

## Intellectual Property

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# Protecting Company Intellectual Property In Today's **Work From Home Economy**

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In what circumstances might an employer have rights over an employee's invention despite the absence of a traditional written assignment agreement between the parties? The U.S. Court of Appeals for the Federal Circuit recently addressed this question in *Omni MedSci v. Apple*, 7 F.4th 1148 (Fed. Cir. 2021), in relation to a university professor who invented and patented certain technology during a leave of absence.

Although the professor never formally assigned the patents to the university, the parties disputed whether the university's by-laws—which provided that certain inventions “shall be the property of the university”—constituted an effective assignment. While the Federal Circuit held that the phrase “shall be” indicated a mere promise to assign (rather than an effective present assignment of future-

developed IP), the fact that the court considered whether to find an assignment despite the absence of a formal written agreement indicates that courts are willing to infer a transfer of employee inventions to the employer.

This consideration has become even more critical in the modern world, where the workplace paradigm shift from in-office to work-from-home has affected the question of when an employee is “at work” and who owns the rights to such employees' inventions. Although employers are best served by having employees sign well-drafted assignment agreements, under certain circumstances employers may own the intellectual property rights relating to employees' inventions even in the absence of such an agreement. These circumstances vary based on whether patents, copyrights, or trade secrets are at issue, with some inventions (such as software) potentially implicating all three.

### Ownership of Patent Rights

In the United States, patent rights are created when a patent is granted by the U.S. Patent and Trademark Office, and vest initially in the inventor(s) of the



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patent. Inventors may freely assign these rights to others, including their employers, both before and after the patent grants. It is therefore common for employers to have employees execute an agreement presently assigning all future patent rights to the employer at the start of employment.

Even without a written agreement, courts have determined that an assignment may nevertheless exist, thereby granting the employer rights to the invention. In the seminal case of *Teets v. Chromalloy Gas Turbine*, 83 F.3d 403 (Fed. Cir. 1996), the Federal Circuit found that an “implied-in-fact” contract constituted an effective assignment even without an executed IP assignment. Such a contract is created upon a meeting of the minds, as shown through the conduct of the parties, and may arise where an employer specifically hires or

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directs the employee to exercise inventive faculties. In *Teets*, the employee was directed to solve a particular problem, spent his time on that project, and used the employer's staff, facilities, and time to perfect his solution. It was therefore reasonable, in that case, given the usual employee-employer relationship, to assume that the parties had a "meeting of the minds" that the employee would assign his patent rights to the company.

Following *Teets*, courts have analyzed a variety of facts regarding the relationship between the parties that may prove or disprove the "meeting of the minds" underlying an implied-in-fact contract. Some examples include:

- An employee's refusal to sign an assignment
- A request for an employee not to work on a project during company time
- Use of employer's facilities or resources for project
- Whether the employee was hired to invent or solve a specific problem, or whether the invention relates to the employee's duties
- Whether the employee was aware that the company filed for patent protection in employee's name
- Whether employer compensated employee(s) for their work on the project

As the gig economy continues to expand and flexible work becomes the norm, factors such as where or when work is performed may no longer be indicative of whether the parties have an implied-in-fact agreement. Traditionally, work being performed (1) in an employee's own home, (2) using their own computer and resources,



and (3) outside of traditional 9-5 business hours, would have been evidence that the work was performed outside the employee's scope of employment. In today's world, however, such facts may be insufficient to make an ownership determination, and employers may need to demonstrate more, such as explicit instruction to carry out a project or a general acceptance of the remote work framework. In such circumstances, courts may well find the existence of an implied assignment.

Whether *Teets* will remain good law is an open question. At least one Federal Circuit judge has explicitly called for overruling the case, arguing that *Teets* is in conflict with 35 U.S.C. §261. *Teets* would allow an assignment to exist without any written instrument whatsoever, while the statute appears to require the exact opposite, providing that patents "shall be assignable in law by an instrument in writing." Overruling *Teets* and its progeny, how-

ever, would be a significant blow to employers seeking ownership over their employees' inventions in the absence of an executed assignment agreement.

### Ownership of Copyrights

Under the 1976 Copyright Act (which governs all works created after 1976), copyrights to an employee's work will vest initially, and be owned by, the employer even in the absence of any written agreement if it is "prepared by an employee within the scope of his or her employment." This analysis turns on whether (1) the creator qualifies as an "employee," and (2) whether the work was "within the scope" of the employee's employment. Both queries are analyzed using common-law agency principles by comparing the relationship-at-issue with the traditional employer-employee relationship. *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989). Factors such as

“where the work was performed,” and “which party provided the resources to perform the work” are traditionally strong indicators of whether an employee-employer relationship existed, but flexible, work-from-home arrangements may change the impact of these facts. Whether a work is within the scope of employment is also reviewed under common-law factors, with courts often reviewing “the kind of work” the employee is employed to perform. See, e.g., *Lewis v. Activision Blizzard*, 634 F. App’x 182, (9th Cir. 2015) (finding employee served within scope of employment where her job description included “assisting in creation of content” and she created content in the form of voiceovers for a video game).

Even where a work is not made for hire, the employer may still obtain the copyrights to such work through a written assignment of the employee’s rights. See, e.g., *TD Bank N.A. v. Hill*, 928 F.3d 259 (3d Cir. 2019). Such an assignment does not need to explicitly use the word “assign” or any other key word; so long as a written agreement exists between the parties, courts may consider whether the document is an implicit assignment. *Id.* Thus, the understanding of the parties can also impact an employer’s ownership over a copyright.

### Trade Secrets

Finally, employers and employees may also dispute which party has a right to exploit trade secrets developed during employment. Trade secrets are protected under both federal and state

law, and are generally defined as any commercially valuable information that is not publicly known, where a reasonable effort is taken to maintain its confidentiality. An important consideration for trade secrets is whether the parties recognize an obligation to maintain certain information as a secret, which is often, but not always, shown through an executed confidentiality agreement. Trade secrets can be transferred to the employer based on

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the conduct of or other agreements between the parties. See, e.g., *Houser v. Feldman*, No. CV 21-0676, 2021 WL 4991127, (E.D. Pa. Oct. 27, 2021).

### Takeaways

With current work practices shifting toward remote working, and the focus of technology development moving increasingly toward computer software, the likelihood is increasing that employees may be developing valuable intellectual property rights away from their employers’ offices and using their own resources. *Omni* is just the beginning of these types of cases that ask courts to provide guidance on when an employee must assign her IP to the company when

the IP was developed away from the office and/or using the employee’s own resources. Employers should consider how to secure the patent rights, copyrights, and trade secrets associated with such inventions, whether those inventions have already been discovered or will be developed in the future. A well-drafted employment agreement with appropriate assignment and confidentiality provisions is likely the easiest way to secure the company’s rights and avoid potentially costly disputes. Even without such an agreement, however, all is not lost. Employers may still be able to demonstrate ownership of their intellectual property by proving that an employee was tasked with solving a particular problem or by showing that the work was created by the employee in the scope of his or her employment.