

# Employee Invention Agreements Can Prevent Workers From Using Your Intellectual Property to Bite into Company Profits



A carefully prepared contract will go a long way toward avoiding future disputes, while over-reliance on a “canned” form may be more like the proverbial tiger defense system, effective only when there is no future invention (or prowling tiger) to worry about.

BY JAMES H. LASKEY, ESQ., AND JOHN N. VANARTHOS, ESQ.  
NORRIS McLAUGHLIN & MARCUS

**W**ITH INTELLECTUAL PROPERTY STEADILY growing in importance relative to tangible assets such as buildings or machinery, disputes between employers and their employees over who may claim ownership rights over a particular invention are mushrooming. An increasing number of employers are finding it prudent to confirm in writing with their employees a precise understanding of which inventions will belong to the employer, and which to the employee.

As with any contract, a carefully prepared one will go a long way toward avoiding future disputes, while over-reliance on a “canned” form may be more like the proverbial tiger defense system, effective only when there is no future invention (or prowling tiger) to worry about.

An employee invention agreement will typically provide that all inventions belong to the employer, whether or not made during normal business hours, unless the employee can show by clear and convincing evidence that the invention did not emanate from the employee's work for the employer and was made entirely on personal time, without use of employer resources. Resources can be defined to include not only physical equipment, supplies or facilities, but also confidential or

trade secret information that the employee had access to as an employee.

Employers will often try to include inventions made after employment. The key here is to show that the invention relates to the employee's former work. Often a time limitation is included, such as one year after termination of employment, in an effort to avoid any inference that the employer was over-reaching.

If the employee arrives on the job with a portfolio of prior inventions, it is best to identify those in a written exhibit attached to the basic agreement. In addition to reducing the risk of future controversies, such a list may help the employer gauge whether any of the new employee's former employers is likely to assert rights against the employee. The new employer invariably gets dragged into such disputes, so it is best to begin the new relationship with eyes open.

While ownership of inventions is the key topic to address in an employee invention agreement, there are other related items that should be covered, unless they are covered in a separate employment agreement that the invention agreement can refer to. These items include: a general obligation of confidentiality and non-disclosure of trade secret information except within the

*continued on page 60*

*continued from page 58*

employer's corporate family; an obligation to disclose all inventions, and to cooperate with efforts to obtain or maintain patents and other legal protections; whether the employee will be entitled to any additional compensation in the event of an invention; and procedures for resolving disputes, including arbitration, choice of law, venue, and the potential for injunctive relief.

The best time to enter into an employee invention agreement is at or prior to the start of employment, so there is no question that the employee was receiving something of value (a new job) in return for the agreement. For existing employees, there is always the risk that a court will find that there was no "consideration" for the employee's new commitments. The employer may choose to present the agreement in connection with an additional opportunity, such as a promotion or a bonus, but generally speaking it is risky for the employer to rely on mere continuation of existing employment as sufficient consideration.

It should also be noted that several states, including Delaware, California and Illinois, have enacted legislation which requires that employer invention agreements contain a specific disclaimer for the benefit of employees. There is no such requirement in New Jersey

at the present time, but this is one more reason to be wary of "canned" form agreements.

If one "googles" the term "employee invention agreement," one will find under AllLaw.com a very simple form agreement. One will also find the following warning: *These forms are provided AS IS. They may not be any good. Even if they are good in one jurisdiction, they may not work in another. And the facts of your situation may make these forms inappropriate for you. They are for informational purposes only, and you should consult an attorney before using them.*

The form is not bad, but the warning is better. Employers who are serious about staking claims of ownership to employee inventions had best be sure that the agreement they use is tailored to their particular situation. ■

*John N. Vanartbos, Esq., is chairman of the Norris McLaughlin & Marcus Corporate Law Department and a member of the firm. James H. Laskey is past chairman of the Norris McLaughlin & Marcus Corporate Law Department and a member of the firm. In March, Vanartbos will be hosting an event on selling businesses. For more information, visit [www.nmmlaw.com](http://www.nmmlaw.com).*

*A*s a Nurse Manager, I need the critical skills that can be directly applied to my job, and the expertise to reduce costs and improve quality of care. I need to earn my M.P.A. in Health Administration at...



**ROCKLAND GRADUATE  
CAMPUS**



70 Route 340 • Orangeburg, NY • [www.liu.edu/rockland](http://www.liu.edu/rockland)

## ...the Rockland Graduate Campus of Long Island University

Study in a top-notch master's degree program that has produced many successful alumni, on a campus that is located conveniently for New York and New Jersey hospital- and private-clinic professionals. Benefit from our small class size, personalized attention, and convenient late-afternoon and evening class schedule.

**Earn a Master of Public Administration with  
a specialization in Health Administration,  
(48 credits) on a part-time basis.**

*Financial aid and Rockland Graduate Campus scholarships  
are available for those who qualify.*

### Open House

Wednesday, April 18 • 5:30 p.m. - 8:00 p.m.

CALL (845) 359-7200

or e-mail: [rockland@liu.edu](mailto:rockland@liu.edu)