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attorneys at law

ATTENTION BUSINESS OWNERS:

IF ONE OF YOUR EMPLOYEES INVENTS SOMETHING, WHO OWNS WHAT?

By: Joseph S. Heino, Davis & Kuelthau, s.c.

The general rule on this subject is that an employee who invents something *as part of his or her job duties* probably has a legal duty to assign his or her entire interest in the invention and any patent that may be obtained on that invention to his or her employer. If the employee invents something apart from his or her normal job duties, then the invention, and any patent that may be obtained on that invention, will probably belong to the employee. The employer may, however, be entitled to a limited use of the invention if certain circumstances are met.

If you require your employees to sign a written employment agreement in which you spell out the rights and responsibilities of your employee and your company concerning inventions, then these general rules will likely not apply to you. At the very least, a letter of understanding or a memo to the employee, delivered at the time of hiring, will do much to clear up any misunderstandings as to whether the employee was hired to invent and, if so, who owns what. These concepts are particularly important where you specifically hire employees to engage in research and development activities that are critical to your business or potentially valuable to your competitors.

The issue of "who owns what" frequently arises when an invention is made by an employee who is not expected in the normal course of his or her employment to make inventions. In other words, the employee has not been hired with that purpose in mind. In the absence of any express employment or other agreement that clearly defines ownership of an invention made by that employee during the course and scope of his or her employment, the employer will probably have an implied license in the invention. This implied license is usually considered to be nonexclusive, nontransferable and royalty-free as it relates to the employer. This implied license, or "shopright", allows the employer to use the invention in the employer's factory, shop or facility throughout the life of any patent that may be granted in the name of the employee. It should be remembered that, because only the true inventor can apply for a patent, an employer is precluded from applying for a patent on that invention without the employee's cooperation. Many employers offer monetary bonuses and other incentives to ensure that such cooperation occurs.

Phone 414.276.0200 Direct 414.225.1452 Fax 414.278.3652
111 E. Kilbourn Avenue, Suite 1400, Milwaukee, WI 53202
jheino@dkattorneys.com
BROOKFIELD | GREEN BAY | MADISON | MILWAUKEE | OSHKOSH | SHEBOYGAN
www.dkattorneys.com

Shoprights typically arise where the employee has made an invention and, in the process, has used his or her time on the job, during working hours, and the materials and supplies, tools, computers and other resources provided by his or her employer. In such a situation, it is only fair that the employer be compensated in some indirect fashion for the investment that it may have unwittingly made. On the other hand, it should also be noted that some states have reacted to abuses in the shopright concept by enacting laws to protect inventors who might otherwise be required to assign inventions that they came up with during hours that they are "off duty", so to speak.

In addition to inventions, ownership issues can arise with other "works" created in-house. Such works might include website designs, architectural plans or even computer software. Unlike most works of that nature where the author is considered to be the owner of the work, ownership of a "work made for hire" vests in the hiring party, the employer. But what is a "work made for hire"? In most cases determining whether a work is made for hire requires addressing the issue of whether the work was prepared by the employee within the scope of his or her employment. Determining whether the work is prepared within the scope of one's employment is subject to a number of factors: the hiring party's right to control the manner and means of creation of the work; the skill required; the provision of employee benefits; the tax treatment of the hired party; and whether the hiring party has the right to assign additional projects to the hired party.

If you have any questions about shoprights, copyrights or inventions and patents in general, contact Joe Heino at 414-225-1452 or jheino@dkattorneys.com.