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A PROFESSIONAL CORPORATION

Intellectual Property Bulletin

August 2005

DO EMPLOYERS OWN PATENT RIGHTS TO INVENTIONS MADE BY EMPLOYEES WHILE AT WORK?

As an employer, you may believe that you surely own the rights to any invention or discovery made by an employee while he or she is on your payroll. You may be surprised, therefore, to learn that, absent a clear express agreement, there is a risk that an employee may retain rights to a patentable invention. Even though the invention was conceived while he or she was working for your company as a full time employee, and perhaps even though your shop or laboratory was used to make or test the invention, the employer needs to take steps to ensure ownership.

A key principle underlying the patent laws is to encourage technological creativity by “affording property rights to the creator. Incentives to invent may be dampened if those property rights are too readily stripped away from the actual human creator by implication or inference.”¹ The first question, therefore, when considering whether the employer owns the rights to an invention conceived by an employee, is whether there is an agreement between the employer and the employee which grants the employer the right to inventions made by the employee while on the job. The employer-employee relationship alone is not enough, nor is the existence of a general employment contract. An agreement assigning rights to an invention must be expressed in clear language. Although the agreement does not have to be written, the employer would face significant hurdles in attempting to prove the terms of an oral agreement to assign inventions, which undoubtedly would be contested by the employee-inventor.

Courts are reluctant to imply an agreement to assign inventions because of the “peculiar nature of the act of invention, which consists neither in finding out the laws of nature, nor in fruitful research as to the operation

of natural laws, but in discovering how¹ those laws may be utilized or applied for some beneficial purpose ...”² Courts will review assignment agreements closely, place the burden on the employer to prove the terms, and give employees the benefit of the doubt. Unlike non-competition agreements, however, there is some authority that an “invention assignment” agreement can be made with an employee during the course of employment without the need for additional “consideration,” such as a bonus or raise, given to the employee.³

If the terms of the invention assignment agreement are clearly proven by the employer, (i.e. when the employer had the employee sign a document broadly covering “all inventions and discoveries”) the employer will own the patent rights. The employee (who, at the time of the controversy, may be a “former employee” working for a competitor) will not be able to apply successfully for a patent and then sue the former employer for patent infringement.

There are circumstances, however, where an employer may own patent rights to an employee’s invention even if the employee did not sign an invention assignment agreement. One such circumstance is where an employee is “employed to invent,” *i.e.*, where the employee is specifically hired to be an inventor to develop a particular piece of machinery or equipment.⁴ For example, in the *Standard Parts* case, an employee was hired under a written contract which provided that the employee should “devote his time to the development of a process and machinery for the production” of a certain automobile spring. The U.S. Supreme Court held that the “process and machinery” which the employee developed was the property of the

employer, who “engaged the services and paid for them, they being [the employee’s] inducement and compensation.” The rationale of the “employed to invent” decisions is that “[w]hatever rights as an individual he may have had in and to his inventive powers, and that which they are able to accomplish, he has sold in advance to his employer.”⁵

The “employed to invent” doctrine has its limits. The central question is what was the person “employed” to do and when was he or she employed to do it? Often, an employee was not originally hired to invent but, in the course of employment, the employee is subsequently given the task of developing solutions to issues on a particular project. Some courts hold that as long as the employee is assigned to perform experiments with the view to making an invention, it is the employee’s duty to disclose to the employer the discoveries he makes, and whatever the employee accomplishes belongs to the employer.⁶ However, the question may turn on the specificity of the task assignment and when it was given. In a leading Pennsylvania case, *Aetna-Standard*,⁷ the court stated that “an employee must assign his invention to his employer if he was hired for the purpose of using his inventive ability to solve a specific problem or to design a certain procedure or device for the employer.” However, the *Aetna-Standard* court allowed the employee to retain the patent rights to his invention. The court noted that the employee was hired only as a general staff engineer, and was not recruited specifically for the project for which the invention was made. The court found it significant that the employee received no special compensation for the invention. Also, the employer asked the employee to sign a disclosure statement and to sign the patent application prepared by the company’s attorney naming himself as a joint inventor with another employee, facts which the court viewed as the employer’s recognition that the employee was the inventor (but which arguably could be interpreted as the employee’s recognition that the company rightfully owned the patent rights). Because there was no express agreement, either oral or written, to assign inventions to the employer, the court did not imply one based on those facts.

Although the employer in *Aetna-Standard* was not entitled to the patent rights to an employee’s invention, the court held that the employer had what is known as a “shop right” in the invention. The shop right doctrine is that, if an employee used the employer’s time, facilities or materials to invent, the employer is equitably entitled to a non-exclusive right to use the invention.⁸ However, because this royalty-free right to use the invention may not extend to the right to sell it to others, it is hardly a satisfactory answer to an employer who planned on selling products embodying the invention.

Thus, the best course for an employer is to ask employees who perform any type of technical work to sign an invention assignment agreement, preferably when they are hired. Careful drafting of such an agreement, including broad assignment language and time periods, will help provide the proof necessary for a court to overcome the judicial reluctance to imply such agreements.

If you have any questions about the assignment of inventions, please contact Joe Decker at (412) 394-6466 or jdecker@bccz.com.

¹ 8 D. Chisum, *Chisum on Patents*, § 22.03[2].

² *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188 (1933).

³ *Harsco Corp. v. Zlotnicki*, 779 F.2d 906, 909-11 (3d Cir. 1985).

⁴ *Standard Parts Co. v. Peck*, 264 U.S. 52, 58 (1924).

⁵ *Solomons v. U.S.*, 137 U.S. 342, 346 (1890).

⁶ *Houghton v. U.S.*, 23 F.2d 386, 390 (4th Cir. 1928).

⁷ *Aetna-Standard Eng’g Co. v. Rowland*, 493 A.2d 1375 (Pa. Super. Ct. 1985).

⁸ *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188 (1933).

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