Grafflin Browning, Jr., Note, *The Souring of Sweet Acidophilous Milk: Speck v. North Carolina Dairy Foundation and the Rights of University Faculty to Their Inventive Ideas*, 63 N.C. L. REV. 1248 (1985); Steven Cherensky, Comment, *A Penny for Their Thoughts: Employee-Inventors, Preinvention Assignment Agreements, Property, and Personhood*, 81 CAL. L. REV. 595 (1993); Pat K. Chew, *Faculty-Generated Inventions: Who Owns the Golden Egg*, 1992 WIS. L. REV. 259 (1992); Marcus B. Finnegan & Richard W. Pogue, *Federal Employee Invention Rights – Time to Legislate*, 55 MICH. L. REV. 903 (1957); Catherine L. Fisk, *Removing the "Fuel of Interest" from the "Fire of Genius": Law and the Employee-Inventor, 1830-1930*, 65 U. CHI. L. REV. 1127 (1998); Robert L. Gullette, *State Legislation Governing Ownership Rights in Inventions Under Employee Invention Agreements*, 62 J. PAT. OFF. SOC'Y 732 (1980); William P. Hovell, Note, *Patent Ownership: An Employer's Rights to His Employee's Inventions*, 58 NOTRE DAME L. REV. 863 (1983); Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 HARV. J.L. & TECH. 1, 5 (1999); Sandip H. Patel, Note, *Graduate Students' Ownership and Attribution Rights in Intellectual Property*, 71 IND. L.J. 481 (1996); Evelyn D. Piscagna-Cook, *Ownership Rights of Employee Inventions: The Role of Preinvention Assignment Agreements and State Statutes*, 2 U. BALT. INTELL. PROP. J. 163 (1994).

Other authors have mentioned the hired-to-invent doctrine while discussing other aspects of ownership rights of employers and employees. See, e.g., Ann Bartow, *Inventors of the World, Unite!*

Teets, an employee of Chromalloy, was assigned to be Chief Engineer on the GE90 Project, a project whose goal was to solve a problem that General Electric was having with composite turbine fan blades which fractured more easily than existing metal blades as a result of contact with birds, freezing rain, or other debris. GE had asked Chromalloy to develop a solution to this problem.¹⁰⁰

Teets spent at least seventy percent of his time on this project and came up with some ideas for a new hot forming process ("HFP") for coating the blades. After successfully developing the process, Teets completed an invention disclosure form in preparation for a patent application, listing himself as one of the co-inventors. Teets cooperated in the prosecution of the patent application.

Later, however, Teets asserted sole ownership of the HFP process and filed a declaratory judgment action against Chromalloy, seeking a declaration of ownership of the HFP. After a trial, the district court held that Teets was sole owner of the HFP.¹⁰¹

The Federal Circuit reversed and held that Chromalloy was the patent owner by virtue of an (unwritten) assignment from Teets. The court recognized that ownership of inventions begins with the individual who makes the invention, but stated that contract law allows individuals "by contract to assign all rights in inventive ideas to the employer."¹⁰²

Teets had no written employment contract addressing ownership of inventions, but the court noted that an express assignment is not needed in situations where "the employer specifically hires or directs the employee to exercise inventive faculties."¹⁰³

The court's reasoning was set forth in a series of steps. First, the court alluded to Supreme Court cases from the 1920's and 1930's in which the Supreme Court set forth the hired-to-invent doctrine.¹⁰⁴ The Federal Circuit interpreted these cases as calling for an examination of the

A Call for Collective Action by Employee-Inventors, 37 SANTA CLARA L. REV. 673 (1997); Marc B. Hershovitz, Note, *Unhitching the Trailer Clause: The Rights of Inventive Employees and Their Employers*, 3 J. INTELL. PROP. L. 187 (1995); Neal Orkin, *The Legal Rights of the Employed Inventor: New Approaches to Old Problems* (Parts I & II), 56 J. PAT. OFF. SOC'Y 648, 719 (1974); Henrik D. Parker, *Reform for Rights of Employed Inventors*, 57 S. CAL. L. REV. 603 (1984).

¹⁰⁰ See *Teets*, 83 F.3d at 405.

¹⁰¹ See *id.* at 406.

¹⁰² *Id.* at 407.

¹⁰³ *Id.*

¹⁰⁴ See *id.* (citing *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933), and *Standard Parts Co. v. Peck*, 264 U.S. 52, 59-60 (1924)).

employment relationship to determine whether the parties entered into an implied-in-fact contract to assign patent rights.¹⁰⁵

Second, citing *Erie Railroad v. Tomkins*¹⁰⁶ (thus recognizing that those early Supreme Court cases set forth *federal* common law),¹⁰⁷ the Federal Circuit stated that “state contract principles provide the rules for identifying and enforcing implied-in-fact contracts.”¹⁰⁸

Third, the Federal Circuit found that Florida followed the pre-*Erie* common law as to the ownership of patents under the hired-to-invent doctrine: that patents could be assigned based on an implied-in-fact contract.¹⁰⁹

Finally, reviewing the undisputed facts of the situation, the Federal Circuit found that there was an “implied-in-fact contract of assignment” between Teets and his employer, so that Chromalloy should be deemed the owner of the patent by virtue of that assignment.¹¹⁰

Teets is a decision in which ownership of a patent was found to be transferred even though there was not a writing and even though the parties to the transfer disagreed as to the existence of any agreement to transfer. In reaching its decision, the Federal Circuit did not mention the “in writing” requirement of § 261 of the Patent Act, nor did it acknowledge that that requirement might be relevant to the issue involved. The contrast with *Enzo* seems rather apparent. In *Enzo*, the Federal Circuit clearly indicated that there could be no transfer without a writing, even though the two parties were in agreement that they had made an oral agreement and later memorialized it.¹¹¹ In doing so, the Federal Circuit relied on the requirements of federal law, in contrast to the same court’s reliance solely on state law in *Teets*.

Either the cases are squarely in conflict or *Teets* appears to carve out some kind of exception to the requirements of § 261. The only difference between the two cases appears to be that *Teets* involved an unwritten “agreement to transfer” the patent (i.e., a transfer to take place in the future) whereas *Enzo* dealt with an unwritten transfer of the patent (i.e., a present transfer). The issue, discussed in the Analysis section of this

¹⁰⁵ See *Teets*, 83 F.3d at 407.

¹⁰⁶ 304 U.S. 64 (1938).

¹⁰⁷ *Erie* held that there was no general federal common law. Instead, “[e]xcept in matters governed by the Federal Constitution or by Acts of Congress, the law to be applied in any case is the law of the State.” *Erie*, 304 U.S. at 78.

¹⁰⁸ *Teets*, 83 F.3d at 407 (emphasis added).

¹⁰⁹ See *id.*

¹¹⁰ *Id.* at 408.

¹¹¹ See *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093-94 (Fed. Cir. 1998).

article, is whether this difference should be enough to change the outcome of the cases.

IV. ANALYSIS

The five principal cases discussed in the preceding sections are interesting because of their inconsistencies. To be sure, on the question of whether a writing is required for a transfer of ownership of a copyright or patent, the cases generally agree that a writing is required, but even on this question, *Teets* prevents unanimity by holding that a patent transfer was required even though there was no writing approving a patent transfer that was not memorialized in writing. The Federal Circuit is in conflict with copyright courts on this issue and is even in conflict with its own decisions on this issue.

On the question of whether unwritten agreements to assign are treated the same as unwritten assignments, the two cases addressing this issue split, with *Valente-Kritzer* holding that a writing is required in both situations and *Teets* holding that a transfer existed even without a written agreement to assign.¹¹² Thus, the Ninth Circuit is in conflict with the Federal Circuit on this issue.

On the question of *when* the writing has to be created, the two cases addressing this issue split, with *Eden Toys* holding that a later writing can suffice and *Enzo* rejecting such an idea.¹¹³ The Second Circuit is in conflict with the Federal Circuit on this issue.

One would think that, at the least, courts would agree that in two-party disputes between the parties to the alleged transfer, courts would simply refer to the statutory provisions and say that there has to be a writing showing the transfer. Oral agreements and unwritten agreements based on conduct should not be allowed to satisfy the statutory requirements. As we have seen, *Vicente-Kritzer* held precisely that, but *Teets* held that a transfer was required even though no writing existed.¹¹⁴ Unless this can be explained because one involved copyrights and the other one involved patents (and this article will argue that this cannot be the explanation), the cases are flatly inconsistent. The Ninth Circuit is in conflict with the Federal Circuit on this matter.

In three-party disputes where there is no dispute between transferor and transferee as to the existence of a transfer, where those parties create a

¹¹² See *supra* Parts II.A.2, III.B.

¹¹³ See *supra* Parts II.B., III.A.

¹¹⁴ See *supra* Parts II.A.2, III.B.

writing at some later time, and where it is a third-party infringer who tries to raise this issue as a defense, one would also expect the courts to be consistent. No such consistency exists. In *Eden Toys*, the court allowed the later writing to satisfy the "in writing" requirement, whereas in *Enzo*, the court was unmoved by the existence of the later writing.¹¹⁵ Again, although one case involved copyrights and one involved patents (a distinction which this article will argue does not matter), the cases are flatly inconsistent. The Second and Federal Circuits are in conflict on this matter.

Even looking at the cases under the patent statute, the cases are inconsistent, and this is even more surprising because the two principal decisions are both from the Federal Circuit.¹¹⁶ In *Enzo*, the court held that a writing was an absolute requirement for a patent transfer. In contrast, in *Teets*, ownership of a patent was transferred even though there was no writing. The Federal Circuit is in conflict with itself on this matter. What makes the conflict between these two patent cases even more surprising is that a writing was required in the three-party situation (*Enzo*) where the transferor and transferee were in apparent agreement about the transfer, whereas no writing was required in the two-party situation (*Teets*) where the parties disagreed about ownership of the patent. If the copyright cases suggest anything, they suggest that the writing requirement should be enforced more vigorously in the two-party situation, whereas the Federal Circuit did just the opposite.

Another aspect of the internal inconsistency in these two Federal Circuit decisions is in the question of governing law. In *Teets*, the Federal Circuit says that state law governs the issue of whether there has been a contractual assignment of the patent, whereas in *Enzo*, the court completely disregards state contract law and indicates that its decision is required solely as a matter of the federal Patent Act.¹¹⁷ Here, again, the Federal Circuit is inconsistent with itself.

This question of whether federal or state law should be applied represents another inconsistency between the copyright cases and patent cases such as *Teets*. In interpreting the parallel provision of the Copyright Act, the courts have consistently looked solely at federal law—the Copyright Act—to determine whether a copyright transfer exists. By looking solely to state law, *Teets* is inconsistent with the copyright cases on this issue.

¹¹⁵ See *supra* Parts II.B., III.A.

¹¹⁶ See *supra* Parts III.A-B.

¹¹⁷ See *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403, 407 (Fed. Cir. 1996), *cert. denied*, 519 U.S. 1009 (1996); *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090 (Fed. Cir. 1998).

In short, the cases show a surprising amount of inconsistency. Given the inconsistencies in results, it is not surprising to find that the copyright cases make no reference to analogous patent cases and the patent cases make no reference to analogous copyright cases. It is as if patent and copyright law lived in worlds with nothing in common. It is as if patent courts and lawyers did not read copyright cases and copyright courts and lawyers did not read patent cases. Similarly, the two principal patent cases, both from the Federal Circuit, make no reference to the doctrines utilized in each other. *Teets* allows a patent assignment with no mention of the seemingly absolutist requirement of § 261 that there be a writing, while *Enzo* states that writing requirement in uncompromising terms with no mention of the hired-to-invent line of cases.¹¹⁸ It is as if the Federal Circuit had a split personality, each with no awareness of the other.

This section of this article will analyze the issues and indicate how the inconsistencies should be resolved. It will argue that the "in writing" requirements of the Copyright and Patent Acts should be interpreted the same way, that those requirements should be applied equally to transfers and to agreements to transfer, and that later writings ratifying earlier oral agreements should be allowed in three party cases where the issue is raised by an accused third party.

A. Do the Copyright and Patent Acts Require That Transfers of Ownership Be in Writing?

The first question is whether the "in writing" requirements of the Copyright Act and the Patent Act always require a writing (either contemporaneously or later) or whether there are situations in which the parties can create a transfer either orally or by conduct. To this the answer should be clear—a writing is always required. The principal cases bear this out, except for *Teets*, which is discussed in the next subsection.

The Copyright Act makes this requirement crystal clear. It states that, "A transfer of copyright ownership, other than by operation of law, is *not valid* unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent."¹¹⁹ There is no wiggle room in this

¹¹⁸ See *supra* Part III.

¹¹⁹ 17 U.S.C. § 204(a) (1994) (emphasis added). The "in writing" requirement in copyright was first codified in 1870:

And be it further enacted, That copyrights shall be assignable in law, by any instrument of writing, and such assignment shall be recorded in the office of the librarian of Congress

statute. Oral transfers and transfers based on implied-in-fact contracts are expressly made "not valid." The statute is clear and the cases properly follow the statute.¹²⁰

The Patent Act does not express this requirement quite so forcefully, but courts should reach the same result. "Applications for patent, patents, or any interest therein, *shall* be assignable in law by an instrument in writing."¹²¹ The word "shall" indicates that this requirement is mandatory, not permissive. Had it intended to allow either written or oral transfers, Congress is much more likely to have used the word "may" to indicate that a writing is permitted rather than required. If the word "may" had been used and the statute had read that "patents . . . *may* be assignable in law by an instrument in writing," then we would know that § 261 did not require a writing. The use of the word "shall" in § 261 indicates that the existence of a writing is mandatory.

Indeed, the "in writing" requirement in patent law is a long-standing one, dating back to the Patent Act of 1836.¹²² Under that Act, courts held

within sixty days after its execution, in default of which it shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice.

Copyright Act of 1870, ch. 230, § 89, 16 Stat. 198 (codified as amended in 1874 as R.S. § 4955).

The Copyright Act of 1909 contained a similar provision:

Copyright secured under this title or previous copyright laws of the United States may be assigned, granted, or mortgaged by an instrument in writing signed by the proprietor of the copyright, or may be bequeathed by will.

Copyright Act of 1909, ch. 320, § 42, 35 Stat. 1075 (as amended in Copyright Act of 1947 as §28).

¹²⁰ See *supra* note 16.

¹²¹ 35 U.S.C. § 261 (1994) (emphasis added).

¹²² The Patent Act of 1836 stated:

And be it further enacted, That every patent shall be assignable in law, either as to the whole interest, or any undivided part thereof, by any instrument in writing; which assignment, and also every grant and conveyance of the exclusive right under any patent, to make and use, and to grant to others to make and use, the thing patented within and throughout any specified part or portion of the United States, shall be recorded in the Patent Office within three months from the execution thereof, for which the assignee or grantee shall pay to the Commissioner the sum of three dollars.

Patent Act of 1836, ch. 357, §11, 5 Stat. 117. See also *Blakeney v. Goode*, 30 Ohio St. 350, 354 (1876).

Subsequent patent statutes carried forward the "in writing" requirement in similar language. For example, the Patent Act of 1870 provided:

And be it further enacted, That every patent or any interest therein shall be assignable in law, by an instrument in writing; and the patentee or his assigns or legal representatives may, in like manner, grant and convey an exclusive right under his patent to the whole or any specified part of the United States; and said assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration,

that "legal title" to patents could only be transferred by written documents.¹²³ As discussed below, courts did distinguish between legal title and equitable title, and allowed equitable title to be established by oral agreements.¹²⁴

Copyright courts have recognized that these statutory requirements are supported by strong policy reasons. As we have seen, these reasons are to ensure reflection, spell out the terms of the deal, provide clarity and certainty, prevent disputes and unwarranted claims, and provide notice.¹²⁵

Exactly the same policy reasons exist in the patent context. Patent owners as well as copyright owners need to prevent misunderstandings, need to spell out the terms of the deal, need to clearly think about the scope of ownership they are transferring, need to consider problems that could arise, need to have both parties take their promises seriously, need to avoid giving away patents inadvertently, and need to determine precisely which rights are being transferred and at what price. Both parties need to have enhanced predictability and certainty of patent ownership, and patent holders need protection from persons mistakenly or fraudulently claiming oral transfers.

The justifications for the statutory requirements are identical for both patent and copyright assignments and the results in similar cases should be identical. In fact, more than one hundred years ago, the Supreme Court indicated that it recognized that these two requirements should be treated the same way. In 1893, in *Dalzell v. Dueber Watch Case Mfg. Co.*,¹²⁶ the Supreme Court dealt with a case involving an alleged oral agreement to assign a patent. In considering this issue, the Court cited to both patent and copyright cases for the proposition that such agreements need not be in writing.¹²⁷ Although this statement was dictum, it indicates a recognition

without notice, unless it is recorded in the patent office within three months from the date thereof.

Patent Act of 1870, ch. 230, § 36, 16 Stat. 198 (codified as amended in 1874 as R.S. § 4898).

This provision was split into two sentences in 1897. In 1941, § 4898 was amended to explicitly allow the assignment of patent applications. The Patent Act of 1952 made no essential changes to the "in writing" requirement.

¹²³ See, e.g., *Whitney v. Burr*, 3 N.E. 434 (Ill. 1885); *Baldwin v. Sibley*, 2 F. Cas. 534 (D. N.H. 1858) (No. 805).

¹²⁴ See *infra* notes 138-40 and accompanying text.

¹²⁵ See *supra* notes 5-8, 23-26 and accompanying text.

¹²⁶ 149 U.S. 315 (1893).

¹²⁷ The court cited three patent cases and one copyright case. The patent cases were *Somerby v. Buntin*, 118 Mass. 279 (1874), *Burr v. De La Vergne*, 7 N.E. 366 (N.Y. 1886), and *Blakeney v. Goode*, 30 Ohio St. 350 (1876). The copyright case was *Gould v. Banks*, 8 Wend. 562 (N.Y. Sup. Ct. 1832).

by the Court that the "in writing" requirements of the Copyright and Patent Acts should be treated the same.¹²⁸

Fortunately, cases in both copyright and patent law enforce the statutory "in writing" requirement where a party is claiming a transfer of legal title under an oral agreement. The transfer is not permitted.¹²⁹

The only challenge to this conclusion is contained in dicta in a number of patent cases which trace back to *Westinghouse Electric & Mfg. Co. v. Formica Insulation Co.*¹³⁰ While holding that an invention assignment agreement (there was no patent in existence at the time of the agreement) did not contain certain warranties as to the scope of as-yet-unwritten patent claims, the court stated that "[a]n assignment of patent need not be in writing at all, as between the parties; but, if it is, the common form contains no covenants of warranty."¹³¹ The first portion of this sentence was unsupported by any authority and was only dictum.¹³² Because the dictum is contradicted by the clear language of the statute, it should be given no credence.

Unfortunately, a few other cases have cited *Westinghouse* for this idea.¹³³ Fortunately, the validity of oral assignments was not at issue in any of these other cases.¹³⁴ Thus, all of these later pronouncements are also dicta,

¹²⁸ The statement was dictum because the holding of the court was that the alleged agreement had not been proven. Only if a contract had been found to exist would the court have had to focus on the issue of whether the patent act would require it to be in writing.

¹²⁹ See *supra* notes 16 and 69.

¹³⁰ 288 F. 330 (6th Cir. 1923). Also, see *supra* notes 93-96 and accompanying text.

¹³¹ *Westinghouse*, 288 F. at 333.

¹³² See *supra* note 95 and accompanying text.

¹³³ See *supra* note 70 and accompanying text.

¹³⁴ *F.A.R. Liquidating Corp. v. McGranery*, 110 F. Supp. 580 (D. Del. 1953), *rev'd sub nom. on other grounds*, *F.A.R. Liquidating Corp. v. Brownell*, 209 F.2d 375 (3rd Cir. 1954), was a case in which a written assignment was found to exist. The plaintiff in the case sued the United States Attorney General to have itself declared owner of certain patents assigned to it by a German company in 1941. The court noted the statutory requirement that assignments of patents be in writing and held that a certain exchange of cables met that requirement. After this conclusion, the court added dictum stating that the writing requirement is unnecessary between the parties, citing *Westinghouse*. There was no need in the case for any such statement (the court made the statement to illustrate the point that the writing requirement is not overly rigorous), and we have seen that neither the statute nor *Westinghouse* lends support to the statement.

In *Kahn v. General Motors Corp.*, 33 U.S.P.Q.2d 2011 (S.D. N.Y. 1994), the court was trying to determine whether Kahn had title to a certain patent. One transaction involved an auction at which Kahn claimed to have received title to the patent orally. The court cited *Westinghouse* for the proposition that oral contracts can transfer equitable interests. We have already seen that *Westinghouse* is not good authority for the proposition that oral patent assignments can be valid. In *Kahn*, the court was not even faced with the issue. At the time of the auction, neither the patent nor the patent application existed, so the court was not even dealing with a patent assignment. At most, as the court concedes, it was dealing with an agreement to assign.

unsupported by any persuasive authority and, on these grounds alone, should be discounted. The fact that the dicta are contrary to the statutory language is an even more compelling reason to disregard the dicta.

Westinghouse itself suggested that the "in-writing" requirement should not be applied between the parties to an oral agreement.¹³⁵ This suggestion is exactly backward and should be rejected. One can contrast this suggestion with the copyright decisions which indicate that the "in-writing" requirement should be enforced *more* vigorously in disputes between two parties than in three-party situations where the two parties to the agreement agree as to the terms of the assignment.¹³⁶ The copyright decisions are surely correct on this point. The policies underlying the statutory requirement have their strongest effect where there are two parties and they disagree as to the existence and terms of the assignment. In those cases, we most certainly do not want there to be an exception to the in-writing requirement.

Some of the *Westinghouse* progeny involved questions about the validity of agreements to assign patents where there was no patent in existence at the time of the agreement.¹³⁷ Whether such agreements should be covered by § 261 is treated in the next section, which deals with agreements to assign patents.

Some of the *Westinghouse* progeny claimed that some sort of "equitable" interest in the patent interest might be transferred orally.¹³⁸ Courts have not been clear about what this means. In some cases, it

Flowers v. Commissioner, 10 T.C.M. (CCH) 187 (T.C. 1951), was a tax case in which the issue was that of who should pay taxes on royalties from a patent. The taxpayer-inventor claimed that a number of people held interests in the patent and that he should only have to pay taxes on the royalties based on his interest. The tax court did not determine who held legal title to the patent and treated the case as if the taxpayer held legal title. Like the other cases in this group, its pronouncement about assignments of patents was dictum.

Finally, *Mariani v. Summers*, 52 N.Y.S.2d 750 (Sup. Ct. N.Y. 1944), was a case in which one issue was whether a partnership existed between two parties. The parties had an oral agreement to share profits from exploiting a patent, but the court held that this agreement did not indicate that a partnership existed. The court was not asked to determine whether co-ownership of the title had been created by virtue of an assignment, although it stated that the verbal agreement could pass an equitable right, citing *Westinghouse*. As the issue before the court was whether there was a partnership, its statement about patent assignments was only dictum.

¹³⁵ See *Westinghouse*, 288 F.3d at 333.

¹³⁶ See *supra* notes 54-68 and accompanying text.

¹³⁷ See *Kahn v. General Motors Corp.*, 33 U.S.P.Q.2d 2011 (S.D. N.Y. 1994); *Mariani v. Summers*, 52 N.Y.S.2d 750 (Sup. Ct. N.Y. 1944).

¹³⁸ This kind of language is found in various cases, including *F.A.R. Liquidating Corp. v. McGranery*, 110 F. Supp. 580 (D. Del. 1953), *rev'd sub nom. on other grounds*, *F.A.R. Liquidating Corp. v. Brownell*, 209 F.2d 375 (3rd Cir. 1954), *Kahn v. General Motors Corp.*, 33 U.S.P.Q.2d 2011 (S.D. N.Y. 1994), and *Mariani v. Summers*, 52 N.Y.S.2d 750 (Sup. Ct. N.Y. 1944).

appears to refer to an interest in receiving some sort of royalty stream.¹³⁹ A right to royalties is different from an assignment of a patent. It is in the nature of a contractual claim rather than a patent assignment. As such, it is outside the scope of the in-writing requirement and calling it an "equitable interest in a patent" serves only to confuse the issues on this point.

In other cases, it appears that courts are actually claiming that an oral agreement can convey something called an "equitable title" to a patent as opposed to something called "legal title."¹⁴⁰ Perhaps by this courts have meant that the claimant has made some sort of appeal based on notions of fairness, such as claims that they paid consideration and relied on the good faith of the putative assignor. To this, there would seem to be two responses. First, the statute clearly states that assignments have to be in writing, and courts, whether sitting in equity or law, cannot ignore the statutory requirement. Second, even if the claimant is not awarded title, the claimant may well be entitled to a patent license which gives the claimant a great deal of what he or she desires.¹⁴¹

These two responses mirror those of the Ninth Circuit in *Effects*, where Cohen had appealed to the court for an exception to copyright's in-writing requirement because, as a movie-maker, he was too absorbed in creative endeavors to have to comply with the statutory requirements.¹⁴² The court firmly said that the statute required a writing. Without a writing, Cohen could not claim an exclusive license, but the court said that the circumstances clearly indicated that Cohen was entitled to a license.

Courts in patent cases can and should make these same responses to those claiming "equitable title" based on a purported oral transfer. Courts that carve out an exception to the statute by calling something "equitable title" are simply ignoring the statute. This they should not do.

This review of *Westinghouse* and its progeny should persuade us to reject the dicta in these cases. Instead, the clear language of the statute and the Federal Circuit's reasoning in *Enzo* should persuade us that a writing is always required to have a transfer of patent ownership, just as it is always required to have a transfer of copyright ownership.

¹³⁹ See, e.g., *Flowers v. Commissioner*, 10 T.C.M. (CCH) 187 (T.C. 1951); *Mariani v. Summers*, 52 N.Y.S.2d 750 (Sup. Ct. N.Y. 1944). See also, *Blakeney v. Goode*, 30 Ohio St. 350 (1876).

¹⁴⁰ See *Flowers v. Commissioner*, 10 T.C.M. (CCH) 187 (T.C. 1951); *Kahn v. General Motors Corp.*, 33 U.S.P.Q.2d 2011 (S.D. N.Y. 1994); *Mariani v. Summers*, 52 N.Y.S.2d 750 (Sup. Ct. N.Y. 1944).

¹⁴¹ Such a license could be either exclusive or non-exclusive. The only limitation on being an exclusive license is that it not be extensive enough to be deemed a virtual assignment. See *supra* notes 20-22, 28 and accompanying text.

¹⁴² See *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 556-57 (9th Cir. 1990), cert. denied sub nom., 498 U.S. 1103 (1991).

Before leaving this issue, we should note that it is one governed by federal law. Even if an oral or otherwise unwritten agreement might be valid under the laws of some state, the requirements of the federal statutes trump the state law.¹⁴³

B. Do the Copyright and Patent Acts Permit Enforcement of Unwritten Agreements to Transfer Ownership?

One area of striking divergence between copyright and patent cases involves agreements to transfer ownership. In copyright cases such as *Valente-Kritzer*, the courts have held that the "in writing" requirement applies to agreements to transfer as well as to the transfers themselves.¹⁴⁴ In contrast, patent cases such as *Teets* have held that an implied-in-fact agreement to transfer a patent can be enforced to require transfer of ownership without any writing.¹⁴⁵ Put simply, oral agreements to transfer copyrights are invalid, whereas oral agreements to transfer patents can be upheld.

What is surprising is that this difference between patent and copyright courts has existed for decades, yet copyright courts do not refer to patent cases nor mention the lack of consistency and patent courts are equally silent about discussing copyright cases. Even though these bodies of intellectual property law have common roots in the United States Constitution,¹⁴⁶ on this issue courts act as if there is an impenetrable barrier between them.

One possibility is that the copyright and patent cases are each correct. Given that the results are so different, this would require us to establish some good reason why copyright law should treat the issue differently from patent law.

¹⁴³ See, e.g., Mark A. Lemley, *Beyond Preemption: The Law and Policy of Intellectual Property Licensing*, 87 CAL. L. REV. 111, 159 (1999); David Nimmer et al., *The Metamorphosis of Contract into Expand*, 87 CAL. L. REV. 17, 28 (1999).

Of course, it remains true that an assignment agreement must also be valid under the laws of the relevant state. If it is invalid under those laws, then there is no assignment. See *Hockerson-Halberstadt, Inc. v. Nike, Inc.*, 779 F. Supp. 49 (E.D. La. 1991), *rev'd sub nom. on other grounds*, *Hockerson-Halberstadt, Inc. v. Converse Inc.*, 183 F.3d 1369 (Fed. Cir. 1999). To this extent, questions of the validity of such agreements are governed by both state and federal law.

¹⁴⁴ See *supra* note 17 and accompanying text & Part II.A.2.

¹⁴⁵ See *supra* note 71 and accompanying text & Part III.B.

¹⁴⁶ The Constitutional enabling clause which allows Congress to enact copyright and patent legislation provides: "The Congress shall have Power . . . To 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." U.S. CONST. art. I, § 8, cls. 1 & 8.

One is hard pressed to think of any reason why the two statutes should be interpreted differently. Both impose a statutory requirement that assignments be in writing. Nothing on the face of either statute gives any indication that they have different scope: each applies to transfers of ownership. The Supreme Court in *Dalzell* seemed to think that they should be treated the same.¹⁴⁷ Moreover, copyright cases have set forth the reasons underlying the Copyright Act's requirement and these reasons are equally applicable to the Patent Act.¹⁴⁸ Given all this, we should reject the idea that these requirements should be treated differently. Copyright and patent courts should reach the same result in cases presenting analogous factual situations.

Since copyright and patent courts do not reach the same result, we must determine which set of cases represents the better outcome. A moment's reflection should persuade us that the copyright cases are correct: the "in-writing" requirement should be applied to both assignments and agreements to assign. There are several reasons why copyright courts are correct on this issue.

First, the statutes themselves dictate this result because they require a writing in order to transfer ownership of a copyright or a patent. How, then, could the Federal Circuit in *Teets* have held that the patent was assigned to Teets' employer? There was no writing, and yet the patent was assigned. This directly contradicts the statutory requirement.

Put simply, whenever a court enforces an unwritten "agreement to assign" and orders the assignment, it will necessarily create an assignment without a writing. It makes a mockery of the statutory requirement to say that the court need not order the assignment of the patent, the court need only order the patent owner to execute the assignment document. This is a mockery because the same could be said of a court ordering the execution of an assignment document in cases where there is an oral assignment. Either way, the court is starting with an absence of a writing and reaching the result of forcing the patent to be assigned.

Another formulation sometimes seen in patent cases is that of the assignment of an "equitable interest" in the patent.¹⁴⁹ If by this courts intend to enforce oral transfers of patent ownership, this makes the same kind of mockery of the statute.¹⁵⁰

We reach the same result—that the "in writing" requirements should be applied to agreements to assign—by examining the reasons underlying the

¹⁴⁷ See *supra* notes 126-28 and accompanying text.

¹⁴⁸ See *infra* notes 151-60 and accompanying text.

¹⁴⁹ See *supra* notes 138-39.

¹⁵⁰ See *supra* notes 140-41 and accompanying text.

"in writing" requirements. The policies underlying the "in writing" requirement are to ensure reflection, spell out the terms of the deal, provide clarity and certainty, prevent disputes and unwarranted claims, and provide notice.¹⁵¹ As copyright courts have recognized, these same reasons apply both to copyright assignments and to agreements to assign copyrights.¹⁵²

Each of these reasons is equally applicable to contracts to assign patents. There is no logical reason to use these policies to support the "in writing" requirement and then to ignore them when considering oral agreements to assign. In fact, if we ignore them when considering oral agreements to assign, we are directly undermining the "in writing" requirement itself.

The cases themselves show the need for a writing. Each litigated case is an instance of the parties having different perceptions or recollections of what the terms of the agreement were,¹⁵³ or of one party misrepresenting what the agreement was. Enforcing the "in writing" requirement avoids the first possibility by requiring the parties to clarify their respective views and avoids the second possibility by eliminating the temptation for parties to misrepresent those views.

Because the enforcement of oral agreements to assign undermines the policies of § 261, courts should not do this. This is a situation where the requirements of federal law prevail even if state law might allow enforcement of a contract.¹⁵⁴ The test for federal preemption of state

¹⁵¹ See *supra* notes 5-8, 24-26 and accompanying text.

¹⁵² See *supra* Part II.A.2.

¹⁵³ Virtually all of the litigated hired-to-invent cases involved this situation. Assuming that the litigants tell the truth, they are litigating because of different understandings of the terms of employment. Perhaps this was because the parties failed to express themselves clearly. Perhaps this was because of a fear that such a discussion might lead to the failure of the parties to reach agreement on employment. The employer might be afraid that the employee will reject the firm's offer if the employer comes right out and says, "You will have to assign all patents to the firm." Might the employer try to soft-pedal the issue by saying something like, "When you invent things, of course the firm will have the rights to use those inventions?" The employer thinks she is saying that the firm will own all patent rights. The engineer might hear those same words and think that the firm is only asking for a license to use the invention without further royalty. Same words, different interpretations. And, the problem is that several years later, if the issue is litigated, neither may recall the exact words, but the employer might testify in good faith that they orally agreed to an assignment, while the engineer might testify in equally good faith that they orally agreed to a license. Requiring a writing forces the parties to directly confront the issue and clarify their thinking. They cannot hide behind ambiguous words. They have to risk having the other party say that the deal is off.

For a recent example of parties having different understandings, see *Banks v. Unisys Corp.*, 2000 U.S. App. LEXIS 23907 (Fed. Cir. 2000).

¹⁵⁴ See *supra* note 143 and accompanying text. See generally, Dennis S. Karjala, *Federal Preemption of Shrinkwrap and On-Line Licenses*, 22 U. DAYTON L. REV. 512 (1997); Maureen A. O'Rourke, *Copyright Preemption After the ProCD Case: A Market-Based Approach*, 12 BERKELEY TECH. L.J. 53 (1997); Maureen A. O'Rourke, *Drawing the Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms*, 45 DUKE L.J. 479 (1995); Ramona L. Patzold, *Comment: Contracts Enlarging a Copyright Owner's Rights: A Framework for Determining*

contract law is whether the application of that law would interfere with the purposes and objectives of the federal law.¹⁵⁵ The purposes and objectives of the "in writing" requirements of the Copyright and Patent Acts are to ensure reflection, spell out the terms of the deal, provide clarity and certainty, prevent disputes and unwarranted claims, and provide notice.¹⁵⁶ We have already noted that the failure to apply the "in writing" requirement undermines these goals and objectives. Because of this, courts should find that it would be inconsistent with federal patent policies if the "in writing" requirement did not apply to oral agreements to assign.¹⁵⁷ On

Unenforceability, 68 NEB. L. REV. 816 (1989); David A. Rice, *Public Goods, Private Contract and Public Policy: Federal Preemption of Software License Prohibitions Against Reverse Engineering*, 53 U. PITT. L. REV. 543 (1992).

For other views on this issue, see *infra* note 157.

¹⁵⁵ See, e.g., *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979). There are other situations in which courts have found that federal law may override state law as to contracts. For example, in *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), the Supreme Court held that contracts cannot be enforced where they are inconsistent with federal patent policies. In *Brulotte*, the owner of a number of patents on hop-picking machines sold a machine to a buyer under a contract requiring the purchaser to pay royalties based on the amount of hops harvested by the machine. The term of the contract extended beyond the expiration of the terms of the various patents involved. The Court held that the post-expiration royalty provision of the contract was unenforceable because it conflicted with the policy of the federal patent laws that limit the term of the rights granted by a patent to its term.

Similarly, in *Lear v. Adkins*, 395 U.S. 653 (1969), a patent licensor sought to enforce a licensing provision requiring the payment of royalties until the patent was held invalid. The licensee in the case was challenging the validity of the patent. The Supreme Court stated that federal patent policy was to encourage licensees to challenge patents in order to test whether those patents should be enforced. The Court stated that that policy would be frustrated if the licensee were to be required to pay royalties during the time they were challenging the patent's validity in court. Because the provision was inconsistent with federal patent policy, the contract could not be enforced.

Of course, not all contracts are rendered unenforceable by the patent laws. In *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), the Supreme Court upheld a contract which provided for 5% royalties, which would be reduced to 2½ % if no patent issued within five years. No patent issued and the licensee argued that it should not have to pay any royalties, citing *Brulotte* and noting that there was no patent in existence. The Court distinguished *Brulotte* as involving the use of the exclusive rights granted under the patents to obtain royalties beyond the expiration of the patents. This "leveraging" was inconsistent with the limited rights that patent owners should receive. In contrast, the Court observed in *Aronson* that the negotiated reduction in royalties meant that the parties had considered the possibility of no patent issuing so the agreement for reduced royalties was not based on leveraging the power of the patent.

¹⁵⁶ See *supra* notes 5-8, 24-26, 85-86, 125-128 and accompanying text.

¹⁵⁷ Very few scholars have written about whether the application of the "in writing" requirement to oral agreements to assign should be governed by federal law. William P. Hovell admits that § 261 preempts state law as to assignments, but argues that it does not do so as to agreements to assign. See William P. Hovell, Note, *Patent Ownership: An Employer's Rights to His Employee's Inventions*, 58 NOTRE DAME L. REV. 863, 865 n.13 (1983). He says that it is likely that Congress never really thought about agreements to assign patents. His argument is that because § 261 is in derogation of the common law right of alienation, it should be strictly construed. The statute speaks of assignments of patents and patent applications. A strict construction would limit its applicability to those things and not apply the statute to oral agreements before an invention was filed or before an invention was made.

this issue, copyright courts have correctly looked to federal law and refused to enforce oral agreements to assign without regard to whether those contracts might have been valid under federal law.¹⁵⁸ In patent cases like *Teets*, courts have improperly failed to recognize the supremacy of federal law.

One notes that applying the "in writing" requirement to agreements to assign would also make the patent cases consistent with copyright cases.¹⁵⁹

Hovell's argument is based on a canon of construction and the likely fact that Congress may not have expressly thought about agreements to assign. Such an application of a canon might be fine in other circumstances, but it is ill-advised in the present situation because, as noted in the text, allowing oral agreements to assign undermines the policy upon which § 261 is based.

Steven Cherenksy also briefly mentions preemption in his article. See Steven Cherenksy, Comment, *A Penny for Their Thoughts: Employee-Inventors, Preinvention Assignment Agreements, Property, and Personhood*, 81 CAL. L. REV. 595, 619-20 (1993). He notes that federal law governs (hence, preempts state law) as to assignments of patents, but asserts that state law governs (hence, is not preempted) as to pre-invention assignment agreements (i.e., agreements that predate the creation of a patentable invention). This assertion is based on one case, *University Patents, Inc. v. Kligman*, 762 F. Supp. 1212 (E.D. Pa. 1991), for the proposition that state law governs the issue. See Cherenksy, 81 CAL. L. REV. at 619 n.109.

Cherenksy's conclusions are only supported by the case he cites. The case, like *Teets*, simply asserts that state law governs the issue. There is no reasoning nor analysis. Neither Cherenksy nor the case even considered § 261 of the Patent Act nor the possibility of preemption.

To his credit, Cherenksy appears to have good instincts on the matter, because he adds, almost as an afterthought, the suggestion that perhaps federal law should govern pre-invention assignment agreements as well as patent assignment. He notes, "[t]he analytical distinctions between preinvention and postinvention agreements which justify the application of state law to the former and federal law to the latter are subtle, at best." *Id.* at 620 n.112.

Donald Chisum, in his treatise, simply recounts that federal and state courts apply state law as to the validity of agreements to assign in the employment context. See 8 CHISUM, *supra* note 71, at § 22.03[4]. Professor Chisum does not consider whether § 261 should alter that practice.

¹⁵⁸ See *supra* notes 41, 117 and accompanying text.

¹⁵⁹ In addition, requiring agreements to assign to be in writing would bring patent doctrine into greater consistency with statute of frauds doctrines. Under contract law, states generally enforce oral agreements, subject to requirements such as the statute of frauds. The statute of frauds exception, however, is a major one. It serves to prevent enforcement of oral agreements that involve "significant" transfers. Under the UCC, for example, contracts for the sale of goods for more than \$500 or for the sale of other personal property for more than \$5,000 are not enforceable unless they are in writing. See U.C.C. §§ 2-201(1), 1-206 (2000).

Most of the reasons discussed in the text for having an "in writing" requirement for copyrights and patents are equally valid for the sale of goods or personal property. What is interesting is that the U.C.C. differentiates between contracts involving smaller amounts of money and those involving larger amounts. When the property involved is more valuable, we want the parties to take the matter seriously, to think about the ramifications of what they are doing, to be clear about the scope of the transfer and the obligations of each party, and to prevent inadvertent obligations to be created, and to enhance predictability and certainty.

Like transactions subject to the UCC statute of frauds provisions, copyrights and patents may often involve valuable property. It makes sense to apply the "in writing" requirement to assignments of copyrights and patents for the same reason we apply such a requirement to valuable goods and personal property.

This is as it should be because the statutory requirements are the same and the policies underlying those statutory provisions are the same. It makes no sense for the two major branches of intellectual property to have different results in these two situations, given the same statutory requirements.¹⁶⁰

For all of these reasons, patent courts should overrule cases like *Teets* and adopt the reasoning of the copyright courts. Implied-in-fact contracts and oral agreements should be held invalid just as oral assignments of copyrights and patents are held invalid.

Before leaving this issue, it is worth taking another look at the patent cases to try to determine why they have so consistently ignored the "in writing" requirement when faced with oral agreements to assign and implied-in-fact agreements to assign. And, indeed, patent cases have done this consistently for more than one hundred years. *Teets* is not the first case in which an employee has been forced to assign patents to his employer. The first Supreme Court holding that an employee who was hired to invent on behalf of his employer could be compelled to assign patents to the employer was *Standard Parts Co. v. Peck*,¹⁶¹ decided in 1924. Lower court decisions to the same effect occur even earlier.¹⁶²

The rationale of *Teets* applies to more than just employees.¹⁶³ *Teets* relies on the idea that implied and oral agreement to assign are valid. This could encompass situations such as that of an inventor who orally agrees to go into partnership with an investor: the investor orally agrees to fund the patent application and manufacturing equipment, and the inventor orally agrees to assign the patent to the partnership. Or it could encompass the situation of an inventor orally agreeing to assign the invention to a business in return for royalties earned by the patent. A number of cases in the 1800s and early 1900s found that oral agreements to assign patents were valid and enforceable.¹⁶⁴

¹⁶⁰ Sandip Patel has also noted that preinvention agreements involve identical issues whether the context is patents or copyrights. See Sandip H. Patel, Note, *Graduate Students' Ownership and Attribution Rights in Intellectual Property*, 71 IND. L.J. 481, 496 (1996).

¹⁶¹ 264 U.S. 52, 59-60 (1924).

¹⁶² See, e.g., *Schmitt v. Nelson Valve Co.*, 125 F. 754 (3d Cir. 1903); *Whiting v. Graves*, 29 F. Cas. 1059 (D. Mass. 1878) (No. 17,577); *Continental Windmill Co. v. Empire Windmill Co.*, 6 F. Cas. 366 (N.D. N.Y. 1871) (No. 3,142).

¹⁶³ Because of this, it is surprising that a large percentage of the reported cases of the past fifty years involving oral or implied agreements to assign patents involve employees. The Chisum treatise, for example, discusses the rights of the employed inventor and her employer, but has no section dealing with other situations involving oral agreements to assign. See 8 CHISUM, *supra* note 71, at § 22.03.

¹⁶⁴ See, e.g., *Cook v. Sterling Electric Co.*, 118 F. 45 (D. Ind. 1902); *Blackmer v. Stone*, 11 S.W. 693 (Ark. 1889); *Hill v. Miller*, 20 P. 304 (Cal. 1889); *Searle v. Hill*, 35 N.W. 490 (Iowa 1887); *Burr v. De la Vergne*, 7 N.E. 366 (N.Y. 1886); *Whitney v. Burr*, 3 N.E. 434 (Ill. 1885); *Burke v. Partridge*,

What do these patent cases enforcing oral agreements to assign say about the "in writing" requirement? *Teets* does not even mention § 261 of the Patent Act, apparently treating the matter as so well established as requiring no mention.¹⁶⁵ *Standard Parts*, the first Supreme Court decision holding that an employee could be required to assign his patents to his employer even though there was no written agreement to that effect, also makes no mention of the "in writing" requirement.¹⁶⁶

There is, however, dicta in even earlier cases which seems directly on point. In 1893, in *Dalzell v. Dueber Watch Case Mfg. Co.*,¹⁶⁷ the Supreme Court wrote: "An oral agreement for the sale and assignment of the right to obtain a patent for an invention is not within the statute of frauds, nor within section 4898 of the Revised Statutes requiring assignments of patents to be in writing; and may be specifically enforced in equity, upon sufficient proof thereof."¹⁶⁸

The Court did not elaborate or provide any reasons for saying that agreements to assign are not covered by the "in writing" requirement of the Patent Act, but it did cite four cases.¹⁶⁹ One of these cases only dealt with the validity of such oral agreements under the statute of frauds.¹⁷⁰ The other cases do suggest how the Supreme Court in *Dalzell* might have been thinking about the "in writing" requirement.

In *Burr v. De La Vergne*,¹⁷¹ an oral pre-invention agreement was created between would-be partners under which one of them would give the other a one-half interest in patents on inventions that would be created. The court wrote that because this "agreement related to an inchoate invention, not perfected or patentable at the time the agreement was made, [it] was not,

58 N.H. 349 (N.H. 1878); *Wheeler v. McCormick*, 29 F. Cas. 905 (S.D. N.Y. 1873) (No. 17,499); *Satterthwait v. Marshall*, 4 Del. Ch. 337 (Ct. Chancery Del. 1872).

¹⁶⁵ See *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403 (Fed. Cir. 1996), *cert. denied*, 519 U.S. 1009 (1996).

¹⁶⁶ See *Standard Parts Co. v. Peck*, 264 U.S. 52 (1924).

¹⁶⁷ 149 U.S. 315 (1893).

¹⁶⁸ *Id.* at 320. The language quoted is dictum because the holding of the court was that the alleged contract was not proven.

¹⁶⁹ See *id.* (citing *Somerby v. Buntin*, 118 Mass. 279 (1874); *Gould v. Banks*, 8 Wend. 562 (N.Y. Sup. Ct. 1832); *Burr v. De La Vergne*, 7 N.E. 366 (N.Y. 1886); *Blakeney v. Goode*, 30 Ohio St. 350 (1876)).

¹⁷⁰ See *Somerby v. Buntin*, 118 Mass. 279 (1874). The Massachusetts Supreme Court stated that the statute of frauds applied to tangible goods, but probably did not extend to intangible rights in patents. Even if it did apply to patents, the court held that the statute of frauds did not apply to whatever rights might be applicable to an invention prior to the issuance of the patent. The court then upheld the oral agreement as being an agreement creating a partnership and requiring one party to contribute his inchoate rights to the invention to that partnership.

¹⁷¹ 7 N.E. 366 (N.Y. 1886).

therefore, within section 4898 of the United States Revised Statutes, which declares that 'every patent, or any interest therein, shall be assignable in law by an instrument in writing.'"¹⁷²

The court in *Burr* did not examine the policies underlying the "in writing" requirement of the statute. It apparently just read the text of the statute literally. Since the statute referred to assignments of "patents" and did not mention "pre-invention agreements," the court did not apply the statute. Because the court in *Burr* did not consider the possibility of conflicts between the "in writing" requirement and the enforcement of this oral agreement, its reasoning is not persuasive.¹⁷³

*Blakeney v. Goode*¹⁷⁴ was another of the cases cited in *Dalzell*. *Blakeney* involved an oral agreement to share the profits received from use of a patent. This is somewhat different from a claim to an assignment of the patent,¹⁷⁵ but the Ohio Supreme Court did liken this to a claim for an interest in the patent and discussed the "in writing" requirement of the Patent Act. The court wrote that the "in writing" requirement is linked with the recording requirement of the statute. For example, licenses of patents need not be recorded, hence they need not be in writing. On the other hand, assignments can be recorded, so they must be in writing in order to have something to record. The court also noted that the recording requirement is for the protection of third parties who wish to know who the rightful owner of a patent is. This led the court to conclude that the writing requirement is for the benefit of those third parties and hence that the writing requirement might not apply as between the two parties to an assignment agreement.¹⁷⁶ "[I]t might be difficult, as between the parties, to

¹⁷² *Id.* at 369.

¹⁷³ *Westinghouse Electric & Mfg. Co. v. Formica Insulation Co.*, 288 F. 330 (6th Cir. 1923) involved similar facts. In the course of discussing the possibility of applying an estoppel (as to the validity of a patent) to an inventor who apparently granted rights to a invention prior to the issuance of a patent, the court wrote, that "[a]n assignment of patent need not be in writing at all, as between the parties; but, if it is, the common form contains no covenants of warranty." *Id.* at 333. The court cited no authority for the proposition that no writing is required between the parties, and, since the issue being discussed involved warranties by the assignor, the proposition was dictum. As with *Burr*, the court did not even refer to the statutory requirement that there be a writing and the lack of any citation or reasoning makes the authority unpersuasive, given the clear language of the statute. *Westinghouse* and a group of cases following its dictum are discussed more extensively elsewhere in this article.

¹⁷⁴ 30 Ohio St. 350 (1876).

¹⁷⁵ A better analysis would have been to treat this as a contractual claim to share in the royalty stream. See *supra* note 139 and accompanying text.

¹⁷⁶ The need of third parties for certainty as to whom they should deal with was made by the dissent in a recent copyright case. See *Magnuson v. Video Yesteryear*, 85 F.3d 1424, 1432 (9th Cir. 1996) (Fernandez, J., dissenting).

set up the defense that because the agreement was in parol, it could not therefore be enforced."¹⁷⁷

This reason for the "in writing" requirement was a plausible one under the Patent Act of 1836 but, it is no longer plausible. Under the 1836 Act, assignments had to be in writing and they had to be recorded.¹⁷⁸ One can only record writings, so the recording requirement for assignments meant that the assignments had to be written. The statute did not require the recording of agreements to assign, so one can argue that they need not be in writing.

The patent statutes were amended in 1870, making the recording permissive, rather than mandatory.¹⁷⁹ Thus, even if the logic of the "in writing" requirement under the 1836 Act was tied to giving notice to third parties by requiring the recordation of assignments, that logic no longer applied after 1870. As contemporary copyright cases now teach, there are a host of other reasons for the "in writing" requirement.¹⁸⁰ The requirement is not based solely on the recordation aspects of the statute.

Many of the other reasons focus on the need for clarity, certainty, and thoughtfulness by the two parties to the agreement. While the two parties need not have a writing in order to know whether or not there is an agreement, the law evidently deems it essential that they have a writing so as to be sure that they are in agreement and that they both have the same conception of what that agreement is.¹⁸¹

Another argument should be considered. Courts, writing about the relationship between employers and employees, often focus on the equities

¹⁷⁷ *Blakeney*, 30 Ohio St. at 358.

¹⁷⁸ The language of the act is mandatory: "... which assignment . . . shall be recorded in the Patent Office within three months from the execution thereof . . ." Patent Act of 1836, ch. 357, § 11, 5 Stat. 117 (emphasis added).

¹⁷⁹ Patent Act of 1870 states:

And be it further enacted, That every patent or any interest therein shall be assignable in law, by an instrument in writing; and the patentee or his assigns or legal representatives may, in like manner, grant and convey an exclusive right under his patent to the whole or any specified part of the United States; and said assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the patent office within three months from the date thereof.

Patent Act of 1870, ch. 230, § 36, 16 Stat. 198 (codified as amended in 1874 as R.S. § 4898).

This provision encourages recording assignments, but does not require them. An unrecorded assignment is valid unless and until there is a later assignment to a purchaser for valuable consideration who has no notice of the first assignment.

¹⁸⁰ See *supra* Part II.A-B.

¹⁸¹ The reasons underlying the "in writing" requirements now place as much or more emphasis on having a writing in the two-party context than in the three-party context. See *supra* notes 59-68 and accompanying text.

when deciding that an employer should be entitled to own patents on inventions created by employees who are hired to invent. The employer, after all, provides the tools, equipment, space, and assistance needed by the employee, and they pay the person a salary for that person's efforts.

These appeals to fairness have their place, but not here. Their appeal is based on an assumption that if the employer were denied the patent, then the employer would be left empty-handed. Nothing could be further from the truth. First, this would have no impact on many major employers who hire people to do research and development work, because they already have express agreements requiring those employees to assign inventions to them.¹⁸²

Second, the Supreme Court has already examined this argument and uses it to reach a much more modest conclusion—that the employer is not entitled to ownership; rather, the employer is only entitled to a non-exclusive right to practice the invention.¹⁸³

This leads to a third point. Even if there is no written agreement, in most cases the least the employer would receive would be a license to practice and use the invention.¹⁸⁴ This is accomplished under the so-called "shop-right" doctrine under which employers are granted licenses to practice inventions created by their employees with the use of the employer's facilities.¹⁸⁵ Indeed, Catherine Fisk's thorough analysis of the history of the shop-right and hired-to-invent doctrines indicates that

¹⁸² See Steven Cherensky, Comment, *A Penny for Their Thoughts: Employee-Inventors, Preinvention Assignment Agreements, Property, and Personhood*, 81 CAL. L. REV. 595 (1993); Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 HARVARD J. L. & TECH. 1, 5 (1999); Henrik D. Parker, *Reform for Rights of Employed Inventors*, 57 S. CAL. L. REV. 603, 608 (1984); Evelyn D. Pisegna-Cook, *Ownership Rights of Employee Inventions: The Role of Preinvention Assignment Agreements and State Statutes*, 2 U. BALT. INTELL. PROP. J. 163 (1994).

¹⁸³ The Court wrote:

Recognition of the nature of the act of invention also defines the limits of the so-called shop-right, which shortly stated, is that where a servant, during his hours of employment, working with his master's materials and appliances, conceives and perfects an invention for which he obtains a patent, he must accord his master a non-exclusive right to practice the invention. This is an application of equitable principles. Since the servant uses his master's time, facilities and materials to attain a concrete result, the latter is in equity entitled to use that which embodies his own property and to duplicate it as often as he may find occasion to employ similar appliances in his business. *But the employer in such a case has no equity to demand a conveyance of the invention*, which is the original conception of the employee alone, in which the employer had no part.

United States v. Dubilier Condenser Corp., 289 U.S. 178, 188-89 (1933) (emphasis added).

¹⁸⁴ See, e.g., *United States v. Dubilier Condenser Corp.*, 289 U.S. 178 (1933); *Dalzell v. Dueber Watch Case Mfg. Co.*, 149 U.S. 315 (1893).

¹⁸⁵ Many of the articles previously cited as dealing with the hired-to-invent doctrine also discuss the shop-right doctrine. See *supra* note 99. See also, Donna Domagala, Note, *Employee Suggestion Plans: Building a Better Mousetrap or the Misappropriation of Ideas?*, 31 SUFFOLK U. L. REV. 391 (1997).

through most of the nineteenth century courts typically awarded employers shop rights rather than ownership in inventions created by their employees unless the invention was conceived of by the employer.¹⁸⁶ It is only in the last century that the hired-to-invent doctrine has broadened.¹⁸⁷ Finally, if Congress determined that the failure to enforce oral agreements was really a problem, then Congress would be free to amend the Patent Act to provide for employer ownership of patents, by assignment or otherwise, in appropriate circumstances.¹⁸⁸

Another possible rationale for the outcomes in these patent cases is that while a writing is required under the statute in order to convey "legal title," "equitable title" can be conveyed by oral agreements. The arguments underlying the asserted distinction between legal and equitable title have been discussed previously in this article¹⁸⁹ and have been found wanting. This rationale is untenable.

There is one more argument why patent courts do not apply the "in writing" requirement to oral agreements to assign. This argument is that courts have consistently not done so for many decades and Congress has not done anything to change that. The current language of § 261 which sets forth the "in writing" requirement is identical to the language in the corresponding section of the former patent statute.¹⁹⁰ By not making any change in the statutory language when this portion of the Patent Act of

¹⁸⁶ It should be noted that copyright contains the same kind of doctrine. Even though courts will not enforce oral agreements to assign copyrights, they do enforce oral agreements under which non-exclusive licenses are granted. *Effects* was just such a case. Although the court held that Cohen did not obtain ownership of the copyright under an oral agreement, the court found an implied-in-fact agreement to grant him a non-exclusive license to use the copyrighted material.

¹⁸⁷ See Catherine L. Fisk, *Removing the 'Fuel of Interest' from the 'Fire of Genius': Law and the Employee-Inventor, 1830-1930*, 65 U. CHI. L. REV. 1127 (1998).

¹⁸⁸ Congress did enact legislation giving employers ownership of copyrights created by employees by creating the "work-made-for-hire" provision of the Copyright Act. Under this provision, copyrighted works created by employees within the scope of their employment are deemed to be authored by the employer. See 17 U.S.C. § 101 (1994 & Supp. IV 1998), amended by 17 U.S.C.A. § 101 (West Supp. 2000) (definition of "work made for hire"); 17 U.S.C. § 201(b) (1994) (ownership of works made for hire).

If Congress were to do this for patents, it would need to think about which employees and which inventions should be covered by such a provision. This might not be easy to accomplish. Some states, for example, have restricted employee contracts in order to protect employees from over-reaching by employers. Those states have enacted such legislation to regulate contracts under which employees are required to assign inventions to their employers. See Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 HARVARD J. L. & TECH. 1, 9 (1999); Evelyn D. Piscagna-Cook, *Ownership Rights of Employee Inventions: The Role of Preinvention Assignment Agreements and State Statutes*, 2 U. BALT. INTELL. PROP. J. 163 (1994).

¹⁸⁹ See *supra* notes 123-43 and accompanying text.

¹⁹⁰ See H.R. REP. NO. 82-1923 (1952) – to accompany H.R. 7794. The notes of the House Report concerning § 261 are reprinted in 34 J. PAT. OFF. SOC'Y 549, 629 (1952). The former provision was R.S. § 4898, which changed little since 1870. See *supra* note 179.

1952 was enacted, one can argue that Congress acquiesced in the judicial construction of the patent statute on this point.¹⁹¹

This argument would be more compelling if today's copyright cases were not inconsistent with the patent cases. This inconsistency has come about because copyright courts have changed their interpretation of the law. Copyright courts used to treat this question the same way that patent courts treated this issue.¹⁹² Neither the copyright courts nor the patent courts applied the "in writing" requirement to oral agreements to assign.

Gould v. Banks,¹⁹³ an 1832 case which was also cited in *Dalzell*,¹⁹⁴ involved an alleged agreement to transfer copyright ownership. The agreement, which was oral, required the plaintiff to transfer copyright ownership to the defendant. In return, the defendant agreed to publish the work and deliver to the plaintiff 100 copies of the work. Plaintiff alleged that the defendant had published the work, but failed to deliver the 100 copies. The copyright statute at the time required that transfers of copyright ownership be in writing, but the trial court wrote that a copyright owner "may bind himself by parol to make such an assignment, as was done in this case, notwithstanding anything in the [Copyright Act] to the contrary."¹⁹⁵

Gould indicates that, as early as 1832, courts believed that the "in writing" requirement of the patent and copyright acts was limited to actual assignments and did not apply to agreements to assign ownership. Since that time, copyright courts have changed their views on whether the "in writing" requirement applies to agreements to assign. Today, as exemplified by *Valente-Kritzer* and *Effects*, copyright courts do require such agreements to be in writing.¹⁹⁶

While copyright doctrine has changed, patent doctrine has not. Instead, we are left with a practice of upholding oral agreements to assign patents which dates back well over one hundred years, yet for which we have no good reasons that we can credit today.

Given powerful reasons to think that the "in writing" requirement should be applied to agreements to assign, patent courts should reject the

¹⁹¹ See *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1, 14 (1908).

¹⁹² See *Gould v. Banks*, 8 Wend. 562 (N.Y. Sup. 1832).

¹⁹³ *Id.*

¹⁹⁴ See *supra* notes 126-28 and accompanying text.

¹⁹⁵ *Gould*, 8 Wend. at 565. In the case, the court did not rule on the validity of the oral agreement to assign. The court found that the assignment of the copyright was a condition precedent to defendant's performance and that the plaintiff had failed to perform. Because of plaintiff's failure to perform, the defendant had no obligation to perform his part of the contract and the court found for the defendant.

¹⁹⁶ See *supra* Part II.A.

teachings of cases like *Standard Parts* and *Teets*. To do otherwise is to continue a practice that has no creditable basis. As Justice Holmes wrote, "[i]t is revolting to have no better reason for a rule of law than that so it was laid down in the time of Henry IV. It is still more revolting if the grounds upon which it was laid down have vanished long since, and the rule simply persists from blind imitation of the past."¹⁹⁷

The foregoing analysis shows that, as a matter of statutory interpretation, *Teets* is bad law and the Federal Circuit or Supreme Court should overrule it and apply the "in writing" requirement of § 261 of the Patent Act to agreements to assign as well as to assignments. As shown by *Valente-Kritzer* under the Copyright Act, oral transfers and transfers based upon implied-in-fact contracts should not be permitted. The Federal Circuit improperly decided that this issue could be resolved by applying state contract law in *Teets*. State contract law cannot overrule the clear statutory requirements of the federal Patent Act. There was no writing in *Teets*, so patent ownership should have remained with the inventor rather than being given to the employer. *Teets* was wrongly decided.

C. When Must the Writing Be Created To Be a Valid Transfer Under the Copyright and Patent Acts?

The third question is that of timing—*when* must the writing be created? Do the copyright and patent statutes require that the writing be substantially contemporaneous with the transfer? As we have seen, this question often comes up in three-party situations. In those situations, the question is whether a third-party accused of infringement can raise this issue to prevent suit by a transferor where the two parties to the transfer are in agreement that an oral transfer existed and where the writing documenting the transfer occurs later in time.

The patent and copyright cases provide different answers to this question. In a decision construing the Patent Act, the Federal Circuit in *Enzo* held that a later writing could not retroactively create a valid assignment.¹⁹⁸ In contrast, in a decision construing the Copyright Act, the Second Circuit in *Eden Toys* held that a later writing could validate an earlier oral copyright assignment as against a third party raising this issue.¹⁹⁹

¹⁹⁷ OLIVER WENDELL HOLMES, *The Path of the Law*, in COLLECTED LEGAL PAPERS 167, 187 (1920).

¹⁹⁸ See *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093-94 (Fed. Cir. 1998).

¹⁹⁹ See *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2d Cir. 1982).

As to this question, the texts of the two statutes do not provide a definitive answer to this question.²⁰⁰ This is because they can, fairly, be interpreted either way. It is certainly possible to read the statutes as requiring a writing at the time of the transfer. The Copyright Act for example, says that a transfer "is not valid" without a writing.²⁰¹ An oral transfer is simply "not valid." In fact, reading the Copyright Act to allow a later writing to validate such a transfer produces the following logically-strange situation. The parties attempt an oral transfer at time #1, which the Copyright Act declares to be "not valid." At time #2, the parties document that transfer, thereby *nunc pro tunc* giving validity to something that was not valid at all during the time period between #1 and #2 and only becomes valid for that time period after #2.

Similarly, although the Patent Act does not contain the language of "is not valid," it does say that the assignment is to be "by an instrument in writing."²⁰² Since an oral transfer is not by such an instrument, it cannot create an assignment. Under this reading of the statute, the same logically-strange situation would exist as described under the Copyright Act. An attempted assignment at time #1 spends part of its life not being an assignment, but after time #2 we find out it was an assignment all along.

This logically-strange result is avoided by interpreting both the Copyright and Patent Acts to require a writing at the time of the transfer or substantially contemporaneously with it. This is consonant with the language of the statute and avoids the logical conundrum of the example. Were courts to do this, they would find that *Eden Toys* was wrongly decided—the writing came too late.

On the other hand, it is equally possible to read the text of each statute as allowing for later writings to validate oral transfers. The Acts are plainly directed at requiring the *existence* of the writing and are less definite (and arguably completely silent) on the issue of *when* the writing must exist.

First, it is possible to read the text of § 204(a) of the Copyright Act as expressly contemplating oral agreements with a later writing. The statute speaks both of "an instrument of conveyance" and of "a note or memorandum of the transfer."²⁰³ An "instrument of conveyance" is a document which itself conveys title so that the transfer occurs at the time the document is executed. In contrast, the language of "a note or

²⁰⁰ The discussion of this issue by the Second Circuit in *Eden Toys* confirms this as to the Copyright Act. See *supra* notes 44-53 and accompanying text.

²⁰¹ 17 U.S.C. § 204(a) (1994).

²⁰² 35 U.S.C. § 261 (1994).

²⁰³ 17 U.S.C. § 204(a) (1994).

memorandum" indicates a different kind of document, apparently one which arises later in time.

Indeed, the words "of the transfer" in the phrase "a note or memorandum of the transfer" indicate that the transfer occurred by some other, presumably oral, means, and the note or memorandum occurs at a different point in time. Thus, the statutory language can easily be read to indicate that the statute contemplates writings that occur later in time. Moreover, the language of the Copyright Act speaks of transfers of ownership by "an instrument of conveyance, or a note or memorandum of the transfer."²⁰⁴ This language indicates a common-sense approach to the "in writing" requirement. Instead of insisting on a formal document (an "instrument of conveyance") making the conveyance and involving a writing at the time of the conveyance, the statute shows that a much less formal document can suffice.²⁰⁵ As the court said in *Effects*, "a one-line pro forma statement will do."²⁰⁶ This informal attitude should also apply to the timing of the writing. If the parties are in agreement and produce the "note or memorandum" at a later time, such a writing should be found to satisfy the statutory requirement. It should not matter whether the writing occurs the next day, the next month, or two years later. The only thing that should matter is that the parties have reduced their transaction to writing, thus accomplishing the clarity, precision, and definiteness that are the reasons for this requirement. Informality as to the timing is consistent with informality as to the nature of the document.

A third possibility is that the Copyright Act is completely silent as to the timing of the writing.²⁰⁷ Although § 204(a) says that a transfer "is not valid" unless there is a writing, a later writing is nonetheless a writing, which would seem to be enough to satisfy the literal terms of the statute.

Given these arguments about whether the text of the Copyright Act requires a writing at the time of the transfer, my own view is that the more natural reading of the Act is that it does not insist on rigid formalisms. As we will see below, this view of the text is strongly supported by the policies underlying the statute, so even if the reader believes that the text is indeterminate, a policy-based analysis should tip the balance.

²⁰⁴ *Id.* (emphasis added).

²⁰⁵ Notations on checks have been found to satisfy the § 204(a) requirement. See, e.g., *Dean v. Burrows*, 732 F. Supp. 816, 823 (E.D. Tenn. 1989). See also, *Playboy Enter. Inc. v. Dumas*, 53 F.3d 549 (2d Cir. 1995, cert. denied, 516 U.S. 1010 (1995)) (legend on backs of checks were too ambiguous to satisfy the requirement of § 204(a)).

²⁰⁶ *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990), cert. denied sub nom., 498 U.S. 1103 (1991).

²⁰⁷ The House Report on the Copyright Act of 1976 is equally silent on the issue of timing. See H.R. REP. NO. 94-1476, at 128 (1976), reprinted in 1976 U.S.C.A.N. 5659, 5743-44.

Whereas the text of the Copyright Act might be considered indeterminate on the issue of *when* the writing must be created, the most natural reading of the text of the Patent Act is that the writing must exist at the time of the transfer. This is because of the language which states that patents “shall be assignable in law *by an instrument in writing*.”²⁰⁸ The italicized language seems to suggest that it is the instrument that transfers ownership of the patent.

In spite of this natural reading, one can also read the Patent Act as focusing on the means by which assignments are done and not addressing the issue of *when* the writing has to be created. That is, one can plausibly claim that if a writing exists and the parties do not contest its terms, then the transfer is a valid one because there is an “instrument in writing.”

The indeterminacy of the statutory language in both the Copyright and Patent Acts means that the statutory language can be interpreted either way. We must therefore look to other means of statutory interpretation, such as the underlying policies.

Looking at the policies underlying these two “in writing” requirements, we find good reasons for interpreting both of them as allowing later transfers, at least in three-party situations in which the parties to the transfer are in agreement as to the existence and terms of the transfer. Copyright courts have laid out the objectives and purposes served by the “in writing” requirement of the Copyright Act. A writing provides safeguards to ensure reflection, spell out the terms of the deal, provide clarity and certainty, prevent disputes and unwarranted claims, and provide notice to third parties.²⁰⁹

As the Second Circuit recognized in *Eden Toys*, these reasons primarily focus on two-party situations where there might be the possibility of disputes between the parties as to the existence and terms of the transfer. Only two of them—to enhance predictability and certainty of copyright ownership and provide notice to third parties—are aimed at third parties who may wish to know who owns the copyright in a work so that they can negotiate licenses or assignments. And none of the reasons applies to protect an infringer who has not sought to obtain a license or assignment, yet seeks to raise this issue as a defense to the infringement lawsuit.

Because these reasons do not apply where the parties to the transaction are in agreement as to the existence and terms of the agreement and memorialize that agreement later, there is no reason to reject such a later writing in those cases. Rejecting such a writing harms the parties to the deal because of an overly formalistic approach to the requirement. There is

²⁰⁸ 35 U.S.C. § 261 (1994) (emphasis added).

²⁰⁹ See *supra* notes 5-8 and accompanying text.

no social benefit from doing this. There is no reason to give third-party infringers in such cases the benefit of a dismissal of a lawsuit.²¹⁰

To be sure, a third-party infringer should be entitled to challenge the standing of a transferee, making sure that the transferee is the owner of the intellectual property involved and has standing to bring suit. Discovery on that issue is appropriate and the transferee will have to show the existence of the writing in order to continue the lawsuit. But there is no good reason to dismiss the lawsuit simply because the writing was not created at the time of the oral transfer. This just means that the lawsuit would have to be refiled by another party. It is simpler and more sensible to allow the first lawsuit to continue, perhaps joining the transferor if that is called for to ensure that all issues are resolved in one lawsuit. Looked at in this way, *Eden Toys* was properly decided and *Enzo* was not.

There are two considerations that might keep us from wholeheartedly accepting the *Eden Toys* interpretation of § 204(a) (and a similar interpretation of § 261 of the Patent Act). One is that it creates complexity where bright-line simplicity might be better. One could, after all, simply adopt the philosophy of *Effects* that "oral agreements are not valid" and that people should commit transfers of copyright ownership to writing to promote certainty.

Adopting this bright-line test will not allow accused infringers to escape liability because there is always a copyright owner who can bring suit. The issue is which party can bring the lawsuit—the proper copyright owner or someone claiming under an oral license later reduced to writing—not whether the accused will go free. While the Second Circuit wrote that "it would be anomalous to permit a third party infringer to invoke this provision against the licensee,"²¹¹ this is a rhetorical flourish rather than sound reasoning. Why should we think it "anomalous" to require the real party in interest to bring the lawsuit?

This first consideration need not detain us long. Nothing in the wording of the statute compels courts to adopt a bright-line test where there are good reasons for not doing so. The text of the statute can be read in a variety of ways on the question of when the writing is to be created. This ambiguity allows the court to adopt a reading of the statute which is sensible rather than one which is overly rigid. While there are some benefits to a bright line test, there are greater benefits to adopting a more flexible approach. Indeed, the "real party in interest" (in a practical sense)

²¹⁰ Both *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27 (2d Cir. 1982), and *Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355 (9th Cir. 1994), recognized this point. See *supra* notes 51-53, 63-68 and accompanying text.

²¹¹ *Eden Toys*, 697 F.2d at 36.

is probably the party who brought the lawsuit in the first place.²¹² If a company believes itself to be a copyright assignee, it is the one who has the most interest in preventing competition from those without copyright licenses. The fact that the assignment was oral does not change the practical reality that this is the party with the most interest in prosecuting the lawsuit. Once the assignor and assignee have reduced the oral agreement to writing, there is no good reason why courts should want to prevent that party from bringing the lawsuit.

The second consideration is the possibility that parties might find themselves subject to multiple suits. An accused infringer might face suit by both the original copyright owner/licensor and the licensee. One might argue that this could produce inconsistent results, is an inefficient use of court resources, and is more expensive for the accused. The Federal Circuit raised this consideration in *Enzo* where it rejected the idea that a later writing could validate an earlier oral agreement so as to confer standing.²¹³ It quoted the following passage from a lower court opinion on the issue and called it "sound reasoning:"

As a general matter, parties should possess rights before seeking to have them vindicated in court. Allowing a subsequent assignment to automatically cure a standing defect would unjustifiably expand the number of people who are statutorily authorized to sue. Parties could justify the premature initiation of an action by averring to the court that their standing through assignment is imminent. Permitting non-owners and licensees the right to sue, so long as they eventually obtain the rights they seek to have redressed, would enmesh the judiciary in abstract disputes, risk multiple litigation, and provide incentives for parties to obtain assignment in order to

²¹² The legally proper party is almost always the party with the largest financial interest in stopping the infringement. If a licensee is an exclusive licensee, it is usually the party which wants to stop infringers since the conduct of the infringers is presumably cutting into the licensee's sales. This financial interest coincides with the Copyright Act giving the licensee the right to sue as an owner. This greater financial interest is especially true if the license is a lump-sum license. In situations where the licensor holds reversionary interests or receives running royalties, the licensor may also have a strong financial interest in the litigation and might seek to be joined. See Roger D. Blair & Thomas F. Cotter, *The Elusive Logic of Standing Doctrine in Intellectual Property Law*, 74 TUL. L. REV. 1323 (2000).

If the licensee is a non-exclusive licensee, it is not deemed to be an owner and cannot sue. At the same time, it may have less of a claim of harm as it has less expectation of being free from competition. There will, of course, be situations in which the non-exclusive licensee will feel harmed (it faces competition from a competitor who is not paying license fees as opposed to facing competition from other licensees who do pay license fees) and will feel strongly that the infringer should be sued. One would hope that the parties to the license would have foreseen this in advance and included provisions in the license requiring the copyright owner to bring suit in such cases. If there are no such provisions, the licensee may simply be at the mercy of the licensor as to whether the licensor will file an infringement suit against third parties.

²¹³ See *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093-94 (Fed. Cir. 1998).

expand their arsenal and the scope of litigation. Inevitably, delay and expense would be the order of the day.²¹⁴

The arguments here are more sham than substance. The litany of fears expressed by the court in the quoted passage are groundless.²¹⁵ The best evidence of this is the fact that copyright courts have not had any trouble, although they allow later writings.

The Federal Circuit makes no mention of *Eden Toys* or other copyright cases in which later writings satisfied the "in writing" requirement of the Copyright Act, so we have no reason to think that it considered the reasoning of those cases. In those copyright cases, oral transferees which received later writings were allowed to sue parties for copyright infringement occurring during the time prior to the existence of the writing.²¹⁶ There is no indication that this has led to a proliferation of cases, inconsistent verdicts, or any of the other problems raised in the quoted language.

Multiple lawsuits and inconsistent verdicts should, of course, be avoided. But this threatened harm will rarely, if ever, arise under the *Eden Toys* interpretation of § 204(a). A copyright plaintiff has to establish ownership as part of bringing its claim and the absence of a writing will quickly be apparent. If there is no such writing, then the claim will quickly be dismissed using a summary judgment motion. If there is a writing (even if it is a later writing confirming an earlier oral transfer), it will be

²¹⁴ *Id.* (quoting *Proctor & Gamble Co. v. Paragon Trade Brands, Inc.*, 917 F.Supp. 305, 310 (D. Del. 1995)).

²¹⁵ This article is limited to an evaluation of the "in writing" requirements of the Copyright and Patent law rather than an evaluation of technical "standing" requirements based on other laws. Some have argued that "standing" doctrines require that ownership be established prior to the filing of a lawsuit, an issue beyond the scope of this article. See, e.g., Timothy R. DeWitt and Tamara S. Klein, *A Fatal Mistake: Lack of Standing at the Time of Filing a Patent Infringement Complaint Results in Dismissal with Prejudice*, 27 AIPLA Q. J. 189 (1999). Courts in patent cases have disagreed on this issue. For example, see discussion of cases in *Valmet Paper Machinery, Inc. v. Beloit Corp.*, 868 F. Supp. 1085, 1088-90 (W.D. Wis. 1994), *rev'd on other grounds*, 105 F.3d 1409 (Fed. Cir. 1997). If the writing must exist at the time an infringement lawsuit is filed, then a number of copyright cases may have been wrongly decided. This would include *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27 (2d Cir. 1982), where it appears that the writing was created after the suit was filed. See *supra* notes 44-53 and accompanying text.

The "standing" issue is distinct from the "in writing" requirement. The "timing" question for writing would still affect cases in which infringement occurred between the time of an oral agreement and a later writing. In such cases, the issue would be whether the assignee was the owner during the intervening time and could sue for infringement occurring during that time period. See, e.g., *Magnuson v. Video Yesteryear*, 85 F.3d 1424 (9th Cir. 1996) (holding that assignee under oral agreement which was later reduced to writing could sue for infringements occurring during period between oral agreement and the writing); *Imperial Residential Design, Inc. v. Palms Development Group, Inc.*, 70 F.3d 96 (11th Cir. 1995) (same); *Arthur Rutenberg Homes, Inc. v. Drew Homes*, 29 F.3d 1529 (11th Cir. 1994) (same).

²¹⁶ See *supra* Part II.B.

produced in response to discovery or a summary judgment motion and the existence of that writing will preclude the transferor from bringing a second lawsuit. Either way, we quickly end up with only one lawsuit and we do not have inconsistent verdicts.

Might it happen that the copyright owner prosecutes the first lawsuit, perhaps losing that lawsuit on the merits, or perhaps obtaining a judgment quickly on a motion for summary judgment? Could an exclusive licensee then file a second lawsuit alleging that it was the real copyright owner under a later written agreement and seek to relitigate the issues?²¹⁷

If this kind of situation were to occur before the first action has gone to trial, the defendant can quickly bring this multiple litigation issue to the attention of both courts, with the likely result that the actions will be consolidated or that one or the other of the actions will be dismissed as having been brought by the wrong party.²¹⁸

If the first action has gone to trial and an exclusive licensee subsequently files a second action alleging ownership of the copyright under an oral agreement later reduced to writing, a court would indeed be faced with the multiple litigation issue. How the courts should deal with this would probably depend upon the factual situation. Where the defendant vigorously defended itself against the copyright infringement claim in the first action, doctrines such as issue preclusion, *res judicata*, laches, or estoppel might be invoked to prevent the second action from proceeding. Where the defendant was found liable for infringement, the proper course might be to dismiss the second action and require the licensee to proceed against the copyright owner for a share of the damages obtained.²¹⁹

Even though there is a risk of multiple litigation, copyright cases show that it is a small risk. In most instances copyright owners and their

²¹⁷ This same risk of multiple litigation could, of course, arise even if the writing existed *prior* to the infringing conduct. In that situation, the first lawsuit should never have been prosecuted as the alleged copyright owner had already assigned the rights. Needless to say, the defendant in that action could reopen that case and have it set aside. Indeed, the defendant might well have a claim for attorneys' fees and other damages based on malicious prosecution.

As this instance of multiple litigation exists no matter how § 204(a) is interpreted, it is not the interpretation of that section which is at issue. Thus, this risk does not provide any weight on the issue of how to interpret § 204(a).

²¹⁸ In some cases it might be appropriate to order joinder of the copyright owner and the licensee. See, e.g., *Eden Toys*, 697 F.2d at 37 (suggesting joinder might be proper if there was no writing from Paddington granting Eden an exclusive license as to adult clothing); Roger D. Blair & Thomas F. Cotter, *The Elusive Logic of Standing Doctrine in Intellectual Property Law*, 74 TUL. L. REV. 1323, 1347-65 (2000).

²¹⁹ See, e.g., *Original Appalachian Artworks, Inc. v. S. Diamond Assoc., Inc.*, 911 F.2d 1548, 1551 (11th Cir. 1990) (allowing suit by licensee against copyright owner for share of infringement damages).

licensees are aware of their relative rights and the proper party is the only one likely to file suit.²²⁰

Given the small likelihood of multiple litigation, it seems much more sensible to allow the licensee to proceed against the accused infringer, rather than dismissing the action and requiring that it be refiled by another party. Indeed, in cases where the ownership of the copyright is in doubt (as, for example, where the existence and terms of a written agreement is disputed), the liberal joinder rules of the Federal Rules of Civil Procedure would seemingly allow courts to simply join the copyright owner/transferor to cases which have been brought by the licensee and sort out ownership in due course. The court in *Eden Toys* suggested as much.²²¹

Thus, the fears expressed by the Federal Circuit in the language quoted above are more akin to goblins under the bed than real problems. Under bright light, the fears prove to be small matters which courts have been able to deal with quite readily. They do not provide sufficient reasons to turn away from the flexible approach shown by copyright courts on this matter.

V. CONCLUSION

The "in writing" requirements of the Copyright and Patent Acts are parallel provisions. Courts should recognize that they serve the same purpose and that they should be interpreted in the same manner. To date that has only occurred in cases raising the issue of whether a writing is required to have an assignment of a copyright or patent, and the writing is created at the same time as the assignment.²²²

The "in writing" requirement should also be applied to agreements to assign. This result is more consistent with the statutory language and is strongly supported by the policies underlying the requirement. Copyright courts already do this, but patent courts have consistently failed to do this, especially when they apply the hired-to-invent doctrine. The Federal Circuit and other courts faced with this issue should rethink their decisions. These cases involve conflicts between the two parties to the alleged agreement—precisely the circumstance in which the policies underlying the statutory provisions are most strongly implicated. The Federal Circuit decision in *Teets* allowing a transfer without a writing under the "hired-to-

²²⁰ See *supra* Part II.B.

²²¹ See *Eden Toys*, 697 F.2d at 36.

²²² See *supra* notes 16, 69 and accompanying text.

invent" doctrine is contrary to the requirements of § 261 of the Patent Act and the policies underlying that section and should be overruled.

The Federal Circuit decision in *Enzo*, refusing to allow a later writing that documented an earlier oral transfer to satisfy § 261, is also contrary to § 261. This was a three-party situation in which the parties to the oral agreement agreed as to its existence and terms.²²³ Given those facts, the better result would be to allow the later writing to validate the earlier oral agreement.

The decisions of the Second and Ninth Circuits in copyright cases are more sensible in both the two-party and three-party situations. As required by the statute, they require a writing for a copyright assignment or agreement to assign copyright. At the same time, they recognize that the statutory requirements can be satisfied by a later writing in three-party situations. The Federal Circuit and other courts should adopt the reasoning of these courts in patent cases.

²²³ See *supra* Part III.A.