



By Charles H. Mottier
Leydig, Voit & Mayer

Perils of inventorship

The most intractable problems I have encountered arise from misunderstandings surrounding issues of inventorship. It is also my experience that outside of the intellectual property community, inventorship and its consequences, while central to patent law, are only loosely understood, leading to unexpected and sometimes devastating commercial outcomes that easily could have been avoided.

The importance of inventorship arises from the Constitution: Art. 1, Sec. 8, Cl. 8 provides that a U.S. patent will be issued only to the true inventor, or in the case of collaborative efforts, the true inventors. It follows that an incorrect designation of inventorship can invalidate an otherwise valid and valuable patent. The patent statutes and federal regulations, however, allow for the correction of inventorship, as long as there has been no deceptive intent on the part of the incorrectly-named inventor, or by the "person who through error was not named as the inventor."

More significantly, because only individuals can qualify as inventors for purposes of applying for a U.S. patent, if a corporation or other legally-recognized organization is to own a patent, ownership of the invention must be transferred by a written assignment. While this should be a routine formality, obtaining an assignment is sometimes overlooked, and attempts years later to correct this oversight are often fraught with difficulties. An assignment is particularly important when there are co-inventors who may not all work for the same employer; it is crucial that all of the co-inventors assign their rights if a company is to be the sole owner of an invention. Ideally, that assignment will either be witnessed or notarized.

Without an assignment, each co-inventor will be a co-owner, with equal rights to exploit

the invention without the other's consent or authorization.

For these reasons, ownership of rights should be established in development contracts or employment agreements before any inventive effort ever takes place.

Employee ownership of inventions could be a separate article, but several issues must be kept in mind to avoid problems. In common law an employee hired to invent owes a duty to assign patent rights to his or her employer. An employee who is not hired to invent does not have an obligation of assignment, and in this situation the employer may have only a shop right in the employee's invention. A shop right is a non-exclusive right to practice the invention, which inures to the employer. The classic shop right doctrine provides that an employee who uses his employer's resources to conceive an invention or to reduce it to practice must afford the employer a non-exclusive, royalty-free, nontransferable license to make use of the invention, even though the employee may subsequently obtain a patent in his or her own name.

Employment agreements can address the ownership of intellectual property developed by an employee and are desirable because they afford an employer an opportunity, at the outset of the employment relationship, to prevent and avoid misunderstandings with a prospective employee. It can also serve to override the common law regarding title to inventions and ideas. Under common law, an employer owns an invention of an employee only when the latter is "hired to invent." The question of whether a given employee was hired to invent, or to make a particular invention, is often subjective and can lead to disputes.

Potential problems can be mitigated by an employment agreement that states in unequiv-

ocal terms that certain inventions made by the employee belong to the employer. Employment agreements often contain clauses that require (1) protection of trade secrets and confidential information; (2) assignment of inventions; (3) disclosure of inventive activity; (4) cooperation in patent prosecution activity; and (5) conveyance of rights to an invention or idea conceived by the employee during a specified, reasonable period of time after termination of the employment relationship.

It is important to note that Illinois has statutory restrictions on invention assignments. In Illinois, the Employee Patent Act (Ill. Rev. Stat. Ch. 140 §§ 301-303) has the declared intention of protecting employees from entering into overly intrusive employment agreements at the request of an employer who enjoys greater bargaining power. It attempts to delineate which employee inventions are not required to be assigned to an employer under the terms of an employment agreement. Under the Illinois statute, an assignment provision in an employment agreement does not apply if no employer resources were used, and the invention was developed entirely on the employee's own time, unless the invention relates to the employer's business or to the employer's actual or anticipated research or development, or the invention results from any work for the employer. Written notification in accordance with the terms of the Illinois statute must be given to each employee signing an employment agreement that contains a provision requiring the assignment of rights and inventions by the employee.

To avoid problems later, every effort should be made to align the ownership of inventions with a client's interests at the outset of a development project or a relationship. ■

cmottier@leydig.com