

INVENTORS

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INNOVATION WATCH:

Job Creation Through
Innovation

GOT INVENTION:

Invention Pitching to the
Pros

LANDER ZONE:

The Fascinating Invention
of Radio

PROBONO:

A Word to the Wise

PROTO TYPING:

Mastering the Germ Master

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A Word to the Wise - You Don't Own It Just By Inventing It

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Many inventors assume that once they have created a new invention, then that invention belongs to them – creation equals ownership. However, simply inventing something does not necessarily mean ownership, at least for all of the rights generally considered as part of a property right. There are a lot of rights associated with ownership including the right to use, modify, improve, or destroy the created invention as well as the right to exclude others from making, using, or selling that invention. Another very important ownership right is the ability to transfer one or more of these rights to others, for example by licensing or assignment. Depending on the situation, an inventor may have different combinations of these rights to their invention.

Let's start with the simple creation of a widget – no employer, joint inventors, outside investors, just a guy in his garage. In this case, the inventor may have the right to use, modify, improve, and destroy the widget as long as someone else has not previously invented the widget and obtained superior rights. However, the inventor does not have any rights to prevent others from using, modifying, or improving a copy of the widget. If the inventor wants to prevent others from making, using, or selling the invented widget, he must either keep it secret or obtain a patent.

Patents are granted by the U.S. government to “whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101 (2013). With a patent, the owner may “exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States.” 35 U.S.C. 154(a)(1) (2013). So long as the inventor obtains a patent, he has the right to exclude others from the created widget. In addition, as long as the inventor does not interfere with the patent rights of another, the inventor has the rights to use the widget. Therefore, the inventor has the full ownership rights to the created invention only if he/she obtains a patent and does not infringe another's patent.

Determining ownership becomes much more interesting when others are involved in or related to the inventor or the invention. For example, joint inventors, investment contributors, manufacturers, employers, friends, spouses, and others may be part of the equation. Depending on the given relationship and/or the given contribution, these involved persons or entities may obtain one or more of the rights of ownership.

The easiest and usually most intentional way to give one or more of the ownership rights to others is through assignment or license. 35 U.S.C. § 261. Generally, agreements to transfer invention rights occurs after the invention is created. However, an inventor may transfer rights to future inventions, before the invention has even been conceived. The most common instance of agreeing to transfer ownership rights to future inventions occurs in the employment context through an employment agreement, employee handbook, or joint venture agreement. Many states provide statutes that govern these agreements. For example, California assumes that any inventor has exclusive ownership to his invention, but permits the inventor to transfer those rights through an employment agreement. CA Civil Code § 980; CA Labor Code § 2870. The statute, however, then limits what inventions may be transferred, such as those that are developed entirely on an inventor's own time, without employer's equipment, supplies, facilities, or trade secret information unless those inventions relate to the employer's business or result from work performed by the employee for the employer. CA Labor Code § 2870. Therefore, an employee should not only carefully review their employment agreements, and keep up to date on any revisions to company handbooks or policies, but should also be aware of the state statutes governing ownership rights of inventions and the assumptions imposed by those statutes.

When no written agreement exists, who owns the invention will be determined by a state's individual laws and usually balances a number of factors to determine a fair and equitable result.

For example, the inventor is generally assumed to own the invented subject matter, even if employed when it was conceived or built. *Houghton v. United States*, 23 F.2d 386, 389-390 (4th Cir. 1928). The employee may also retain ownership rights if the employee makes it clear through statements or actions that they did not intend to transfer any ownership rights just because of the employment relationship. *Banks v. Unisys Co.*, 228 F.3d 1357, 1359 (Fed.Cir. 2000). However, when an employee is employed to invent, succeeds in inventing, and uses company time and/or resources to invent, it is likely that the company will be determined the owner. *Standard Parts Co. v. Peck*, 264 U.S. 52 (1924). Determining ownership is a juggle of many considerations. Therefore, to reduce the uncertainty and associated risk, an inventor should consider including ownership provisions in any agreements with employers, joint inventors, manufacturers, contractors, or other joint venture arrangements.

Even if the inventor has been determined the owner, the inventor may still not be able to fully control all of the ownership rights. For example, in the absence of a contrary agreement, an employer may have "shop rights" if an employee uses company time and/or resources to conceive or make an invention. Shop rights give an employer a non-exclusive, non-transferable, irrevocable, royalty-free license to the invention. *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576, 1580-1581 (Fed. Cir. 1993); *United States v. Dubilier Condenser Corp.*, 289 US 188

“Even if the inventor has been determined the owner, the inventor may still not be able to fully control all of the ownership rights.”

(1933). Therefore, to maximize the ownership rights and control over an invention, an inventor should have a stated understanding of ownership whenever using another's time, equipment, and resources.

As complicated as ownership issues may become in the employment context, unfortunately, employers are not the only entity potentially involved in the inventive process. An inventor may be working with others as a joint inventor. An inventor is anyone who contributes to the conception of the invention. Board of Education ex rel. Board of Trustees of Florida State Univ. v. American Bioscience Inc., 333 F.3d 1330, 1340 (Fed. Cir. 2003). Once the inventors are determined, if there is no agreement to the contrary, each joint inventor, regardless of contribution quality or quantity, has an undivided interest in the entire patent. 35 U.S.C. 116. Therefore, each of the inventors cannot be prevented from making, using, or selling the invention by another inventor. 35 U.S.C. 262. Each inventor can transfer any of his or her interests in the patent to another person or entity. 35 U.S.C. § 261. In which case, one inventor cannot preclude an assignee of a joint inventor from making, using, or selling the entire invention.

The inventor may also be married. Depending on the state, the spouse of any of the inventors may also have an undivided interest in any patent as community property. The spouse may then assign or license ownership rights as equal owner to any patent obtained during marriage. In this case, ownership of an invention may depend on when it was conceived, built, or patented, depending on an individual state's law.

Determining who is an inventor may not always be easy. Determining who is an owner of that same invention may add even more uncertainty. The ownership rights to an invention depend

heavily on the written and implied agreements between the inventor and others. Therefore, the facts about how, when, where, and why an invention was conceived, as well as who is related to the inventor and the inventive process are of utmost importance. To reduce the uncertainty associated with patent ownership, an inventor should create a written understanding between the inventor and any other person or entity related to the inventive process to clearly identify the retention of any ownership rights in the invention. ■



About the Author

Ms. Kari Barnes is a senior associate in the firm's Intellectual Property Section focused on patent prosecution and Intellectual Property associated transactional endeavors. Ms. Barnes is proficient in patent prosecution for a wide variety of technologies, including electronic devices, computer hardware and software, networking systems and protocols, green technologies, and mechanical devices. (714) 338-1868 KBarnes@rutan.com