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Protecting Your Intellectual Property

By Jerome Coenic-Taylor, Esq.

Ideas and innovation are *the* driving forces behind the next best product or service, which employers will not hesitate to protect. Of course, ideas don't drop out of thin air; they are most often developed by the employees hired for their creativity and technological knowledge. Thus, one common way employers can protect their interests in this regard is through Intellectual Property Agreements (IP Agreements) with their employees. Under a typical IP Agreement via a copyright "work for hire" or assignment provision, an employee cedes to his or her employer all ownership rights in any idea or invention that he or she created, invented, designed, developed, contributed to or improved upon during their employment tenure. In other words, as Plautus once said, "what is yours is mine."

A recent case from New York demonstrates the benefits of a well-drafted IP Agreement and the need for conscientious assigning of ownership of employee work product.

In [Picture Patents LLC v. Aeropostale Inc.](#), a federal district court dealt with, *inter alia*, whether an employer owned the patent to an invention conceived by its former employee while she was working for the company. [No. 07Civ.5567\(JGK\), 2011 WL 1496347 \(S.D.N.Y. April 18, 2011\)](#). In [Picture Patents LLC](#), Michelle Baker, a former IBM employee, signed an IP Agreement when she began her employment with IBM in 1990. In the IP Agreement, Baker agreed to the following terms:

I hereby assign to IBM my entire right, title and interest in any idea, invention, design of a useful article (whether the design is ornamental or otherwise), computer program and related

documentation, and other work of authorship (all hereinafter called 'Developments'), hereafter made or conceived solely or jointly by me, or created wholly or in part by me, whether or not such Developments are patentable, copyrightable or susceptible to other forms of protection, and [sic] the Developments: (a) relate to the actual or anticipated business or research or development of IBM or its subsidiaries, or (b) are suggested by or result from any task assigned to me or work performed by me for or on behalf of IBM or its subsidiaries.... [T]he above provisions concerning assignment of Developments apply only while I am employed by IBM in an executive, managerial, product or technical planning, technical, research, programming or engineering capacity.... Id. at *1-2.

A year into her employment, while driving home for Thanksgiving break, Baker conceived an idea involving a novel pictorial user interface that could link files to pictures. Baker refined the project during work hours, used other IBM resources (*e.g.* IBM's office equipment, research library, databases, and confidential documents), and discussed the invention with various IBM employees over the next year and a half. Three years later, Baker ended her employment relationship with IBM and planned to take her invention with her. Baker claimed that she communicated to IBM that she believed she owned the invention and that she intended to patent it. She also claimed that IBM informed her it was not interested. IBM, not surprisingly, denied those allegations, and had proof: an internal memorandum, provided to Baker before she left the company, memorializing Baker's and IBM's positions and reaffirming IBM's belief that it owned Baker's invention.

Nonetheless, after Baker left IBM, she continued to work on the invention, ultimately filing three patent applications, as well as a foreign and international patent application. In December 2003, after filing the patent applications, Baker assigned her "...entire right, title and interest" to the invention to Intellinet - a company for which Baker was the founder, president, and only officer. In May 2006, Baker assigned her interest in the invention to Picture Patents - another company for which she was the founder, president, and only officer.

In June 2007, Picture Patents filed a lawsuit alleging patent infringement against a number of companies, including Aeropostale, Inc. The defendants asserted that Picture Patents could not allege patent infringement for the simple reason that it did not own the patents in question - IBM did. Picture Patents then added IBM as a defendant, and both Picture Patents and IBM sought declaratory judgment to determine ownership of the patents.

Ultimately, the court answered the question of ownership by determining whether Baker assigned the patent to IBM 17 years earlier *via* the IP Agreement she signed in 1990. The case ultimately came down to whether Baker's invention was "relate[d] to the actual or anticipated business or research or development of IBM or its subsidiaries." Given the relationship of Baker's invention to IBM's computer business - a fact even Picture Patents had to concede - the court easily found that IBM owned the patents.

This case is a good example of how employers can protect their company's intellectual property and financial interests with a well-drafted IP Agreement. Employers considering such agreements should keep in mind the following points:

- **Scope:** Carefully consider how broadly to define the scope of ideas and inventions covered. You don't want to get into issues of whether the concept or invention is related to the employee's work, and courts don't want to be arbiters of that either. "[R]elate[d] to actual or anticipated business or research or development of IBM or its subsidiaries" language was sufficient for at least the Picture Patents district court judge. An attempt to encapsulate any invention, even those completely unrelated to your business, may well be deemed over broad and unenforceable. For instance, if Baker had invented a new golf club, this case would have come out differently.
- **Assignability:** Make sure that your employees understand the rights they are assigning when they sign an IP Agreement. You might even want to provide examples of things that would fall within the IP Agreement - emphasizing, of course, that the examples are by no means all-inclusive.
- **Terms:** Tense and language are important. In Picture Patents, the court noted that "I hereby assign" - language from the IP Agreement Baker signed - has a specific meaning under federal law and constitutes a present assignment of future inventions covered by the agreement (some courts even require that the contract explicitly states "works for hire" language). Thus, once Baker signed the IP Agreement, the title of the invention passed to IBM "from the moment [the invention] came into being."
- **Put it in writing:** Document any disagreement with employees over ownership of an idea or invention. IBM did, and 17 years later, that documentation proved to be important evidence.
- **Monitor:** In the same vein, continue to monitor every quarter or so the employee's creative works or work product; include contract language requiring periodic disclosure or updates of ongoing creative works.
- **Ownership:** If you are sued for infringement, consider the strategy adopted in Picture Patents by asserting lack of ownership as a defense; make sure the plaintiff owns what he says he owns.

As with any agreement that restricts employee rights, whether in the form of a confidential non-disclosure agreement or a covenant not to compete or solicit, it is important to consult with legal counsel regarding applicable laws and ensuring implementation of consistent documentation and employee guidelines. Hiring counsel that understands both employment and

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intellectual property law is key, as you want employees to sign agreements relating to *both* restrictive covenants and assignability of intellectual property rights. Otherwise, what is mine may not be yours.

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