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When a Promise Isn't Enough – Crafting Proper Employee Patent Assignments

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Manufacturers have an inherent interest in owning the intellectual property rights created by their employees in the course of performing their jobs. Employees are the engine that drives a manufacturer's innovations, but employees' potentially patentable innovations only become the employer's intellectual property if the proper patent assignment language is used. All employees that may develop potentially patentable innovations during the course of their employment should be required to sign contracts transferring ownership of all intellectual property rights to their employer. This may even include factory employees who submit ideas for product improvements through an employee suggestion program. However, if employee patent assignments are not carefully crafted, manufacturers may end up in a nightmare situation – believing they own a valuable patent invented by an employee when, in reality, it belongs to the employee.

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In the United States, patent rights vest in the inventor, not the inventor's employer. In order for an employer to own patent rights to innovations created by an employee, those rights must be transferred by an assignment to the employer. To do so, an employee patent assignment must contain language that clearly indicates a present transfer of all patent rights to current and future inventions from the employee to the employer. The magic words for the assignment of patent rights in employment contracts are "I do hereby assign" or other language indicating a present transfer of patent rights from the employee to the employer. A promise that the employee "agrees to assign" is not sufficient to assign the employee's patent rights to the employer. The contrast between the results of these two phrases is clearly demonstrated through two cases, *IPVenture, Inc. v. Prostar Computer, Inc.*, and *Picture Patents, LLC v. Aeropostale, Inc.*

IP Venture: Promise or Agreement to Assign in the Future Does Not Assign Employee Patent Rights to Employer

In a cautionary tale for employers, the court in *IPVenture* decided that the patent assignment language in Douglass Thomas's employment agreement was not sufficient to assign his patent rights to his employer. Thomas signed an employment agreement with Hewlett-Packard ("HP") in which "Proprietary Developments" were defined as "inventions and discoveries…that are conceived or made by me alone or with others while I am employed by HP; that relate to the research and development of…HP, or result from work performed by me for HP…are the sole property of HP" and in which Mr. Thomas stated, "I agree…to assign them to HP."

While employed by HP, Thomas filed a patent in his name for a thermal and power management system for computers. Thomas later started IPVenture, and sued several parties for infringing the patent. The defendants moved to dismiss for lack of standing, alleging that IPVenture did not own the patent.

In view of established precedent, the court determined that the "I agree…to assign" language in Thomas' employment agreement was an agreement to assign patent rights in the future and was not sufficient to assign the patent from Thomas to HP. Accordingly, Thomas was found to be the owner of the patent, not HP.

Picture Patents: Only a Present Transfer of Patent Rights Assigns Employee Patent

Rights to Employer

In contrast, *Picture Patents* provides a path for how an employer should secure the patent rights in inventions developed by their employees. Michelle Baker signed an intellectual property agreement with her employer, International Business Machines Corp. ("IBM"). The agreement stated "I hereby assign to IBM my entire right, title, and interest in any idea, invention, design…or other work of authorship" and applied to any intellectual property she created while employed by IBM that related to the actual or anticipated business of IBM. Prior to working for IBM, Baker had conceived of an improved computer and then refined the computer system during work hours and using IBM's equipment and resources. After Baker left IBM, she filed for three patents in her name for the computer system.

Baker eventually sued several parties for patent infringement. Similarly to the defendants in *IPVenture*, the defendants moved to dismiss on the grounds that IBM, not Baker, owned the patents. The court agreed with the defendants, saying that the words "I hereby assign" indicated a present assignment of current and future patent rights from Baker to IBM and that the subject matter of the patents was clearly covered by Baker's agreement with IBM. The court found that a present assignment of patent rights in a future invention not yet invented by the employee divests the employee of ownership of those patent rights; once the invention is made, ownership automatically transfers to the assignee.

Because of these and other similar decisions, employee patent assignments should include "I do hereby assign" or other language indicating a present transfer of the employee's current and future patent rights to ensure that employee-created patent rights are validly assigned to the employer. An agreement to assign in the future, as indicated by language like "I agree to assign" is not by itself sufficient to assign the employee's patents rights to the employer. Unless employee patent assignments are drafted with care, manufacturers will find themselves in the unenviable position of not owning patent rights to their employees' work.

**Please note Foley Summer Associate Lea Gulotta was a contributing author of this post. The Manufacturing Industry Advisor team thanks her for her contributions.*

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