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Your Employee's Invention: Who Owns It?

By Dirk A. Bartram

If your former employee goes to work for another company, can he take his inventions with him? Can he keep you from using them?

In *Waterjet Technology v. Flow International Corp*, a case decided by the Washington Supreme Court, a Waterjet employee quit and went to work for Flow. While at Waterjet, the employee had helped create a device for milling using high pressure waterjets containing abrasives. The invention was eventually patented, but the employee hadn't assigned his rights in the patents to Waterjet before he went to Flow. Concerned that Flow would exploit the patent, Waterjet sued Flow for infringement. Waterjet also asked the court to compel its former employee to transfer his patent rights to Waterjet.

Luckily for Waterjet, the employee had signed an employment agreement. In it, he agreed that Waterjet would own all inventions that he conceived during employment if related to Waterjet's business. The patented invention was definitely covered by the agreement, so the only question for the court was whether the agreement was enforceable. The court held that it was, and gave Waterjet ownership of the invention.

Waterjet won because the employee signed an enforceable invention agreement, but who owns the invention if the employee fails to sign?

If the invention consists of a copyrightable work like software, then the copyright belongs to the employer as long as the invention was created by the employee within the scope of his or her employment. The employee is not entitled to use the invention without the employer's consent.

But what if the invention is not copyrightable? Most non-software inventions, such as equipment, parts, machines and processes, fall into this category. In these cases, the employer's ownership may be uncertain. Employees who are hired to invent a defined product or process (e.g., scientists or engineers) generally have a duty to assign their invention rights to their employer, even absent an agreement. This duty applies to inventions that are conceived during their employment and that relate to the employer's business.

The problem arises when the employee isn't hired to invent or when the inventor is an independent contractor. These inventors are free to market the invention and to seek patents for it absent an agreement otherwise. In the case of the employee not hired to invent, the employer may acquire a limited non-exclusive right to use the invention, known as a "shop right." However, this is little solace given that the invention can be licensed or sold by the employee-inventor for a competitor's use.

The obvious way to avoid these predicaments is to have every prospective inventor sign an invention agreement, whether or not he's hired to invent. The agreement should require the employee or contractor to disclose and assign all inventions that are conceived during employment or engagement and that relate to the employer's business or research. Washington statutes place some restrictions on such agreements with employees, so they must be drafted with care. Also, to be sure they're enforceable, they should be signed at the time of hiring or in connection with a signing bonus, pay raise or other benefit.

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