

## WHO OWNS THE PATENT: YOU OR YOUR EMPLOYER?

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When an employee creates an invention and then patents it, who owns the patent, the employer or the employee? The general rule is that an individual owns the patent rights to the subject matter of which he or she is an inventor, even though the invention was conceived and/or reduced to practice during the course of his or her employment.

There are two exceptions to this general rule: (i) where an employee has entered into an express contract which assigns the employee's inventions to his or her employer; or (ii) where an employee is hired to invent something or to solve a particular problem.

However, simply because an individual is employed does not necessarily grant the employer ownership of the patent. If an employee's employment is "general", then ownership of the patent will belong to him/her. Each situation must be evaluated on its own set of facts.

If an employee is an officer of the employer, then typically any inventions created by him or her will be owned by the employer. This is true, even if the employee creates the invention at home and on his/her own time. This is because an officer of a corporation has a fiduciary duty to assign all inventions created by him/her to the corporation.

In contrast, if an employee is hired for general services and the employee invents something at home and on his own time, the invention is owned by the employee (regardless of any employment contract).

In one illustrative case, a court found that the employer owned the patent where: (1) the employee was tasked with the specific goal of solving the problem to which the invention's subject matter related to; (2) the employee spent 70% of his employment time on this project; (3) the employee reduced the invention to practice using the employer's resources, *i.e.*, the employer's tools and materials and (4) the employee recognized the employer's role in the development of the invention. The fourth factor was deemed the "most important" one by the court.

Even in instances where the employer does not own the employee's patent, it may have a "shop right" to use the patent on a non-exclusive, non-assignable, royalty-free

basis. A shop right entitles an employer to use, without charge, an invention patented by one of its employees without liability for infringement. In addition, the employer has a royalty-free, non-exclusive and non-assignable license to use the invention. The right is based on the employer's presumed contribution to the invention through materials, time, and equipment.

In determining whether an employer has a shop right, the following factors have been considered: (i) the contractual nature of the relationship between employer and employee; (ii) whether the employee consented to the employer's use of the invention; and (iii) whether the employee induced, acquiesced in, or assisted the employer in the use of the invention.

Therefore, in general, an employer will have shop rights in an invention in situations where the employer has financed an employee's invention by providing wages, materials, tools and a work place. Other factors creating shop rights include an employee's consent, acquiescence, inducement, or assistance to the employer in using the invention without demanding compensation or other notice of restriction.

Shop rights are not necessarily limited to the employer-employee relationship. Where an independent contractor uses a company's resources, the company may also have shop rights to the invention.

Although the employer has a shop right, the employee retains full ownership of the patent and may issue licenses or even sell the patent to third-parties. However, even where the patent is sold to a third-party, the (former) employer retains its shop rights in the patent.