



Ownership of University Inventions: Practical Considerations

Several factors help to establish who owns a university invention and what rights the university may, or may not, have. These factors include whether:

- there are express or implied agreements to assign ownership,
- the inventor is employed by the university,
- the invention was made within the scope of employment, and (4) where and when the invention was made.

Under law, individuals own their inventions, except where there is an express agreement providing for assignment of ownership of inventions to an employer or where an implied agreement to assign is found because the employee was hired or assigned to invent or solve a specific problem or served the employer in a fiduciary capacity.

Therefore, in addition to implementing clearly delineated policies, it is critically important for a university to absolutely require all employees and visitors to sign invention assignment agreements on their date of arrival.

It is unwise to rely on policy statements to determine whether or not a university employee owns his or her invention: universities should always obtain signed (express) agreements, and both the employee and the technology transfer office should retain copies.

Research contracts with the government and other sponsors should have a checklist item on the existence of IAAs for the principal investigator and other researchers (whether or not a university should have undergraduates routinely sign IAAs is up to each university).

Upon termination of employment, personnel should be asked to sign an exit form indicating that they have disclosed all inventions falling within the terms of the IAA to the university licensing office.

Who owns an idea? A prototype? A patent? To a free-thinking university researcher, assigning inventions to an employer could seem illogical. So what can a university administrator do to minimize friction, between an employer and an employee, related to patent ownership? When is the law black and white? When gray?

The starting point of the law is that individuals own their inventions, *except*: (1) where there is an *express agreement* providing for assignment of inventions to an employer; and (2) where an *implied agreement* to assign is found because the employee:

- (a) was hired or assigned to invent
- (b) was hired or assigned to solve a specific problem
- (c) served the employer in a fiduciary (president of a commercial company, for example)

Where no written agreement exists and no implied contract to assign is found, the inventor will own the invention, subject to the employer's "shop right" to use the invention if the invention was made with the employer's resources or facilities.

The often-discussed, but frequently misunderstood *shop right* refers to an employee's obligation to accord an employer a royalty-free, nonexclusive license to practice the employee's invention, if the employee, even if *not specifically hired to invent*, uses the employer's facilities to make the invention.

In other words, a shop right is an implied-in-law license of a patent from an employee to an employer.

What differentiates the shop-right license from the agreements discussed above is that there is no assignment of patent rights from employee to employer; the employee retains full title to the patent.



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But, how are these rules applied? Is a professor hired to invent? The following scenarios provide a framework for analyzing the practical application of the above rules in the daily business of a university licensing office.

Example: The unreasonable inventor

The day Professor Z started work at the university, she signed a clear, unambiguous invention assignment agreement, along with his W-2 form. She signed a three-year federal contract to perform “research in the area of solar light bulbs.” She invented a solar light bulb while working in her university laboratory between 9 a.m. and 5 p.m. on a Wednesday. She has refused to assign the invention to the university, because as she says, “After all, it was my idea.”

There is no question under the law that Professor Z must assign her invention to the university. In order to compel the assignment of an employee invention, pursuant to a written IAA, an employer must show: (1) that the invention was conceived during the term of employment; (2) that the assignment was governed by a valid, binding, and enforceable contract; and (3) that all conditions in the assignment contract were met by the employer. In this example, all of these elements could be demonstrated.

To diffuse the situation, the university could suggest that Professor Z contact the university’s attorney or his own attorney. By seeking professional advice, Professor Z should become convinced that this issue would not be worth fighting. In addition, the university may want to remind Professor Z of any university policy that rewards inventors with royalty revenue from the licensing of university inventions.

Example 2: The unreasonable inventor you missed

Professor Z invented her solar light bulb under the same circumstances as in Example 1 above; however, the personnel clerk was out sick with the flu on Professor Z’s first day of work, and the clerk’s substitute thought Professor Z only had to sign the W-2 form. Thus, Professor Z never signed an IAA.

Because Professor Z received federal funding, applies regarding election of title by the contractor (the university) within two years of disclosure of the invention. The regulations also require the contractor to have written agreements with its employees (other than clerical and nontechnical employees) requiring (1) the disclosure of all subject inventions promptly and (2) the execution of all papers necessary to file patent applications.

Unfortunately, the university is in breach of its federal contract covering Professor Z’s invention. Professor Z has hired an attorney, whose wages are being subsidized by Professor Z’s potential licensee, who has locked Z into a sweetheart deal.

The university scrambles to locate a copy of its latest patent policy, which was revised and mailed to all faculty members last year, and that states:

It is the policy of the university that individuals, through their employment by university, or by participating in a sponsored research project, or using university-administered funds or facilities, thereby accept the principles of ownership of technology as stated in this policy. In furthering such undertaking, all participants will sign invention assignment agreements ...

The patent policy also stipulates that inventors/authors will own inventions/materials if they are (1) not developed in the course of or pursuant to a sponsored research or other agreement; (2) not created as a work-for-hire by operation of copyright law and not created pursuant to a written agreement with the university providing for a transfer of copyright or ownership to university; and (3) not developed with the significant use of funds or facilities administered by university.