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A Guide to Drafting Effective Assignments of Copyrights and Patents in Employment Agreements and Beyond – Part II

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In this two-part article, the author addresses the assignments that are necessary for employers to ensure their ownership of copyrights and patents with reasonable certainty. In the first part, which appeared in the Autumn 2021 issue of Employee Relations Law Journal, the author discusses the scope of copyright and patent protection and then authorship and copyright ownership of works made for hire; an author's moral rights for works of visual art not made for hire; the rights of termination and recapture of copyright transfers for works not made for hire; specially ordered or commissioned works of independent contractors as works made for hire; works created by an employee within the scope of employment as works made for hire; the scope of employment under an employment agreement; assignment of copyright for works not made for hire; and more. This second part continues the analysis.

EMPLOYER'S SHOP RIGHT

An employer acquires a shop right when an employee who is not hired to invent creates or develops an invention during paid working hours or with the employer's resources.¹ An employer also acquires a

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shop right when an employee who is not hired to invent consents or acquiesces to the employer's use of the invention, especially when the employee does not seek additional compensation or place restrictions on the employer's use of the invention.² The shop right applies regardless of whether the employee's use of the employer's resources occurs before or after the employee reduces an idea to practice.³

The shop right doctrine also applies to independent contractors.⁴

The shop right is an irrevocable, royalty-free, nonexclusive, and non-assignable⁵ license for the employer to use the employee's invention within the usual scope of the employer's business.⁶ A shop right attaches immediately upon the invention's creation, rather than at the later date of when the employee applies for a patent or the patent is issued, or when the invention is put to use.⁷ The shop right extends until the patent's expiration.⁸

The scope of an employer's shop right turns on the nature of the employer's business, the character of the invention and the circumstances of its creation, and the relationship, conduct, and intention of the parties.⁹ For example, when necessary to conduct the employer's business, the employer can manufacture the invention on its own or use outside contractors.¹⁰ As another example, if an employee invents a new tool that the employer uses in its manufacturing operation but does not sell, the employer can use the tool and its replacements in its manufacturing operation but cannot manufacture the tools for sale to customers.¹¹ Finally, a shop right should not extend to a new line of business, or to a new use of an invention once the employee has terminated employment or has otherwise advised the employer that the employee does not consent to the employer's use.¹²

The employee owns the invention, and once the employee obtains the patent he or she can exclude all persons other than the employer as a licensee from using it.¹³ The license provides the employer with an equitable defense against infringement claims by the employee and his or her assignees.¹⁴ Since the employer is only a licensee and does not own the invention or patent, the employer does not have the right to file a patent application or sue for infringement by third-parties.¹⁵ Furthermore, since a shop right is a nonexclusive license, the employee is free to grant a license to use the patent to third-parties, including the employer's competitors. The employer does not have any right to royalties that the employee receives from the sale or licensing of the patent.¹⁶

An employer does not have a shop right when the employer and employee have an agreement that addresses the assignment of rights to an invention,¹⁷ or an agreement for the employer to compensate the employee for the employer's use of the employee's invention.¹⁸ In these situations, the agreement preempts the employer's shop right.

In addition, an employer does not have a shop right when the employee timely advises the employer that the employee does not consent to the employer's royalty-free use of an invention.¹⁹ Finally, an employer does

not have a shop right when the employee conceives of an invention after his or her employment has terminated.²⁰

ASSIGNOR ESTOPPEL

An employee's assignment of a patent to the employer means that the employee loses patentee status. As a result, only the employer-assignee, and not the employee-assignor, can bring an action for money damages for patent infringement.²¹ Furthermore, under the doctrine of assignor estoppel there is the issue of whether the employee-assignor is estopped from asserting the affirmative defense of a patent's invalidity in an action for patent infringement. The doctrine's purpose is to prevent the unfairness of the assignor from receiving value for assignment of the patent and then later claiming to the assignee's detriment that what was assigned was worthless. Upon invalidation of the patent the assignor regains the ability to freely practice the invention.²²

The Supreme Court delineated the scope of assignor estoppel in *Minerva Surgical, Inc. v. Hologic, Inc.*,²³ a 5-4 decision with the majority opinion written by Justice Kagan, and joined in by Chief Justice Roberts and Justices Breyer, Sotomayor, and Kavanaugh. The Court held that assignor estoppel applies only when its underlying equitable principle of fair dealing comes into play. This principle demands consistency in representations about a patent's validity; what creates the unfairness is contradiction. When an assignor represents that a patent is valid, his or her later denial of validity breaches the norms of equitable dealing. The original representation may be express or implied; when a person sells his or her patent rights, he or she makes at least an implied representation to the buyer that the patent is valid and that it gives the buyer his or her sought-for monopoly.²⁴

However, when the assignor does not make an express or implied representation in conflict with an invalidity defense, there is no unfairness in allowing the assignor to assert this defense, and assignor estoppel does not apply. Accordingly, assignor estoppel applies when an invalidity defense in an infringement action conflicts with an express or implied representation made in an assignment of patent rights. Absent this conflict, an invalidity defense does not implicate fair dealing and assignor estoppel does not apply.²⁵

The Court provided the following three nonexclusive examples of noncontradiction. First, an employee assigns to an employer the rights to the future inventions that he or she develops during his or her employment. The employer then decides which, if any, of the inventions to patent. In this situation, since the invention has not come into being, the assignment contains no representation as to a patent's validity. As a result, the employee's transfer of rights does not estop the employee from asserting an invalidity defense in later litigation.²⁶

Second, a later legal development renders irrelevant the representation given at the time of assignment. This can occur when an inventor transfers a patent for value with the implied representation of the patent's validity, but the governing law then changes so that the previously valid patent becomes invalid. What was valid before is invalid today, and no principle of consistency prevents the assignor from saying so.²⁷

Third, a change in patent claims can remove the rationale for assignor estoppel. A change in claims often occurs when an inventor assigns a patent application, rather than an issued patent. The assignee, as the owner of the application, returns to the Patent and Trademark Office to enlarge the patent's claims, and the new claims may go beyond what the assignor intended to claim as patentable. When the new claims are materially broader than the old claims, the assignor did not represent the validity of the new claims. In light of the absence of this representation, the assignor can challenge the new claims in litigation.²⁸

Justice Barrett, joined by Justices Thomas and Gorsuch, dissented and argued that assignor estoppel was not statutorily permitted:

The Patent Act of 1952 sets forth a comprehensive scheme for the creation and protection of patent rights. But it nowhere mentions the equitable doctrine of assignor estoppel, which precludes inventors who file patent applications from later saying that the patent is invalid. To the contrary, where the Act does address invalidity defenses, it states that invalidity "shall" be a defense "in any action involving the validity or infringement of a patent." 35 U.S.C. §282(b). The text includes no exception for actions in which the inventor is the defendant.²⁹

Justice Alito dissented separately and argued that the Court should not have addressed the viability of assignor estoppel without deciding whether to overrule the seminal case of *Westinghouse Electric & Manufacturing Co. v. Formica Insulation Co.*, 266 U.S. 342 (1942) in which the Court unanimously approved assignor estoppel.³⁰

After *Minerva Surgical*, the employer-assignee should consider creating a basis to obtain the protection of assignor estoppel as follows. The majority opinion appears to leave open the ability for an employer-assignee to require in an employment agreement that an employee-inventor sign: (1) a separate subsequent written assignment specific to each patent application in which the employee-inventor represents that the patent application is eligible for patent protection; and (2) a subsequent confirmatory written assignment of each patent at the time of issuance of the patent in which the employee-inventor represents that the assigned patent is valid.

In addition, as long as the scope of claims aligns with the employee-inventor's invention, the employee-inventor should represent in the confirmatory assignment that the issued patent comes within the scope of the assigned invention. Furthermore, the employer-assignee should

consider using at least one broad independent claim in the first patent application so that the employee-inventor expressly assigns the narrower claims.

A more aggressive employer-assignee will also require in an employment agreement that the employee-inventor covenant: (1) in the subsequent assignment of the patent application not to assert the invalidity of any claims that issue from the application regardless of whether the claims were placed in the application before or after the employee-inventor's assignment of the patent application; and (2) in the subsequent confirmatory assignment of the issued patent not to assert the invalidity of the patent and any continuations or divisions thereof.

If an employer-assignee seeks to amend an existing employment agreement to require the employee-inventor to make the subsequent assignments, the prudent course to protect the amendment's enforceability is for the employer-assignee to give the employee-inventor additional consideration to agree to the amendment.

In light of the majority opinion's focus on equitable principles, the U.S. Court of Appeals for the Federal Circuit may reconsider its holding in *Arista Networks, Inc. v. Cisco Systems, Inc.*³¹ that assignor estoppel does not apply in inter partes validity proceedings before the Patent Trial and Appeal Board. Pending any reconsideration, an employer-assignee may wish to provide in an employment agreement a forum selection clause in which the employee-assignor waives inter partes review and consents to the exclusive jurisdiction of the federal courts to determine the validity of patents. The enforceability of such a forum selection clause is currently before the Federal Circuit in *Kannuu Pty Ltd. v. Samsung Electronics Co., Ltd.*³²

If an employer-assignee obtains the protection of assignor estoppel, the doctrine will also apply to the employee-assignor's subsequent employer when the employee and subsequent employer are in privity.³³ In this situation, the doctrine can have a deleterious effect on employee mobility.³⁴

The factors in the privity analysis are:

- (1) The assignor's leadership role at the new employer;
- (2) The assignor's ownership stake in the new employer;
- (3) Whether the new employer changed course from manufacturing noninfringing goods to infringing activity after the inventor was hired;
- (4) The assignor's role in the infringing activities;
- (5) Whether the employee-inventor was hired to start the infringing operations;

- (6) Whether the decision to manufacture the infringing product was made partly by the employee-inventor;
- (7) Whether the new employer began manufacturing the infringing product shortly after hiring the assignor; and
- (8) Whether the employee-inventor was in charge of the infringing operation.³⁵

One commentator points out that assignor estoppel likely plays a role in acquisitions known as “acqui-hires.” An acqui-hire is an acquisition by a large public technology company of a start-up so that the buyer can acquire the start-up’s key engineers. The buyer also often acquires the start-up’s patents so that they cannot be used against the buyer while it is subject to assignor estoppel.³⁶ Another commentator points out that the buyer uses an acqui-hire to avoid the start-up’s challenges to patents on inventions that the buyer develops after the acquisition. In the absence of an acqui-hire, any agreements sufficient to trigger assignor estoppel signed by the engineers while at the start-up will enable the start-up to challenge the buyer’s patents as infringing on the start-up’s patents.³⁷

PRESENT ASSIGNMENTS OF RIGHTS IN FUTURE INVENTIONS

In *DDB Technologies v. MLB Advanced Media, L.P.*,³⁸ the Federal Circuit held that since the “question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is so intimately bound up with the question of standing in patent cases,” this question is governed by federal law.³⁹ The Federal Circuit later narrowed this holding to apply only to assignments by employees.⁴⁰

The court in *DDB Technologies* found that the following language in an employment agreement was a present assignment of rights in future inventions:

3. Employee shall promptly furnish to Company a complete record of any and all technological ideas, inventions and improvements, whether patentable or not, which he, solely or jointly, may conceive, make or first disclose during the period of his employment with [Schlumberger].

4. Employee agrees to and does hereby grant and assign to Company or its nominee his entire right, title and interest in and to ideas, inventions and improvements coming within the scope of Paragraph 3:

- a) which relate in any way to the business or activities of [Schlumberger], or
- b) which are suggested by or result from any task or work of Employee for [Schlumberger], or
- c) which relate in any way to the business or activities or Affiliates of [Schlumberger],

together with any and all domestic and foreign patent rights in such ideas, inventions and improvements. Employee agrees to execute specific assignments and do anything else properly requested by [Schlumberger], at any time during or after employment with [Schlumberger], to secure such rights.⁴¹

When an assignment provides that the employee “hereby assigns” the rights to inventions, the assignment is an automatic assignment that results in a present assignment of the employee’s future inventions to the employer. The employer-assignee immediately obtains equitable title to the future inventions. Once the invention is conceived, legal title to the invention belongs to the employer-assignee, and the employee-inventor no longer has anything left to assign. Transfer of legal title to the employer-assignee occurs automatically by operation of law, and no further act of assignment by the employee-inventor is necessary.⁴²

Furthermore, in light of the language of a present assignment of expectant interests, the provision, “Employee agrees to execute specific assignments and do anything else properly requested by [Schlumberger], at any time during or after employment with [Schlumberger], to secure such rights,” was of no legal import.⁴³

When an assignment provides that the employee “agrees to assign” or “will assign” rights to inventions, the assignment is a promise to assign rights in the future.⁴⁴ It is not an automatic assignment and present transfer of expectant interests, and does not result in the transfer of legal title by operation of law once the invention is conceived. Rather, the assignment grants the assignee only equitable title upon creation of the invention.⁴⁵ A subsequent written assignment is necessary to transfer legal title.

The effect of language that inventions shall or will be the property of a particular party or shall or will belong to a particular party, and also without language of a present assignment, has produced conflicting results.⁴⁶ Accordingly, such language is best avoided.

Since federal law determines the legal effect of an assignment of patent rights to future inventions in the context of employment agreements, an employer with employees in multiple states has the benefit of a uniform standard that applies across state lines.⁴⁷ In addition, employers that

own patent rights through an effective assignment can sue for patent infringement in federal rather than state court.

The rule that the present transfer of future interests results in the automatic assignment of inventions upon conception affects the priority of assignments in successive agreements. Under *FilmTec*, priority depends on whether an assignment is a present transfer of a future interest, or an obligation to assign a future interest in the future.⁴⁸ The future interest is the patent that does not exist when the employee enters into each of the agreements. If the assignment is a present transfer, as shown by use of the word “hereby,” then the transfer to the employer is automatic when the future patent rights come into being. The rule under *Stanford* is that a present assignment trumps an obligation to assign a future interest in the future even if the present assignment is entered into after the obligation to assign a future interest in the future.⁴⁹

The Patent Act further addresses the priority of assignments through recordation in the United States Patent and Trademark Office. The Act provides that an interest acquired by an assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for valuable consideration without notice unless it is recorded within three months from its date or prior to the date of the subsequent purchase or mortgage.⁵⁰ Under this rule, a second assignee of a patent prevails over a prior unrecorded assignee if the second assignee records first without notice of the first assignment unless the first assignee records within three months of the first assignment. Thus, an assignee has a three-month grace period in which to record its transfer without the risk of being trumped by a second assignment.

In the context of employment agreements, if there is an ineffective present assignment of rights to future inventions under federal law, the assignee does not acquire legal title to the patents and cannot sue for patent infringement. For example, an employment agreement provides that the employee agrees to assign all inventions and discoveries conceived or made by the employee alone or with others while employed, and that the inventions and discoveries are the employer’s sole property.

However, if under governing state law the agreement’s language creates an effective assignment that automatically transfers ownership of the invention to the employer, the employer may find it difficult to enforce the patent. Nevertheless, federal law controls and under federal law the agreement is not an effective present assignment of patent rights. For example, assume that the employee leaves, files a patent application in the employee’s name, and receives a patent. If the employer brings an action for patent infringement, the employee can move to dismiss the action. Since the agreement did not contain an effective assignment, the employer does not have legal title to the patent and standing to sue for patent infringement.

If the employer sues to obtain legal title to the patent, the employer can find itself in a dilemma. The assignment gives the employer equitable title, which gives the employer the right to obtain legal title from the

employee.⁵¹ If the employer sues the employee for specific performance to obtain legal title, it would have to sue in state court, and state law would apply.⁵² Even if the parties are diverse and the employer sues in federal court, state law applies.⁵³ If the assignment transfers ownership to the employer under state law, the employer already has legal title. As a result, no case or controversy exists and the employee can move to dismiss the suit.

Other than the issue of whether an assignment transfers a present interest in future inventions in the context of employment agreements, state law governs the construction and interpretation of assignment agreements.⁵⁴ The application of state law is important in four situations.

First, for assignments of existing patents, especially assignments made outside the context of employment agreements, state law governs the determination of patent ownership and the construction and interpretation of assignment agreements.⁵⁵

Second, for any transfer of patent ownership by operation of law that is not an assignment under federal law, state law controls.⁵⁶

Third, for an assignment made outside the United States, foreign law controls.⁵⁷

Fourth, when an invention is not patented, state law governs the determination of its ownership. Virtually all well-drafted assignments apply to inventions that are subject to patents and those that are not. For example, the assignment agreement should define items of work product regardless of whether they are registrable under copyright, mask work, patent, service mark, or trademark statutes, and regardless of whether they are entitled to trade secret or other form of protection.

Applying two bodies of law carries the risk that the assignment will be effective under federal law but not state law, and vice versa. Therefore, an employer should use an assignment that is an effective present assignment of ownership rights to future inventions under both federal and governing state law. The employer should also provide that if the assignment is not an effective present assignment of ownership rights to future inventions in any jurisdiction, the employee shall assign the ownership rights to the employer with respect to that jurisdiction.

THE IMPORTANCE OF CONCEPTION IN ASSIGNMENTS

The critical issue under any assignment is the earliest event that triggers the assignment. For example, in *Preston v. Marathon Oil Co.*,⁵⁸ the assignment in an employment agreement defined “Intellectual Property” in pertinent part as “all inventions, discoveries, developments, writings, computer programs and related documentation, designs, ideas, and any other work product made or conceived by EMPLOYEE during the term of employment.”⁵⁹ The court held that under this language if the employee’s invention of a baffle system used in the extraction of methane gas

in coal bed methane gas wells was not both made and conceived before his employment began, the invention was automatically assigned to the employer.⁶⁰

Since the evidence showed that no physical manifestations or detailed drawings of the patented baffle system existed before employment began, the invention was not made until after employment began. Furthermore, the employee created two-dimensional drawings of the baffle system, ordered the baffle plates, and personally participated in the first installation of those baffles in the employer's wells after his employment began. Accordingly, the baffle system was covered by the assignment in the employment agreement.

The employment agreement also excluded from the employee's assignment the employee's unpatented inventions that were listed and briefly described in the agreement. The court held that this exclusion did not apply to the baffle system since "an invention necessarily requires at least some definite understanding of what has been invented."⁶¹ The evidence showed that the employee had "little more than a vague idea" of the system before he began employment.⁶²

Virtually all well-drafted assignments provide that the earliest creative event that triggers the employee's assignment is conception or the employee's contribution to conception through collaboration. If conception has not occurred, the assignment is not triggered.⁶³ The critical issue becomes the definition of conception. The classic definition is the formation in the inventor's mind of a definite and permanent idea of a complete and operative invention as the invention is to be applied in practice.⁶⁴ Conception is complete only when the idea is so clearly defined in the inventor's mind that only ordinary skill would be necessary to reduce the invention to practice without extensive research or experimentation.⁶⁵ An idea is definite and permanent when the inventor has a specific, settled idea, a particular solution to the problem at hand, not just a general goal or research plan he or she hopes to pursue.⁶⁶

Conception generally occurs regardless of whether the invention has been reduced to some tangible form, or whether it satisfies the patentability requirements of novelty and utility.⁶⁷

Since conception is a mental act, proof of conception by a putative inventor's oral testimony or the testimony of interested parties is insufficient.⁶⁸ An inventor must prove conception by corroborating objective evidence, preferably by a contemporaneous disclosure that would enable one skilled in the art to make the invention.⁶⁹ Contemporaneous documentary proof provides the strongest corroboration.⁷⁰

As a practical matter, if an invention has reached the stage of a drawing or blueprint, or entries in a lab notebook witnessed by an inventor's colleague,⁷¹ conception has likely occurred. When a scientific endeavor requires empirical investigation before an idea is definite and permanent and reduction to practice is the most definitive corroboration of conception, conception merges with reduction to practice.⁷²

In *Bio-Rad Laboratories, Inc. v. International Trade Commission*,⁷³ the court held that since two former employees conceived of an invention post-employment and not during employment, the invention did not come within a contractual assignment obligation that was limited to intellectual property developed during the term of employment. The first employment agreement required the employee to assign ideas and inventions that the employee “conceives, develops or creates alone or with the aid of others during the term of Employee’s employment with the Company.” A subsequent agreement required the employee to assign ideas and inventions that the employee “may solely or jointly conceive, develop or reduce to practice during the period of my employment by Bio-Rad.”

The court held that the assignments did not apply to an employee’s ideas developed during employment solely because the ideas ended up contributing to a post-employment patentable invention in a way that supports co-inventorship. The most straightforward interpretation of the assignment obligation was limited to subject matter that itself could be protected as intellectual property before the termination of employment regardless of whether any formal government grants needed for protection had been obtained. Until conception of a patentable invention, a person’s work that might one day turn out to contribute significantly to a later patentable invention and make the person a co-inventor was not protectable intellectual property before the patentable invention was made.⁷⁴

As shown by *Bio-Rad*, an important issue in drafting assignments is whether the assignment applies to the conception of both inventions and ideas. In *Brown v. Alcatel USA, Inc.*,⁷⁵ the court held that the term invention applied to ideas. The employment agreement required the employee to provide the employer with all information concerning any discoveries or inventions he made or conceived while employed that related to the nature of the employer’s business. The employee argued that his idea for converting computer code, known as the “Solution,” was insufficiently developed to be an invention. He had not worked out the details of its operation, nor had he put it in writing. The court rejected the employee’s argument, and relied on the employee’s memo to his immediate supervisor in which he wrote, “I have developed a method of converting machine executable binary code into high level source code form using logic and data abstractions.”⁷⁶ The lesson of *Brown* is that to show conception of an idea, courts may not require reduction of the idea to some tangible form.

Since a court may not always treat an “invention” as synonymous with an “idea,” the omission of “idea” in an assignment can deprive an employer of an idea for a new product. As shown by the Bratz doll litigation, this omission had deleterious consequences for Mattel.⁷⁷ Finally, the *Bio-Rad* decision shows that in the context of patentable inventions and an assignment obligation temporally limited to the term of employment,

the obligation does not apply to ideas that have not reached the level of conception.

JOINT INVENTORS AND ASSIGNMENTS

Conception is also critical in determining whether there are joint inventors. A joint inventor must contribute to the conception or reduction to practice of the invention.⁷⁸ Determination of the joint inventors is important because if all the inventors do not sign and jointly file a patent application, the patent is invalid.⁷⁹ An inventor cannot be excluded from the application because he or she is no longer employed by the employer filing the application.

Furthermore, each joint inventor has an equal, undivided, pro-rata ownership interest in the invention and any patent regardless of the extent of a joint inventor's contribution to conception or reduction to practice.⁸⁰ As a result, each owner of the patent can license or exploit the patent without accounting to, or obtaining the consent of, the other owners.⁸¹ In addition, a patent cannot be enforced without the consent of all its owners.⁸²

For an employer to obtain clear title to an invention, all the employee-joint inventors must assign the invention to the employer. As a matter of prudence, the employer should obtain broad present assignments of expectant interests in future inventions before any employee begins work. When the employer obtains the assignments from all the employee-joint inventors, but the patent application incorrectly identifies the inventors, the employer can correct the error by amending the patent application and thereby prevent the patent's invalidity.⁸³

If the employer does not obtain an assignment from an employee-joint inventor before the employee begins work or during the employee's employment, and needs to obtain the assignment after the employee is no longer employed, the employer runs the risk that the former employee will refuse to make the assignment. If the employer files a patent application without naming the employee as a joint inventor and including an assignment from the employee-joint inventor, and later sues for patent infringement, the defendant can assert the defense of the patent's invalidity because of the incorrect inventorship.

An individual who contributes to conception through collaboration, but does thereafter conceive of the invention, is a joint inventor.⁸⁴ Joint inventor status applies regardless of whether the invention is novel or nonobvious over a particular individual's contribution.⁸⁵ For example, collaboration can occur when an individual contributes research findings in an academic collaboration.⁸⁶

To address the situation of an employee who becomes a joint inventor through collaboration before conception, the assignment agreement

should provide that it applies to an invention conceived, reduced to practice, or acquired in part from contributions through collaboration that occurs before or concurrently with any of these events by the employee alone, under the employee's direction, or by the employee jointly or in common with others.

In addition, persons other than a company's employees can be joint inventors. Joint inventorship can occur in collaborations with an outside entity or an academic institution, or from participation by employees in trade or scientific organizations or academic or scientific journals in which robust exchanges of ideas occur. To address joint inventorship in formal collaborations, collaboration agreements should address the ownership of rights in inventions for which the collaboration contributed to a subsequently conceived invention.

AMBIGUITY AND THE BRATZ DOLL LITIGATION

When an employee's assignment is ambiguous as to its covered inventions, the employee's former employer that entered into the assignment and the employee's current employer can make conflicting claims to an invention. The litigation in *Mattel, Inc. v. MGA Entertainment, Inc.* is a classic example of an ambiguous assignment resulting in conflicting claims.⁸⁷

Mattel, the maker of the Barbie doll, entered into an employment agreement with Carter Bryant, an employee in the Barbie Collectibles department who designed fashion and hair styles for high-end Barbie dolls. The employment agreement provided, "I agree to communicate to the Company as promptly and fully as practicable all inventions (as defined below) conceived or reduced to practice by me (alone or jointly by others) at any time during my employment by the Company. I hereby assign to the Company . . . all my right, title and interest in such inventions, and all my right, title and interest in any patents, copyrights, patent applications or copyright applications based thereon."

The agreement also provided that "the term 'inventions' includes, but is not limited to, all discoveries, improvements, processes, developments, designs, know-how, data computer programs and formulae, whether patentable or unpatentable." The definition did not include ideas.

In addition, the agreement contained an exception for inventions protected under California Labor Code Section 2870, which limits an employer's ability to use an employment agreement to assign inventions that are unrelated to the employer's business, or the employer's actual or demonstrably anticipated research or development.⁸⁸

The federal district court for the Central District of California granted Mattel summary judgment on the issue of the scope of the employee's assignment. The court held that the term "invention" covered the employee's ideas for the Bratz and Jade dolls. Therefore, the absence of an assignment of "ideas" did not make a difference. On appeal, the Ninth

Circuit found that under California law the definition of invention was ambiguous, reversed the district court's grant of summary judgment, and remanded the case to the district court.

The Ninth Circuit pointed out that ideas were markedly different from most of the listed examples of inventions. Designs, processes, computer programs, and formulae are concrete, unlike ideas, which are ephemeral and often reflect bursts of inspiration that exist only in the mind. On the other hand, the agreement also listed less tangible inventions such as know-how and discoveries. In addition, the employee may have transferred rights in innovations that were not embodied in a tangible form by assigning inventions he conceived as well as those he reduced to practice.⁸⁹

The Ninth Circuit held that in light of the ambiguity, the district court judge should have considered extrinsic evidence. Moreover, even if the judge had considered extrinsic evidence, the judge may not have been able to determine the meaning of invention. If the meaning turned in part on the credibility of conflicting extrinsic evidence, a properly instructed jury should have decided the issue.

The Ninth Circuit found that the extrinsic evidence submitted at various stages of the litigation was conflicting. Other Mattel employees assigned their ideas as well as their inventions in their agreements. On the other hand, a Mattel executive testified at deposition that it was common knowledge in the design industry that terms like invention and design included an employee's ideas.

The Ninth Circuit also addressed whether the employment agreement assigned the employee's preliminary Bratz drawings and sculpt. The assignment covered inventions conceived or reduced to practice "at any time during my employment by the Company." Although the drawings and sculpt were inventions, MGA, the subsequent employer, argued that they were not covered by the assignment because the employee created them outside the scope of his employment with Mattel and on his own time. The employee wasn't tasked with creating new doll lines at Mattel; rather, he designed fashions and hair styles for Barbie Collectibles. Accordingly, the employee created the Bratz designs and came up with the names Bratz and Jade outside the scope of his employment.

The Central District of California granted Mattel summary judgment on this issue, and held that the assignment covered inventions even if they were not made during working hours so long as they were created during the time period that the employee was employed by Mattel. The Ninth Circuit reversed, and held that the phrase "at any time during my employment" was ambiguous.⁹⁰ The phrase could refer to the entire period during which the employee worked for Mattel, including nights and weekends. Yet it could also cover only those inventions created during work hours, possibly including lunch and coffee breaks.

Mattel argued that since employers were already considered the authors of works made for hire, the assignment had to cover works outside the scope of employment. Otherwise, employees would be assigning

to Mattel works that Mattel already owned. The Ninth Circuit rejected this argument, and held that the assignment provided Mattel additional rights by covering more than just copyrightable works.

Furthermore, the extrinsic evidence did not resolve the ambiguity. One employee testified that it was common knowledge that other employees were moonlighting doing other work, which was not a problem as long as it was done other their own time and at their own house. Another employee testified that everything I did while I was working for Mattel belonged to Mattel.

The Ninth Circuit held that the issue of the scope of the assignment should have been submitted to the jury with instructions to determine whether the assignment covered works outside the scope of employment at Mattel, and whether the employee's creation of the Bratz drawings and sculpt was outside the scope of employment.

In the trial on remand, the jury found that since the word ideas was missing from the assignment, Carter had not assigned his ideas to Mattel.⁹¹ The jury also found that MGA had not infringed on Mattel's copyrights by producing Bratz dolls.⁹² In addition, in the trial on remand, MGA asserted a counterclaim against Mattel for trade secret misappropriation by gaining entry to toy fairs with fake identification. The jury found for MGA on its counterclaim, and awarded it more than \$80 million in compensatory damages.⁹³

Since the jury found for MGA on Mattel's copyright claim, the district court judge awarded MGA \$105 million in attorneys' fees and \$31 million in litigation costs under the Copyright Act. In addition, with respect to MGA's counterclaim for trade secret misappropriation, the district court judge awarded MGA more than \$80 million in exemplary damages under the California Uniform Trade Secrets Act.⁹⁴

On appeal, the Ninth Circuit upheld the award of attorneys' fees and costs under the Copyright Act. However, the Ninth Circuit vacated the jury verdict on MGA's counterclaim for trade secret misappropriation and the related damages, fees, and costs. The Ninth Circuit held that MGA's counterclaim was not compulsory under the Federal Rules of Civil Procedure, and directed the district court to dismiss MGA's trade secret claim without prejudice.⁹⁵

Two commentators point out that had the employment agreement provided that all doll and toy designs were part of the employee's duties, or specified that any new products involving dolls or toys were developed for the employer's benefit, Mattel might have prevailed.⁹⁶ Furthermore, when an assignment is limited to inventions derived from the employee's work for the employer, courts are likely enforce the assignment.⁹⁷ An employer has a legitimate business interest in protecting inventions that are the fruits of its employees' efforts while working for the employer.⁹⁸

To avoid the ambiguity found by the Ninth Circuit in the language of "at any time during my employment by the Company," an assignment agreement should provide that the conception, reduction to practice, creation, development, or acquisition of work product occurs regardless

of whether any of these events occurs on the employer's time, the employee's time, or any combination thereof. In addition, the assignment agreement should provide that ideas and innovations come within the definition of work product.

A well-drafted assignment agreement should provide that the agreement applies to the conception, reduction to practice, creation, development, or acquisition of work product if any of these events arises from or relates to: (1) the employer's confidential information, equipment, facilities, offices, supplies, or other work product; (2) any project that the employee participates in or supervises for the employer; (3) any task that the employee performs or supervises for the employer; (4) any current or reasonably anticipated business of the employer; or (5) [Alternative 1: any prior, current, or reasonably anticipated research or development of the employer.] [Alternative 2: any current or reasonably anticipated research or development of the employer.] The foregoing clauses apply regardless of whether the event occurs on the employer's time, the employee's time, or any combination thereof.

STATE FREEDOM TO CREATE STATUTES

Nine states have enacted "freedom to create" statutes that generally prohibit employee assignments of inventions to the employer when:⁹⁹

- (1) The employee does not use the employer's equipment, facilities, supplies, or trade secrets;
- (2) The employee develops the invention entirely on his or her own time;¹⁰⁰
- (3) The invention does not relate to the employer's business,¹⁰¹ or actual or demonstrably anticipated research and development;¹⁰² and
- (4) The invention does not result from the employee's work for the employer.

For example, the California Labor Code provides:

§2870. Employment agreements; assignment of rights

- (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment,

supplies, facilities, or trade secret information except for those inventions that either:

- (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
 - (2) Result from any work performed by the employee for the employer.
- (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.¹⁰³

The California,¹⁰⁴ Illinois,¹⁰⁵ Kansas,¹⁰⁶ Minnesota,¹⁰⁷ and Washington¹⁰⁸ statutes require the employer to provide the employee with written notice of the statutory provision.

As to the employee's disclosure obligations to the employer, the California and New Jersey statutes provide that an employer may provide in employment agreements: (1) for disclosure of all of the employee's inventions made during the term of employment as long as the disclosures are received in confidence; (2) a review process by the employer to determine issues that may arise; and (3) full title to certain patents and inventions to be in the United States as required by contracts between the employer and the United States or any of its agencies.¹⁰⁹

The Kansas and Washington statutes require the employee to disclose, at the time of employment or thereafter, all inventions being developed by the employee, for the purposes of determining employer and employee rights in an invention.¹¹⁰

Finally, in *Whitewater West Industries, Ltd. v. Alleshouse*,¹¹¹ the court held that Section 2870(a) of the California Labor Code neither applies to post-employment inventions nor authorizes agreements that require assignment of post-employment inventions that come within the statute's exceptions.

ENFORCEABILITY OF HOLDOVER CLAUSES UNDER STATE LAW

With respect to the time period covered by an assignment, virtually all jurisdictions uphold clauses that cover inventions conceived, designed, or made during employment.¹¹²

Assignments often contain a trailer or holdover clause, which requires a former employee to assign inventions to the former employer for a

specified period after termination of employment. In the absence of a holdover clause, a former employee does not have an obligation to assign inventions conceived after termination of employment to his or her former employer.¹¹³

The policy rationale for enforcing holdover clauses is that “employees sometimes carry with them to new employers’ inventions or ideas so related to work done for a former employer that in equity and good conscience the fruits of that work should belong to the former employer.”¹¹⁴ For example, holdover clauses protect employers against the untoward situation of an employee who resigns but has not disclosed an invention conceived during employment, and then further develops the invention and obtains a patent on it.¹¹⁵

Since a holdover clause on its face does not restrict an employee’s ability to earn a living apart from the covered inventions,¹¹⁶ a number of jurisdictions do not strictly construe the clause in favor of the employee.¹¹⁷ Rather, the test for enforceability is the three-prong reasonableness test traditionally applied to restrictive covenants. This test is whether the clause: (1) protects a legitimate business interest of the employer and is not greater than necessary to protect this interest; (2) does not unduly restrict the employee’s ability to earn a living;¹¹⁸ and (3) does not adversely affect the public interest.¹¹⁹

The legitimate business interests that a holdover clause can protect are the employer’s trade secrets and confidential information.¹²⁰ In addition, in *Ingersoll-Rand Co. v. Ciavatta*,¹²¹ the court recognized the interest of an employer in highly specialized, current information not generally known in the industry as a legitimate protectable interest:

We recognize that employers may have legitimate interests in protecting information that is not a trade secret or proprietary information, but highly specialized, current information not generally known in the industry, created and stimulated by the research environment furnished by the employer, to which the employee has been “exposed” and “enriched” solely due to his employment. We do not attempt to define the exact parameters of that protectable interest.

We expect courts to construe narrowly this interest, which will be deemed part of the “reasonableness” equation. The line between such information, trade secrets, and the general skills and knowledge of a highly sophisticated employee will be very difficult to draw, and the employer will have the burden to do so. Nevertheless, we do not hesitate to recognize what appears to us a business reality that modern day employers are in need of some protection against the use or disclosure of valuable information in the employer’s business, which information is passed on to certain employees confidentially by virtue of the positions those employees hold in the employer’s enterprise.¹²²

The court also cautioned against drafting holdover clauses that applied to inventions beyond the scope of the employee's employment:

As an aid to employer's drafting future holdover agreements, we emphasize the following language of Paragraph 1(c) that applies the agreement to "inventions, copyrights and/or designs . . . if conceived as a result of and is attributable to work done during such employment and *relates to a method, substance, machine, article of manufacture or improvements therein within the scope of the business of the COMPANY or any of its affiliates.*" (emphasis added). Ingersoll-Rand has thirty divisions worldwide, so arguably the clause could apply to activities outside the scope of Ciavatta's employment but within the scope of any of those numerous divisions. We caution employers that such language appears to be overly broad, and, hence, would be unenforceable.¹²³

In *Applied Materials, Inc. v. Advanced Micro-Fabrication Equipment (Shanghai) Co.*,¹²⁴ the court found that a holdover clause in an employment agreement was unenforceable as overbroad. Furthermore, the clause's overbreadth violated Section 16600 of the California Business & Professions Code, which provides that "every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void." The clause provided:

In case any invention is described in a patent application or is disclosed to third parties by me within one (1) year after terminating my employment with APPLIED, it is to be presumed that the invention was conceived or made during the period of my employment for APPLIED, and the invention will be assigned to APPLIED as provided by this Agreement, provided it relates to my work with APPLIED or any of its subsidiaries.

The court found that the clause was overbroad for two reasons. First, the clause was not limited to inventions based on Applied's confidential information. The clause applied not only inventions based on Applied's confidential information, but also inventions relating to former Applied employees' work in the broad field of semiconductor research and manufacturing.

Second, the clause was not limited to the inventions conceived by employees while employed at Applied, but also covered any invention disclosed by the employees regardless of when or where the inventions were conceived. Assignments that required an employee to assign an invention conceived after termination of employment were unenforceable. Since the clause's overbreadth operated as a restriction on employee mobility, the clause was a post-employment restraint of trade that violated Section 16600 of the California Business & Professions Code.¹²⁵

In *Whitewater West Industries, Ltd. v. Alleshouse*,¹²⁶ the court relied on *Applied Materials* to strike down an overbroad holdover clause as a violation of the prohibition on restraints of trade under Section 16600 of the California Business & Professions Code. The court also relied on *Coverston Logic, Inc. v. Measured, Inc.*,¹²⁷ which involved a one year holdover clause that applied to inventions and discoveries that related to or resulted from the actual or anticipated business, work, research or investigation of the company. The court struck down the clause because it applied to inventions and discoveries unrelated to the company's proprietary information.

The holdover clause in *Whitewater* provided:

a. *Assignment*: In consideration of compensation paid by Company, Employee agrees that all right, title and interest in all inventions, improvements, developments, trade secrets, copyrightable or patentable material that Employee conceives or hereafter may make or conceive, whether solely or jointly with others:

- (a) with the use of Company's time, materials, or facilities; or
- (b) resulting from or suggested by Employee's work for Company; or
- (c) in any way connected to any subject matter within the existing or contemplated business of Company

shall automatically be deemed to become the property of Company as soon as made or conceived, and Employee agrees to assign to Company, its successors, assigns, or nominees, all of Employee's rights and interests in said inventions, improvements, and developments in all countries worldwide. Employee's obligations to assign the rights to such inventions shall survive the discontinuance or termination of this Agreement for any reason.

The court found that the assignment was overbroad and had a broad restraining effect that rendered it invalid under Section 16600 of the California Business & Professions Code. No trade secret or other confidential information need have been used to conceive the invention or reduce it to practice for the assignment to apply. In addition, the assignment obligation was unlimited in time and geography. The court pointed to the detrimental effect on the employee's ability to advance his career as its policy rationale for striking down the assignment:

The restraining effect of [the assignment] is evident. For a number of years, Mr. Alleshouse worked for Wave Loch in a variety of capacities involving design and implementation of water attractions. Anyone in his position would have developed useful, specialized knowledge of

the business of water attractions, wholly apart from any confidential information. Work in the same line of business was necessarily among the best and likeliest prospects for such an individual to pursue when leaving the employer.

Yet under the Agreement's assignment provision, pursuit of the very prospects for which the individual "is particularly fitted," as the Seventh Circuit noted in 1934, carries a heavy price. *Guth*, 72 F.2d at 389. A wide range of inventions made after leaving the employer, for all time, would have to be assigned to that (now former) employer. The individual, and the individual's new employer or enterprise, would lose the likely competitive benefits of the exclusivity rights provided by patents on such new inventions – or, worse, could be subject to being sued by the former employer, as assignee, for infringement of those very patents. The impairment of the individual's ability to pursue his profession, trade, or business would be significant.¹²⁸

Under this rationale, and the long judicial history of strictly construing Section 16600 in favor of employees, the court struck down the holdover clause as a violation of the prohibition on restraint of trade under Section 16600. Furthermore, under this rationale California is unlikely to recognize the interest of an employer in highly specialized, current information not generally known in the industry as a legitimate protectable interest unless the information is also confidential or proprietary.

In *Bio-Rad Laboratories, Inc. v. International Trade Commission*,¹²⁹ the court held that since two former employees conceived of an invention post-employment and not during employment, the invention did not come within the assignment obligation in their employment agreement that was limited to intellectual property developed during the term of employment. California law governed the assignment in the employment agreement, and the court, citing *Whitewater*, pointed to California's significant policy constraints on agreements that restrict former employees in the practice of their profession.

The court found that substantial questions about compliance with California's policy would be raised if an assignment's coverage could not be determined at the time of employment, but depended on an unknown range of contingent future work after the end of employment to which the employee's work with the employer might sufficiently contribute. Such an assignment might deter a former employee from pursuing future work related to the assignment's coverage, and might deter a future employer from hiring that person to work in the area.

A potential way to address the risk of overbreadth is to limit the holdover clause to the conception, reduction to practice, creation, development, or acquisition of work product that arises from or relates to the employer's confidential information or the work that the employee

performs for the employer. Finally, the duration of a holdover clause must be reasonable. A duration of one year should be enforceable.¹³⁰

NOTES

1. Classic examples of an employer's resources to develop the invention are the assistance of other employees, use of the employer's facilities or equipment, and use of the employer's time. *See, e.g., United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188-89 (1933); *Kopin v. Orange Products Inc.*, 688 A.2d 130, 139 (N.J. App. Div. 1997).

2. *Gill v. United States*, 160 U.S. 426, 436-37 (1896); *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576, 1580-81 (Fed. Cir. 1993).

3. *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576, 1582-83 (Fed. Cir. 1993); *Wommack v. Durham Pecan Co.*, 715 F.2d 962, 966, 971 (5th Cir. 1983); *Dewey v. American Stair Glide Corp.*, 557 S.W.2d 643 (Mo. App. 1977) (employer did not have a shop right in an unpatented idea that employee conceived at home and developed during lunch hours with *de minimis* use of employer's facilities; fact that the idea was not reduced to practice until employer put the device into production was irrelevant to whether the employer had a shop right).

Cf. Voith Hydro, Inc. v. Hydro West Group, Inc., 1997 WL 154400, at *8 (N.D. Cal. March 26, 1997) (employer did not have a shop right when the patented invention was neither conceived nor developed during employee's employment at Allis-Chalmers; although the employee "used some time and resources of Allis-Chalmers to work on the potential flow turbine for the Yacereta project, only one component of the invention, the wicket gates, was modeled. However, the invention was never completed, perfected or reduced to practice at Allis-Chalmers").

4. *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576, 1583 n. 15 (Fed. Cir. 1993); *Francklyn v. Guilford Packing Co.*, 695 F.2d 1158, 1160-61 (9th Cir. 1983).

5. The permissibility of the assignment of shop rights in corporate transactions is not fully resolved. *See* Sean M. O'Connor, "Hired to Invent vs. Work Made For Hire: Resolving the Inconsistency Among Rights of Corporate Personhood, Authorship, and Inventorship," 35 *Seattle University Law Review* 1227, 1240 (2012) ("[Q]uestions have arisen as to whether a shop right can survive the acquisition of the firm by another firm or any other succession of ownership in which a material change of control takes place.") (footnote omitted).

Compare Lane & Bodley Co. v. Locke, 150 U.S. 193 (1893) (corporation succeeded to the shop rights of its predecessor partnership when the corporation was to carry on the same business and at the same premises as its predecessor, and the corporation succeeded to all the assets and liabilities of its predecessor; in addition, the employee worked for both entities and permitted both entities to continuously use the invention) and *California Eastern Laboratories, Inc. v. Gould*, 896 F.2d 400, 402 (9th Cir. 1990) (shop right is transferable on a sale of all the assets of a business) and *Neon Signal Devices, Inc. v. Alpha-Claude Neon Corp.*, 54 F.2d 793 (W.D. Pa. 1931) (corporation succeeded to shop right of the Gardner Company when the corporation acquired all the assets and liabilities of the Gardner Company and continued its business, and the Gardner Company ceased business as of the date of the transfer of assets) with *Hapgood v. Hewitt*, 119 U.S. 226 (1886) (when the original corporation entitled to the shop right dissolved and the shareholders created a new corporation, the new corporation did not succeed to the shop right).

6. *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188-89 (1933) (two employees of the radio section of the Bureau of Standards did not have to assign their patents on a power amplifier to the United States as their employer; rather the United States obtained a shop right; when an employee, during his hours of employment, working with the employer's materials and appliances, conceives and perfects an invention for which the employee obtains a patent, the employee must provide the employer a nonexclusive right to use the invention; since the employee uses the employer's time, facilities, and materials to obtain a concrete result, the employer is in equity entitled to use that which embodies the employer's own property and to duplicate it as often as the employer determines appropriate in the employer's business); *Hapgood v. Hewitt*, 119 U.S. 226, 233-34 (1886); *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576, 1582-84 (Fed. Cir. 1993) (employer had a shop right to a new fly level detector when employee developed it while working for the employer; employee recommended the new detector to the employer as an alternative to the old detectors, and consented to and participated in the installation of the new detector at the employer's facilities; employee never claimed that the employer was not allowed to use the new detector without his permission, or that the employer had to compensate him for its use; before he commenced employment employee had not taken the idea of the fly level detector beyond the concept stage by producing working drawings, building a prototype, testing it, or using it in a similar application in another facility); *Larisey v. United States*, 949 F.2d 1137, 1144 (Fed. Cir. 1991); *Wommack v. Durham Pecan Co.*, 715 F.2d 962, 965 (5th Cir. 1983); *Francklyn v. Guilford Packing Co.*, 695 F.2d 1158, 1161 (9th Cir. 1983); *Lukens Steel Co. v. American Locomotive Co.*, 197 F.2d 939, 940-41 (2d Cir. 1952); *Kurt H. Volk Inc. v. Foundation For Christian Living*, 534 F. Supp. 1059, 1083-84 (S.D.N.Y. 1982); *Lotus Manufacturing Corp. v. Nelson*, 195 U.S.P.Q. (BNA) 566, 200 U.S.P.Q. (BNA) 570 (E.D.N.Y. 1977) (employer had a shop right when employee conceived of the invention prior to employment but perfected and reduced it to practice at employer's facilities, on employer's time, and with the use of employer's other employees and materials); *Kurtzon v. Sterling Industries, Inc.*, 228 F. Supp. 696, 697 (E.D. Pa. 1964); *Tin Decorating Co. of Baltimore v. Metal Package Corp.*, 29 F.2d 1006 (S.D.N.Y. 1928); *Kinkade v. New York Shipbuilding Corp.*, 122 A.2d 360 (N.J. 1956); *Kopin v. Orange Products Inc.*, 688 A.2d 130 (N.J. App. Div. 1997); *Preston v. Marathon Oil Co.*, 277 P.3d 81 (Wyo. 2012).

See also Restatement (Second) of Agency §397 cmt. b & c (1958).

See generally Robert P. Merges, "The Law and Economics of Employee Inventions," 13 *Harvard Journal of Law & Technology* 1, 19 (Fall 1999) ("Under the theory of penalty defaults, shop rights could be explained as a default that encourages firms to bargain explicitly over ownership at the outset of a relationship with an inventive employee, consultant, or contractor. To the extent that a firm prefers to own an invention outright, it would have to negotiate up front with a potential inventor who might be assigned title. (This argument holds equally well when an employee, consultant, or contractor would be what was described earlier as an 'independent inventor,' i.e., would hold full title without being subject to a shop right.) By bargaining over prospective ownership, in other words, the firm would signal to the employee, consultant, or contractor that he may be involved in important inventive work. This could be useful information during salary negotiations, for example. At a minimum, the provision informs potential inventors perhaps for the first time—that in the absence of a contract, they might have a claim to title for inventions resulting from the relationship.") (footnotes omitted); Paul M. Rivard, "Protection of Business Investments in Human Capital: Shop Right and Related Doctrines," 79 *Journal of Patent and Trademark Office Society* 753 (1997).

7. *Wellington Print Works, Inc. v. Magid*, 242 F. Supp. 614 (E.D. Pa. 1965); *Brown v. L.V. Marks & Sons Co.*, 64 F. Supp. 352 (E.D. Ky. 1946).

8. *Wiegand v. Dover Manufacturing Co.*, 292 F. 255 (N.D. Ohio 1923).
9. *Flannery Bolt Co. v. Flannery*, 86 F.2d 43, 44 (3d Cir. 1936).
10. *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576, 1583 (Fed. Cir. 1993).
11. *See Beriont v. GTE Laboratories, Inc.*, 535 F. App'x 919, 923 (Fed. Cir. 2013) (“It is, at least, likely (if not certain) that the doctrine does not extend to an employer’s sale of the patented invention to an unrelated third-party for the latter’s unfettered use, since the ‘shop right’ belongs only to the employer.”); *Pacific Coast Marine Windshields Limited v. Malibu Boats, LLC*, 2014 WL 4185297, at *10 (M.D. Fla. Aug. 22, 2014) (“Even if Malibu is factually entitled to some protection under the shop right doctrine, Malibu exceeded the scope of the shop right by enlisting a third-party to manufacture patented windshields and sell them to the public.”); 8 Donald S. Chisum, *Chisum on Patents* §22.03[3][e] (Matthew Bender 2020).
12. 8 Donald S. Chisum, *Chisum on Patents* §22.03[3][e] (Matthew Bender 2020).
13. *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188-89 (1933); *Hapgood v. Hewitt*, 119 U.S. 226, 233-34 (1886); *Western Electric Co. v. Pacent Reproducer Corp.*, 42 F.2d 116, 118 (2d Cir. 1930) (“In its simplest form, a license means only leave to do a thing which the licensor would otherwise have a right to prevent.”), *cert. denied*, 282 U.S. 873 (1930); *Kurtzon v. Sterling Industries, Inc.*, 228 F. Supp. 696, 697 (E.D. Pa. 1964); *Preston v. Marathon Oil Co.*, 277 P.3d 81 (Wyo. 2012).
14. *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188 (1933); *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576, 1580 (Fed. Cir. 1993); *Wommack v. Durham Pecan Co.*, 715 F.2d 962, 967 (5th Cir. 1983); *Ultimax Cement Manufacturing Corp. v. CTS Cement Manufacturing Corp.*, 856 F. Supp. 2d 1136 (C.D. Cal. 2012); *Marley Co. v. FE Petro, Inc.*, 38 F. Supp. 2d 1070, 1083-84 (S.D. Iowa 1998).
15. *See Lone Star Silicon Innovations LLC v. Nanya Technology Corp.*, 925 F.3d 1225, 1229 (Fed. Cir. 2019) (“If the party asserting infringement is not the patent’s original patentee, the critical determination regarding a party’s ability to sue in its own name is whether an agreement transferring patent rights to the party is, in effect, an assignment or a mere license.”) (internal quotation marks and citation omitted); *Propat International Corp. v. Rpost, Inc.*, 473 F.3d 1187, 1193 (Fed. Cir. 2007) (nonexclusive licensees do not have the right to sue for patent infringement); *Kurtzon v. Sterling Industries, Inc.*, 228 F. Supp. 696, 697 (E.D. Pa. 1964) (shop right holder cannot sue for patent infringement or join with the licensor to bring an infringement action).
16. *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576, 1580 (Fed. Cir. 1993).
17. *Jamesbury Corp. v. Worcester Valve Co.*, 443 F.2d 205, 214 (1st Cir. 1971) (when a contract allocates rights to an invention, the common law shop right is unavailable); *Oleksy v. General Electric Co.*, 2011 WL 1990444, at *7 (N.D. Ill. May 23, 2011) (shop rights apply when the terms of employment do not address assignment of intellectual property); *Marley Co. v. FE Petro, Inc.*, 38 F. Supp. 2d 1070, 1083 (S.D. Iowa 1998) (when an employment agreement provides for the assignment of inventions to the employer, the employer’s rights to inventions are determined by the assignment, and the common law shop right does not apply).
See also White’s Electronics, Inc. v. Teknetics, Inc., 677 P.2d 68 (Or. Ct. App. 1984) (electrical engineer who was hired to invent and develop improvements in employer’s product line of metal detectors had an obligation to assign inventions to his employer; employer was not entitled to a shop right).

18. *Pacific Coast Marine Windshields Limited v. Malibu Boats, LLC*, 2014 WL 4185297, at *10 (M.D. Fla. Aug. 22, 2014) (when manufacturer designed a windshield with a customer in mind, and manufacturer would not allow customer to use the invention without compensation, customer did not have a shop right); *Toner v. Sobelman*, 86 F. Supp. 369, 373-75 (E.D. Pa. 1949) (employee went to employer with an invention, a mechanical grain cutter, which the employer agreed to market and pay the employee a proportionate share of any profits; employer not entitled to a shop right); *Gross v. Diebl Specialties International, Inc.*, 870 S.W. 2d 246, 249-50 (Mo. Ct. App. 1994) (when employment agreement provided that the employer shall pay the employee a royalty for the use of his inventions and formulae, whether created or produced before or after the date employment commenced, the common law shop right did not apply); *Kopin v. Orange Products Inc.*, 688 A.2d 130, 139-40 (N.J. App. Div. 1997) (employee's quantum meruit claim based on employer's express promise to pay compensation for improvements to employer's machinery conceived by employee barred employer's shop right).

19. See *Hobbs v. United States*, 376 F.2d 488, 496 (5th Cir. 1967) (employer did not have a shop right when employee repeatedly informed employer and the government that he would not give up his patent rights without compensation); *Rentrop v. Spectrametics Corp.*, 514 F. Supp. 3d 511(S.D.N.Y. 2007) (employer did not have a shop right when employee persistently sought compensation and the parties did not come to financial terms), *aff'd*, 550 F.3d 1112 (Fed. Cir. 2008); *White Heat Petroleum Products Co. v. Thomas*, 109 A. 685, 687 (Pa. 1920) (employer did not have a shop right when employee conceived and performed preliminary work outside of his working hours and in a plant not connected with the employer; while the tool was subsequently perfected and manufactured in the employer's plant, "the labor necessary to accomplish that result was done under and subject to the completion of negotiations for a proper compensation to defendant [the employee] in the shape of a proportionate share of the profits to be derived from the manufacture and sale of the patented article;" negotiations never resulted in an agreement).

20. See *Jamesbury Corp. v. Worcester Valve Co.*, 443 F.2d 205 (1st Cir. 1971) (employment contract provided that employee assigned "all inventions or improvements which he may make while in the employ of Rockwood;" since employee did not conceive of invention until after he resigned, employer was not entitled to assignment of the invention and did not have a shop right).

21. 35 U.S.C. §281 ("A patentee shall have remedy by civil action for infringement of his patent."); *Schwendimann v. Arkwright Advanced Coating, Inc.*, 959 F.3d 1065, 1071 (Fed. Cir. 2020) (whether a person is a patentee under 35 U.S.C. §281 is a statutory prerequisite to the right to relief in a patent infringement action); *Lone Star Silicon Innovations LLC v. Nanya Technology Corp.*, 925 F.3d 1225, 1229 (Fed. Cir. 2019) ("If the party asserting infringement is not the patent's original patentee, the critical determination regarding a party's ability to sue in its own name is whether an agreement transferring patent rights to the party is, in effect, an assignment or a mere license.") (internal quotation marks and citation omitted); *Larson v. Correct Craft, Inc.*, 569 F.3d 1319, 1324-27 (Fed. Cir. 2009); *Propat International Corp. v. Rpost, Inc.*, 473 F.3d 1187, 1189 (Fed. Cir. 2007) (a suit for patent infringement must be brought by the party holding legal title to the patent); *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 240 F.3d 1016, 1017 (Fed. Cir. 2001); *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1249-50 (Fed. Cir. 2000) (only the owner of a patent, whether by issuance or assignment, can bring an action for infringement); *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991); *Vaupel Textilmaschinen v. Meccanica Euro Italia*, 944 F.2d 870, 875 (Fed. Cir. 1991) (party that assigned its entire ownership in a patent cannot sue for infringement).

22. See, e.g., *Minerva Surgical, Inc. v. Hologic, Inc.*, 2021 WL 2653205, at *9 (U.S. Sup. Ct. June 29, 2021); *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988) (“Assignor estoppel is an equitable doctrine that prevents one who has assigned the rights to a patent (or patent application) from later contending that what was assigned is a nullity. The estoppel also operates to bar other parties in privity with the assignor, such as a corporation founded by the assignor. . . . The estoppel historically has applied to invalidity challenges based on ‘novelty, utility, patentable invention, anticipatory matter, and the state of the art.’ . . . [I]t is the implicit representation by the assignor that the patent rights that he is assigning (presumably for value) are not worthless that sets the assignor apart from the rest of the world and can deprive him of the ability to challenge later the validity of the patent. To allow the assignor to make that representation at the time of the assignment (to his advantage) and later to repudiate it (again to his advantage) could work an injustice against the assignee.”) (citations omitted), *cert. dismissed*, 487 U.S. 1265 (1988); *Milwaukee Electric Tool Corp. v. Snap-On Inc.*, 271 F. Supp. 3d 990, 1023 (E.D. Wis. 2017) (assignor estoppel is intended “to prevent an assignor’s windfall – that is, profiting from selling his rights in a patent and then profiting again by invalidating the patent, thereby regaining his ability to practice the invention freely”).

23. 2021 WL 2653205 (U.S. Sup. Ct. June 29, 2021).

24. *Id.* at *10-11.

25. *Id.*

26. *Id.* at 10.

27. *Id.*

28. *Id.*

29. 2021 WL 2653205, at *13.

30. *Id.* at *11-13.

31. 908 F.3d 792 (Fed. Cir. 2018).

32. Case No. 21-1638, *on appeal from Kannuu Pty Ltd. v. Samsung Electronics Co., Ltd.*, 2021 WL 195163 (S.D.N.Y. Jan. 19, 2021) (appeal filed Feb. 9, 2021). See also *Martinez v. Bloomberg LP*, 740 F.3d 211, 217 (2d Cir. 2014) (if a forum selection clause was reasonably communicated to the resisting party, has mandatory rather than permissive force, and covers the claims and parties involved in the dispute, it is presumptively enforceable).

33. See, e.g., *MAG Aerospace Industries, Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374, 1379-80 (Fed. Cir. 2016); *Checkpoint Systems, Inc. v. All-Tag Security S.A.*, 412 F.3d 1331, 1336-37 (Fed. Cir. 2005); *Mentor Graphics Corp. v. Quickturn Design Systems, Inc.*, 150 F.3d 1374, 1378-79 (Fed. Cir. 1998); *Shamrock Technologies, Inc. v. Medical Sterilization, Inc.*, 903 F.2d 789, 793 (Fed. Cir. 1990); *Dresser, LLC v. VRG Controls, LLC*, 2019 WL 3244503 (N.D. Ill. July 18, 2019).

34. See Mark A. Lemley, “Rethinking Assignor Estoppel,” 54 *Houston Law Review* 513, 537-38 (2016) (“An inventor cannot start a company or go to work for a competitor in the same area without operating at a significant disadvantage: the inability to effectively defend a patent lawsuit filed against her new company. And that limitation applies not to ideas specifically sold by the inventor to the prior employer, but to any work the employee does that later leads to a patent, with or without her participation. Worse, the burden of this unbargained-for noncompete falls disproportionately on start-ups.

Even with the Federal Circuit's broad privity rules, an inventor who goes to work at a large existing company may not trigger assignor estoppel if she is not a manager and is cordoned off from working on projects related to her invention. That itself is socially costly: it requires hiring companies to compartmentalize employees away from their most productive work, and therefore discourages the hiring of inventive employees. But the situation is worse for start-ups. The same inventor will almost certainly be estopped if she tries to start a new company. And even if she goes to work for an existing start-up that sort of compartmentalization may be impossible as a practical matter at a new company. Further, the more productive an inventor is – the more different ideas she has – the harder it will be for her to get a job or start a company, as she will have invented in many different fields, making differentiation or compartmentalization more difficult. The effect is not that of a full noncompete – the inventor is not barred at all from employment in the field. But it raises the costs of hiring an inventor and therefore discourages employee mobility.”) (footnotes omitted).

Orly Lobel, “The New Cognitive Property: Human Capital Law and the Reach of Intellectual Property,” 93 *Texas Law Review* 789, 821-22 (March 2015) (“In practice, the assignor estoppel doctrine operates to place a former employee and his new employer at a great disadvantage compared to all other competitors because their legal defenses are dramatically diminished. Because invalidity is a major defense in patent litigation, in essence, assignor estoppel penalizes a former employee and thus creates a powerful disincentive for competitors to hire an employee who has experience in the field. Essentially, anyone who already has human capital in the hiring company's field becomes a liability for the new company. The following has become a prevalent scenario: an employee, as part of his employment agreement, assigns an invention to the firm (Firm A). The employee moves to a competing firm, Firm B. After the employee leaves Firm A, Firm A files for a patent on the former employee's inventions. This can happen without the employee's knowledge or consent regarding the claims issued and the scope of the filed patents. Frequently, claims are filed postemployment and without the former employee's control over the filed claims. During this period after the employee began working at Firm B, she works on innovation for Firm B. If Firm A sues Firm B for patent infringement, Firm B is estopped from attacking the validity of the patent because it has hired a former Firm A employee and involved the employee in the innovation in question. The perverse result is that the most productive and experienced employees, who are already engaged in inventive activities in their industry, become untouchables. The hiring of these employees who are already in the field creates an immense risk. Aberrantly, the more experienced an employee, the less employable they become. The assignment agreement coupled with the assignor estoppel doctrine becomes a de facto trailer clause, both tantamount to a postemployment noncompete.”) (footnotes omitted).

35. *MAG Aerospace Industries, Inc. v. B/E Aerospace, Inc.*, 816 F.3d 1374, 1380 (Fed. Cir. 2016); *Mentor Graphics Corp. v. Quickturn Design Systems, Inc.*, 150 F.3d 1374, 1379-81 (Fed. Cir. 1998); *Shamrock Technologies, Inc. v. Medical Sterilization, Inc.*, 903 F.2d 789, 793 (Fed. Cir. 1990); *HWB, Inc. v. Braner, Inc.*, 869 F. Supp. 579, 582 (N.D. Ill. 1994) (“[F] or purposes of privity, the relevant question is whether the assignor/inventor plays such a significant part in his new employer's operations that his new employer could not have initiated the infringing operations without the assistance of the assignor/inventor. In the absence of such a relationship, the equities do not balance in favor of applying the doctrine of assignor estoppel and preventing the new employer from asserting the defense of invalidity in response to a patent infringement suit.”).

36. Mark A. Lemley, “Rethinking Assignor Estoppel,” 54 *Houston Law Review* 513, 537 n. 125 (2016).

37. Andres Sawicki, “Buying Teams,” 38 *Seattle University Law Review* 651, 666-67 (Winter 2015) (“[I]magine that a start-up is working on a new algorithm for recommending products to members of a user’s social group. While at the start-up, the engineers conceive of the invention. It is not, however, ready for commercialization. In order to delay starting the clock on the patent term (which is measured from the day the application is filed), the start-up does not file for a patent while the team continues to refine the commercial product that will incorporate the invention. Facebook, which is working on similar projects, decides to add the start-up’s team of engineers via a group hire; whatever rights the start-up’s investors held in the engineers’ work therefore remained with the investors. One year after Facebook hires the engineers, it is prepared to launch a commercial product incorporating the invention, and files for a patent to protect it. Facebook’s decision to pursue a group hire instead of an acqui-hire will now make this patent vulnerable. The start-up’s investors, who were left in the lurch when the engineers left via a group hire, can sue to obtain ownership of the patent on the grounds that the invention falls within the terms of the invention assignment agreement the engineers had signed with the start-up. Even if the investors do not sue, Facebook’s ownership of the patent is still uncertain. If it seeks to sue a third-party for infringement, the accused infringer can defend on the basis that Facebook does not own the patent. Therefore, in order to ensure that it can use the start-up’s future patents, Facebook must obtain from the start-up the rights stemming from the invention assignment agreements. It can do so with an acqui-hire; it cannot do so with a group hire. In sum, because the investors have viable claims to existing and potential patents covering inventions produced by the team of engineers, a buyer interested in obtaining both the start-up’s engineers and its patents will have to do so by pursuing an acqui-hire instead of a group hire.”) (footnotes omitted).

38. 517 F.3d 1284 (Fed. Cir. 2008).

39. *Id.* at 1290; *accord*, *Advanced Video Technologies LLC v. HTC Corp.*, 879 F.3d 1314, 1317 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 414 (2018); *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1364 (Fed. Cir. 2010), *petition for panel rehearing and rehearing en banc denied*, 672 F.3d 1239 (Fed. Cir. 2011); *SiRF Technology, Inc. v. International Trade Commission*, 601 F.3d 1319, 1326-27 (Fed. Cir. 2010); *Imation Corp. v. Koninklijke Philips Electronics N.V.*, 586 F.3d 980, 985-86 (Fed. Cir. 2009); *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, 583 F.3d 832, 841 (Fed. Cir. 2009), *aff’d*, 563 U.S. 776, 784 n. 2 (2011) (“Because the Federal Circuit’s interpretation of the relevant assignment agreements is not an issue on which we granted certiorari, we have no occasion to pass on the validity of the lower court’s construction of those agreements.”).

See generally Mike Baniak & Todd Dawson, “Discussion of Employer Assignment Agreements After *DDB Technologies v. MLB Advanced Media*,” 7 *Northwestern Journal of Technology and Intellectual Property* 298 (2009); Shannon H. Hedvat, “A New Age of Pro-Employer Rights: Are Automatic Assignments the Standard?,” 13 *University of Pennsylvania Journal of Business Law* 817 (Spring 2011); Ian N. Feinberg, Eric B. Evans & Andrew M. Holmes, “Consequences of the Federal Circuit’s New Reliance on Federal Common Law to Interpret Patent Assignment Agreements,” 3 *Landslide* 24 (Jan./Feb. 2011).

40. *Schwendimann v. Arkwright Advanced Coating, Inc.*, 959 F.3d 1065, 1075 (Fed. Cir. 2020).

41. 517 F.3d at 1287.

42. *Preston v. Marathon Oil Co.*, 684 F.3d 1276, 1288 (Fed. Cir. 2012) (assignment clause in employment agreement that provided that employee agrees to hereby assign

all intellectual property was an express assignment of rights in future inventions that automatically assigned rights to the employer without the need for any additional act); *Imation Corp. v. Koninklijke Philips Electronics N.V.*, 586 F.3d 980, 986 (Fed. Cir. 2009); *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, 583 F.3d 832, 841-42 (Fed. Cir. 2009) (language of “I will assign and do hereby assign” was a present assignment”), *aff’d*, 563 U.S. 776, 784 n. 2 (2011) (“Because the Federal Circuit’s interpretation of the relevant assignment agreements is not an issue on which we granted certiorari, we have no occasion to pass on the validity of the lower court’s construction of those agreements.”); *SiRF Technology, Inc. v. International Trade Commission*, 601 F.3d 1319, 1326 (Fed. Cir. 2010) (language that “Employee assigns all of his or her right, interest, or title in any Invention to the Employer to the extent allowed by law” was a present assignment); *DDB Technologies, L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1290 & n. 3 (Fed. Cir. 2008); *IpVenture, Inc. v. Prostar Computer, Inc.*, 503 F.3d 1324, 1327 (Fed. Cir. 2007) (under federal law the language of “hereby assign” or “hereby grant” was necessary to contractually assign patent rights; court declined to apply California law in construing an employee assignment agreement); *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1253 (Fed. Cir. 2000) (language that inventions “shall belong” to employer, and that employee “hereby conveys, transfers, and assigns” inventions to employer was a present assignment of an expectant interest; use of the present tense usually creates a present assignment; employer obtained legal title to an invention by operation of law once the invention was made); *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1570, 1572-73 (Fed. Cir. 1991) (language of “agrees to grant and does hereby grant” was a present assignment of an expectant interest).

Picture Patents, LLC v. Aeropostale, Inc., 788 F. Supp. 2d 127, 136 (S.D.N.Y. 2011) (employee assigned to employer inventions that “relate to the actual or anticipated business or research or development of IBM or its subsidiaries;” assignment was a present assignment of a future invention and IBM held title to invention from the moment it came into being; assignment applied to inventions remotely related to computers that the employee conceived of during a holiday spent away from work and regardless of whether they related to the employee’s assigned work); *IMATEC, Ltd. v. Apple Computer, Inc.*, 81 F. Supp. 2d 471, 478 (S.D.N.Y. 2000) (language of inventor agrees to assign and hereby does assign all my rights to invention was a present assignment of an expectant interest), *aff’d*, 15 F. App’x 887 (Fed. Cir. 2001).

See generally Kenneth A. Adams, “Granting Language in Patent Licensing Agreements,” 8 *Landslide* 42, 42-43 (Jan./Feb. 2016) (“In language of performance, *hereby* signals that the act described is being accomplished by virtue of the speech act itself. You could omit *hereby*, but this use of *hereby* is consistent with standard English. If you omit *hereby* from *Acme hereby grants the Licensee a license to*, it would be clear from the context that the intended meaning isn’t that, say, Acme is in the habit of granting licenses to the Licensee. But in purely grammatical terms, one couldn’t exclude that meaning without using *hereby*. If you use *hereby* to eliminate alternative meanings, the reader doesn’t have to work as hard.”) (“The phrase *agrees to* is confusing. It could be understood as either an alternative to *shall* for imposing obligations or an alternative to *hereby* to express language of performance. So in granting language, don’t use *agrees to grant* instead of *hereby grants* – a court might hold that it constitutes a promise to grant in the future. And combining the two – *agrees to grant and hereby grants* or some variant – results in either redundancy or conflict. That might not result in a dispute, and some courts have ignored the *agrees to grant* part, but it’s nevertheless confusing and adds unnecessary extra words. One authority says it’s commonplace to use both elements if the license includes patents to be issued later on applications or inventions identified in the agreement. But

in a case involving granting language that featured both elements ('agrees to and does hereby grant and assign'), the court held that 'does hereby grant' effected an assignment of rights in future inventions. That left 'agrees to . . . grant' no role to play.") (footnotes omitted).

43. 517 F.3d at 1290 n. 3; *see also C.R. Daniels, Inc. v. Naztec International Group, LLC*, 2012 WL 1268623 (D. Md. April 13, 2012) (employment agreement provided, "I hereby agree that without further consideration to me any inventions or improvements that I may conceive, make, invent or suggest during my employment by [C.R. Daniels] . . . shall become the absolute property of [C.R. Daniels], and I will, at any time at the request of [C.R. Daniels] . . . execute any patent papers covering such inventions or improvements as well as any papers that [C.R. Daniels] may consider necessary or helpful in the prosecution of applications for patent thereon and which may relate to any litigation or controversy in connection therewith;" the language to execute patent papers and other papers that the employer may consider necessary or helpful "merely required the inventors to provide assurances that they would assist their employers with efforts to patent future inventions. It does not indicate that the immediate assignment contemplated by the employment agreements was invalid or incomplete;" in addition, the language did not refer to the future execution of assignments, but the future execution of patent papers and other papers; "Clearly, the employment agreements merely contemplated the performance of ministerial tasks necessary to obtain patents"); *EMD Crop Bioscience Inc. v. Becker Underwood, Inc.*, 750 F. Supp. 2d 1004, 1013-14 (W.D. Wis. 2010) (Bios Agriculture Inc., the co-owner of a patent with McGill University, entered into a dissolution agreement with Agribiotics Inc.; under the dissolution agreement, Agribiotics Inc. acquired Bios Agriculture and Bios conveyed, assigned, transferred, and delivered all its rights to all its property to Agribiotics, Inc.; Bios also agreed to provide any other documents necessary for more effectively and completely vesting the property and assets conveyed hereunder in Agribiotics or for the purpose of registration or otherwise; the language of "assigns" indicates that Bios had a present intent to assign its property to Agribiotics and that the dissolution agreement constitutes an actual assignment, not merely an agreement to assign in the future; "Although the dissolution agreement also includes a statement that Bios will provide any other document necessary 'for more effectively and completely vesting the property and assets conveyed hereunder in [Agribiotics Inc.] or for the purpose of registration or otherwise,' this language suggests only that Bios will perform any ministerial tasks necessary to effectuate the transfer of its assets. It does not undermine the conclusion that the dissolution was a present assignment of assets to Agribiotics Inc.").

44. *Advanced Video Technologies LLC v. HTC Corp.*, 879 F.3d 1314, 1317-18 (Fed. Cir. 2018) (language in employment agreement that employee "will assign to the Company all my right, title, and interest in and to any and all inventions" was a promise to do something in the future and did not effect a present assignment; language that employee "will hold in trust for the sole right and benefit of the Company" all inventions did not effect a transfer to the employer, and absent a transfer the employee continued to hold the invention rights as a trustee), *cert. denied*, 139 S. Ct. 414 (2018); *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1365-66 (Fed. Cir. 2010) (asset purchase agreement provided that seller shall transfer to the purchaser all right, title, and interest in patents; in light of the fact that the actual transfer was to occur by means of a separate intellectual property assignment agreement in the form to be mutually agreed upon by the parties prior to closing, the agreement was a promise to assign rights in the future; court's interpretation was bolstered by the fact that the assignment agreement contained a further assurances provision stating that seller will execute any and all further assignments as necessary to

vest in buyer any of the transferred intellectual property), *petition for panel rehearing and rehearing en banc denied*, 672 F.3d 1239 (Fed. Cir. 2011); *IpVenture, Inc. v. Prostar Computer, Inc.*, 503 F.3d 1324, 1327 (Fed. Cir. 2007) (language of “agree to assign” means an “agreement to assign” that required a subsequent written instrument of assignment); *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574, 1576, 1580-81 (Fed. Cir. 1991) (language of any inventions shall be the property of the client and all rights thereto will be assigned by the contractor was an agreement to assign inventions in the future); *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1572-73 (Fed. Cir. 1991).

Enventure Global Technology Inc. v. Weatherford U.S., L.P., 2020 WL 6144620, at *6 (S.D. Tex. June 11, 2020) (employment agreement with Shell Oil Company provided that employee will give notice to Shell of any inventions relating to Shell’s business, will assign to Shell all the employee’s rights in the invention, will execute any necessary papers in connection with securing patents thereon, and will vest in Shell all employee’s patent rights; court held that the employment agreement obligated employee to assign his rights in the patent and did not grant a present transfer or assignment of those rights without further action); *Windy City Innovations, LLC v. Facebook, Inc.*, 411 F. Supp. 3d 886, 892-93 (N.D. Cal. 2019) (agreement for AIS to develop software for UtiliCorp provided that software “shall be and remain the sole property” of UtiliCorp, and that “AIS hereby assigns to [UtiliCorp]” all intellectual property rights “pending a fair-market-value joint licensing agreement” between the parties; since assignment was expressly conditioned on the future event of entering into a joint licensing agreement that never occurred, no assignment ever occurred), *aff’d without opinion*, 835 F. App’x 610 (Fed. Cir. 2021) (Mem.); *National Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.*, 2015 WL 11251772 (W.D. Tex. Feb. 17, 2015) (asset contribution agreement for contribution of Property to limited partnership provided in section 1.1 that “Contributor agrees to transfer and convey or assign all of Contributor’s right, title, and interest in and to the Property to Partnership,” and section 1.2 provided, “Concurrently with the execution of this Agreement, Contributor shall convey, assign, and transfer the Property to the Partnership” and “shall execute and deliver any and all documents or instruments as may be required, or which may be reasonably requested, by Partnership in order to effect and memorialize such conveyance, assignment, and transfer; separate assignment document was not executed; court held that language of asset contribution agreement was not a present assignment), *aff’d on this issue and vacated on other issues*, 676 F. App’x 967 (Fed. Cir. 2017); *Rothschild v. Cree, Inc.*, 711 F. Supp. 2d 173, 182 (D. Mass. 2010) (“There is a distinction between an agreement that automatically assigns the patent as soon as the invention comes into being, and an agreement that merely creates an obligation to assign the patent in the future.”); *Freedom Wireless, Inc. v. Boston Communication Group, Inc.*, 220 F. Supp. 2d 16 (D. Mass. 2002) (employment contract provided that inventions conceived or made by the employee during employment belong to the company, and required the employee to promptly disclose the inventions and perform all actions reasonably requested by the company to establish its ownership; this provision was merely an agreement to assign the employee’s inventions at some point in the future, and not a present assignment of expectant interests).

45. *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574, 1576, 1580-81 (Fed. Cir. 1991); *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1572-73 (Fed. Cir. 1991).

46. *Compare Allergan, Inc. v. Teva Pharmaceuticals USA, Inc.*, 2017 WL 11572810, at *8-10 (E.D. Tex. Aug. 3, 2017) (employment agreement provided that all inventions “belong exclusively to the [SmithKline Beckman] Corporation,” and that employee “shall assist” with “the signing of applications for patent, assignments and other papers;” employee also agreed that “I shall have no claim for additional compensation for such

inventions;” court held that the language of “belong to the Corporation” was an automatic assignment of patent rights; the clause was in the present tense and did not assume that employee would have initial ownership rights in any invention after which she would have a contractual obligation to assign that interest to SmithKline; in addition, the employee agreed she would have no claim for compensation for transferring the rights to her invention because those rights had already been transferred to SmithKline; the clause requiring employee’s assistance with the signing of applications for patent and assignments required her assistance, not her assignment, and did not mean that the agreement contemplated that she owned rights in any inventions until she executed assignments of those rights) and *Polyzen, Inc. v. RadiaDyne, LLC*, 2016 WL 5360576, at *7 (E.D.N.C. Sept. 23, 2016) (Development & Commercialization Agreement for a rectal balloon catheter provided that the product “will remain the property of RadiaDyne;” court held that this language “arguably falls into a grey zone between the strong operative language of ‘does hereby grant,’ which unambiguously creates a present interest, and the future-focused language of ‘will be assigned,’ which creates only an equitable interest and not legal title. The most natural reading, however, creates a present legal interest in RadiaDyne in an exclusive license. ‘Will remain’ suggests that the RadiaDyne Product always has been and continues to be the property of RadiaDyne; there was no additional right that needed to be assigned when the ‘497 patent application was filed and when the ‘497 patent issued. Thus, the 2008 DCA created by operation of law an exclusive license for RadiaDyne to the claims of the ‘497 patent covered by the definition of RadiaDyne Product”) (citations omitted), *aff’d without opinion*, 726 F. App’x 819 (Fed. Cir. 2018) (Mem.) and *C.R. Daniels, Inc. v. Naztec International Group, LLC*, 2012 WL 1268623 (D. Md. April 13, 2012) (employment agreement provided, “I hereby agree that without further consideration to me any inventions or improvements that I may conceive, make, invent or suggest during my employment by [C.R. Daniels] . . . shall become the absolute property of [C.R. Daniels], and I will, at any time at the request of [C.R. Daniels] . . . execute any patent papers covering such inventions or improvements as well as any papers that [C.R. Daniels] may consider necessary or helpful in the prosecution of applications for patent thereon and which may relate to any litigation or controversy in connection therewith;” court held that this language more closely resembled the “does hereby grant” and “hereby conveys, transfers and assigns” language of *FilmTec* and *Speedplay*, respectively, rather than the “will be assigned” language of *Arachnid*,” the phrase “without further consideration” was of key importance since it showed that the agreement did not contemplate that any further act of assignment would be necessary once an invention came into being) *with Omni MedSci, Inc. v. Apple Inc.*, 7 F.4th 1148, 1152-53, and 1156 (Fed. Cir. 2021) (bylaws of University of Michigan provided, “Patents and copyrights issued or acquired as a result of or in connection with administration, research, or other educational activities conducted by members of the University staff and supported directly or indirectly (e.g., through the use of University resources or facilities) by funds administered by the University regardless of the source of such funds, and all royalties or other revenues derived therefrom shall be the property of the University;” court held that this language “is most naturally read as a statement of intended disposition and a promise of a potential future assignment, not as a present automatic transfer;” the language lacked present tense words of execution, and the “absence of an active verbal expression of present execution is a substantive indication that a present automatic assignment was not intended”); *Gellman v. Tehular Corp.*, 449 F. App’x 941, 943-44 (Fed. Cir. 2011) (contract provided that all inventions conceived or made by Mr. Seivert when performing services “shall be and remain the exclusive property of Cellular Alarm. [Mr. Seivert] agrees to execute any and all assignments or other transfer documents which are necessary, in the sole opinion of Cellular

Alarm, to vest in Cellular Alarm all right, title, and interest in such Work Products;” court held that “the word ‘remain’ indicates that Mr. Seivert’s contributions to inventions ‘remained’ in equitable status until such a time as Mr. Seivert ‘execute[d] any and all assignments or other transfer documents which are necessary . . . to vest in Cellular Alarm all right, title, and interest’ in the inventions. Otherwise, the ‘execute any and all assignments’ language in the contract is surplusage without relevant meaning”) and *Kaist IP US LLC v. Samsung Electronics Co., Ltd.*, 2018 WL 10498168, at *6-8 (E.D. Tex. Sept. 6, 2018) (Collaborative Agreements for industrial property rights provided that tangible and intangible outcomes “belong” or “shall belong” to particular parties; court held that Agreements lack some present tense form of assign, convey, transfer, or grant; the verb “belong” does not rise to an affirmative transfer of patent rights, and read in context, the language merely creates an equitable interest in portions of industrial property rights; furthermore, the use of “shall” implies a requirement of some future action).

47. See Shubha Ghosh, “Short-Circuiting Contract Law: The Federal Circuit’s Contract Law Jurisprudence and IP Federalism,” 96 *Journal of the Patent & Trademark Office Society* 536, 552 (2014).

48. *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1570, 1572-73 (Fed. Cir. 1991).

49. *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*, 583 F.3d 832, 841 (Fed. Cir. 2009), *aff’d*, 563 U.S. 776, 784 n. 2 (2011) (“Because the Federal Circuit’s interpretation of the relevant assignment agreements is not an issue on which we granted certiorari, we have no occasion to pass on the validity of the lower court’s construction of those agreements.”); Shubha Ghosh, “Short-Circuiting Contract Law: The Federal Circuit’s Contract Law Jurisprudence and IP Federalism,” 96 *Journal of the Patent & Trademark Office Society* 536, 540-41 (2014).

50. 35 U.S.C. §261.

51. *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574, 1580 (Fed. Cir. 1991); *Standard Oil Co. v. Markham*, 64 F. Supp. 656, 666-67 (S.D.N.Y. 1945).

52. *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979) (federal patent laws do not preempt state contract law “merely because the contract relates to intellectual property which may or may not be patentable.”); *First Data Corp. v. Inselberg*, 870 F.3d 1367, 1371, 1374 (Fed. Cir. 2017) (assignor’s challenge to validity of assignment of patents was a state law question that did not turn on the outcome of any federal law issue or the interpretation of a federal statute); *Jim Arnold Corp. v. Hydrotech Systems, Inc.*, 109 F.3d 1567, 1572, 1578 (Fed. Cir. 1997) (“The question of who owns the patent right and on what terms typically is a question exclusively for state courts;” a party must file a state-law based claim to obtain legal title to the patent before bringing an infringement claim).

53. *Erie Railroad Co. v. Tompkins*, 304 U.S. 64, 72-73 (1938).

54. *Intellectual Ventures I LLC v. Erie Indemnity Company*, 850 F.3d 1315, 1320 (Fed. Cir. 2017) (state law applies to contractual disputes and interpretations of patent assignment agreements); *Preston v. Marathon Oil Co.*, 684 F.3d 1276, 1285 (Fed. Cir. 2012) (state contract law governs the construction of patent assignments); *SiRF Technology, Inc. v. International Trade Commission*, 601 F.3d 1319, 1326-27 (Fed. Cir. 2010) (the question of whether an invention is “related or useful in the business of the Employer” as provided in an employment agreement is a matter of state law); *Euclid Chemical Co. v. Vector Corrosion Technologies, Inc.*, 561 F.3d 1340, 1344 (Fed. Cir. 2009) (resolution of ambiguity in patent assignment is governed by state law); *DDB Technologies, L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1290 (Fed. Cir. 2008) (the question of whether

patents “relate in any way to the activities” of the employer, or “are suggested by or result from” the employee’s work for the employer as provided in an employment agreement is governed by state law); *Mars, Inc. v. Coin Acceptors, Inc.*, 527 F.3d 1359, 1370 (Fed. Cir. 2008) (“Construction of patent assignment agreements is a matter of state contract law.”).

Motorola, Inc. v. Lemko Corp., 2012 U.S. Dist. LEXIS 2718, at *13-14 (N.D. Ill. Jan. 10, 2012) (whether an invention is “related to the actual or anticipated business activities of Motorola, or result from, or are suggested by, work which I do for Motorola” under an employment agreement is a question of state law).

55. *Schwendimann v. Arkwright Advanced Coating, Inc.*, 959 F.3d 1065, 1075 (Fed. Cir. 2020); *Enovsys LLC v. Nextel Communications Inc.*, 614 F.3d 1333, 1342 (Fed. Cir. 2010).

56. *Sky Technologies LLC v. SAP AG*, 576 F.3d 1374, 1379 (Fed. Cir. 2009) (“[S]tate law controls any transfer of patent ownership by operation of law not deemed an assignment;” Massachusetts UCC foreclosure requirements controlled), *cert. denied*, 559 U.S. 1048 (2010); *Raffel Systems, LLC v. Man Wah Holdings Ltd., Inc.*, 2020 WL 3211684, at *4 (E.D. Wis. June 15, 2020) (“[B]ecause the Patent Act does not address perfection of security interests, the mere act of the banks recording their security interests in Raffel’s patents at the USPTO did not transfer title of the patents to the banks.”).

57. *Israel Bio-Engineering Project v. Amgen, Inc.*, 475 F.3d 1256 (Fed. Cir. 2007) (Israeli law determined effect of an assignment on ownership of patent), *cert. denied*, 551 U.S. 1141 (2007).

58. 684 F.3d 1276 (Fed. Cir. 2012).

59. *Id.* at 1285.

60. *Id.* at 1286; *see also* *Applera Corp.- Applied Biosystems Group v. Illumina, Inc.*, 375 F. App’x 12, 17 (Fed. Cir. 2010) (Employee Invention Agreement required employee to assign patent rights for inventions developed during his employment unless: (1) the invention was developed entirely on his own time; (2) no equipment, supplies, facility, or trade secret of the Company was used in its development; and (3) “it does not relate to the business or actual or demonstrably anticipated research or development of the Company, or (ii) it does not result from any work performed by [him] for the Company;” “Under the plain language of the EIA, to retain his invention Dr. Macevicz need only show that his invention (1) does not relate to the business or actual or demonstrably anticipated research or development of Applera *or* (2) does not result from any work performed by Dr. Macevicz for Applera. California law requires us to construe contractual obligations ‘most strongly against the party who caused the uncertainty to exist.’ Cal. Civ. Code §1654. Here, Applera drafted the EIA. We cannot agree with Applera that the California Supreme Court would rewrite the EIA changing ‘or’ to an ‘and’ in this case”).

Motorola, Inc. v. Lemko Corp., 2012 U.S. Dist. LEXIS 2718, at *28 (N.D. Ill. Jan. 10, 2012) (employment agreement with Motorola provided that the employee hereby assigns “all my inventions, innovations, or ideas developed or conceived by me solely, or jointly with others, at any time during the term of my employment and which inventions, innovations, or ideas related to the actual or anticipated business activities of Motorola, or result from, or are suggested by, work which I do for Motorola;” language of assignment was a present transfer of an expectant interest; a reasonable jury could find that technology developed at Lemko, the subsequent employer, came within the Motorola assignment since the Lemko technology embodied inventions, innovations, or ideas related to or suggested by the employee’s work at Motorola; employee’s work at Motorola and the Lemko technology involved wireless devices capable of moving between different types of networks, and both contained several identically named and arranged components); *Picture*

Patents, LLC v. Aeropostale, Inc., 788 F. Supp. 2d 127, 136 (S.D.N.Y. 2011) (employee assigned inventions that “relate to the actual or anticipated business or research or development of IBM or its subsidiaries;” assignment applied to inventions remotely related to computers that the employee conceived of during a holiday spent away from work and regardless of whether the inventions related to the employee’s assigned work); *Freedom Wireless, Inc. v. Boston Communication Group, Inc.*, 220 F. Supp. 2d 16, 19 (D. Mass. 2002) (assignment in employment contract applied to inventions “in the Company’s methods of conducting business” conceived by the employee during employment; inventions did not relate to employer’s business when prepaid wireless billing did “not relate to the methods of conducting a business dedicated to developing satellite-based and rocket-based services”).

White Heat Petroleum Products Co. v. Thomas, 109 A. 685, 686-87 (Pa. 1920) (employee assigned every invention “relating to the manufacture of bricks, stone products, earthenware products, and analogous and collateral products which he now has or may hereafter make or acquire during the period of his employment by said stoneworks and for one year after the termination thereof;” court held that this provision did not apply to an abrasive wheel for grinding iron, steel, and other hard metals; assignment was “limited to inventions relating to the manufacture of earthenware products and do not apply to or require the assignment of patents for the manufacture of all articles made from earth or clay; consequently a tool in the nature of an abrasive wheel, although composed principally of bauxite clay, is excluded from its terms as not coming within the meaning of the words ‘earthenware products;” “[W]here the product of an inventive mind is sought to be appropriated under an agreement to assign to another, the language of the agreement must be clear and show an unmistakable intention that the particular matter covered by the invention or patent is within the intention of the parties”).

61. 684 F.3d at 1287.

62. *Id.* at 1287-88.

63. *Jamesbury Corp. v. Worcester Valve Co.*, 443 F.2d 205 (1st Cir. 1971) (employee who deliberately refrained from reducing his ideas to drawings or written description until after his resignation did not have any obligation to assign invention to employer); *New Jersey Zinc Co. v. Singmaster*, 71 F.2d 277, 279-80 (2d Cir. 1934) (employment contract provided, “All patentable ideas and devices originating with, or developed by, an employee of this Company, while in the employ of the Company, shall belong to the Company, and shall be formally assigned to the Company by the patentee;” when employee conceived of invention ten months before he resigned, he had to assign the invention’s patent to the employer; “Merely waiting until after his resignation became effective before applying for his patent and thereafter receiving the grant does not excuse the appellant from assigning to the appellee that which he conceived and labored upon, as he states, while in its employ;” when employee neither conceived nor reduced to practice improvements during his employment, employee did not have any obligation to assign patents for the improvements to the employer; “An employee is not forbidden, after leaving the services of his employer, from giving expression to inventive thoughts and ideas and indeed making improvements upon basic patents which have become the property of his former employer. Exercise of talents resulting in invention after termination of the employer-employee relationship entitles the employee to a grant of a patent and patent protection”); *Koebring Co. v. E.D. Etnyre & Co.*, 254 F. Supp. 334, 355, 362 (N.D. Ill. 1966) (employee’s rough sketches and designs were not sufficiently developed during employment to trigger the employee’s assignment obligation).

White’s Electronics, Inc. v. Teknetics, Inc., 677 P.2d 68, 72 (Or. Ct. App. 1984) (electrical engineer hired to invent new metal detector technology and whose idea for

target-identification did not crystallize into a definite form of invention until after termination of employment did not have an obligation to assign invention to his employer; “White’s argues that such a holding will encourage employed inventors deliberately to refrain from putting ideas into tangible form in order to circumvent employer’s rights. Our response is that employers could protect themselves by requiring inventors to enter into contracts that provide that the employer is entitled to any inventions conceived during the term of employment and during a reasonable period of time after termination. In fact, White’s required Payne to sign such an agreement during his first period of employment. Its failure to obtain such an agreement the second time around is fatal to its case”).

Mosser Industries, Inc. v. Hagar, 200 U.S.P.Q. (BNA) 608, 1978 WL 21734 (Pa. Ct. Com. Pl. Jan. 11, 1978) (agreement with Mosser Industries provided for assignment of any invention that the employee may conceive during his employment; court found that the employee conceived of a replaceable seat invention at Mosser Industries and not at his prior employer Rockwell Manufacturing Company; “Even though the defendant [the employee] did develop the individual elements of the invention at Rockwell, the combination of those elements into a working prototype occurred during defendant’s employment at Moser. Furthermore, the defendant did not apply for a patent on the replaceable seat invention while employed at Rockwell, but applied several years later after developing a prototype at Mosser. This indicates that the invention was not sufficiently developed to make application for a patent at the time the defendant worked for Rockwell”).

64. *Spanston, Inc. v. International Trade Commission*, 629 F.3d 1331, 1356 (Fed. Cir. 2010); *University of Pittsburgh of the Commonwealth System of Higher Education v. Hedrick*, 573 F.3d 1290, 1297-99 (Fed. Cir. 2009); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1577 (Fed. Cir. 1996); *Burroughs Wellcome Co. v. Barr Laboratories, Inc.*, 40 F.3d 1223, 1228 (Fed. Cir. 1994).

See also Mergenthaler v. Scudder, 11 App. D.C. 264, 276 (D.C. Cir. 1897) (“The conception of the invention consists of the complete performance of the mental part of the inventive act. All that remains to be accomplished, in order to perfect the act or instrument, belongs to the department of construction, not invention. It is therefore *the formation, in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is thereafter to be applied in practice*, that constitutes an available conception, within the meaning of the patent law.”).

65. *University of Pittsburgh of the Commonwealth System of Higher Education v. Hedrick*, 573 F.3d 1290, 1297-99 (Fed. Cir. 2009); *Burroughs Wellcome Co. v. Barr Laboratories, Inc.*, 40 F.3d 1223, 1228 (Fed. Cir. 1994); *Sewall v. Walters*, 21 F.3d 411, 415 (Fed. Cir. 1994).

66. *Burroughs Wellcome Co. v. Barr Laboratories, Inc.*, 40 F.3d 1223, 1228 (Fed. Cir. 1994); *Fiers v. Revel*, 984 F.2d 1164, 1169 (Fed. Cir. 1993).

67. *See Target Technology Co., LLC v. Williams Advanced Materials, Inc.*, 2007 WL 6201689, at *10-11 (C.D. Cal. Feb. 6, 2007) (under employee patent and confidential information agreement, employee assigned his “entire right, title and interest in and to each invention, technological innovation, including all rights to obtain, perfect and enforce patents and other proprietary interests therein, in which I participate during the period of my employment with DADC, whether or not during working hours, which pertain to any line of work or investigation by DADC or is aided by the use of time, material, or facilities of DADC, or in which DADC expresses an interest;” employee expressed his invention in tangible form in a twelve page patent disclosure to his attorney; invention refers to the inventor’s conception of an idea rather than its physical embodiment or reduction to practice); *Andreaggi v. Relis*, 408 A.2d 455,

464 (N.J. Ch. Div. 1979) (employment agreement required employee “to communicate promptly to the Corporation and, upon request, to assign to it all of my right, title and interest in and to any and all inventions which I may make, or with respect to which I may be a joint inventor, while in the employ of the Corporation;” when an inventor conceived the basic idea, drew the schematics for the electrical circuitry of a magnetic document processing device, assembled the hardware to do the work, and documented the means of executing the idea, there was an invention; a model did not have to be built to the point of a salable product to the end user without further work; since the reference to a coinventor necessarily implied that the work of at least one other person was necessary to complete the work, the agreement embraced rights less than ones that were fully patentable by themselves); *Morgan Adhesives Co. v. Questel*, 162 U.S.P.Q. (BNA) 61, 1969 WL 9545, at *1 (Ohio Ct. Com. Pl. May 20, 1969) (employment contract required disclosure of “all inventions made or conceived by me along all lines of the company’s work and investigations from the time of entering the company’s employ until I leave;” purpose of employee’s employment as Research Director was to discover a new method of producing pressure sensitive adhesives; very early in 1967 the employee conceived of a new process for preparation of pressure sensitive adhesives, and in June 1967 the employee left the company; less than two weeks later the employee formed a new corporation whose primary purpose was to enter the pressure adhesive field in competition with his former employer; before leaving the employee had made his idea known to third-parties and had solicited the financial backing to help him promote this idea and make it workable; court held that the employee conceived of the invention during employment; “The Court does not believe in the concept of old art as promoted by defendants. Everything in the universe is old art, to some extent, until it is reassigned and reapplied with inventive genius. Neither is the Court impressed with the proposition that an invention does not become a reality until its mechanical aspects have been successfully completed. After all, defendant’s contract does not only state inventions made, but states inventions conceived;” whether the invention was patented was immaterial).

See also *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 60, 66, 67 (1998) (“The primary meaning of the word ‘invention’ in the Patent Act unquestionably refers to the inventor’s conception rather than to a physical embodiment of that idea. The statute does not contain any express requirement that an invention must be reduced to practice before it can be patented.”) (“The word ‘invention’ must refer to a concept that is complete, rather than merely one that is ‘substantially complete.’ It is true that reduction to practice ordinarily provides the best evidence that an invention is complete. But just because reduction to practice is sufficient evidence of completion, it does not follow that proof of reduction to practice is necessary in every case.”) (proof that invention is ready for patenting may be satisfied in one of two ways; proof of reduction to practice before the critical date, or proof that before the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention).

68. *Lacks Industries, Inc. v. McKechnie Vehicle Components USA, Inc.*, 322 F.3d 1335, 1350 (Fed. Cir. 2003); *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1461 (Fed. Cir. 1998).

69. *Burroughs Wellcome Co. v. Barr Laboratories, Inc.*, 40 F.3d 1223, 1228 (Fed. Cir. 1994); *Coleman v. Dines*, 754 F.2d 353, 359 (Fed. Cir. 1985).

70. *Juicy Whip, Inc. v. Orange Bang, Inc.*, 292 F.3d 728, 743 (Fed. Cir. 2002).

71. See, e.g., *University of Pittsburgh of the Commonwealth System of Higher Education v. Hedrick*, 573 F.3d 1290, 1297-99 (Fed. Cir. 2009); *Medichem, S.A. v. Rolabo, S.L.*, 437

F.3d 1157, 1170 (Fed. Cir. 2006); *Gould v. Schaulow*, 363 F.2d 908 (C.C.P.A. 1966); see also Cynthia L. Dahl, “Intellectual Property: Ownership in a University Setting,” *University of Pennsylvania Carey Law School Public Law and Legal Theory Research Paper Series Research Paper No. 19-38*, at 12 n. 16 (2020) (“The inventor should always keep detailed lab notebooks, especially in the case of collaboration. It is important to know who contributed what detail to the invention and when so that only people that contribute to the invention as described in the patent claims end up being listed on the patent. To prove when certain elements of the inventions were invented, it is a good idea for the inventor to periodically have a third-party verify and certify the lab notebook on every page and enclose the entire notebook in an envelope signed across the seal.”) (available at <https://ssrn.com/abstract=3654312>).

72. *Compare Burroughs Wellcome Co. v. Barr Laboratories, Inc.*, 40 F.3d 1223, 1230 (Fed. Cir. 1994) (before reduction to practice Burroughs Wellcome inventors thought of the particular antiviral agent, AZT, with which they intended to treat the human immunodeficiency virus, and formulated the idea of the invention to the point that they could express it clearly in the form of a draft British patent application that would teach one skilled in the art to practice the invention; “[W]hat matters for conception is whether the inventors had a definite permanent idea of the operative inventions. In this case, no prolonged period of extensive research, experiment, and modification followed the alleged conception. By all accounts, what followed was simply the normal course of clinical trials that mark the path of any drug to the marketplace”) with *Amgen, Inc. v. Chugai Pharmaceutical Co., Ltd.*, 927 F.2d 1200, 1206 (Fed. Cir. 1991) (“[W]hen an inventor is unable to envision the detailed constitution of a gene so as to distinguish it from other materials, as well as a method for obtaining it, conception has not been achieved until reduction to practice has occurred, i.e., until after the gene has been isolated.”).

73. 996 F.3d 1302 (Fed. Cir. 2021).

74. *Id.* at 1317-18.

75. 2004 WL 1434521 (Tex. Ct. App. June 28, 2004).

76. For a trenchant critique of the *Brown* decision, see Orly Lobel, *Talent Wants to be Free* 144 (Yale University Press 2013) (“[T]he Solution at the heart of the dispute had remained in its incubation stages throughout the dispute. The idea, while valuable, was incomplete and still abstract. Brown had not worked out the details of its operation, and he had not put it in writing. The Solution never left his mind. For all of these reasons, coercing disclosure at such an early stage of innovation appears technically premature and ethically harsh. Pragmatically and, indeed, cynically, the legal result leads to the conclusion that Brown would have been better off never revealing the fact that he had an idea, but rather quitting and going off on his own to develop it. Consequently, transferring ownership of fledgling and individually conceived innovation may impede the move from conception to a full blueprint by disincentivizing the very person who possesses the foundational ingredients.”).

77. See discussion *infra* notes 87 to 98 and accompanying text.

78. *Israel Bio-Engineering Project v. Amgen, Inc.*, 475 F.3d 1256 (Fed. Cir. 2007), *cert. denied*, 551 U.S. 1141 (2007); *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1460 (Fed. Cir. 1998); *Burroughs Wellcome Co. v. Barr Laboratories, Inc.*, 40 F.3d 1223, 1227-28 (Fed. Cir. 1994).

79. 35 U.S.C. §116(a); *Egenera, Inc. v. Cisco Systems, Inc.*, 972 F.3d 1367, 1376 (Fed. Cir. 2020) (determination of inventorship is complicated for complex projects involving many

contributors at various times; who should be listed on the face of a patent may vary depending on what exactly is claimed and what exactly a court determines the claim scope to be); *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1349-50 (Fed. Cir. 1998).

80. 35 U.S.C. §116(a); *Israel Bio-Engineering Project v. Amgen, Inc.*, 475 F.3d 1256 (Fed. Cir. 2007), *cert. denied*, 551 U.S. 1141 (2007).

81. 35 U.S.C. §262; *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1468 (Fed. Cir. 1998).

82. *STC.UNM v. Intel Corp.*, 754 F.3d 940, 944-45 (Fed. Cir. 2014); *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1467-68 (Fed. Cir. 1998); *Plastronics Socket Partners Limited v. Highbrel Incorporated*, 391 F. Supp. 3d 896, 899 (D. Ariz. 2019).

83. 35 U.S.C. §256(a) (“Whenever through error a person is named in an issued patent as the inventor, or through error an inventor is not named in an issued patent, the Director may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate correcting such error.”) and 256(b) (“The error of omitting inventors or naming persons who are not inventors shall not invalidate the patent in which such error occurred if it can be corrected as provided in this section. The court before which such matter is called in question may order correction of the patent on notice and hearing of all parties concerned and the Director shall issue a certificate accordingly.”); *Egenera, Inc. v. Cisco Systems, Inc.*, 972 F.3d 1367, 1376-77 (Fed. Cir. 2020).

See also Larson v. Correct Craft, Inc., 568 F.3d 1319, 1325-27 (Fed. Cir. 2009) (one who assigns rights in invention lacks constitutional standing to bring a Section 256 suit); *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1461 (Fed. Cir. 1998) (allegedly omitted co-inventors must prove their contribution to the conception of the patented claims by clear and convincing evidence).

84. 35 U.S.C. §116(a); *Dana-Farber Cancer Institute, Inc. v. Ono Pharmaceutical Co., Ltd.*, 964 F.3d 1365, 1370-71 (Fed. Cir. 2020).

85. *Dana-Farber Cancer Institute, Inc. v. Ono Pharmaceutical Co., Ltd.*, 964 F.3d 1365, 1372 (Fed. Cir. 2020).

86. *Id.* at 1371-74; *see also Kimberly-Clark Corp. v. Procter & Gamble Distributing Co.*, 973 F.2d 911, 917 (Fed. Cir. 1992) (“For persons to be joint inventors under Section 116, there must be some element of joint behavior, such as collaboration or working under common direction, one inventor seeing a relevant report and building upon it or hearing another’s suggestion at a meeting.”).

Cf. Hess v. Advanced Cardiovascular Systems, Inc., 106 F.3d 976, 981 (Fed. Cir. 1997) (explaining the state of the art and providing well-known information found in textbooks is insufficient for joint inventorship).

87. 616 F.3d 904 (9th Cir. 2010).

88. *See* discussion of California Labor Code Section 2870 *infra* notes 103 to 111 and accompanying text.

89. *See* Orly Lobel, *You Don’t Own Me* 156-57 (Norton 2017) (“Ivy Ross [a senior vice president at Mattel and Carter Bryant’s boss] testified [at trial] that naturally creative people like herself are hired for their ideas. Carter too, she insisted, owed his former employer all of his ideas. Ross pointed to the literal interpretation of the contract, especially the word *conceived*, which appeared in the assignment clause. ‘Conceived is anything you think of,’ Ross explained to the court, ‘so there are times when, as a creative person, you think – you’re

on 24/7 – you think of things that relate to your industry, not necessarily when you’re even just at work.’ She herself, she told the jury, had often been inspired outside of work and brought her ideas to the company: ‘When I was at Coach handbags, I was in an airplane and I was looking at the way the propeller spins, and I thought to myself that would make an incredible lock on a handbag. So that was something I conceived of while in an airplane on my own time but employed by Coach. So I walked in on Monday and played with that idea.’ She testified that, as a creative, you just can’t shut your mind off. When your ideas relate to your employer’s business, regardless of whether you think of them on your own time – in the shower, on an airplane – they are owned by the company.”).

See also Motorola, Inc. v. Lemko Corp., 2012 U.S. Dist. LEXIS 2718, at *35-36 (N.D. Ill. Jan. 10, 2012) (employment agreement with Motorola provided that employee hereby assigns “all my inventions, innovations, or ideas developed or conceived by me solely, or jointly with others, at any time during the term of my employment and which inventions, innovations, or ideas related to the actual or anticipated business activities of Motorola, or result from, or are suggested by, work which I do for Motorola;” a reasonable jury could find that patents obtained by Lemko, the subsequent employer, came from ideas that the employee developed or conceived while employed at Motorola).

90. *See also Georgia-Pacific Corp. v. Lieberam*, 959 F.2d 901 (11th Cir. 1992) (in 1985 Lieberam worked for Georgia-Pacific on a student visa that allowed him to work on a temporary, six month basis, and then returned to Germany; in November 1986 he came back to the United States to work for Georgia-Pacific on a temporary visa, and originated an improved condenser system the design of which was contained in a report entitled “Design of the Condenser–System;” Lieberam’s employment and temporary visa expired in September 1987; after reviewing the report, Georgia-Pacific offered Lieberam permanent employment, which he accepted; on October 2, 1987, before his permanent employment began, Lieberam signed the Invention Agreement; Lieberam obtained a permanent visa and in January 1988 began work for Georgia-Pacific; the Invention Agreement provided, “Any invention, improvement, or discovery, whether or not patentable, that relates to past or present business of Georgia-Pacific (including research and evaluation), which I may conceive or make, either alone or in conjunction with others, during my employment by Georgia-Pacific or within six months immediately thereafter, shall be the sole and exclusive property of Georgia-Pacific;” court held that the language “during my employment” was ambiguous as to whether it applied retrospectively and prospectively and covered the condenser, or only prospectively and did not cover the condenser; extrinsic evidence may be examined to determine the parties’ intent when they signed the Invention Agreement).

Cf. Andreaggi v. Relis, 408 A.2d 455, 460 (N.J. Ch. Div. 1979) (employment agreement required employee “to communicate promptly to the Corporation and, upon request, to assign to it all of my right, title and interest in and to any and all inventions which I may make, or with respect to which I may be a joint inventor, while in the employ of the Corporation;” court held that the term “while in the employ of the Corporation” defined the inventions that are intended to be conveyed, and did not limit the time period in which an assignment must be requested or forever lost; “[A] construction of the contract language that the employer had to request an assignment of a coinventor’s right to patents before the employee left its employ would be impractical. A review of the cases as well as the testimony in this case show that there is mobility between employers by those working on inventions”).

91. Orly Lobel, *You Don’t Own Me* 233-34 (Norton 2017).

92. *Id.* at 234.

93. *Id.* at 234-35.

94. *Id.* at 235.

95. *Mattel, Inc. v. MGA Entertainment, Inc.*, 705 F.3d 1108 (9th Cir. 2013).

96. Jon M. Garon & Elaine D. Ziff, “The Work Made for Hire Doctrine Revisited: Startup and Technology Employees and the Use of Contracts in a Hiring Relationship,” 12 *Minnesota Journal of Law, Science & Technology* 489, 509-10 (Spring 2011).

97. *See, e.g., St. John’s University v. Bolton*, 757 F. Supp. 2d 144, 162 (E.D.N.Y. 2010).

98. *See Milliken & Co. v. Morin*, 731 S.E.2d 288 (S.C. 2012); *Grocera v. General Hospital Corp.*, 2012 Mass. Super. LEXIS 206, at *12-13 (Mass. Super. Ct. July 12, 2012).

99. California Labor Code Section 2870; Delaware Code Title 19 Section 805; Illinois 765ILCS1060/1-3; Kansas Statutes Section 44-130; Minnesota Statutes 13A Section 181.78; New Jersey Statutes Annotated Section 34:1B-265; North Carolina General Statutes Article 10A, Chapter 66, Commerce and Business, Section 66-57.1; Utah Code Sections 34-39-1 through 34-39-3; Washington Rev. Code, Title 49 RCW: Labor Regulations, Chapter 49.44.140.

See generally Parker A. Howell, “Whose Invention Is It Anyway? Employee-Invention Assignment Agreements and Their Limits,” 8 *Washington Journal of Law, Technology & Arts* 79 (Fall 2012); Orly Lobel, “The New Cognitive Property: Human Capital Law and the Reach of Intellectual Property,” 93 *Texas Law Review* 789, 823-24 (March 2015); Donald J. Ying, “A Comparative Study of the Treatment of Employee Inventions, Pre-Invention Assignment Agreements, and Software Rights,” 10 *University of Pennsylvania Journal of Business & Employment Law* 763 (2008).

100. *Iconix, Inc. v. Tokuda*, 457 F. Supp. 2d 969, 989-90, 1003 (N.D. Cal. 2006) (employer’s computers contained files relating to employees’ new, competing venture, source code for their new website, a database of users of the new website, and a bridge loan term sheet for the new venture).

101. *See Cadence Design Systems, Inc. v. Bhandari*, 2007 U.S. Dist. LEXIS 83078 (N.D. Cal. Nov. 8, 2007) (under California Labor Code Section 2870, the term “related to” is construed broadly to cover any invention within the general scope of the employer’s business, and is not limited to the division in which the employee worked; the exceptions for inventions that relate to the employer’s business or research and development, and work performed for the employer, operate independently; employee’s invention of computer-aided techniques for making integrated circuits improved the quality and cost-effectiveness of the employer’s products); *Iconix, Inc. v. Tokuda*, 457 F. Supp. 2d 969, 992 (N.D. Cal. 2006) (courts interpreting employee assignment agreements under California Labor Code Section 2870 have construed the “related to” phrase broadly); *Cubic Corp. v. Marty*, 229 Cal. Rptr. 828, 836 (Ct. App. 1986) (“[W]e construe the statutory language [of California Labor Code Section 2870] to cover both the situation where the invention comes within the scope of the employer’s business (actual or demonstrably anticipated) and the situation where the invention was not within the usual scope of the employer’s business but resulted from the work the employee did for the employer. If either situation is present, then the employer has a right to the invention under an assignment agreement.”).

102. *See Eaton Corp. v. Giere*, 971 F.2d 136, 140 (8th Cir. 1992) (employee’s invention applied to snow blowers and riding mowers smaller than the ones fitted with the employer’s product; Minnesota statute did not prevent assignment of the employee’s invention to

the employer because the latter market was an area of actual or demonstrably anticipated research and development; as a result of his work on similar products for the employer, employee saved substantial time and money on research, development, and testing of his invention; employee's work on the invention at home and after work hours was "of little relevance"), *cert. denied*, 506 U.S. 1034 (1992).

103. California Labor Code Section 2870; *Iconix, Inc. v. Tokuda*, 457 F. Supp. 2d 969, 992 (N.D. Cal. 2006) (assignments of inventions are enforceable in three independent scenarios: (1) the invention was developed using the employer's time or resources; (2) the invention relates to the employer's business or actual or demonstrably anticipated research or development; or (3) the invention resulted from work performed by the employee for the employer).

104. California Labor Code Section 2872. *See generally* Andrew Boling & Alexis Hawley, "Strategies for Negotiating, Drafting, and Reviewing Enforceable Employment Agreements," in *Negotiating and Drafting Employment Agreements* 7, 15-16 (Aspatore 2015-2016 ed.) ("[E]mployers may overlook the necessity to address geographical legal idiosyncrasies. For example, a New York company may decide to use its standard New York agreement for employees in California, and in so doing may render its IP assignment clause unenforceable, since California has special rules for describing IP ownership and requires the employer to provide certain warnings to the employee. Alternatively, the New York agreement may include non-compete provisions, which are not enforceable in California, leaving the employer unprotected.").

105. Illinois 765ILCS1060/2.

106. Kansas Statutes Section 44-130(c).

107. Minnesota Statutes 13A Section 181.78(3).

108. Washington Rev. Code, Title 49 RCW: Labor Regulations, Chapter 49.44.140(3); *Waterjet Technology, Inc. v. Flow International Corp.*, 996 P.2d 598 (Wash. 2000) (en banc) (employer can use the employment agreement to provide the required statutory notice; remedy for inadequate notice is to strike the overreaching portions of the agreement as against public policy; if the notice is inadequate, but the assignment otherwise satisfies the statute's requirements, the assignment is enforceable).

109. California Labor Code Section 2871; New Jersey Statutes Annotated Section 34:1B-265b.

110. Kansas Statutes Section 44-130(d); Washington Rev. Code, Title 49 RCW: Labor Regulations, Chapter 49.44.150.

111. 981 F.3d 1045 (Fed. Cir. 2020).

112. *Patent & Licensing Corp. v. Olsen*, 188 F.2d 522, 525 (2d Cir. 1951); *Paley v. Du Pont Rayon Co.*, 71 F.2d 856, 858 (7th Cir. 1934); *Goodyear Tire & Rubber Co. v. Miller*, 22 F.2d 353, 355 (9th Cir. 1927); *Conway v. White*, 9 F.2d 863, 866 (2d Cir. 1925) ("The contract in this case did not lack consideration, and its plain intent was protection of the business in which the company was engaged. It was not an agreement to assign in gross the defendant's future labors as an inventor, but only the inventions and discoveries made during the term of his employment, and which in any way might affect the articles manufactured by the company, and which were used or capable of being used in the business. There was nothing in the agreement which was unreasonable, or which rendered it invalid or unconscionable.").

Bandag, Inc. v. Morenings, 146 N.W.2d 916 (Iowa 1966); *Misani v. Ortho Pharmaceutical Corp.*, 210 A.2d 609 (N.J. 1965), *cert. denied and appeal dismissed*, 382 U.S. 203 (1965); *Cabill v. Regan*, 157 N.E.2d 505 (N.Y. 1959).

113. See *Jamesbury Corp. v. Worcester Valve Co.*, 443 F.2d 205 (1st Cir. 1971) (employment contract provided that employee assigned “all inventions or improvements which he may make while in the employ of Rockwood;” since employee did not conceive of invention until after he resigned, employer was not entitled to assignment of the invention and did not have a shop right); *New Jersey Zinc Co. v. Singmaster*, 71 F.2d 277, 279-80 (2d Cir. 1934) (employment contract provided, “All patentable ideas and devices originating with, or developed by, an employee of this Company, while in the employ of the Company, shall belong to the Company, and shall be formally assigned to the Company by the patentee;” when the employee neither conceived nor reduced to practice improvements during his employment, the employee did not have any obligation to assign patents for the improvements to the employer; “An employee is not forbidden, after leaving the services of his employer, from giving expression to inventive thoughts and ideas and indeed making improvements upon basic patents which have become the property of his former employer. Exercise of talents resulting in invention after termination of the employer-employee relationship entitles the employee to a grant of a patent and patent protection”).

SinoMab Bioscience Ltd. v. Immunomedics, Inc., 2009 WL 1707891, at *14-15 (Del. Ch. June 16, 2009) (Strine, V.C.) (under Assignment and Confidentiality Agreement, employee assigned “all ideas, inventions, discoveries, and improvements (whether or not patentable or subject to copyright protection) which I make, originate, conceive, or reduce to practice during my employment with [Immunomedics];” employee did not have any obligation to assign an idea conceived of after termination of employment); *Dow Chemical Co. v. American Bromine Co.*, 177 N.W. 996 (Mich. 1920) (employment agreement required employee to assign all patents relating to bromine production; former employee did not have any obligation to assign invention conceived and patented after termination of employment).

See also *Hopedale Machine Co. v. Entwistle*, 133 Mass. 443, 444 (1882) (employment agreement that granted the employer rights to the employee’s invention developed during employment did not apply after the agreement expired regardless of whether portions of the invention were developed before expiration); *White’s Electronics, Inc. v. Teknetics, Inc.*, 677 P.2d 68 (Or. Ct. App. 1984) (electrical engineer hired to invent new metal detector technology and whose idea for target-identification did not crystallize into a definite form of invention until after termination of employment did not have any obligation to assign invention to his employer).

114. *Dorr-Oliver, Inc. v. United States*, 432 F.2d 447, 452 (Cl. Ct. 1970); see also Orly Lobel, *Talent Wants to be Free* 147 (Yale University Press 2013) (“Economists fear that granting employees too much freedom to leave their employer and independently engage in inventions based on what they’ve learned would lower a company’s investments in human capital. Conversely, we intuitively understand that permitting overly restrictive holdover clauses will stifle competition and prevent talented inventors from fully practicing their trade and developing their ideas, thus harming the interests of the general public. The bottom line of the dilemma is, you can tell opposite stories in which important ideas are never born because of either too much control or too much freedom.”).

115. See *White’s Electronics, Inc. v. Teknetics, Inc.*, 677 P.2d 68, 72 (Or. Ct. App. 1984) (electrical engineer hired to invent new metal detector technology and whose idea for target-identification did not crystallize into a definite form of invention until after termination of employment did not have an obligation to assign invention to his employer; “White’s argues that such a holding will encourage employed inventors deliberately to

refrain from putting ideas into tangible form in order to circumvent employer's rights. Our response is that employers could protect themselves by requiring inventors to enter into contracts that provide that the employer is entitled to any inventions conceived during the term of employment and during a reasonable period of time after termination. In fact, White's required Payne to sign such an agreement during his first period of employment. Its failure to obtain such an agreement the second time around is fatal to its case"); Restatement of Employment Law §8.11 cmt. d (2016) (holdover clauses "allow employers to limit the ability of inventive employees to quit immediately after creating a valuable invention and falsely claim to have created the invention after the relationship ended. Such clauses must be reasonably limited in duration and scope to allow research-and-development employees to remain mobile").

116. *Universal Winding Co. v. Clarke*, 108 F. Supp. 329 (D. Conn. 1952); *Milliken & Co. v. Morin*, 731 S.E.2d 288 (S.C. 2012).

117. See, e.g., *NovelAire Technologies, L.L.C. v. Harrison*, 50 So. 3d 913, 919 (La. Ct. App. 2010); *Ingersoll-Rand Co. v. Ciavatta*, 542 A.2d 879, 892 (N.J. 1987) (the employer's interest will generally weigh more heavily than the employee's when the employer's trade secrets and confidential information are at stake); *Milliken & Co. v. Morin*, 731 S.E.2d 288 (S.C. 2012).

118. *Ingersoll-Rand Co. v. Ciavatta*, 542 A.2d 879, 894 (N.J. 1987) (under a holdover clause an employee is at risk of losing the ability to pursue his or her research expertise).

119. *Dorr-Oliver, Inc. v. United States*, 432 F.2d 447, 452 (Cl. Ct. 1970); *Campbell Soup Co. v. ConAgra, Inc.*, 801 F. Supp. 1298, 1306 (D.N.J. 1991); *GTI Corp. v. Calhoon*, 309 F. Supp. 762, 767-69 (S.D. Ohio 1969); *Universal Winding Co. v. Clarke*, 108 F. Supp. 329, 332 (D. Conn. 1952); *Revere Transducers, Inc. v. Deere & Co.*, 595 N.W.2d 751, 761-62 (Iowa 1999); *Ingersoll-Rand Co. v. Ciavatta*, 542 A.2d 879, 892 (N.J. 1987) (court declined to enforce a holdover clause for assignment of a patent on a friction stabilizer that the former employee conceived of after termination of employment; the employee was not hired to invent or work on design improvements of a split set friction stabilizer, and did not work in the employer's research and development department; all the specifications and capabilities of the employer's split set stabilizer were widely publicized in the industry and trade publications; the general design of the friction stabilizer of the employer's leading competitor was identical to the general design of the employer's product; the former employee was involuntarily terminated without cause, and his departure and subsequent invention showed that he did not purposefully leave to develop a competing product on the basis of the knowledge he gained from his employment; the former employee conceived of his invention post-termination while installing a light fixture at his home; "While Ciavatta employed certain skills and knowledge he undoubtedly gained during his employment by Ingersoll-Rand, his invention was not the result of any research currently being done by the company or any company research in which he was personally involved. Indeed, the technology Ciavatta employed was developed over fifty years ago and well known in the industry. Nor did he use any of Ingersoll-Rand's capital or materials in the development of his invention"); *Milliken & Co. v. Morin*, 731 S.E.2d 288 (S.C. 2012).

Cf. Peter Caldwell, "Employment Agreements for the Inventing Worker: A Proposal for Reforming Trailer Clause Enforceability Guidelines," 13 *Journal of Intellectual Property Law* 279, 298-99, 302 (2006) ("[A] trailer clause serves simultaneously as an invention assignment and as a nondisclosure restriction. That is to say, an invention assignment provision cannot be divorced from the confidential information underlying the invention itself. Inventing in violation of a trailer clause is more analogous to the expropriation of

confidential information than setting up a business to compete with one's employer. This analogy supports our rationale that the best test of trailer clause enforceability should resemble that used for confidential information/trade secret enforceability (rather than the less relevant noncompetition test);" accordingly, the clause's duration and geographic scope are largely irrelevant, and enforceability should turn on the reasonableness of the clause's subject matter; "A properly drafted future inventions covenant would be limited to the type of product the employee was expected to work on when hired. It should be phrased as specifically and narrowly as possible to avoid overbreadth and, consequently, a finding of voidness") (footnotes omitted).

120. *Ingersoll-Rand Co. v. Ciavatta*, 542 A.2d 879, 892-93 (N.J. 1987).

121. 542 A.2d 879 (N.J. 1987).

122. *Id.* at 894 (citations omitted).

123. *Id.* at 896 n. 6; *see also* *Dorr-Oliver, Inc. v. United States*, 432 F.2d 447, 451-52 (Cl. Ct. 1970) (employment agreement contained a one year holdover clause that applied to "the machinery and devices and other products of the various kinds made, used and sold by you [the employer] heretofore or hereafter during my employ;" court held that the clause was enforceable only to the extent that it applied to subject matter to which an employee worked on or had knowledge of during his employment; when former employee had not previously worked on cargo trailers and did not have knowledge of his former employer's activities relating to that product, the cargo trailers were not subject to the holdover clause; in addition, the invention was conceived and reduced to practice while the former employee worked for a subsequent employer and on that employer's time and money); *Armorlite Lens Co. v. Campbell*, 340 F. Supp. 273, 275 (S.D. Cal. 1972) (holdover clause was unenforceable under Section 16600 of California Business & Professions Code when it required the employee to assign all new ideas and concepts regarding the employer's field of work or products for one year after termination of employment regardless of whether the ideas or concepts were based on the employer's trade secrets or confidential information); *GTI Corp. v. Calhoun*, 309 F. Supp. 762, 769 (S.D. Ohio 1969) (court applied the following test to determine whether employees who formed a competing enterprise with their former employer used general knowledge or trade secrets: "First, did the employees derive the necessary knowledge to make their products from their employment with plaintiff or from their general knowledge of the arts of manufacture? Second, could the defendants proceed as they did independently of the knowledge gained as plaintiff's employee? If the answer to these tests is in the affirmative, the former employees relied upon general skill and not upon trade secrets of the former employer"); *Guth v. Minnesota Mining & Manufacturing Co.*, 72 F.2d 385, 388-89 (7th Cir. 1934) (holdover clause applied to any business in which the company during the period of employment by the company or by its predecessor or successor is or may be concerned; if the employee worked in another laboratory or for another manufacturer, the employee had to assign his discoveries to his former employer; the clause effectively closed the doors of employment in the United States to the employee; the clause conflicted with the public policy "that encourages inventions and discourages the exclusion of an employee from engaging in the gainful occupation for which he is particularly fitted"); *Aspinwall Manufacturing Co. v. Gill*, 32 F. 697, 700 (C.C.D.N.J. 1887) (agreement to assign all the products of an employee's future inventive activities was unenforceable).

See generally Orly Lobel, *Talent Wants to be Free* 149 (Yale University Press 2013) ("Most of the time today, ex-employees had been generally tasked with invention and innovation or had been a part of an R&D team or had quit, perhaps strategically, to

pursue their own ideas – all of these factors weigh heavily against inventors attempting to challenge a trailer clause. Ciavatta's victory appears to posit trailer clauses as a small block of ice floating on the ocean's surface. Unfortunately, the reality is that the block is an iceberg, and thousands of inventors beneath the surface never dare to run the legal gauntlet Ciavatta did, preferring instead to let their potentially life-changing inventions gather dust.”).

124. 630 F. Supp. 2d 1084 (N.D. Cal. 2009).

125. *Edwards v. Arthur Andersen LLP*, 189 P.2d 285 (Cal. 2008) (Section 16600 invalidates provisions in employment agreements that prohibit an employee from working for a competitor after termination of employment, or imposing a penalty if the employee does so unless they are necessary to protect the employer's trade secrets).

126. 981 F.3d 1045 (Fed. Cir. 2020).

127. 2019 WL 6828283 (C.D. Cal. Dec. 13, 2019).

128. 981 F.3d at 1052; *see also* Marc B. Hershovitz, “Unhitching the Trailer Clause: The Rights of Inventive Employees and Their Employers,” 3 *Journal of Intellectual Property Law* 187, 198-99 (1995) (“While a trailer clause does not prohibit an inventive employee from working for a competitor, business competitors do not desire to hire individuals obligated under such a clause because the work product of such employees may not accrue to the new employer's benefit. At best, employers that hire inventive employees obligated under such agreements will underutilize the employees' inventive skills so as not to develop conflicts with prior trailer clauses. This underutilization of a burdened inventive employee's creative capacity may concomitantly diminish his rate of compensation. At worst, the inventive employee is unemployed. In today's society, where technology is advancing at breakneck speed, underutilization or nonutilization of inventive skill may cause an inventive employee's creative capabilities and talent to atrophy.”).

129. 996 F.3d 1302 (Fed. Cir. 2021). *See* discussion of *Bio-Rad supra* notes 73 to 74 and accompanying text.

130. *Compare Winston Research Corp. v. Minnesota Mining & Manufacturing Co.*, 350 F.2d 134, 145 (9th Cir. 1965) (holdover clause was enforceable when it required employees to assign inventions that were conceived within one year after termination of employment and based on confidential information) *and Covidien LP v. Esch*, 378 F. Supp. 3d 119, 128 (D. Mass. 2019) (court upheld one year holdover clause) (Massachusetts law) *and Universal Winding Co. v. Clarke*, 108 F. Supp. 329, 338 (D. Conn. 1952) (court upheld holdover clause that required employee to assign an invention that he designed within one year after termination of employment and that was related to any subject matter of his employment) (Rhode Island law) *and Murray v. A.F. Holden*, 12 Conn. Supp. 419, 422 (Super. Ct. 1944) (two year holdover clause was reasonable) *and Milliken & Co. v. Morin*, 731 S.E.2d 288, 295 (S.C. 2012) (a one year holdover clause “is eminently reasonable”) *with Guth v. Minnesota Mining & Manufacturing Co.*, 72 F.2d 385, 388 (7th Cir. 1934) (preinvention assignment provisions of employment agreement that were unlimited in time and subject matter were void as against public policy) *and Standard Plunger Elevator Co. v. Stokes*, 212 F. 893 (2d Cir. 1914) (employment agreement provided that employee granted to corporate employer to be formed an exclusive license to use all future patents and inventions devised or acquired by him with relation to elevators and their appliances or capable of use in connection therewith upon payment of a royalty of \$1 for each several invention so made or acquired by him; the term of the license began when the corporation commenced business and terminated if and when two named persons ceased to be directors of the corporation; court held that this provision applied to

the period between execution of the agreement and the date employment commenced, and did not extend indefinitely) and *Freedom Wireless, Inc. v. Boston Communication Group, Inc.*, 220 F. Supp. 2d 16, 18 (D. Mass. 2002) (“When [invention-assignment] contracts are open-ended with respect to time limit or subject matter, they may be considered unenforceable.”) and *Federal Screw Works v. Interface Systems, Inc.*, 569 F. Supp. 1562, 1564 (E.D. Mich. 1983) (“The agreements in question are for an indefinite period of time. One employee worked for Interface for one year and the other for only a few months. It is now ten years later and Interface seeks to enforce termination agreements against these former employees which would require them to turn over all inventions for an indefinite period of time covering subjects both within the Company’s field of activity or ‘contemplated field of activity.’ It is hard to imagine a more restrictive or overbroad agreement. It would be reasonable to restrict these ex-employees from using information gathered at Interface. It is not reasonable to confiscate all new inventions made by the employees for which Interface might have an interest.”) (Michigan law) and *GTI Corp. v. Calboon*, 309 F. Supp. 762, 773 (S.D. Ohio 1969) (five year holdover clause was unenforceable) and *United Shoe Machinery Co. v. La Chapelle*, 99 N.E. 289, 293 (Mass. 1912) (ten year holdover clause was unenforceable).

But see Peter Caldwell, “Employment Agreements for the Inventing Worker: A Proposal for Reforming Trailer Clause Enforceability Guidelines,” 13 *Journal of Intellectual Property Law* 279, 295-96 (2006) (“[W]hile time is useful in noncompetition analysis, it is a misplaced variable when applied to inventions. Time is only relevant to inventions if a patent has been assigned to an employer and will expire on a particular date. If no patent has been issued on the employee’s invention or the invention does not yet exist at termination, time is not a relevant concern. This is because the assignment of an existing or future invention is generally a thing of permanence. Employers would not bother to seek invention assignments if they could be declared void within a reasonable time after termination. Thus, because time has no place in the legal analysis of invention assignments, it follows that an assignment of future inventions, even permanent, should be deemed reasonable. . . .”).

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