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Relation of Employer and Employee

IN REFERENCE TO INVENTIONS

A PAPER READ BEFORE

THE MODERN SCIENCE CLUB OF BROOKLYN, N. Y.

DECEMBER 8, 1903,

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RELATION OF EMPLOYER AND EMPLOYEE IN REFERENCE TO INVENTIONS.

It is an elementary principle of law that patents for inventions shall be granted to the first inventor of the improvement. The first inventor is he who first perfects the invention and renders it capable of successful operation. He alone is entitled to a patent, and although at the time of completing the invention others were in the field engaged in developing the same idea and experimenting to that end, his rights are not affected, unless it is that one who conceived ahead of him was at the time that he entered the field using reasonable diligence in adapting and perfecting the invention.

It is the policy of the law to secure to inventors every right to and protection for their inventions and afford redress for unlawful trespass by others. Patents are property. They are given as a consideration or reward for the benefit inuring to the public upon the expiration of their term. There are no restrictions imposed by the law upon an inventor's rights to a patent or protection thereunder. Indeed, there is no benefit available under the law which guarantees more liberal protection than that of our patent system. No distinctions arising from situation or business calling are recognized. No one is barred from receiving a patent for his invention, with the single exception of employees of the Patent Office, and even that restriction is waived upon the employee leaving the Office. He may then patent his invention, though it was conceived prior to or during his employment.

But these general rules must necessarily find exceptions arising from the relations which individuals assume in their business and with reference to their inventions. Labor and inventive genius may be required in the development and reduction to practical form of a basic invention. Sugges-

tions as to the mechanical embodiment and method of oper-

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ation of a principle—ancillary and subordinate to the main idea—may require the services of men skilled in the art to which it relates and competent to work out the invention into practical form. Under such circumstances the persons who in the course of their employment incidentally create useful inventions; those who are employed for the purpose of inventing, and those who make subordinate suggestions to the inventor of the basic idea, assume relations which remove them from that position of equality in which it is the purpose of the law to regard them as standing. It becomes necessary to establish doctrines applicable to the nature of the relations, and in doing so, and at the same time preserving as far as possible in each individual the right to his own inventions, the courts have had no easy task, and the rules they have laid down are characterized by a desire to effect the greatest good for all concerned.

These relations naturally are of most frequent occurrence between employers and their employees. The attitude formerly assumed by employers of discouraging their employees from developing inventions, through a possible fear that such inventions might supersede the articles, machines, or methods sold or employed by themselves, has, in recent years, very materially changed, and it is rather the desire now to encourage and facilitate the inventions of the employees. This is due in no small measure to the fact that the merit of the employee's invention has asserted itself in spite of obstacles, and because in the progress of the arts so essential is the work of the skilled mechanic that he is indispensable in the reduction of many important inventions to practical form. This has resulted in opening a new field of employment devoted solely to the exercise of inventive genius and mechanical skill. Instead of the invention being merely an incident to employment, it is now often the sole consideration. The employer is always ready to adopt an invention which will facilitate his work, reduce the cost of manufacture, or promote the efficiency of the articles he produces. An employee, skilled in his work, soon invents means for attaining some or all of these objects.

Let us consider the relations in the order they are stated above. First, where the employee's services simply involve the exercise of skill in his calling and do not require that he invent. If he, in the course of his employment, with the tools, machinery, material, and time of his employer, creates an invention, it is apparent that although he is the inventor and has produced only what his own inventive genius has made possible, yet something has passed to him from his employer, some benefit has accrued to him for which he is in a measure obligated. The law recognizes this obligation and seeks to confer certain rights upon the employer. But these rights vary with circumstances and also with the nature of the invention. If the employee permits the invention to go into use in his employer's business and acquiesces in such use, the law presumes that he so intended, and that by permitting it an implied license was created conferring upon the employer the right to use the invention. But the nature of the invention must also be taken into consideration and likewise the employer's business, for it is obvious that if a printing press be the subject of the invention and the employer a printer, using the press in his business, a different situation exists from that where the invention relates to a process of reducing ores, and more at variance yet with the situation where the invention comprehends a product made and sold in quantities, as valves or locks, and the employer is engaged in their manufacture and sale. The general rule is that the employer is entitled to use only the specific machines made under his employment; but while this would apply to the instance given of a printing press, yet obviously it could not determine the situation involving the process. A process is intangible, indivisible, and to confer any right whatever upon the employer he must be permitted to continue its use. Where the employer has been making and selling an article in unlimited quantities and without objection from the employee, the latter will be held to have agreed to such manufacture and sale, and this presumption will grow proportionately to the time

that the employee allows to elapse before asserting his rights.

It will, of course, be understood that the relation now being discussed creates on behalf of the employer merely a license or right existing only between himself and his employee and not capable of transfer by the employer against the wishes of the employee. But if the employee permits a third party, as another company, to also use the invention, and the business of his employer passes to such third party, the latter will be regarded as justified in continuing the use. But in all the instances given the relation does not affect the title to the patent or the invention which it embraces. This remains in the employee.

Considering now those who are employed to use their skill and inventive faculties in improving the machinery, appliances, or methods used by the employer. Here the employee offers his skill and ingenuity in improving devices as the value to pass to the employer in return for the salary the latter is to pay. The essence of the employment is to create a benefit to the employer's business. When this situation is present, the inventions of the employee which are within the terms of the contract belong exclusively to the employer, and likewise the title to the patent and the monopoly which it creates. But it is necessary to fully establish on behalf of the employer that the invention was within the terms of the agreement and that the latter was clear in its purport and understood by the parties. Where its meaning is vague, or the evidence tending to support it is insufficient, equity will not decree a transfer of the patent title to the employer. And herein is involved a peculiar and almost inconsistent attitude of the law in respect of this kind of employment. It recognizes the validity of a promise or agreement to assign the right to patent, though such agreement be merely oral. It is not necessary that it be in writing as in the case of the actual deed of assignment of a patent or the invention embraced by an application for patent. And yet when litigation arises requiring it to be determined exactly what was embraced by such agreement,

evidence contrary to its alleged scope and provisions will create the presumption that the understanding was not mutual, that its terms were not precise, and therefore vague and indefinite, resulting in a refusal of the court to decree that the title shall be conveyed to the employer. In one case an employee made an improvement which he patented and afterwards left his employer. In the suit to determine the right to the invention directly opposing testimony was offered to show the terms of the agreement between the employer and employee. On behalf of the employer it was maintained that the employee merely asked for the money necessary to patent his improvement and said he would not want any interest in the invention. On behalf of the employee this was denied, he insisting in substance that the company offered to pay the expenses and that there was no understanding as to the title to the invention. This case was carefully considered by the Circuit Court at the trial and by the Supreme Court of the United States on appeal. The lower court said that where the testimony was so conflicting the circumstances must govern in order to reach a determination. It took the ground that not only had the employee been hired for the purpose of improving, and that in consequence his productions were what had been bargained for, but the improvement which he brought out was what might have been reasonably expected—that is, his invention was not of such a broad generic nature as to have been impossible of contemplation by the parties to the agreement, and that, therefore, the invention and title to the patent covering the same should be transferred to the employer. But the Supreme Court reversed this decision and held in substance that the lack of certainty as to the agreement was enough to deny to the employer the right to the employee's patent.

The discussion of the two relations thus far considered shows that the mere naked license on behalf of the employer may readily be established, but that his right to the complete title to the employee's invention must be supported by a clear and unequivocal agreement.

The third class of relations has reference to suggestions which one person may make tending to perfect the invention of another, reducing the basic principle to practical form. While this relation may arise wholly independently of employment, yet it generally happens that the originator of the generic idea employs skilled workmen to aid him in carrying out his invention and providing the necessary mechanical devices. This relation, while obviously created for the sole benefit of the employer, may, in the absence of a definite agreement, as above discussed, result in the entire invention being that of the employee. In order to preserve in the employer the right to the invention—that is, his broad idea, together with the suggestions—it is essential that such suggestions be ancillary, subordinate to the conceived design of the employer. If he has discovered an improved principle and employs others to assist him and they in the course of experiments make valuable discoveries ancillary to his invention, the employer is entitled to those suggestions and may embody them in his patent, claiming them as his invention; but where the suggestions are more than merely subordinate to the main idea, where they constitute the whole substance of a separate invention and embody sufficient to enable an ordinary mechanic, without the exercise of ingenuity, to make and operate the machine or carry out the process, there the employee's suggestions rise to the dignity of an independent invention. He alone is the inventor, and if the patent embodying the suggestions be issued to his employer the patent is void.

This doctrine applies also when the general relation of the parties is not that of employer and employee as that relation is generally understood. It extends with equal force to the situation presented when one person or company places in the hands of another person or company an order for the construction or manufacture of a machine or article requiring the exercise of skill and ingenuity in its fulfillment. The party to whom the order is given may hold out as one of the features of his business the fuller development of a basic idea. His ability to do so is practically part of his

stock in trade, and what he produces is the value he gives for the compensation he receives. The results of his efforts, subject to the conditions above stated, belong exclusively to the inventor of the basic idea who employed him for its reduction to practical form.

The doctrine also applies to the situation where an inventor forms a partnership with one who advances the funds necessary to protect and exploit the invention. This situation is of frequent occurrence. The partner at the financial end of the firm may devise an improvement upon the invention and may, as has often been done, seek to patent the improvement for himself; but if such improvement is ancillary to the main idea brought out by his partner, if it comprehends means of construction, or relative arrangement of parts, or treatment of elements, or proportion of ingredients, tending to promote the efficiency and utility of that main idea or broaden its scope of application, such invention is merely subordinate and cannot be regarded as belonging exclusively to the inventor. Of course, a further ground upon which no patent should issue to this partner is that he, having entered into contract relation to exploit a principal invention, is not entitled to the exclusive right to his improvement when the very spirit of such improvement is an elaboration of the invention which forms the subject of the contract.

This doctrine has sometimes been overlooked by the Patent Office when determining by interference proceedings the rights of rival claimants to a patent for the same invention. Most of the cases decided there simply present the situation of two or more inventors independently working along similar lines to attain the same end, and the main issue is priority of invention. But where it is shown that two or more of the litigants stand in an attitude analogous to any of those just discussed, the general rule of priority must be subordinated to the unchanging canon formulated by the courts to meet the requirements of that situation.

In considering the various subjects treated herein, it may appear as if a hardship must frequently result because of

the ground on which unsuccessful litigants have been held without standing in court. But it must be remembered that the policy of the law is to carry out that provision of the Constitution authorizing the grant of patents for the purpose of promoting the progress of science and useful arts. In order to do this it is necessary that the general welfare be considered and doctrines established looking solely to that end. If it be considered that the right of the employer to use his employee's invention is not reasonable, it must be remembered that there are obligations resting upon an employee flowing from his employment, and benefits resulting from the use of his employer's property. If it be thought that the contract to enter employment for the purpose of inventing, whereby the employee's inventions become absolutely the property of the employer, is a contract in restraint of trade, and therefore unlawful, it must be borne in mind that the underlying purpose of regarding as invalid contracts in restraint of trade is the protection of the general public. It cannot be extended to preclude individuals from contracting so as to bind themselves under stipulated arrangements, for that very "general pubiic" which so jealously guards against encroachment upon its rights, maintains as one of its foremost principles the liberty of each individual to contract with respect to his own affairs. In many of the cases where a possibly meritorious inventor has been deprived of his rights his loss has been solely due to his delay in seeking redress for their trespass. The equity courts are responsive to appeals promptly made upon injury being sustained, but where time elapses and one sleeps upon his rights his standing grows weaker with the lapse of time. Tardy complainants often delay because to bring their action they must abandon a position more lucrative than the possible results of an adjudication in their favor. Equity often goes behind the facts relied upon to ascertain the presence of this situation, and it has generally found it, or an equivalent ground, before denying to a complainant that relief to which he appears entitled.