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The Precedent: Federal Circuit Reaffirms Standard of Proof for Correcting Inventorship in BearBox LLC v. Lancium LLC

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In this edition of *The Precedent*, we outline the recent federal circuit decision in *BearBox LLC v. Lancium LLC*

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Overview

The United States Court of Appeals for the Federal Circuit recently affirmed that parties seeking correction of inventorship must prove their inventorship status with clear and convincing evidence or otherwise face the presumption that the named inventors listed on a patent are the true and only inventors.

Issue

Was BearBox's evidence sufficient to satisfy its burden to establish that Mr. Storms was either a sole or joint inventor of the '433 Patent?

Holding

BearBox's evidence was insufficient to satisfy its burden by clear and convincing evidence.

Background and Reasoning

BearBox concerned a dispute over, as the Federal Circuit aptly describes, "a conversation over cocktails and dinner at a Bitcoin mining conference, a follow-up email with four attachments, and a subsequent patent." The two parties at issue, BearBox LLC and Lancium LLC, shared a common goal of optimizing the efficiency of Bitcoin mining. Michael McNamara and Doctor Raymond Cline co-founded Lancium in 2017, a company structured around co-locating flexible datacenters at windfarms to facilitate Bitcoin mining. Given the variable outputs generated by windfarms, Lancium was engaged in a "buy low, sell high" agreement in which it ramped up its datacenters to mine for Bitcoin

when energy prices were low, but scaled back its efforts when prices were high so windfarms could sell power to the electrical grid and a preferable rate. Around the same time, Austin Storms, the founder of BearBox, had just finished constructing a half-megawatt datacenter in his father's karate studio for Bitcoin mining. Recognizing the profitability issues associated with the cost of energy for Bitcoin mining, Storms founded BearBox with a goal of developing mobile cryptocurrency datacenters. As BearBox progressed, Storms wrote the source code for his "BearBox system", which is designed to monitor cryptocurrency mining based on economic conditions such as electricity cost.

The two companies met in 2019 at a cryptocurrency mining summit. During a cocktail reception and subsequent dinner, Storms pitched his BearBox system to McNamara. After the summit, Storms followed up in an email to McNamara which included various specification sheets and a data file modeling of the BearBox system. McNamara briefly reviewed the email and ultimately determined the BearBox system was too expensive for Lancium's needs.

In October 2019, Lancium filed an application for and was issued U.S. Patent No. 10,608,433, titled "Methods and Systems for Adjusting Power Consumption Based on a Fixed-Duration Option Agreement." Although the '433 patent listed McNamara and Cline as the only inventors, Storms believed he should be added as joint inventor given his correspondence and email with McNamara and subsequently filed suit for correction of inventorship. At trial, the district court found Lancium's research and development for the '433 patent began prior to McNamara's acquaintance with Storms, and that Storms' correspondence with McNamara was insufficient to establish his inventorship on the patent.

On appeal, the Federal Circuit affirmed, emphasizing that "[a]n alleged joint inventor's testimony alone is insufficient to establish inventorship by clear and convincing evidence," and that instead, "an alleged co-inventor must supply evidence to corroborate his testimony." Despite Storms' testimony that he conceived of and described the claims in the '433 patent to McNamara, the Court stressed that the only corroborating evidence he provided was a single email with four attachments and a supplemental technical expert report that was ultimately struck for being served five months following the close of expert discovery and nearly three weeks before trial. Thus, given the lack of corroborating evidence, the Federal Circuit recognized that Storms' correction of inventorship claim could not be supported on his testimony alone and affirmed the district court's finding that Storms failed to meet his burden of proof through clear and convincing evidence.

Takeaways

Bearbox serves as yet another instance of the Federal Circuit's emphasis on the high burden a claimant must meet when seeking correction of inventorship. Claimants seeking sole or joint inventorship status on a patent should be cautioned to avoid the pitfalls of Storms and BearBox and ensure they have sufficient corroborating evidence prior to filing a claim for correction of inventorship.