Employer Rights in Employee Inventions

ALBERT WOODRUFF GRAY*

In the absence of a specific patent agreement, inventions of an employee remain his own property unless he was employed "to invent." In many cases, though, employer retains "shop rights."

EMPLOYED BY THE GOVERNMENT, two scientists were assigned to radio research in airship bomb and marine torpedo control. Both projects required the designing of a mechanism for use on an airplane to receive the output from a radio receiver, thence to relay it to a coil on an airplane which would operate through a visual indicator or trigger that in turn released a bomb on a pilotless plane or a marine torpedo.

While working on this problem and impelled solely by their own curiosity they also directed their attention to the substitution of power-line alternating current for direct current from batteries in the operation of radio apparatus. Patents were later issued them for these discoveries in this line of research.

On the ground that these inventions, perfected through the discoveries of these scientists while employed by the United States, were the property of the government, suit was brought against them by the United States to compel the transfer of these patents to the government.

In a summary of the law by the government that these inventions were the property of the United States it was asserted that inventions made by employees outside of work hours and without the aid of material belonging to the employer, when the inventions have no relation to the employee's duties, are the property of the employee in which the employer has no interest. This proposition according to the court, was obviously sound.

In support of the government's claim the second proposition was that inventions arising out of or made in connection with the employee's duties and incidental thereto, by an employee whose duties did not include the carrying on of research or inventive work, are the property of the employee in which, however, the employer has a shop-right or a nonexclusive license to use the invention. That too, the court conceded was sound.

However, the third proposition and conclusion of this argument of the government was, "Inventions made by an employee in connection with his work and within the scope of his work, whose duties include the carrying on of research and inventive work, become the sole property of the employer together with the accompanying patents." This conclusion the federal court refused to accept.

* *112–20 72nd Drive, Forest Hills, N. Y.*

Patent Right Belongs to Paymaster

When this case ultimately came before the United States Supreme Court on appeal, that court in sustaining this judgment denying the right of the government to these patents, said that anyone *employed* to make an invention, who succeeds during his term of service in accomplishing that task, is bound to assign to his employer any patent obtained.

The reason is that he has only produced that which he was employed to invent. His invention is the precise subject of the contract of employment. A term of the agreement necessarily is that what he is paid to produce belongs to his paymaster.

On the other hand, continued the court, if the employment is general although it may cover a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent, the contract is not so broadly construed as to require an assignment of the patent.

In an explanation of the underlying principle of this conclusion, the court added, "The reluctance of courts to imply or infer an agreement by the employee to assign his patent is due to the recognition of the peculiar nature of the act of invention which consists neither in finding out the laws of nature or in fruitful research as to the operation of natural laws, but in discovering how those laws may be utilized or applied for some beneficial purpose, by a process, a device or a machine. It is the result of an inventive act, the birth of an idea and its reduction to practice, the product of original thought, a concept demonstrated to be true by practical application or embodiment in tangible form."

Then of the distinction between the idea of the inventor and its manifestation or reduction to practice, the court continued, "Though the mental concept is embodied or realized in a mechanism or a physical or chemical aggregate, the embodiment is not the invention and is not the subject of the patent. This distinction between the idea and its application in practice is the basis of the rule that employment merely to design or to construct or to devise methods of manufacture is not the same as employment to invent.

"Recognition of the nature of the act of invention also defines the elements of the so-called shop right which, shortly stated, is that where a servant during his hours of employment, working with his master's materials and appliances, conceives and perfects an invention for which he obtains a patent, he must accord his master a non-exclusive right to practice the invention."

"Shop Rights" Rule

In conclusion it was said by this court, "This is an application of equitable principles. Since the servant uses his master's time, facilities and materials to attain a concrete result, the latter is in equity entitled to use that which embodies his own property and to duplicate it as often as he may find occasion to employ similar appliances in his business.

"But the employer in such a case has no equity to demand a conveyance of the invention which is the original conception of the employee alone, in which the employer has no part. This remains the property of him who conceived it together with the right conferred by the patent, to exclude all others than the employer from the accruing benefits."[1]

(*Continued on page 61*)

[1] U. S. v. Dubilier Condenser Corp., 289 U. S. 178, April 10, 1933, aff'g. 59 Fed. 2d 381, May 24, 1932.

out the aid of material belonging to the employer, when the inventions have no
though it may cover a field of labor and effort in the performance of which the
principles. Since the servant uses his

INVENTIONS

(*from page 50*)

Recently a suit involving this principle of law was brought by an employer for a judgment declaring that the employee had no right of any nature in a loop antenna for which the employee had been granted a patent.

When the employee had been hired he had represented himself to be an experienced mechanical engineer and had been assigned the work of designing and improving loop antenna assembly. His invention, he protested, had been made by him at night at home.

Here the conclusion of the court throws into sharp contrast the incidents in which the employer may be either awarded the patent itself or a shop right—the right to its use—and in-instances in which the invention is the sole property of the employee.

"He together with others," said the court, "was ordered to develop the loop to meet specifications and he did so in the course of his employment at his employer's plant. Under such circumstances the employer is entitled to the invention and to any patent embodying it."[2]

In the latter half of the past century suit was brought against the United States and in that action the owner of a stamp used by the Internal Revenue Department on whiskey barrels sought the recovery of compensation for its use. In this instance the inventor had been employed by the government while making these experiments. In addition to that, however, the stamp was not only adopted by the government on his recommendation but he said he would make no charge if it was so adopted for the express reason that he was a federal employee.

Of the principles establishing the ownership of an invention in either the employer or the employee, the court said in its decision of this case,

"An employee performing all the duties assigned to him in his department of services, may exercise his inventive faculties in any direction he chooses with the assurance that whatever invention he may thus conceive and perfect is his individual property. But this gen-

[2] North American Philips Co. v. Brownshield, 111 F. S. 762, February 4, 1953.

ployed by the government while making

eral rule is subject to these limitations."

The first of these exceptions, as here outlined, are those instances when the inventor is hired for the particular work of developing an idea representing the discovery. "If one is employed to devise or perfect an instrument," continued the court, "or a means for accomplishing a prescribed result, he cannot after successfully accomplishing the work for which he was employed, plead title thereto against the employer.

"That which he has been employed and paid to accomplish, becomes when accomplished the property of the employer. Whatever 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."

Of the intermediate ground, when the employee conceives the invention with the facilities and on the time of the employer, and of the rights of the employer in the joint accomplishment, the reduction to practice of the idea of the inventor with the aid and facilities of the employer—shop rights—the court added,

"When one is in the employ of another in a certain line of work and devises an improved method or instrument for doing that work and uses the property of his employer and the services of other employees to develop and put into practicable form his invention, and expressly consents to the use by the employer of such invention, he has so far recognized the obligations of service flowing from his employment and the benefits resulting from his use of the property and the assistance of the co-employees of his employer as to have given to such employer an irrevocable license to use such invention."[3]

The decisions of two recent cases, one by the federal court in New Jersey and the other by a court in New York outline the boundary separating inventions by employees of which ownership is in the employee from those that by virtue of the employment contract are the property of the employer.

In the New Jersey instance an employee had been hired as an engineer in the production of electrical instruments. Patents of a photographic device, perfected by this employee, were claimed in this action by the employer to compel the assignment to it.

"A manufacturing corporation," asserted the court holding the patents to be the property of the employee, "which has employed a skilled workman for a stated compensation to take charge of its works and to devote his time and services to devising and making improvements in articles there manufac-

(*Continued on page 91*)

[3] Solomons v. United States, 137 U. S. 342, December 8, 1890.

EMPLOYER RIGHTS

(*from page 62*)

tured, is not entitled to a conveyance of patents obtained for inventions made by him while so employed in the absence of an express agreement to that effect."[4]

In the action that was contemporary to this suit in New Jersey, an employee, hired as manager or superintendent of a factory, had been issued patents on a "reusable" can employed by the ordinance department of the armed forces in the storage of fuses. Denying the claim of the manufacturer to these patents the New York court in that instance said,

"Patent Agreement" Often Necessary

"The general rule is that in the absence of an express agreement by an employee to give his employer the benefit of the employee's genius, the employer has no interest in the patents issued to said employee, even though is can be said that his inventive power was stimulated by knowledge necessarily derived from his employment."[5]

---

[4] DeJur-Amsco Corp. v. Fogle, 233 Fed. 2d 141, April 26, 1956.

[5] Cahill v. Regan, 153 N. Y. S. 2d 768, April 20, 1956.

The basic principles underlying these and other decisions of the courts for more than a century of litigation, were summarized recently by the federal court of appeals, "The law is fairly clear. Absent a contrary understanding the mere existence of an employer-employee relationship does not entitle the employer to ownership of an invention of the employee. This is true even though the employee uses the time and facilities of the employer, although the latter, in that event, may have 'shop rights' therein, that is, the right to a free, non-exclusive personal license to use the invention in his business.

"On the other hand, if the employee is hired to invent or is assigned the duty of devoting his efforts to a particular problem, the resulting invention belong to the employer."[6] Æ

---

[6] Marshall v. Colgate-Palmolive-Peet Co., 175 Fed. 2d 215, June 2, 1949.