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Federal Circuit Patent Bulletin: *StoneEagle Servs., Inc. v. Gillman*

March 26, 2014

"[A]ssistance in . . . constructively reducing an invention to practice [(such as by drafting a patent application) confers] no more rights of inventorship than activities in furtherance of an actual reduction to practice."

On March 26, 2014, in *StoneEagle Servs., Inc. v. Gillman*, the U.S. Court of Appeals for the Federal Circuit (Rader,* Moore, Reyna) vacated and remanded, *inter alia*, the district court's preliminary injunction regarding U.S. Patent No. 7,792,686, which related to an electronic payment system to process health care claims, and for which StoneEagle filed suit seeking a declaration that its owner, Robert Allen, was the sole inventor. The Federal Circuit stated:

Whether an actual controversy exists that is sufficient to confer jurisdiction under the Declaratory Judgment Act is a question of law that this court reviews de novo. "The burden is on the party claiming declaratory judgment jurisdiction to establish that such jurisdiction existed at the time the claim for declaratory relief was filed." As this court has recognized, the Declaratory Judgment Act is not an independent basis for subject matter jurisdiction. Rather, it is a procedural vehicle that provides a remedy which is available only if the court has jurisdiction from some other source. For that, this court considers whether the hypothetical action that would be brought by the declaratory judgment defendant would be properly before a federal court, *e.g.,* whether it presents a federal question. But even where a federal question is raised, the federal courts' jurisdiction is still limited by the "Cases" or "Controversies" requirement of Article III of the Constitution. Relevant to the present case, the Supreme Court has explained that the phrase "case of actual controversy" in the Declaratory Judgment Act refers to this constitutional requirement. Accordingly, to demonstrate a sufficient controversy for a declaratory judgment claim that satisfies the requirements of Article III, "the facts alleged, under all the circumstances, [must] show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."

In this case, StoneEagle's declaratory judgment claim involves both ownership and inventorship. However, ownership is typically a question of state law. Thus, jurisdiction in this case turns on whether StoneEagle's complaint alleges a sufficient controversy concerning inventorship. It does not. Even accepting StoneEagle's

allegations of fact as true, and drawing all inferences in its favor, StoneEagle's complaint does not allege a sufficient controversy concerning inventorship. Here, StoneEagle only alleges that Gillman "suddenly and falsely claimed that it is his patent, that he wrote the patent, that it is on his computer, and that he 'authored' or 'wrote' it, or words to that effect." These allegations may give rise to a dispute concerning ownership, but they do not implicate inventorship. Indeed, StoneEagle does not allege that Gillman claimed he invented the health care payment system, much less conceived of the idea or contributed to its conception. Rather, StoneEagle only alleges that Gillman claims to have written the patent application.

This court has stated that assistance in reducing an invention to practice generally does not contribute to inventorship. In this case, the most favorable inference from the record in favor of StoneEagle shows only that Gillman assisted in constructively reducing an invention to practice. Those activities confer no more rights of inventorship than activities in furtherance of an actual reduction to practice. Otherwise, patent attorneys and patent agents would be co-inventors on nearly every patent. Of course, this proposition cannot be correct.

As StoneEagle's only factual allegations concerning inventorship are that Gillman authored the patent application, the complaint, viewed in its totality, has not alleged a controversy over inventorship that satisfies Article III. Additionally, StoneEagle did not allege any other facts existing at the time this complaint was filed which would give rise to a federal question or other cause of action properly before a federal court. . . . Because StoneEagle did not allege an actual controversy over the inventorship of the '686 patent, the district court lacked jurisdiction over StoneEagle's declaratory judgment claim. Additionally, because StoneEagle's complaint did not plead any facts existing when StoneEagle initiated this lawsuit that would give rise to another cause of action properly before a federal court, the district court lacked subject matter jurisdiction over the case. Accordingly, this court vacates the proceedings below, including the preliminary injunction, and remands to the district court with instructions to dismiss.