

*PRESENTATION:*

**OWNERSHIP, SHOP RIGHTS  
AND THE WORK FOR HIRE DOCTRINE**

**Martin J. Adelman\***

Let's take the very simple classic model of an inventor who makes an invention; and maybe we will go back to the 19th century and say that it is a classical mechanical invention. It is some kind of machine, and we know who did it for the moment. We all agree that this particular individual made this invention by conceiving and reducing to practice a particular machine. It is clear that the ownership of the intellectual property rights—the patent rights—with respect to that machine, initially go to that person. There is no issue about that. That is the model: you do the inventing, you make the machine, it is yours, not only physically, but it is yours intellectually in the sense of intellectual property. So you will own the subsequent patent, if one issues, covering the invention or inventions involved with this particular machine.

If you look then at that model, the next question is, well, if you get the patent, can you sell it, or can you license it? The answer is yes, and the ways of doing that are relatively straightforward. You can't sell it to two people, and there are rules determining who wins if you do sell it to two different people, but that is all straightforward and not very complex.

Now what happens if there is a special relationship that exists when you, the inventor, make the invention—and the obvious case in the 19th century would be one dealing with the employment relationship. An inventor, who is an employee of someone else, makes an invention as an employee on the employer's time, and perhaps uses some of the materials that are supplied to him or her by the employer. Now that raises, in most legal systems and in the United States, the possibility that the law will imply certain rights in the patent to the employer. In the United States, we have developed over time the law with respect to shop rights—which could be

---

\* Professor of Law, Director, I.P. LL.M. Program, George Washington University, Washington, D.C.

based on estoppel theories, could be based on implied contract theories—for deciding when we will give, as a matter of law, a royalty-free license to the employer.

Now, for reasons that I will mention later, I don't think that law is terribly important, and you will see why in a moment. However, before I get there, I want to mention that it is possible that you could be hired to invent something—in other words you are hired to make a machine that will do X—and you go ahead and work for the employer and you make a machine that does X. Under those circumstances the law ordinarily will require an assignment of the patent rights from the employee to the employer, if the terms of employment are, or relate to, some kind of an agreement that you can say is implied because you were hired to invent something—as opposed to the ordinary situation where you are only talking about a shop right. Now why do I say this law is relatively unimportant? Because what is critical is that if you are an employer in the United States, you are free to sign any contract with an employee. You are not boxed in by a set of rules that would say, well the only kind of fair arrangement with an employee is X, and you must put certain provisions in the contract. You can put any provisions in the contract that you desire, and you can say "all inventions must be turned over to the employer," or whatever.

We have heard a lot about University contracts at this conference, and how rights would be shared; all of this is now essentially governed by contract. So the shop right, or the hired-to-invent doctrine, are really default rules that go in when there is no contract. However, most situations today in the United States are governed by contract, and what's in the contract will control. So, while we will get into some problems in this area, I think structurally it is fairly straightforward.

Let's now make this a little more complicated. Let's say that the inventor who is out there building a machine decides that he or she cannot do it alone and decides to hire a helper. The helper mostly follows instructions, but the helper goes beyond instructions and comes up with an additional nifty feature, and, at least with respect to the combination of the basic machine with this nifty feature, we have a joint invention of the helper and the inventor of the broad idea. Now what is the law with respect to joint inventions? In the United States, in patent law—and it doesn't extend to every intellectual property regime—if there are two inventors who are treated as joint inventors, there is no need for either one to make any arrangement with the other with respect to using the invention or licensing the invention. So that if we have two joint inventors, A and B, and we agree for the moment that they are joint inventors, B can license it, can collect money,

and does not have to give any of that money to A. B can use it, does not have to pay A anything for the use of the invention, no right of contribution, nothing. Each one is essentially treated as an inventor. Now those of you who know your economics know that if it is A and B we have essentially created a duopoly. If A wants to license it for \$1000, B might come in and say, "Oh, I will give you a license for \$900;" and then A says, "I will beat B and give it to you for \$850..." and down you go, and the end result is indeterminate. It clearly greatly depreciates the value of the intellectual property to have it jointly owned where there is no right of contribution, and the owners do not work together.

So this is the backdrop. Now let's turn to the patent application that we are going to file with respect to this joint invention. We've got this machine, and most of it is A's work. B built the machine in accordance with instructions from A, but added this new nifty feature. All of those details are put into the patent specification, and then the patent attorney takes that specification and starts to write claims. Now, first the patent attorney will write broad claims, which will not specifically detail the nifty feature that was added by B. Those claims are the sole invention of A, and normally there would be no problem, but you know how patent attorneys are trained. You go down and you take the disclosure and you claim everything—you should claim it broadly, then more narrowly, then with all the details. At least, that is what I teach my students. You should never have to file a narrowing reissue or narrow your claims on re-examination. If you do that, you know you have screwed up one way or the other.

In any event, let's say that you happen to have a very good patent attorney, but the patent attorney doesn't really know the story of how the invention was developed, and is just given this disclosure to write claims. He or she writes a beautiful set of claims, and the last two claims are to this nifty feature that B contributed to, so those claims are the joint invention of A and B. The patent issues with almost all the claims being the sole invention of A, except the two claims at the end are joint inventions.

What is the United States law with respect to the ownership of the whole patent, of all the claims? Well there are two possibilities. Obviously, we can say with respect to the claims that are directed to the joint invention, A and B own those claims. With respect to the rest of the claims A owns those claims. However, that is not how the law developed. The law says that if any claim is A and B, A and B own the whole patent, meaning B is free to license claims describing solely the invention of A. Think about that for a moment. You are now a defense attorney, and your client is being sued for infringement with respect to broad claims. What do you do? You

should go out and see if any of the patent claims could possibly be the invention of A and B, even if you are not infringing them; let's say that you are not even using the nifty feature, you don't care, and you go out and find B. Now if B works for the same corporation as A does, you are essentially going to be out of luck, because very likely there will be a contract which assigned everything to the corporation. But, if B works for a different corporation or wasn't working for a corporation, you can go to B and say I'll give you \$50,000 for your rights. A's invention might be worth \$50 million, but for B, after all, \$50,000 is better than nothing. So you buy those rights. Then you walk into court and say, "Oh yes, Mr. A, yes that's a great invention, it probably is worth \$100 million, but I am licensed now, thank you very much, and you know we are done—I don't know whether you should pay my court costs, probably not, but the rest is over and really it has been wonderful knowing you." That's what can happen, and today people are out doing those searches for individuals like B.

Now where does that leave us? It really means that, as a patent solicitor today, you have to be very careful about the drafting of those claims. Don't put in a narrow claim unless you are sure that every one of its details was the invention of the principal inventor. You have to be alert to the possibility that there is a third-party inventor out there. And that gets even more important as the model of how inventions are made changes.

I am giving you the 19th century model. However, we know that as technology gets much more complicated, it gets to be more difficult to know who made the invention or who should be treated as a joint inventor. I don't have time to give you all of the details, but I would just suggest that on that score you study the situation with respect to the AZT patent. It's a perfect paradigm because, as you know, AZT was a very old drug, actually developed in Detroit for treating cancer. It didn't work for treating cancer, but was actually discovered to have anti-viral properties some years later. When the AIDS epidemic started, and it was finally believed to be caused by a retrovirus, Burroughs-Wellcome started to look at compounds that might be effective against the AIDS retrovirus. Where would you look for compounds? You would look for anti-viral compounds. One possibility was AZT. The one thing they could not really do was a good test to see if AZT would work. The only people who could do a good test at the time were U.S. government agencies. I think one of the NIH units had developed a good test at that time. Nobody wanted to work with the AIDS virus at that time, so this took a little courage on the part of the NIH people. At any rate, they had a good assay.

So Burroughs-Wellcome, before they sent the compound to be tested to the government, filed a patent application. It was a purely speculative patent application; they said, "Oh, AZT is good for treating AIDS." They hadn't the vaguest idea. They knew it was an anti-viral, and it was well known as an anti-viral, but after all, you can file a patent application on anything, and they did. Well, it turned out that the government demonstrated that it was in fact effective against the AIDS retrovirus, not as effective as people hoped, but it certainly had some effect. In any event, this raises the question: were the government people who really proved that the thing could work, were they joint inventors? Or was it only the people at Burroughs-Wellcome who scanned the literature and said, "Oh, this is a promising compound, let's file a use patent on this use of this old compound." Well, the United States courts said no, they were not joint inventors.

The Canadian courts, however, have just reached the conclusion, at the trial level, that the government researchers were joint inventors. The Canadian opinion goes through all the gory details and tries to make a really detailed analysis of whether you should treat the government scientists as joint inventors.

I think we are going to see much more of this, as the question of who really made a contribution to the discovery gets fought out in the context of, in particular, modern biotech inventions, where we can make all kinds of arguments. We do see the precursor of that in the AZT litigation.

Well, with that I will stop. Thank you.