JAMES v. J2 CLOUD SERVICES, LLC, Appeal No. 2017-1506 (Fed. Cir. April 20, 2018). Before Reyna, Taranto, and Hughes. Appealed from C.D. Cal. (Judge Snyder).

Background:

James was a software developer hired by JFAX Communications to develop software for converting facsimiles to emails. The terms of the development of this software were dictated by a Software Development Agreement ("SDA") between JFAX and a company called GSP Software, which was affiliated with James. The SDA stated that GSP "will develop software solutions for the exclusive use of JFAX," and expressly required the assignment to JFAX of "all copyright interests" in the developed "code and compiled software." James alleged that he developed and delivered the software under the SDA, and that JFAX did not assist him in developing the software.

Without James' knowledge, JFAX obtained a patent based on the software ("the '638 patent") directed to systems and methods for converting facsimiles to emails. Two JFAX employees were listed as the only inventors of the '638 patent. J2 Cloud Services inherited the rights to the '638 patent, and James learned of the '638 patent when he was contacted by an accused infringer in a separate lawsuit.

James filed a complaint requesting correction of inventorship under 35 U.S.C. § 256. The District Court dismissed the claim for lack of standing. Specifically, the District Court ruled that even if James were an inventor, he had assigned, or obligated himself to assign, his patent rights to JFAX. The District Court relied on two related sources for that conclusion: (1) the SDA; and (2) the "hired-to-invent" doctrine. James appealed.

Issues/Holdings:

Did the District Court err in dismissing James' claim for lack of standing? Yes, reversed and remanded.

Discussion:

The Federal Circuit held that the SDA can be construed as not assigning (or promising to assign) the patent rights associated with the software to JFAX. The SDA specifically discussed the ownership rights of the software itself and copyright to the code, without ever mentioning patent rights. The Federal Circuit stated that this could support a finding that James had retained rights to any patents based on the software.

The Federal Circuit was also not persuaded that JFAX had obtained the patent rights under the "hired-to-invent" doctrine. Under the "hired-to-invent" doctrine, an employer may claim an employee’s inventive work where the employer specifically hires or directs the employee to exercise inventive faculties. The applicability of the doctrine depends on the contractual relationship between the parties. In analyzing the SDA, the Federal Circuit found that James was not an employee of JFAX, because GSP (and not James personally) was party to the SDA. The Federal Circuit noted that the "hired-to-invent" doctrine had never been applied to an inventor who was not an employee of the patent holder. Further analyzing the SDA, the Federal Circuit reiterated that it could reasonably be interpreted as not conveying the patent rights to JFAX. Therefore, there was a factual dispute as to whether such a transfer of rights was implied by the SDA, and the case could not be dismissed under the "hired-to-invent" doctrine.

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