Patent Rights of Employer and Employee

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PATENT RIGHTS OF EMPLOYER AND EMPLOYEE.—Title to an invention is naturally in the inventor; that is, to the one who conceives, develops, and puts it to practical use. If another acquires title, there must be some act, some means, by which he gets it. The usual means is by an assignment from the inventor conveying to the assignee the entire right, title, and interest in the invention and patent protecting it.

The Statutes of the United States require that the patent issue upon the application of and in the name of the real inventor, although he was employed and paid to make it for the benefit of the one employing him. In such case the employer may be entitled to the ownership of the patent and may compel its transfer by assignment, but this depends upon the nature of the agreement between them. A company that employs a skilled workman to make improvements on its machinery is not entitled to a conveyance of the patents secured by the workman on improvements so made in the absence of agreement to that effect. That is, where only mechanical skill and not creative effort is hired. An employee, performing all the duties assigned to him in his department of service, 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. The company may in some instances have an implied license to make, use, and sell the invention.1

Government employees, in general, may secure patents upon inventions made by them during their employment and are entitled to own the patents upon the same conditions as other employees. The government may have an implied license to use the invention, but has no title to the patent except by express agreement. The government has no more power to appropriate a man's property invested in a patent than it has to take his property invested in real estate; nor does the mere fact that an inventor is at the time of his invention in the employ of the government transfer to it any title to or interest in it.2

Where the employer conceives not only the idea, but also the means for carrying it into effect, and engages another to produce a practical embodiment of the invention, communicating to him not only the result desired, but also the means by which that result is to be attained, so that mechanical skill only, but no inventive ingenuity, is required of the employee in carrying out his employer's ideas, the invention and patent belong to the employer by virtue of the fact that he is the inventor. The test, in such case, might be said to be this: Would the employment of any other skilled worker serve as well?3

But where the employer conceives merely a desirable result to be attained, but not the means of attaining it, and communicates his ideas to a person whom he hires to work upon the problem and devise some means of attaining the result, and the means devised by the employee involves inventive ingenuity as distinguished from the resourcefulness and mechanical skill of those trained in the field, then the invention when achieved, belongs to the employee by virtue of the fact that he is

1 30 Cyc. 808.
the inventor. In such case, the employment of some other skilled worker would not have served the purpose, because his mechanical skill and resourcefulness would not have been equal to the task.  

Where there is a contract under which the employee is hired to invent for the benefit of his employer, and the contract shows that the parties intended the employer to have title, the employer has equitable title to his employee’s inventions made in accordance with the contract.  

Inventions made by employees employed generally (not specifically to invent) do not come within this rule; and an employer cannot merely by the device of requesting a general employee to invent or develop, or to investigate and make studies, acquire absolute title to the employee’s resulting invention in the absence of some agreement to that effect.  

In this connection it is immaterial whether the contract of employment be written or parol; and it is likewise immaterial what words the parties use; but the intent of the employer to buy, and the intent of the employee to sell, must be shown.  

It has long been established that where a person is hired to invent for the benefit of his employer who is to have title to the invention, the employer has equitable title to the invention when made.  

It is equally well settled that an employee not hired to invent, who, after accepting employment, is not assigned to any duty to invent, may invent what he pleases, with the full assurance that he will have the equitable, as well as the legal, title to his inventions when made.  

The purpose of our patent laws is to stimulate invention by making it possible for “a full mind to make a full purse”; the law, therefore, jealously guards the inventor, recognizing that inventive and business ability are rarely combined in one brain; and it is accordingly well established that an inventor is not to be deprived of his invention except upon proof of a clear intention by him to part with it.  

If one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer. That which he has been employed and paid to accomplish becomes, when accomplished, the property of his 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.  

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7 Solomons v. U. S., supra.
So, also, 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 in practical form his invention, and explicitly assents to the use by his employer of such invention, a jury, or a court trying the facts, is warranted in finding that 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 give such employer an irrevocable license to use such invention. In this instance the employee has shown no intent to convey title, but the courts hold that an employer should be given something because of the aid given the employee to develop his conception. Where an employee has assigned title to his invention to a third person, this third person could not recover from a former employer for the use of the patent because if a person employed in the manufactory of another, while receiving wages, makes experiments at the expense and in the manufactory of his employer; has his wages increase in consequence of the useful result of the experiments; makes the article invented and permits his employer to use it, no compensation for its use being paid or demanded; and then obtains a patent, these facts will justify the presumption of a license to use the invention.

Where an employee of the government takes advantage of his connection with it to introduce an unpatented device into the public service, giving no intimation at the time, that he regards it as property or that he intends to protect it by letters patent, but allows the government to test the invention at its own exclusive cost and risk by constructing machinery and bringing it into practical use before he applies for a patent, the law will not imply a contract; and a contract will not be implied in favor of an employee who has thus placed a patented device in

8 Solomons v. U. S., supra; McClurg et al. v. Kingsland et al., 42 U.S. 202 (1868); 12 U.S. Pat. Quar. 339 (1932). Doctrine of shop right is of equitable origin; where inventor or owner of invention acquiesces in use of the invention by another, particularly where he induces and assists in such use without demand for compensation or other notice of restriction of right to continue he will be deemed to have vested the user with an irrevocable equitable license to use the invention; this situation between inventor and employee might, of course, arise by mutual agreement; but generally it arises where the inventor induces his employer to proceed and not only fails to object to the use, but stands by or assists, while permitting his employer to assume expense and put himself in a position where it would be to his detriment to be compelled to relinquish further use of the invention.

Howard v. Howe, 61 F. (2d) 577 (C.C.A. 7th, 1932); Howe v. Howard, 6 Pat. Quar. 255 (1931); Bowen v. B. F. Goodrich, 36 F. (2d) 306 (C.C.A. 6th, 1929); Monsanto Chemical Works v. Jaeger, 31 F. (2d) 188 (W.D. Pa., 1929); Tin Decorating Co. v. Metal Package Corp., 29 F. (2d) 1006 (S.D. N.Y., 1928); Engel v. Landis Tool Co., 262 Fed. 130 (M.D. Pa., 1921); Scott v. Madison Woolen Co., 3 F. (2d) 331 (S.D. Me., 1925); Elziedlaw Co. v. Knoxville Grove Co., 22 F. (2d) 962 (C.C.A. 7th, 1927); Moffett v. Fiske, 51 F. (2d) 868 (C. of App. D.C., 1931); Armadyco Corp. v. Urquhart, 39 F. (2d) 943 (E.D. Pa., 1930). In Beecroft et al. v. Rooney, 268 Fed. 545 (S.D. N.Y., 1920), it was held that defendants did not have any permanent shop right to manufacture under a patent obtained by an employee, where they were notified by him, before making any considerable expenditure for such manufacture, that the shop right would be limited by the term of his employment. The law applicable to this case falls within a narrow compass. The obligation of an employee to assign to an employer an invention made in the course of
the public service as to machines constructed and used after his patent has been obtained. 9

The courts will enforce an oral agreement for the sale of an invention. An oral agreement for the sale and assignment of the right to obtain a patent is not within the statute of frauds nor within Section 4898 of the Revised Statutes, requiring assignments of patents to be in writing, and may be specially enforced in equity upon sufficient proof thereof, but such oral contract must be sufficiently proved. 10

It may be well to state here that the courts look to what the parties intended. The cardinal rule in the interpretation of contracts is to ascertain the intention of the parties and to give effect to that intention, if it can be done consistently with legal principles. It has been said that to this paramount rule all others are subordinate. The parties should be bound for what they intended to be bound for, and no more. The courts will hold them bound to that extent if their intention can be arrived at. To hold any one bound further, would be to impose on him an obligation which he never assented to, or intended to take upon himself, and would be the height of injustice and oppression. 11

Where there is no specific contract, either written or oral, but the employee has pursued a course of conduct that fairly gives rise to an implication of an intention on his part to transfer title to his employer, his employment does not arise from the existence of the relation of employee and employer alone, but there must be in addition a contract to assign.

9 Gill v. U. S., supra.
11 6 R. C. L. 835, § 225 (1900); Pressed Steel Car Co. v. Hansen, 128 Fed. 444 (W.D. Pa., 1904) held, that a manufacturing concern, 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 manufactured, 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.

Johnson Furnace & Engineering Co. v. Western Furnace Co., et al., 178 Fed. 819 (C.C.A. 8th, 1910). The law is well settled that, in the absence of an express contract or agreement, the relation of employer and employee, under whatever circumstances, short of a specific employment to make an invention, does not invest the employer with the entire property right in an invention of the employee.

Hildreth v. Duff, et al., 143 Fed. 139 (W.D. Pa., 1906). Complainant sought to compel the assignment to him of a patent granted to one Thibodeau and which the defendants has acquired by assignments. Thibodeau had been employed by complainant under a contract reciting that complainant, a candy manufacturer, was desirous of having perfected and manufactured a certain machine or machines for use in the manufacture of candy, and by which Thibodeau agreed to enter his employment and to devote his services to such work, giving the complainant the full benefit and enjoyment of any and all inventions and improvements he might make relating to machines or devices pertaining to the first party's business Thibodeau invented a machine. Held, that as complainant at time contract was made was merely a user of machinery and not a maker, the contract merely stipulated a license and not an assignment of title.

Thompson v. Automatic Fire Protection Co., 211 Fed. 120 (C.C.A. 2d, 1913). A contract whereby defendant agreed to work for complainant on inventions and to assign to him any invention or patentable improvements he might make during such employment, outside of his regular working hours, for which complainant agreed to pay him an unnamed compensation, was valid and subject to specific performance.
coupled with acts, the purpose of which were to divest himself of title and transfer it to his employer, the equitable title may be held to be in the employer. There must be shown by proof that by words, writings, and acts that title was to be in the employer. Such a broadening of the second rule as set out is no more than fair and equitable, but the intention of the employee to convey must be clearly shown. Of the intentions of the parties, that of the employee is the most important. Therefore it seems that though there was no written contract nor specific parol agreement that the employer should have title to the employee's invention made in the course of employment, yet the circumstances attending the employment, the work which the employee performed, and the subsequent actions of the employee, all indicated that it was his understanding and intention that title to his invention should be in his employer. Therefore an inventor may divest himself of title to a patent by a course of conduct the acts of which clearly indicate that the employee was to divest himself of title to the patent.

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Summary

An employer has no right to acquire the fruits of an employee's creative ability where there is no intention of either party to so convey or acquire. A conveyance of title in a patent may only be had by an express agreement showing that the intention from the first was that such conveyance of title was to take place. This express agreement to convey may be shown by writing, oral agreements, or by acts justifying a reasonable man to so infer that the parties intended to convey or acquire.

The mere fact that an employer allows and instructs another to develop for him, does not take away the title to an invention. The employer must have hired the employee's creative ability, and intention to do so must be shown. If creative ability has not been hired, the employer may at the most, acquire only a license to make, use, and sell, and the granting of such license will be determined by the equitable circumstances surrounding each individual case.

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14 The words, license and shopright, have been used rather indiscriminately by the courts as meaning the same thing. Therefore, to avoid confusion, the reader may imply that the author has the same thought in mind wherever the words, shopright or license, are used.