

Don't Overlook the Estate's Interest in Intellectual Property! The Fundamentals of Estate Assets that Include Patents and Trademarks

When someone dies, the estate fiduciary steps in to manage the decedent's affairs and to transition the decedent's assets to the beneficiaries of the decedent's estate. An often-overlooked asset is the decedent's interests in intellectual property ("IP") such as patents or trademarks. This article will discuss how these assets should be handled during the estate administration process.

Generally, the first step in any new estate matter is for the fiduciary and estate counsel to investigate and identify decedent's assets. Inquiring about and investigating for potential IP interests should be on every fiduciary and estate attorney's checklist for marshalling estate assets.

Issued patents can be searched at the U.S. Patent and Trademark Office ("USPTO") to identify the decedent's (estate's) patent interests. Similarly, foreign patent office records can be searched for foreign patent assets.

If the decedent has an invention, the estate representative can prepare and file an application to protect the decedent's invention, or continue to prosecute any pending patent applications.

If the decedent owned a business, it is important to consider if a trademark is in use and who owns it- the business or the individual owner. Trademarks may be registered at the state or federal level and a trademark search of each should uncover any registrations or pending applications. Many are not aware that a search of the USPTO records will not reveal state trademarks or foreign trademarks. Additionally, trademarks may also be protected by common law and not registered. These are still trademark assets to be evaluated as estate assets. Common law rights arise from use when use of a mark distinguishes a product or service from those of competitors. Such rights are geographically limited to the actual market footprint and natural zone of expansion (typically the adjacent counties or region). A professional trademark search can be helpful in uncovering unregistered common law trademark assets.

Patent and trademark assets can be sold (assigned) or leased (licensed with or without royalty payments). Thus, securing and recording title is an important part of marshaling IP assets.

Patent assignments must be in writing and recorded with the USPTO within three months of the date of assignment (35 USC § 261.) Thus, the fiduciary must record assignment to herself as the trustee or the personal representative of the estate and record a second assignment upon distribution of the asset. This federal requirement for recording assignments is in addition to applicable state laws governing assignments of a decedent's interests as IP rights pass according to state law.

For federally registered trademarks, the USPTO advises that assignments or name changes should be recorded by submission of an online form and assignment document. However, even in the absence of such recorded transfer of ownership, rights to title may be established by other evidence.

When common law marks are identified, the fiduciary will need to evaluate whether the investment of registration make sense, especially if the business will be carried on or sold and the value is significantly less without the trademark registration.

Estates with ownership interest in IP have more than just the traditional fiduciary that require a fiduciary to take an active ownership role in order to maintain the protections afforded to them. For example, patent and trademark owners have a duty to monitor for infringers and act affirmatively to protect his/her rights. If a fiduciary discovers potential infringement, it is important to seek advice of patent or trademark counsel because delay by the owner in taking action (known as “laches”) is an affirmative defense to infringement. A fiduciary marshalling a decedent’s business with trademarks needs to ensure that marks are being used and the business is in continuous operation. This period could be lengthy and require probate court extensions for estate administration.

If a fiduciary holds IP assets for a substantial length of time, he or she will likely come to the expense of maintenance fees and valuation. In some situations, it may be best to distribute IP assets as early as possible to avoid unnecessary expense to the estate.

IP assets present a unique set of considerations. When in doubt, a fiduciary or estate attorney can and should hire knowledgeable IP counsel to advise on these assets. Evans Fox LLP has experienced estate and probate attorneys as well as intellectual property attorneys to help navigate these complex issues. If you find yourself navigating IP in your estate matters, reach out to our team for representation or co-counselling.

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