**Whither Assignment of Patent Rights: A Case Study in Pro-Inventor Public Policy**

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This article discusses the rights of inventors to the intellectual property they invent during the course of their employment.

**A Non-Free-Market Capitalistic Approach Benefiting Employers**

In 1968, in the author’s home town of St. Paul, Minnesota, Dr. Spencer Silver, a research chemist working at 3M (formerly known under the trade name *Minnesota Mining and Manufacturing Co.*) invented the adhesive responsible for the now-ubiquitous and fabulously profitable Post-it® note. After years of fruitless internal campaigning for the adhesive’s commercial development—presumably spurred more by solicitude for 3M’s profit potential than by fortune or fame—Dr. Silver’s efforts proved successful when another 3M scientist, Art Fry, thought to use the adhesive to create sticky notepaper. This caught the attention of 3M executives, and 3M launched the Post-it® note in 1977 under a different trade name, relaunching it 1980 under the now-familiar Post-it® brand name. In an article published by the Institution of Chemical Engineers (IChemE) in its flagship publication, *The Chemical Engineer* magazine, we learn that “for all the millions 3M made from the product, neither of its inventors were entitled to any royalties—part of 3M’s strategy for encouraging the open exchange of ideas among employees is to severely limit the amount of financial gain an individual can make.”[[2]](#footnote-2)

It’s clear that the origin of claims of any putative nexus between “the open exchange of ideas” and the natural law that one should benefit from one’s ideas lies, ironically, not in quantifiable science inquiry, but in self-serving rhetoric promoted to justify benefit from *others’* ideas. In the United States, though the general rule is that the inventions of employees, such as scientists and engineers, who are employed to invent, are generally owned by the employer,[[3]](#footnote-3) compulsory assignment of rights clauses contained in employment contracts—in practice, contracts of adhesion—are the normal way to enforce “voluntary” contractual transfer of ownership. It should not escape our notice that this is the model employed in most capitalistic, free-market economies, where freedom of contract militates against it.

**Taiwan: A Compensatory Approach Benefiting Employees**

Pursuant to Taiwanese patent law, “[w]here an invention . . . is made by an employee in the course of performing his/her duties, the right to apply for a patent and the patent right thereof shall be vested in his/her employer[,] *and the employer shall pay the employee reasonable remuneration*; where there is an agreement providing otherwise, such agreement shall prevail.”[[4]](#footnote-4) Art. 7, Taiwan Patent Act (2014) (emphasis added). By contrast, “[w]here an invention . . . made by an employee has no connection to the course of performing his/her duties, the right to apply for a patent and the patent right for such invention, utility model or design shall be vested in the employee.” Art. 8, Taiwan Patent Act. Thus, though an employer owns patent rights to inventions “made by an employee in the course of performing his/her duties,” Art. 7, Taiwan Patent Act, in the absence of a contrary agreement, the employer must *separately*, in addition to the employee’s ordinary compensation, compensate the employee for these rights. This is much like a compulsory license (assignment really), in contrast to the American rule discussed *supra*—in essence, a contractual transfer of ownership rights without meaningful consideration, as ascent to the employment contract is a condition of employment.

A recent decision by the Taiwan Intellectual Property Office (“TIPO”), (102)智專三(四)02021字第10221667360號, illustrates this approach. An employer sought to invalidate a patent application on the grounds that “the right to apply for a patent and the patent right thereof [were] vested in” it by operation of law,[[5]](#footnote-5) and thus that the inventors had no right to apply for a patent in their own names. The inventors countered that their invention predated their employment, which they characterized as a joint development project with the employer to develop their invention in any event. During the proceeding, the TIPO examiner asked the employer to produce evidence in support of its position, but the employer failed to do so. The examiner ruled in favor of the inventors, denying invalidation on the grounds that the employer had failed to show that the inventors had made the invention in the course of performing their duties. The upshot is that employment by itself is insufficient to demonstrate ownership—else the phrase “in the course of performing his/her duties” and much of article 8 of the Taiwan Patent Act would be superfluous.

**Conclusion**

The American and Taiwanese schemes differ in significant ways that have meaningful consequences for inventors, investors, employers, startups, and other. Ownership of the right to future patent royalties is an important factor in investment decisions, enterprise valuation, financing (to the extent that equity, convertible bonds or debentures, and intellectual property are frequently pledged as collateral), the technological environment, and the overall economy. The balance of these rights is as much cultural as legal, but it affects direct foreign investment and the inventive landscape just the same.

1. Mr. Cobb graduated from the University of Minnesota Law School in 2001, where he was an editor for the *Minnesota Journal of Law, Science & Technology* and named to the dean’s list. He earned a bachelor of science in chemical engineering from the University of Michigan, Ann Arbor, *cum laude*, in 1995. He was a Regents-Alumni Scholar and earned Class Honors. A registered patent attorney admitted to practice before the United States Patent and Trademark Office, Mr. Cobb is patent counsel at Deep & Far, Attorneys at Law, in Taipei, Taiwan, and devotes a large portion of his practice to patents. [↑](#footnote-ref-1)
2. Claudia Flavell-While, *Spencer Silver and Arthur Fry: The Chemist and the Tinkerer Who Created the Post-it® Note*, The Chemical Engineer, Aug. 23, 2012, at 53-55. [↑](#footnote-ref-2)
3. For other employees, or when the invention is unrelated to the business of the employer, the intellectual property generally belongs to the employee in the absence of an assignment of inventions. [↑](#footnote-ref-3)
4. In the context of a “fund provider [who] appoints [a non-employee] to conduct research and development,” the default rule is the opposite, and there is no compensation requirement for rights contracted away, probably because this is presumed to be addressed in the arms-length (vis-à-vis most employment contracts, which are contracts of adhesion) contract transferring such rights: “ownership of the right to apply for a patent and the patent right in connection with the outcome of such research and development shall be vested in the party as mutually agreed upon in an agreement between both parties, or such rights shall be vested in the inventor, utility model creator or designer in the absence of such agreement.” Art. 7, Taiwan Patent Act. [↑](#footnote-ref-4)
5. Art. 8, Taiwan Patent Act. [↑](#footnote-ref-5)