Employer owns invention [8]

Starting point:
Inventor owns invention [1]

Proof path: Show that inventor was any of the following:

- employee hired to invent [2]
- employee “set to experimenting” [3]
- special circumstances [4]
- valid invention agreement [5]
- State has no invention ownership law
- Prove: State law met [6]
- Empl. agrmt gives ownership to inventor? [7]

Employer has (limited) “shop rights”

No

Yes

Employer owns invention [8]

See the following page for notes.
NOTES

1. **Inventor owns invention**: This diagram assumes a single inventor; joint inventors are normally joint owners of the invention.

2. **“Hired to invent”** is often proved with a written description of job duties in an offer letter or employment agreement.

3. **“Set to experimenting” — example**: An engineer, who had no employment agreement, was assigned to head up a project to address a problem with turbine fan blades in jet engines. During the project, the engineer came up with an idea — at home — to solve the problem. He and other employees refined and tested the idea, and eventually the company filed a patent application. Later, the engineer sued for a declaration that he was the invention’s rightful owner. The appeals court rejected his claim, saying that “[h]aving directed [the engineer] to that task, compensated him for his efforts, paid for the refinement of [his idea], and paid for the patent protection, [the company] owns the patent rights” under an implied-in-fact contract. *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403, Nos. 95-1379, 95-1389 (Fed. Cir. May 7, 1996) (reversing lower-court declaratory judgment that engineer owned the patent rights).

4. **Special circumstances**: An inventor who is associated with a company as an officer, director, or principal shareholder, and whose invention relates to the company’s business, might have an equitable duty to assign the patent rights for the invention to the company. *See, e.g.*, *Kennedy v. Wright*, 676 F. Supp. 888, 893 (C.D. Ill. 1988) (collecting cases; patent infringement suit by former president of corporation against successor to corporation dismissed; successor owned equitable title to patents because of plaintiff’s fiduciary duty to assign to corporation).

5. **Valid invention-assignment agreement**: Here, the term “valid” refers simply to the usual requirements to have a valid contract, for example, offer, acceptance, and consideration, plus any applicable requirement that the agreement be in writing under the statute of frauds.

6. **State law requirements met**: A number of states limit by statute the types of inventions that an employer can require an employee to assign. In some respects, California’s employee invention-ownership statute includes perhaps the most detailed provisions. See: • Cal. Lab. Code 2870-2871; • Del. Code. Ann. 805; • 765 Ill. Code 1060; • Minn. Stat. 181.78; • N.C. Gen. Stat. 66-57.1; • Wash. Rev. Code 49.44.140.

7. **Employment agreement gives ownership to inventor**: Many companies’ employment agreements include “carve-out” provisions by which an employee can retain ownership of his or her inventions not relating to the company’s business.

8. **Employer owns the invention**: The employer, of course, may have a separate obligation to assign the invention rights to someone else, for example under a development contract.