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ASSIGNMENT OF FUTURE INVENTIONS

Harold M. Knoth*

ILLUSTRATIVE of a situation quite likely to develop from the relationship of employer and employee is the factually complicated maze revealed in the Illinois case of *Velsicol Corporation v. Hyman*.¹ The corporation plaintiff there concerned endeavored to compel the defendant, one of its officers and executive head of its research work, to specifically perform an alleged agreement to assign to the corporation certain pending patent applications covering processes discovered by him during the course of his employment. The suit failed for the reason that the plaintiff was (1) unable to show that the purported express agreement was ever signed by defendant, or (2) if so signed, was unable to give adequate proof to explain its failure to produce the signed contract. A claim that an implied agreement existed, growing out of defendant's conduct in making prior assignments of other discoveries as well as from the fiduciary relationship present between the parties, likewise failed. Much of the difficulty present in that case would have been eliminated had the employer been able to produce a formal contract executed by the parties. It should not be supposed, however, that the presence of such a contract would guarantee success to the employer whose employee has developed a patentable invention, for there is room for pitfalls even in the most skilfully devised contractual language.

The purpose of this paper is not so much to re-examine the general law on the subject but to collate and compare specific cases involving so-called employment contracts for the purpose of determining somewhat the extent to which the parties may go in the accomplishment of their intents and purposes. In some

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¹ 338 Ill. App. 52, 87 N. E. (2d) 35 (1949). Niemeyer, J., wrote a dissenting opinion. It is understood that leave to appeal has been granted.

respects, an agreement by which an employee agrees to devote his time to the making of inventions and improvements for his employer, in exchange for employment and wages or other remuneration, is similar to an agreement by which a person or company purchases an invention and seeks to acquire some form of protective interest in possible improvements on that invention. Although there may be fine distinctions between the two types of cases, and although slightly different rules may be developed on the basis of the seller's or inventor's future interest in the enterprise, whether as partner, promoter, official, owner, or the like, it will be seen that the principles are very much the same and as easy to apply in one case as in the other.

I. IN GENERAL

The general rules governing contracts to assign future inventions undoubtedly follow ordinary contract law that controls in any case involving agreements to regulate competition, such as commonly arise in situations where an employee leaves his employer to seek his fortune alone but in the same or a related field. As a broad proposition, contracts that are unreasonable are unenforcible; that is, if the restraints imposed are unlimited as to time, space or subject matter. The importation of this rule of reasonableness into the relatively limited field of the types of agreements considered here, has resulted from a slavish acceptance of, and adherence to subsequent interpretations of, the opinion in *Littlefield v. Perry*;² although that case does not actually strike down a contract. Be that as it may, the principle is sound and has been accepted by authoritative texts.³ Since the very nature of the beast requires administration by a court of equity, the several ramifications and characteristics likely to develop from individual cases will be made to appear below.

² 88 U. S. (21 Wall.) 205, 22 L. Ed. 577 (1875).

³ See, for example, Walker on Patents (Deller's Ed., Baker, Voorhis & Co., New York, 1937), § 345.

II. PECULIAR MISCELLANEOUS CHARACTERISTICS

Although an assignment agreement that is so broad as to be unreasonable or repugnant to public policy has been rather freely stated elsewhere to be unenforceable, a court of equity will, in general, give effect to such agreements as a requisite to the protection of the employer's business.⁴ And a proper agreement will be specifically enforced to require the assignment to the employer of relevant patents and applications and to enjoin the employee from conduct calculated to injure his former employer.⁵ Nevertheless, it is said,⁶ the contract should be clear and the acts alleged to have occurred or failed to occur under it should be convincing.⁷ If the agreement is good in part only, and is divisible under the usual rules, the court may give effect to the unoffensive part.⁸

Obviously such an agreement must be supported by a valuable consideration, but it need not involve a separate grant as would be required for transfer of a patent or a business.⁹ Salary paid to the employee is sufficient and, unless the contract calls for further payment, he is entitled to nothing more.¹⁰ A failure on the part of the employer to make or tender performance precisely at the time and place required will not defeat his right to have the agreement specifically performed;¹¹ although, obviously, the employer's default may be effective to free the employee.¹²

⁴ *Dry Ice Corp. v. Josephson*, 43 F. (2d) 408 (1930); *Conway v. White*, 9 F. (2d) 863 (1925); *Wege v. Safe-Cabinet Co.*, 249 F. 696 (1918). The mere fact that such litigation involves a patent naturally does not confer jurisdiction on a federal court: *Littlefield v. Perry*, 88 U. S. (21 Wall.) 205, 22 L. Ed. 577 (1875).

⁵ *Goodyear Tire & Rubber Co. v. Miller*, 22 F. (2d) 353 (1928).

⁶ *Walker*, *op. cit.*, § 345.

⁷ *Guth v. Minnesota Mining & Mfg. Co.*, 72 F. (2d) 385 (1934), cert. den. 294 U. S. 711, 55 S. Ct. 506, 79 L. Ed. 1245 (1935).

⁸ *Idem.*

⁹ *Lion Tractor Co. v. Bull Tractor Co.*, 231 F. 156 (1916).

¹⁰ *Westinghouse Elec. & Mfg. Co. v. Formica Insulator Co.*, 266 U. S. 342, 45 S. Ct. 117, 69 L. Ed. 316 (1924), affirming 288 F. 330 (1923).

¹¹ *Conway v. White*, 9 F. (2d) 863 (1925). The employer therein became bankrupt, but assignment was nevertheless compelled.

¹² *Brown Perfection Tube Co. v. Brown*, 233 F. 676 (1916).

The agreement need not be in writing, if other conditions are met,¹³ hence it may be either express or implied;¹⁴ the parties' understanding thereof being evidenced by the fact that the employee has previously made assignments to his employer.¹⁵ These principles, as well as those hereafter stated, are applicable to the United States government and its employees,¹⁶ as well as to other persons.

Attempts of employees to circumvent such agreements have been as ingenious as they have been numerous. They have not succeeded by attempting to treat the agreement as a species of option to the employer to purchase the inventions.¹⁷ Nor may the employee so bound make related inventions for third persons.¹⁸ If the employee, after the termination of his employment, secures a patent including other inventions in addition to those rightly belonging to his former employer, he may be treated as one who has wrongfully commingled goods, in this case ideas, and the burden is on him to establish a contrary situation in his favor.¹⁹ On the other hand, a contract will not be construed to prevent an inventor, after severance of his employment, from making similar inventions for another, in the absence of conflict with reasonable provisions of the contract.²⁰

He may not defend on the ground that the contract contains no provision for future assignment of patents covering included inventions, for such covenant will be implied,²¹ but the employer may, at any time, release the employee from his contract, either

¹³ *Magnetic Mfg. Co. v. Dings Magnetic Separator Co.*, 16 F. (2d) 739 (1927), cert. den. 274 U. S. 740, 47 S. Ct. 586, 71 L. Ed. 1320 (1927).

¹⁴ *U. S. v. Dubilier Condenser Corp.*, 289 U. S. 178 and 706, 53 S. Ct. 554 and 687, 77 L. Ed. 513 and 1462 (1933).

¹⁵ *Bowers v. Woodman*, 59 F. (2d) 797 (1932). See also *Goodyear Tire & Rubber Co. v. Miller*, 22 F. (2d) 353 (1928).

¹⁶ *U. S. v. Dubilier Condenser Corp.*, 289 U. S. 178 and 706, 53 S. Ct. 554 and 687, 77 L. Ed. 513 and 1462 (1933).

¹⁷ *Hebbard v. American Zinc, Lead & Smelting Co.*, 161 F. (2d) 339 (1947).

¹⁸ *New Jersey Zinc Co. v. Singmaster*, 71 F. (2d) 277 (1934). See also *Conway v. White*, 9 F. (2d) 863 (1925), concerning the commingling thereof with inventions made before employment.

¹⁹ *New Jersey Zinc Co. v. Singmaster*, 71 F. (2d) 277 (1934).

²⁰ *Idem.*

²¹ *Littlefield v. Perry*, 88 U. S. (21 Wall.) 205, 22 L. Ed. 577 (1875); *Wege v. Safe-Cabinet Co.*, 249 F. 696 (1918).

generally or for isolated instances, and that release may be either express or implied.²²

An agreement requiring the assignment of future inventions, even though valid, is not such an instrument as, by statute, is entitled to recording in the Patent Office,²³ so the recording thereof does not operate as constructive notice to a subsequent purchaser.²⁴

It seems that the respective rights of the parties should be originally formulated by a proper bi-lateral contract, but in one case, that of *New Jersey Zinc Company v. Singmaster*,²⁵ no objections were raised to the enforcement of printed instructions issued to employees subsequent to their employment.

III. PERMISSIBLE SCOPE

The foregoing has covered briefly the general principles developed by the courts in the application of ordinary law to agreements pertaining to future inventions. There remains for consideration only the requisites of such agreements as to subject matter—the nature of the inventions involved, and time—the period covered by the contract.

A. AS TO SUBJECT MATTER

It follows from the general rule regarding the unenforceability of assignments in gross, that the invention or class of invention must be kept within or related to the subject matter of the agreement to the extent that such subject matter is either a specific type of invention or machine or a particular business. In *Aspinwall v. McGill*,²⁶ for example, the assignment as to future inventions and improvements was properly related to the invention ini-

²² *Parker Rust-Proof Co. v. Allen*, 231 Mich. 69, 203 N. W. 890 (1924), wherein the company evinced no interest in the employee's invention, though solicited, until the employee had negotiated elsewhere.

²³ 35 U. S. C. A. § 47.

²⁴ *Eastern Dynamite Co. v. Keystone Powder Mfg. Co.*, 164 F. 47 (1908).

²⁵ 71 F. (2d) 277 (1934). The text of the printed instructions is set out in the appendix hereto, Case I.

²⁶ 32 F. 697 (1887).

tially purchased, so the court could find no attempt to mortgage the brain of the inventor. In other cases dealing strictly with the inventions of employees, no case has been found in which an objection has been successfully raised against language in the contract defining the subject matter in terms of its relation to the employer's present business²⁷ or to business or matters in which he *may* be concerned.²⁸ Obviously, and as a matter of common sense, an employer would not be expected to limit the agreement to a specific line of products. Likewise, it would not be expected that, under general language in such agreement, he could properly become "interested or concerned" in a new and unrelated field after and simply because a bound employee made a valuable invention in such new field. Further, the agreement is not invalid as to subject matter if it embraces processes, apparatus, and the like, as well as products or machines.²⁹

B. AS TO TIME

This phase of the consideration herein may appear to overlap somewhat the consideration as to subject matter, especially in so far as it relates to inventions already made. But, since it concerns the time of making the invention, it is thought to be properly classified here, as will be seen. In general, inventions as to time may be made (1) before, (2) during, or (3) subsequent to the period of employment.

In at least four cases, the agreement covered inventions "now known,"³⁰ or "made"³¹ by the employee. In the *United Aircraft* cases,³² the question as to inventions "now known" to

²⁷ See Appendix, Cases A, B, C, D, G, H, and K.

²⁸ Appendix, Cases E and J. Contra: Case L.

²⁹ Appendix, Cases G, H, J, and K.

³⁰ Appendix, Case J.

³¹ Appendix, Cases B, C, and K.

³² *United Aircraft Products Co. v. Warrick*, 79 Ohio App. 165, 72 N. E. (2d) 669 (1945); *United Aircraft Products Co. v. Cruzan*, 76 Ohio App. 540, 62 N. E. (2d) 763 (1945). These related cases involved inventors who, originally employed without contract, were ultimately brought under contract. They had made an invention in the interim. It was determined that the invention came under the contract since it was "known" at the time of the execution of the contract. See also *A. B. Dick v. Fuller*, 198 F. 404 (1912).

the employee was squarely presented, and in both cases it was held that the phrase meant inventions known to the employee at the time of the making of the agreement.

Since the main purpose of an agreement for the assignment of future inventions is to secure to the employer the requisite rights in and to inventions made on his time and with his material and by virtue of the employment, no one has questioned his right to inventions made during the period or term of the employment, and every contract will contain this or similar language.³³

The most sensitive phase of the time aspect of such agreements is that involving strictly "future" inventions; that is, inventions conceived or made subsequent to the term of employment. Since it may be expected that an inventor cannot open and close his mind like a book, many contracts include a provision extending the contract beyond the immediate employment period for a certain length of time. In *National Cash Register Company v. Remington Arms Company*,³⁴ a provision extending the contract for one year beyond the end of the employment was said to be offensive. The point was not directly involved, however, and the remarks of the court are plainly dicta. A similar provision was directly presented in the case of *Goodyear Tire & Rubber Company v. Miller*³⁵ and there found not to be objectionable. In one other case, the employer attempted to extend the contract for five years after the employment period but, the subject matter of the contract being declared illegal, no consideration was given to validity of the time provision.³⁶

³³ Even in the absence of language limiting or relating the time of the invention to the period of employment, the contract may be so construed by the court for the purpose of taking it out of the broad prohibition of the general rule: *Thibodeau v. Hildreth*, 124 F. 892 (1903), affirming 117 F. 146 (1903). The text of the contract appears in Appendix, Case B.

³⁴ 242 N. Y. 99, 151 N. E. 144 (1926). See also, Appendix, Case F.

³⁵ 22 F. (2d) 353 (1928); Appendix, Case G.

³⁶ *Lanteen Laboratories, Inc. v. Clark*, 294 Ill. App. 81, 13 N. E. (2d) 678 (1938). The contract of employment, among other things, required the inventors to assign during the employment period and for five years thereafter. Four years after leaving the company's employ, the inventors filed an application on a device that the company thought was within the contract. The trial court found, with the aid of a patent attorney sitting as a special commissioner, that the invention

On the basis of what has been set forth above, it appears that the courts will uphold and enforce any proper and reasonable contract in which the inventions covered are (1) made or conceived prior to or in the course and during the time of employment or within a reasonable time thereafter,³⁷ and (2) relate to the particular or general business of the employer or to the purpose for which the agreement was made.³⁸

Although it has been shown above that such contracts have not been declared improper because they included inventions made *before* the period of employment³⁹ and extended to inventions relating to subject matter in which the employer "may" become interested,⁴⁰ neither provision is unequivocally recommended in view of the decision in the case of *Guth v. Minnesota Mining & Manufacturing Company*.⁴¹ This case also places an apparent limitation on a contract provision that was construed to extend the employer's rights beyond the term of employment.

Yet, a close analysis of the decision reveals no real conflict with the general principles outlined above. The late Judge Evans decided the case on the basis that: (1) the agreement sought to cover inventions made both before and after the period of employment; (2) the agreement could be extended to business of the employer's predecessor or successor; (3) it sought to cover subject matter in which the employer "may be concerned" in the future; and (4) the contract could not be specifically enforced as long as the employee, upon a proper showing, could not swear to the oath of the patent application.

of the applicants was not related under the contract and dismissed the bill. No question was raised as to the five-year extension. On appeal, the Illinois Appellate Court itself, and for the first time, raised the question of illegality of the subject matter (birth control devices) and affirmed the decision dismissing the bill.

³⁷ One year, for example: *Goodyear Tire & Rubber Co. v. Miller*, 22 F. (2d) 353 (1928), and Appendix, Case G.

³⁸ This much must be accepted, upon any reasonable construction of any such agreement. It will be found that equivalent language appears throughout the cases listed in the Appendix.

³⁹ See Appendix, Cases B, C, and K.

⁴⁰ See Appendix, Cases E and J. *Contra*: Case L.

⁴¹ 72 F. (2d) 385 (1934), cert. den. 294 U. S. 711, 55 S. Ct. 506, 79 L. Ed. 1245 (1935).

Primarily, the contract was held bad to the extent that it could be construed to require assignment of inventions "hereafter" made, and such construction was resorted to by the court to support its declaration that, under this contract, "he was, however, if he worked in another laboratory or for another manufacturer, required to assign his discoveries to appellee. This would effectively close the doors of employment to him."⁴² This absurd result is avoidable, however, by construing the provision in the light of the limiting phrase "during the period of my employment," which is quite obviously the real meaning of the provision, for "predecessor" and "successor" were used to merely standardize the form of the contract for purposes of possible corporate reconstruction.

The decision does not validly establish the repugnance of the phrase "or may be concerned" as related to subject matter, since, as a practical matter, an employer, especially a corporate employer, constantly adds new products to its business and if the employee's invention is made after the adoption of such new product and relates properly thereto, it should be included in the agreement. A contrary result could require the execution of new agreements with every expansion of the employer's business.

Ultimately, the court was satisfied that Guth could not make the oath in the application in suit. Whether such satisfaction was properly supported is beyond the scope of the present study. It can be accepted, however, that that is the real basis for the decision and the general criticism of the agreement was not required. It is interesting to note that of the authorities so copiously⁴³ cited by the court, only one⁴⁴ actually held a contract invalid as being contrary to public policy. The Guth case, then, can stand for no more than the proposition that equity will not compel an inventor to execute an oath for a patent application

⁴² 72 F. (2d) 385 at 388.

⁴³ One should not be unduly impressed by the sheer number of authorities cited, for there are many duplications, some under the guise of parallel citations (c.f. *King v. Gannon*, cited in note 3 as 158 N. E. 346 and in note 4 as 54 A. L. R. 1215), and others by separately including the appellate decision and the decision affirmed (c.f. *Thompson v. Automatic Fire Protection Co.*, 211 F. 120 and again as 155 F. 548).

⁴⁴ *King v. Gannon*, 261 Mass. 94, 158 N. E. 346, 54 A. L. R. 1215 (1927).

where he properly shows that he believes himself not to be the first inventor.

The case does not weaken the decisions in the United Aircraft,⁴⁵ Goodyear⁴⁶ or Hebbard⁴⁷ cases, nor does it indicate that the employment contracts therein are in any way defective or susceptible to attack on the ground that they are unconscionable. Further, the great weight of authority appears to be that such contracts must indeed be bad to fail to elicit some response from the court. Even the court in the Guth case would have enforced what it said was the reasonable portion of that agreement.

APPENDIX OF AGREEMENTS*

1. NOT OBJECTIONABLE

A. *Aspinwall Mfg. Co. v. McGill* (Note 26).

Assignment of patent "together with all improvements I may *hereafter* make, without further cost."

B. *Thibodeau v. Hildreth* (Note 33).

"... in consideration of such employment . . . and . . . wages . . . agree . . . that I will give . . . full benefit and enjoyment of any and all inventions or improvements which I *have made* or may *hereafter* make relating to machines or devices pertaining to said . . . business."

C. *Wege v. Safe-Cabinet Co.* (Notes 4, 21).

"all *present* and *future* improvements of the safe-cabinet" and "all developments and inventions embodying any or all of the principles involved [therein] due in part or altogether" to employee's "talent and labor" saving to employee "full property rights in all patents secured by him for inventions in steel or other construction, except as above stated . . ."

⁴⁵ See note 32, ante.

⁴⁶ 22 F. (2d) 353 (1928).

⁴⁷ 161 F. (2d) 339 (1947).

* Possible controversial language has been underscored for emphasis.

D. *Parker Rust-Proof Co. v. Allen* (Note 22).

“ . . . all rights to . . . any inventions that I may hereafter make while in its employ, in the rust-proofing of iron and steel . . . ”

E. *Conway v. White* (Notes 4, 11, 18, 28, 40).

“ . . . all invention . . . made . . . during the term of . . . employment, which in any way may affect any articles manufactured by [employer] and used or *capable of being used* in [employer's] business . . . ”

F. *National Cash Register Co. v. Remington Arms Co.* (Note 34).

Agreement required assignment of any invention made during employment and *within year after termination* of employment. Case contains dictum to effect that such clause is offensive. Compare *Goodyear Tire & Rubber Co. v. Miller* (Appendix, Case G) and *Guth v. Minnesota Mining & Mfg. Co.* (Appendix, Case L).

G. *Goodyear Tire & Rubber Co. v. Miller* (Notes 5, 27, 29, 35, 46).

“ . . . any and all improvements . . . during . . . my employment . . . or *within one year* from the termination of my employment, in respect to: Methods, processes, or apparatus concerned with the production of any character of goods or materials sold or used by the . . . Company; or (2) in respect to such goods, etc., themselves.”

H. *Dry Ice Corp. v. Josephson* (Note 4).

“ . . . any inventions or processes which I may at any time during the course and period of employment by the [Company] evolve or create relating to Prest-Air devices or Prest-Air Refrigeration, and in and to any patent rights in the United States or elsewhere, which I may receive or to which I may be entitled by virtue of such inventions or processes.”

I. *New Jersey Zinc Co. v. Singmaster* (Notes 18, 19, 20, 25).

General instructions issued to employees subsequent to their employment read: "all patentable ideas and devices originating with, or developed by, an employee of this Company, while in the employ of the Company, shall belong to the Company, and shall be assigned to the Company by the patentee." Note: The inclusion of this case in the group of cases held not objectionable should not be construed to indicate general approval of the practice of issuing such "instructions."

J. *United Aircraft Products, Inc. v. Warrick; Same v. Cruzan* (Notes 28, 29, 30, 32, 45).

"... any and all inventions, discoveries or improvements in any way relating to aircraft parts and accessories, or other items of manufacture, manufactured and/or sold by said company during the term of said employment, or to processes or apparatus particularly adapted to the manufacture of such parts, accessories or other items invented by him *during the term of said employment*, or to improvements on any such inventions whenever made by him in the line of work or investigation which the company is, *or may be*, engaged in during the term of said employment, which . . . are *now known* to the [employee], or discovered or made by the [employee], either in whole or in part, during the terms of said employment, shall immediately become the absolute property of the company . . ."

K. *Hebbard v. American Zinc, Lead & Smelting Co.* (Notes 17, 27, 29, 31, 47).

"... any and all inventions, discoveries, machines, devices, apparatus, processes or improvements to any thereof, which I *have made*, discovered or invented, or which I may hereafter make . . . while in the employ of [and] relating to the business of said company."

II. OBJECTIONABLE

L. *Guth v. Minnesota Mining & Mfg. Co.* (Notes 7, 8, 28, 40, 41).

“(a) . . . all . . . inventions which I *have made or conceived*, or may *at any time hereafter* make or conceive . . . relating to abrasives, adhesives or related materials, or to any business in which said company during the period of my employment by said company or by its *predecessors or successors* in business is *or may be* concerned, and (b) . . . inventions which, during the period of my employment by said company or by its predecessors or successors in business, I *have made or conceived* or may *hereafter make or conceive* . . . or in the time or course of such employment, or with the use of said company’s time, material or facilities, or relating to any subject matter with which my said work for said company is *or may be* concerned . . .”