

IS THE COPYRIGHT ACT INCONSISTENT WITH THE LAW OF EMPLOYEE
INVENTION ASSIGNMENT CONTRACTS?

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*There is a latent conflict between the law of employee invention assignment contracts and the Copyright Act's work for hire doctrine. Countless employees sign contracts specifying that, in most cases, the employer will own trade secrets and patentable inventions, as well as copyrightable works. When employees create in the workplace, these rules are largely uncontroversial. But when employees create something outside the workplace for a new venture, there can be a conflict between these two areas of intellectual property law. The work for hire doctrine is more favorable to employee-ownership than the law of invention assignment contracts. As a perhaps surprising result, where an employee's outside-the-workplace creation might constitute both a trade secret and a copyrightable work, these two ownership tests can point in opposite directions. Further, when an employee prevails as to copyright ownership, there are good reasons why that result precludes an employer's conflicting claim to trade secret ownership in the same work. This friction on the boundaries of two areas of intellectual property law has important policy ramifications for employees who create intellectual property on the side, while planning for their next job. ***

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** This essay is the first in a three-part series addressing under-analyzed areas of intellectual property and employee mobility law which impact creative employees when changing jobs. Departing employees can face a tangled body of contract, tort, and statutory claims brought by former employers. Academics and practitioners have provided little commentary about some of these overlooked areas of law. This relative inattention is surprising given the important policy concerns so often at stake in mobility disputes.

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INTRODUCTION

This article considers the conflict between two commonplace but little-discussed areas of intellectual property law: the law of invention assignment contracts and the law of works for hire under the Copyright Act.

Both can encompass the same subject matter. Both offer tests to allocate ownership between an employer and an employee when the employee creates something. However, sometimes these tests are in tension, if not outright conflict. This conflict is particularly apparent in the context of employee mobility disputes; i.e. those that arise when someone creates intellectual property on the side, outside the workplace, before quitting and leaving for his or her next opportunity.

Employees planning a new venture face a tangle of potential tort, contract, and statutory claims brought by employers seeking to halt competition or to claim ownership of the departing employee’s ideas. Two such claims center on whether the former employer can claim a property right in ideas or work product that a departing employee created offsite, on his or her own time. This essay is the first to compare these related areas of law, tease out the potential conflicts in their tests for employee ownership, and identify the reasons one offers better protection than the other for departing employees.

The law of invention assignment contracts and the work for hire law under the Copyright Act provide the basis for two claims employers can bring to seek ownership of intellectual property an employee has created, whether at the workplace or outside the workplace. Both areas of law start with contract terms that purport to govern whether an employer or an employee owns intellectual property that an employee creates. One applies to trade secrets and patentable inventions. The other applies to copyrightable works of expression. The former, the law of invention assignment agreements, is largely a matter of state contract and state statutory law. The latter, the work for hire doctrine, is largely a matter of federal copyright law. Through these extra-contractual sources, both provide rules that allocate ownership of employee work product, including creative work done entirely apart from the employer’s business. Thus, while many may believe that ownership of employee-created work product is a straightforward matter of contract,

that is not always the case when we focus on creative materials an employee has prepared outside the company, for purposes outside the company.

There is a marked contrast between these dueling areas of law. Invention assignment law is highly one-sided, favoring the employer, while work for hire case law is more balanced, and employees often prevail in establishing ownership of their copyrighted creations. This difference arises because the Copyright Act focuses on what an employee was hired to do and what he or she intended by creating the work at issue. The law of invention assignment contracts, by contrast, treats the employee's role and mental state as irrelevant and instead asks whether the created work is related in some manner to the employer's business – a broad definition the boundaries of which remain unclear.

Increasing this tension, the subject matter of these doctrines can overlap, which means that the law can dictate different ownership outcomes for the same employee work product. For example, whenever an employee creates a work of expression that is simultaneously a potential trade secret (such as software code), the law of invention assignment contracts and the law of works for hire are both in play. Ownership results may differ depending on the set of tests used to adjudicate a particular dispute. This article will analyze cases where the outcome might have differed if the court and litigants had analyzed a different body of law.

Where there is a conflict, copyright ownership appears to override a conflicting ownership claim to trade secret rights in the same work product. Specifically, where an employee prevails and a copyrightable work is not the employer's work for hire, the employer likely cannot win by asserting trade secret rights. Because a copyright owner can disclose and publish the work at will, trade secret rights – which require secrecy – would be precluded from the outset. Thus, from a departing employee's perspective, establishing copyright ownership may be paramount. That may well be better public policy given the potential for overreach in the law of invention assignment agreements.

To parse these areas of law which could govern ownership rights in the same subject matter, this article will explore both areas of law in depth, with a survey of virtually all of the available case law on ownership disputes between employers and employees. Providing this survey may help address issues that largely remain unexplored by courts and commentators, even those who are sympathetic to the obstacles departing employees can face.¹

Section I explains that when employees create outside-the-workplace material for a future new venture, two categories of intellectual property law are relevant: the law of invention assignment contracts and work for hire law under the Copyright Act. This article will focus on employees

¹ One powerful, if rare, example of the sort of thoroughgoing critique that is all too often lacking is found in Orly Lobel, *The New Cognitive Property: Human Capital Law and the Reach of Intellectual Property*, 93 TEX. L. REV. 789, 792-93, 798-99, 801-03, 813-15 (2015) (tying the overbreadth of employee invention assignment agreements – noting, among other things, post-employment holdover clauses – to broader concerns over employer overreach and resulting harms to mobility and growth of new enterprises).

acting in good faith to create for a potential new company, in order to set the stage for the latent clash between these doctrines.

Section II provides a historical overview of the development of invention assignment law. This runs from early common law rules and their important exceptions, to the modern era, where the combination of state invention assignment statutes and commonplace contract terms have substantially modified the common law. Setting up the conflict between the law of invention assignment contracts and work for hire law, this section also demonstrates how invention assignment case law significantly favors employers over employees.

Section III sets forth a contrasting body of law which also addresses employees' creation of intellectual property, with sometimes different outcomes for disputes between employers and employee: work for hire law and its three-part scope of employment analysis. Gathering virtually every reported case, this section shows that work for hire law is more balanced than invention assignment law in weighing the interests of employers and employees.

With this divergence in mind, Section IV explains how both of these categories of intellectual property law can overlap in the same employee-created material. This is where the conflict between these doctrines arises – where applying one test instead of the other could lead to a different outcome in a dispute over whether the employer or the employee owns what the employee has created. This section also provides a tentative solution. Where the employee owns the copyright in a work under the work for hire doctrine, and therefore has a right to publish the work, the employer's competing invention assignment claim should fail, because it is based on trade secrecy. As the Fourth Circuit held in a 1994 decision,² a decision which may provide the key to resolving the latent conflict between these areas of law, a competing trade secret claim cannot exist where a copyright-owner has the right to publish (and thus to disclose) the work at issue.

Finally, Section V examines the public policy implications of the clash between invention assignment law and work for hire law. In the context where an employee operating in good faith creates material outside the workplace that has only an attenuated connection to the employer's business, the more balanced regime seen under the work for hire doctrine provides better protection for employees forming new ventures and thus better promotes innovation. Asserting the work for hire doctrine where copyrightable material is at stake may prevent overreaching by employers where their ownership claims are weakest.

Employees around the country are subject to contracts which grant their employers ownership in workplace creations – and sometimes also outside-the-workplace creations. Given the importance of these questions to mobile employees and those who wish to form new ventures, this essay looks to ask new questions about this corner of the law.

² *Avtec Sys. v. Peiffer*, 21 F.3d 568 (4th Cir. 1994).

I

SETTING THE STAGE: PRE-DEPARTURE CREATIVE ACTIVITIES

This essay focuses on a narrow period of time and the intellectual property laws that govern that moment. To set the stage for highlighting a conflict between two areas of intellectual property law, we focus on the point when an employee begins to think about changing jobs, perhaps starting his or her own new venture, or when an employee simply creates work on the side, for purposes not yet known. We consider the situation in which the employee does not misuse the employer's trade secrets, the employee works on the proverbial nights and weekends outside the office, and the employee is not attempting to create material that is related to the employer's business.³

Many people who would like to quit and start a new venture understandably do not want to resign until a concrete plan is more or less in place. Sometimes that means weeks or months of planning with other nascent co-founders or slowly seeking funding. If the employee creates no intellectual property before leaving, the only legal questions at stake are those of fiduciary duty, the duty of loyalty, and making preparations for the next job.⁴

Sometimes, however, pre-departure planning also means that one or more employees creates new ideas, and commits those ideas to writing or to software code. Assuming the ideas or expression are original, novel, or not generally known in the relevant industry, he or she has probably created some form of intellectual property. So the question arises: who owns that intellectual property – the current employer or the employee who created it?

Events such as these are hard to capture for analysis. They occur in secret, because the employee fears that discovery will result in immediate termination.⁵ Further, where attorneys become involved in counseling departing employees, the attorney-client privilege means that practitioners are not free to discuss particular situations in a public setting. Even where the employer later discovers the pre-departure preparations and sends a cease-and-desist letter, many potential lawsuits are averted. Probably only a small fraction of such cases result in lawsuits, and even fewer court rulings are available in public databases.

To delve into the ownership disputes that may arise in these contexts, we will put aside disputes where departing employees misuse employer trade secrets, or create work product that overtly

³ In general, and while definitions vary slightly from state to state, a trade secret is non-public business information valuable to competitors that the owner has protected with reasonable security measures. *E.g.*, Defend Trade Secrets Act of 2016 § 2(b)(1), Pub. L. No. 114-153, 18 U.S.C. § 1839(3), 130 Stat. 376, 380.

⁴ Disputes over these so-called “preparations to compete” will be the subject of the next essay in this series.

⁵ Even if preparations to compete are legal, an employer can terminate an employee found to be engaging in such activities. *See Fowler v. Varian Assocs., Inc.*, 241 Cal. Rptr. 539, 544 (Ct. App. 1987) (granting summary judgment for employer where employee brought wrongful termination claim after being fired for making preparations to leave and compete).

relates to (or even competes directly with) the business of the employer. Our focus will be situations where the employee intends to launch a different, non-overlapping business, and creates new intellectual property with that end in mind. That is, we will assume the departing employee's good faith, and analyze who might own such work product when both the Copyright Act and the law of invention assignment contracts could encompass the work at issue. We begin with invention assignment law.⁶

II

INVENTION ASSIGNMENT CONTRACTS AND EMPLOYEE-EMPLOYER CONFLICTS

In order to understand how invention assignment law and work for hire law are sometimes in conflict, we will first examine the historical development of invention assignment law and then turn to the body of case law, which tends to significantly favor the employer over the employee.

Invention assignment agreements are commonplace in employment contracts. They reverse the historical common law presumption that an employee owns what he or she invents or develops, and they broaden a longstanding common law exception, which allows for employer ownership when the employee was hired to invent the type of intellectual property he or she then created.⁷ Terms in invention assignment contracts address ownership of trade secrets and patentable inventions, but not copyrights.⁸ Although these agreements allow for employee ownership in certain contexts, by and large they substantially favor employers.⁹

⁶ Readers may wonder why this essay refers to employers' trade secret rights through invention assignment agreements, rather than patent rights. After all, and as the very phrase "invention assignment" suggests, patents are what scholars and practitioners likely think of first, if not exclusively, when the subject of invention assignment arises. But this misses an important timing point: when an employee conceives a patentable invention, it first exists as intellectual property in the form of a trade secret, not a patent. If the employer chooses to pursue a patent application, that election comes after the point of initial, automatic assignment. That is why this essay points to a clash between competing copyright and trade secret rights in the same work product.

⁷ While ownership of an invention would otherwise vest in the inventor, the standard rule and practice is that an employee can contract ownership away through an invention assignment agreement. *See* *Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248 (Fed. Cir. 1993); *Access Cardiosystems, Inc. v. Fincke (In re Access Cardiosystems, Inc.)*, 340 B.R. 127, 147 (Bankr. D. Mass. 2006) (explaining rules). Thus, "an employer owns an employee's invention if the employee is a party to an express contract to that effect." *Banks v. Unisys Corp.*, 228 F.3d 1357, 1359 (Fed. Cir. 2000); *Grove v. Grove Valve & Regulator Co.*, 84 Cal. Rptr. 300, 303-04 (Ct. App. 1970) (early case finding that employer owned improvements to various inventions in enforcing terms of employee invention assignment agreement signed in 1959).

⁸ Although such contracts assign ownership of rights including those governed by federal law – *i.e.*, patents, but also trade secrets given the 2016 Defend Trade Secrets Act – their interpretation is largely, but not entirely a matter of state law. Until 2008, the interpretation was solely one of state law. *See Affymetrix, Inc. v. Illumina, Inc.*, 446 F. Supp. 2d 292, 296 (D. Del.

While it is hard to find a definitive source pinpointing when employers began using written invention assignment contracts to alter default common law ownership rules, the practice certainly dates back many decades. In one 1938 California case, for example, a court stated that “[a]n employee’s agreement in the contract of employment to assign patents to his employer is specifically enforceable as to patents, clearly within its terms, as strictly construed against the employer.”¹⁰

2006) (applying California law; “The proper construction of assignment agreements is a matter of state contract law.”) (citing *Minco, Inc. v. Combustion Eng’g, Inc.*, 95 F.3d 1109, 1117 (Fed. Cir. 1996)). This default rule was modified in 2008, when the Federal Circuit ruled that, at least as to the question of whether an assignment contract creates an automatic future conveyance of inventions not yet in existence – which is accomplished by the inclusion of the magic words “hereby assign” – is one of federal law. *See DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1289-90 (Fed. Cir. 2008). DDB’s reasoning was based on federal courts’ powers as to “the question of standing in patent cases.” *Id.* *See also Intellectual Ventures I LLC v. Erie Indem. Co.*, 850 F.3d 1315, 1320 n.1 (Fed. Cir. 2017) (stating rule). The decision was notably silent on what law would govern the future conveyance of state law trade secret rights in an employee creation.

⁹ *See* discussion and cases *infra* Section B.

¹⁰ *Hercules Glue Co., Ltd. v. Littooy*, 76 P.2d 700, 701 (Cal. Dist. Ct. App. 1938) (enforcing employee invention assignment contract in favor of employer: “By the terms of this contract, appellant agreed that he would devote his entire time, knowledge, skill, best efforts, and services to the work of respondent as it might direct; that all patents, processes, or formulas, pertaining to spreader, which he invented, developed or perfected during his original and present employment, should be the property of respondent, and that he would, on demand, execute any assignments, transfers or other instruments necessary to perfect respondent’s title thereto. He further agreed that he would not, during its life or subsequently, divulge to any person, or use for his own benefit, any secret processes or formulas invented, developed, or perfected by him or respondent between October 1, 1924, and the termination of the agreement.”). Other early cases involving written contracts include: *Kober v. United States*, 170 F.2d 590, 592, 594 (4th Cir. 1948) (finding that an employment agreement with a U.S. government employer providing for “the complete assignment” of inventions made by the employee was a “reasonable agreement entered into for a lawful and proper purpose” and holding that inventions made by an engineer subject to this agreement therefore belonged to the government-employer); *Crown Cork & Seal Co., v. Fankhanel*, 49 F. Supp. 611, 613, 615 (D. Md. 1943) (construing and finding enforceable an invention assignment agreement that required the employee to assign rights over to the employer for “[a]ll inventions and discoveries which I make while in the employ of said Company, along the lines of its general work, constituting improvements both in its then existing products and methods of manufacture, or otherwise, shall become its exclusive property,” and holding that the employment agreement was valid and enforceable).

A. *State Invention Assignment Statutes and Default Common Law Rules*

In most states, invention assignment contracts are governed by common law, though there are not many reported cases in jurisdictions outside of California. However, eight states, beginning with Minnesota in 1977, have enacted similar statutes that seek to lay out boundaries for when employers can obtain ownership of employee creations, all of which favor the employer.¹¹

California's version is illustrative.¹² While awkwardly phrased, it provides six different ways in which the employer can own the employee's creation: (1) use of the employer's trade secrets; (2) use of the employer's time; (3) use of the employer's resources; (4) the creation is related to the employer's current business; (5) the creation is related to the employer's "demonstrably anticipated" research and development; and (6) the creation results from the employee's work for the employer.¹³ These possibilities are disjunctive, meaning that the employer need only demonstrate one of them to prevail.

State statutes regulating invention assignment agreements are not entirely identical. For example, California's version requires that employers provide notice to the employee, and also allows employers to require that employees disclose all new creations – even if outside the scope of contractual ownership terms – for an ownership review "in confidence."¹⁴ Washington does not require that the employer treat employee disclosures in confidence, but gives the employee a right to disclose the creation to "the department of employment security."¹⁵ Both California and Washington put the burden of proof on the employee to show that the creation is outside the scope of employer ownership.¹⁶

A ninth state, Nevada, enacted a statute relating to invention assignment agreements later than the states discussed above, in 2001, with a different aim.¹⁷ In what was apparently seen as a bid to improve the business environment for technology companies in the state, the statute renders an invention assignment contract unnecessary and broadens the scope of employer ownership compared to the common law. It states: "Except as otherwise provided by express written agreement, an employer is the sole owner of any patentable invention or trade secret developed

¹¹ See CAL. LAB. CODE §§ 2870-2872 (West 1979); DEL. CODE ANN. tit. 19, § 805 (1984); 765 ILL. COMP. STAT. 1060 / 2 (1983); KAN. STAT. ANN. 44-130 (West 1986); MINN. STAT. ANN. § 181.78 (West 1977); N.C. GEN. STAT. §§ 66-57.1-.2 (1981); UTAH CODE ANN. § 34-39-3 (West 1989); WASH. REV. CODE ANN. §§ 49.44.140, .150 (West 1979). Based on this author's experience, companies often mimic the structure of these state statutes in employment agreements, even for employees residing in other states. As a result, these eight statutes have great influence beyond their home jurisdictions.

¹² See CAL. LAB. CODE §§ 2870-72 (West 1979).

¹³ *Id.* § 2870. The "results from" clause is unclear, but its interpretation has not yet been the subject of a published decision.

¹⁴ *Id.* § 2871.

¹⁵ WASH. REV. CODE ANN. § 49.44.150 (West 1979).

¹⁶ See *id.*; LAB. § 2872.

¹⁷ See NEV. REV. STAT. ANN. § 600.500 (West 2001).

by his or her employee during the course and scope of the employment that relates directly to work performed during the course and scope of the employment.”¹⁸ As one commentator noted at the time, this sort of one-sided regime is unlikely to foster the birth of new technology ventures in Nevada.¹⁹

State law invention assignment agreements have been the subject of a fair amount of commentary, albeit mostly limited to the question of whether the default rules granting employers ownership of workplace inventions fairly compensate employee-inventors in a way that best promotes innovation equitably.²⁰ Some commentators have addressed other issues about

¹⁸ *Id.*

¹⁹ See Mary LaFrance, *Nevada's Employee Inventions Statute: Novel, Nonobvious, and Patently Wrong*, 3 NEV. L.J. 88 (2002) (well-done dissection of the then-new state statute, noting its departure from the common law, contrast with other state statutes, and contrast with the work for hire rules; predicting the statute would not, as apparently intended, encourage the growth of technology companies in Nevada).

²⁰ There is a cottage industry of notes and law review articles positing that if employees were given greater compensation for, or some ownership stake in, inventions created for the employer in the workplace, innovation would increase. See Shlomit Yanisky Ravid, *Rethinking Innovation and Productivity Within the Workplace Amidst Economic Uncertainty*, 24 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 143 (2013) (arguing that employees would have a greater incentive to invent if they retained a greater interest in – and received financial compensation for – workplace inventions); Ann Bartow, *Inventors of the World, Unite! A Call for Collective Action by Employee-Inventors*, 37 SANTA CLARA L. REV., 673, 677 (1997) (advocating that employees refuse to sign invention assignment agreements and instead try to own workplace inventions themselves); Evelyn D. Pisegna-Cook, *Ownership Rights of Employee Inventions: The Role of Preinvention Assignment Agreements and State Statutes*, 2 U. BALT. INTELL. PROP. L.J. 163, 185 (1994) (general survey of common law and state statutes; concluding by advocating additional compensation for employee-inventors and greater adoption of statutes to regulate invention assignment contracts); Steven Cherenky, Note, *A Penny for Their Thoughts: Employee-Inventors, Preinvention Assignment Agreements, Property, and Personhood*, 81 CAL. L. REV. 595 (1993) (in an argument premised on a Hegelian-inflected notion of personhood and property rights, advocating a greater property allocation to employees for workplace inventions); Henrik D. Parker, Note, *Reform for Rights of Employed Inventors*, 57 S. CAL. L. REV. 603, 624-25 (1984) (arguing that compensation schemes for workplace inventions would increase innovation); William P. Hovell, Note, *Patent Ownership: An Employer's Rights to His Employee's Invention*, 58 NOTRE DAME L. REV. 863, 887-88 (1983) (advocating that employee-patent inventors receive a “reverse shop right” “to use any patent assigned to his employer”). All are speculative, and some rest on seemingly needless concepts of Hegelian personhood and the like. As much as I tend to favor departing employees, this line of articles is frustrating. Many seem to imagine that workplace inventions are created by a sole inventor rather than by teams, none contemplate the quagmires that could result in bickering over who owns what within the office, and the philosophical reference points seem arbitrary.

the reach of invention assignment agreements which provide helpful background for the questions discussed in this article.²¹

Contracts between employers and employees dictating ownership of workplace creations arose because the default common law rule provided a narrower path to employer ownership. Specifically, case law dating to the nineteenth century provides that an employee owns his or her inventions, even when it is conceived during the term of employment,²² subject to an important but narrow exception. Those who were “hired to invent” the same type of work product they then duly created owed an automatic assignment duty to the employer, vesting title in the company. These rules developed from early Supreme Court decisions.²³ In turn, the common law provided

I consider all of these fully answered by Robert P. Merges, *The Law and Economics of Employee Inventions*, 13 HARV. J.L. & TECH. 1, 14-18 (1999) (arguing that the current employer-ownership regime is best calibrated to avoid problems such as disruptive employee “holdups”: “The employees could hold up the firm for the full value of its investment.”). Merges notes the seemingly obvious problems that would arise in scenarios where employees share in ownership of inventions made for the employer’s benefit. This essay is by contrast focused on outside-the-workplace creations by employees planning their next venture which have no connection, or only some tenuous connection, to their present employer’s business.

²¹ Articles which address topics other than whether assigning workplace inventions to the employer is equitable include: Parker A. Howell, *Whose Invention is it Anyway? Employee Invention-Assignment Agreements and Their Limits*, 8 WASH. J.L. TECH. & ARTS 79 (2012) (practitioner-oriented overview of state statutes and a sampling of case law); Joshua L. Simmons, *Inventions Made for Hire*, 2 N.Y.U. J. INTELL. PROP. & ENT. L. 1, 49 (2012) (arguing that the law of employee-patent assignments contains too many procedural stumbling blocks and advocating that patent law be amended to match the work for hire terms of the Copyright Act); Donald J. Ying, *A Comparative Study of the Treatment of Employee Inventions, Pre-Invention Assignment Agreements, and Software Rights*, 10 U. PA. J. BUS. & EMP. L. 763 (2008) (survey of invention assignment laws in the United States and other countries); Michael R. Mattioli, *The Impact of Open Source on Pre-Invention Assignment Contracts*, 9 U. PA. J. LAB. & EMP. L. 207, 228-34 (2006) (article on what might happen if an employee creates a patentable invention while contributing to an open source project).

²² See generally *Solomons v. United States*, 137 U.S. 342, 346 (1890) (“[W]hatever invention [an inventor] may thus conceive and perfect is his individual property.”); *Gayler v. Wilder*, 51 U.S. 477, 478–93 (1851) (“But the discoverer of a new and useful improvement is vested by law with an inchoate right to its exclusive use, which he may perfect and make absolute by proceeding in the manner which the law requires.” The case involved an assignment by the inventor to a businessperson.).

²³ “[U]nless there is an agreement to the contrary, an employer does not have rights in an invention ‘which is the original conception of the employee alone.’” *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys.*, 563 U.S. 776, 786 (2011) (quoting *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 189 (1933)). “In most circumstances, an inventor must expressly grant his rights in an invention to his employer if the employer is to obtain those rights” because “the respective rights and obligations of employer and employee, touching an

that if an employee who was not hired to invent nonetheless created an invention using the employer's time or resources, the employee retained ownership, but the employer received a permanent, royalty-free license known as a "shop right" to practice the invention. Historical case law on the hired-to-invent exception and the shop right rule – that is, before the age of ubiquitous written invention assignment agreements and state statutes governing them – were often fact-

invention conceived by the latter, spring from the contract of employment." *Id.* at 786. (quoting *Dubilier*, 289 U.S. at 187). Thus, the Court has "rejected the idea that mere employment is sufficient to vest title to an employee's invention in the employer." *Id.* at 789. However, there is an exception for employment situations where the employee has "only produced that which he was employed to invent." *Dubilier*, 289 U.S. at 187. This "hired to invent" exception exists because the employee's invention "is the precise subject of the contract of employment. A term of the agreement necessarily is that what he paid to produce belongs to his paymaster." *Id.* at 187. "On the other hand, if the employment be general, albeit it cover a field of labor and effort in the performance of which the employee conceived the invention for which he obtained a patent, the contract is not so broadly construed as to require an assignment of the patent." *Id.* The Supreme Court first applied the hired to invent exception in a 1924 case, *Standard Parts Co. v. Peck*. In that case, the defendant was employed under a contract to "devote his time to the development of a process and machinery for the production of the front spring now used on the product of the Ford Motor Company." *Standard Parts Co. v. Peck*, 264 U.S. 52, 59 (1924). After inventing the specific process and machinery contemplated by his employment contract, the defendant secured a patent on the aforementioned technology which he refused to convey to the plaintiff. Finding that the invention of the specific patent at issue was the "object and effect" of the defendant's employment contract, and that in inventing the technology at issue, the defendant was "doing nothing more than he was engaged to do and paid for doing," the Court held that the patent belonged to the plaintiff. *Id.* at 59-60.

For other early cases, see *Houghton v. United States*, 23 F.2d 386, 389 (4th Cir. 1928) (Surgeon General appointed government employees to a board whose purpose was to develop a safer fumigant, and thus the defendant "did merely that which he was being paid his salary to do," so there could be "no doubt" that his invention belonged to the government.); *Magnetic Mfg. Co. v. Dings Magnetic Separator Co.*, 16 F.2d 739, 741 (7th Cir. 1926) (on contested facts, finding that employee was hired to invent from his own conduct, where he had promptly assigned two prior inventions, and thus owed an assignment duty even as to an invention that related to only a peripheral part of his employment duties). An employer might overcome hired-to-invent issues where a manager came up with the invention, and the employee claiming ownership was merely the one who reduced it to practice. In one early California case, the court distinguished between an employer who had the "general idea of a machine" and an employee who implemented the idea – even though the employee was the signatory on the patent application – in granting ownership to the employer in an improvement for movie studio lighting. *Famous Players-Lasky Corp. v. Ewing*, 194 P. 65, 66 (Cal. Dist. Ct. App. 1920).

intensive.²⁴ Even in more recent cases, these common law rules still apply in situations where, for whatever reason, there was no written contract.²⁵

²⁴ See, e.g., *Fish v. Air-O-Fan Prods. Corp.*, 285 F.2d 208, 210-11 (9th Cir. 1960) (finding implied in fact assignment contract where evidence showed employee was hired to invent); *Consol. Vultee Aircraft Corp. v. Maurice A. Garbell, Inc.*, 204 F.2d 946, 949 (9th Cir. 1953) (although employee had conceived invention before joining employer, he had used employer's resources to perfect it, and thus employer had shop right to manufacture, use, and sell "airplanes embodying" the invention); *Aero Bolt & Screw Co. v. Iaia*, 5 Cal. Rptr. 53, 58 (Cal. Ct. App. 1960) (employee retained ownership of invention with no shop right for employer where, among other things, trial court found that employee "on his own time, and at his own expense, designed and developed the [invention]; that he paid all of the development costs out of his own pocket"); *Zahler v. Columbia Pictures Corp.*, 4 Cal. Rptr. 612, 617 (Ct. App. 1960) (where employee was hired to create background music, court applied a version of the hired-to-invent doctrine to grant employer performance rights; "Where an employee creates something as part of his duties under his employment, the thing created is the property of his employer."); *Banner Metals, Inc. v. Lockwood*, 3 Cal. Rptr. 421, 428-33 (Ct. App. 1960) (where salesperson had only an oral employment contract, court found that employer did not own the employee's invention through the hired-to-invent-doctrine and also did not have a shop right in the invention, because the employee had created it on his own time and, on contested facts, had not used the employer's materials); *Quaker State Oil Ref. Co. v. Talbot*, 174 A. 99, 101-04 (Pa. 1934) (employee was hired to invent under oral contract, but employer did not obtain shop right to employer's pre-existing work that was not created with use of employer's resources).

²⁵ See *Peregrine Semiconductor Corp. v. RF Micro Devices, Inc.*, No. 3:12-CV-0911-H (WMC), 2014 U.S. Dist. LEXIS 2668, at *13 (S.D. Cal. Jan. 8, 2014) (where former employer sued former employee who transferred patent rights to a third party, and where employer could not prove it had a signed employment agreement, hired to invent doctrine did not favor employer on motion for preliminary injunction where it did not appear employee was hired for specific inventions at issue); *Gen. Elec. Co. v. Wilkins*, No. CV F 10-0674 LJO JLT, 2012 U.S. Dist. LEXIS 124642, at *59-60 (E.D. Cal. Aug. 31, 2012) (finding trial issues of fact on a hired-to-invent dispute where employee had not signed the company's invention assignment agreement, but was a patent co-inventor); *McClain v. State*, 269 S.W.3d 191, 198-99 (Tex. App. 2008) (prosecution failed to show that defendant was hired to invent, such that improvements he made to "set up sheets" belonged to him, with a shop right to his employer); *Pedersen v. Akona*, 429 F. Supp. 2d 1130, 1143 (D. Minn. 2006) (in absence of invention assignment contract, finding that employer owned patent because employee was hired to invent); *Scott Sys., Inc. v. Scott*, 996 P.2d 775, 779 (Col. App. 2000) (reversing summary judgment where there were triable issues of fact as to whether individual was hired to invent or not with respect to certain inventions); *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403, 408 (Fed. Cir. 1996) (using the terminology of an implied-in-fact contract, but engaging in same analysis as hired to invent cases, reversing trial court and finding implied employee assignment obligation for invention where employee worked at company's direction and used its resources); *Liggett Grp., Inc. v. Sunas*, 437 S.E.2d 674, 678-80 (N.C. Ct. App. 1993) (reversing grant of summary judgment in favor of employer and finding

B. How Invention Assignment Contracts Favor the Employer

By and large, invention assignment contracts and related state statutes favor the employer over the employee, even though the text of some such statutes appears, at first glance, to be designed to protect employees. Generally speaking, an effective invention assignment to the employer occurs automatically, with no further steps required, and applies to inventions that the employee has not yet conceived.²⁶ In some jurisdictions, the contract can be effective even if the employer requires the employee to sign it after the employee has commenced employment.²⁷

triable issues of fact as to whether employee with no invention assignment contract was hired to invent in connection with tobacco-related patent); *California E. Lab., Inc. v. Gould*, 896 F.2d 400, 402-03 (9th Cir. 1990) (defining shop right concept and finding that right transferred to successor entity); *Aetna-Standard Eng'g Co. v. Rowland*, 493 A.2d 1375, 1381-82 (Pa. Super. Ct. 1985) (employee with no written contract was not hired to invent and thus owned no assignment duty to employer of invention, but employer had shop right license because its resources were used in development); *Mechmetals Corp. v. Telex Comput. Prods., Inc.*, 709 F.2d 1287, 1292-94 (9th Cir. 1983) (finding no shop right where company CEO had worked with two others to create invention, and company paid for materials and machine time CEO used when working on invention; existence of that contract and CEO's status militated against finding shop right); *Vigitron, Inc. v. Ferguson*, 419 A.2d 1115, 1117-18 (N.H. 1980) (employer owned invention because employee was hired to invent).

²⁶ An invention assignment agreement with the phrase "hereby assign" (or similar language) operates to automatically vest a covered invention with the employer at the moment it is created by the employee. No further action – that is, no formal act of assignment by the employee – is required for the automatic invention assignment to be effective. *See Roche*, 563 U.S. at 785-93 (noting historical rule that employee-inventors maintain ownership of their inventions absent an agreement with the employer; university did not own invention where agreement contained "will assign" language, separate agreement with private company had "hereby assign" language, and Bayh-Dole Act did not change the ordinary rules of employee invention assignment contracts); *Advanced Video Techs. LLC v. HTC Corp.*, 879 F.3d 1314, 1317-18 (Fed. Cir 2018) (invention assignment agreement failed where it stated only that employee "will assign" rights, which is not a present conveyance of future conceptions); *St. Clair Intellectual Prop. Consultants, Inc. v. Palm, Inc.*, No. 06-404-JJF-LPS, 2009 U.S. Dist. LEXIS 37512, *34-35 (D. Del. May 4, 2009) (finding that language in invention assignment agreements did not create a present conveyance of future rights); *Freedom Wireless, Inc. v. Boston Comm. Grp., Inc.*, 220 F. Supp. 2d 16, 19 (D. Mass. 2002) ("In order for a pre-invention assignment contract to create a present assignment of an expectant interest in an invention that automatically vests by operation of law into an actual assignment upon conception, the contract must contain words of present conveyance and must require 'no further act once an invention [comes] into being.'" (citation omitted) (contrasting contracts that use phrases like "does hereby grant" and "hereby does assign" with a contract that required the inventor to disclose the invention and perform acts necessary to establish ownership); *Imatec, Ltd. v. Apple Comput., Inc.*, 81 F. Supp. 2d 471, 482 (S.D.N.Y. 2000) ("I agree to assign and hereby do assign' . . . constituted a present assignment . . . of future

Expansive invention assignment statutes and agreements pose risks for employees who create outside-the-workplace developments, often with an eye towards forming a new company after resigning. Even if we assume good faith, with no use of employer trade secrets, time, or equipment, the employee faces many risks, and lines are not clearly drawn.

Part of the complication stems from changes in the workplace. When state invention assignment statutes were enacted in the 1970s and 1980s, perhaps it was easier to imagine a bright-line separation between the workplace and “nights and weekends” in an employee’s garage. Without the internet, employees typically did not work from home, much less on employee-owned phones and laptops. Moreover, it may then have been easier to determine with certainty what “related to” the employer’s business and what did not. Fewer companies were large multinational entities, with unrelated departments and operations of which an employee might be unaware. Though the scarce case law is hardly determinative on these questions, changes in modes of employment and the scope of companies’ operations may work to the detriment of employees who create new material on the side.

For similar reasons, employers may be able to argue that working hours – and thus what constitutes the employer’s time – are elastic, even 24/7, if employees typically answer email at home or on weekends. In one case that focused primarily on fiduciary duty but also involved an invention assignment contract, a court which issued a preliminary injunction was amenable to the notion that employer time meant more than ordinary working hours where employees often put in long days.²⁸ It remains to be seen how far this will go, however, as it seems that no court has yet analyzed whether a statute which appears to divide employer time and off-hours could be rendered meaningless if the employer is permitted to define its time as “24/7/365.”

inventions.”); *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1580 (Fed. Cir. 1991) (consulting agreement with phrase “will be assigned” “does not rise to the level of a present assignment of an existing invention, effective to transfer all legal and equitable rights therein”); *Filmtec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1573 (Fed. Cir. 1991) (invention assignment contract that used the phrase “agrees to grant and does hereby grant” was not merely an agreement to grant future rights, but expressly granted “rights in any future invention”); *Treu v. Garrett Corp.*, 70 Cal. Rptr. 284, 287 (Ct. App. 1968) (where inventor had an assignment clause with his employer, the inventor’s ownership “was a fleeting thing which he had bargained away even before it became a reality . . . the instant the improvement was invented it became the exclusive property of [employer] . . . [plaintiff] had and could have no interest in the invention.”).

²⁷ See, e.g., *Preston v. Marathon Oil Co.*, 277 P.3d 81, 87-88 (Wyo. 2012) (invention assignment agreement valid when entered into after at-will employment began); *Eaton Corp. v. Giere*, 971 F.2d 136, 140 (8th Cir. 1992) (both earlier and later invention assignment contracts were valid); *Mosser Indus., Inc. v. Hagar*, 200 U.S.P.Q. (BNA) 608, 610, 616 (Pa. Ct. Com. Pl. Jan. 11, 1978) (employee signed second invention assignment contract for one dollar); *Grove v. Grove Valve & Regulator Co.*, 84 Cal. Rptr. 300, 303 (Ct. App. 1970) (employee’s valid invention assignment contract was “backdated” by more than a year).

²⁸ See *Iconix, Inc. v. Tokuda*, 457 F. Supp. 2d 969, 989, 992 (N.D. Cal. 2006).

A similar interpretive issue arises with the definition of the employer's resources. While employees of technology companies in 1980 or 1990 used office workstations too unwieldy to take home, employees today commonly use company-issued laptops and mobile devices. Confusing the issues further, many companies permit dual use. For example, employees may use company-issued devices for personal use (or vice-versa), subject to codes of ethics or other workplace guidelines. If an employee creates an unrelated invention for a future venture on a weekend, but uses a dual use company-issued laptop to do so, can the employer claim ownership? If an employee creates a new idea for a future venture on a dual-use company-owned mobile phone, can the employer claim ownership? The answer again is unclear, as courts do not appear to have yet analyzed this question.²⁹

The ambiguity of terms that appear in invention assignment statutes and contracts – such as terms that vest ownership in the employer when the employee's creation relates to the employer's business or research or when it results from the employee's work – also leads to interpretive difficulties.³⁰ These terms notably alter the common law, under which an employee must be "hired to invent" in order for the employer to own the creation. Under these terms, even the receptionist would be subject to employer ownership if his or her outside-the-workplace creations could be said to relate in some fashion to the employer's business.

More importantly, it remains unclear what phrases like "relates to" or "results from" mean in the everyday workplace. For example, what happens if an employee in good faith creates something offsite, intending to use it for a future business, but unbeknownst to the employee the company has been dabbling in something similar at a different office on the other side of the country? In other words, are the rules to be interpreted in a manner that takes the employee's notice of the scope of the employer's business into account? Does an employee's good faith intent matter? Thus far, no reported case has addressed this question.

The closest may be a 2007 decision from the Northern District of California which ruled in favor of the employer where an employee argued that he should own his invention because his own department's business did not encompass the work. The court, however, found that California's invention assignment statute did not contain terms limiting it to the particular department in which the employee works.³¹ That said, it appears that the employee was on notice that his or her

²⁹ By analogy, a federal court in Ohio declined to find that a group of departing employees violated their duties of loyalty by making preparations to compete before leaving where, among other things, the employer's evidence that they had used its resources was limited to a *de minimis* claim that one of them spoke to an insurer about the planned new venture "on his business cell phone." See *Fitness Experience, Inc. v. TFC Fitness Equip, Inc.*, 355 F. Supp. 2d 877, 892-93 (N.D. Ohio 2004) (employees who planned new company and met with attorneys, insurers, and realtors granted summary judgment). The same result might apply for similar *de minimis* infractions in the invention assignment context.

³⁰ *E.g.*, CAL. LAB. CODE § 2870 (West 1979).

³¹ See *Cadence Design Sys., Inc. v. Bhandari*, No. C 07-00823 MHP, 2007 U.S. Dist. LEXIS 83078, at *21-23 (N.D. Cal. Nov. 8, 2007) (explaining scope of invention assignment in detail

invention related to the employer's business,³² and thus the question of whether the statute is to be interpreted to reflect the employee's notice or state of mind is not at issue.

As explained below, the work for hire rules *do* explicitly consider the employee's state of mind, setting up a potential conflict with the law of invention assignment contracts on these issues.

Further complicating the problems with the interpretation of invention assignment contracts, some companies define themselves in employment agreements to include their affiliates; different entities that are separately incorporated and separately managed. It is unclear whether an invention assignment statute or agreement could divest an employee of an outside-the-workplace invention in a situation where the employer contends that the invention relates only to the business of a differently-incorporated affiliate entity.

The expansive wording of invention assignment contracts and statutes is not the only difficulty facing employees who create offsite work product. Some courts have held that even where an employee notifies the employer about a development and the employer verbally disclaims any interest in it, the employer can later retract that apparent waiver. The reasoning is that since the invention assignment rules automatically transfer ownership at the moment of creation, if the employer owns the invention, there is nothing that can be verbally bargained over.³³ Because this sort of thinking is unlikely to occur to non-lawyers, this can pose an unfavorable trap for employees, to say the least.

Taking the concept of employer ownership to its extreme, some employers attempt to obtain ownership of developments created by former employees entirely *after* the employee has left the job. Known as "holdover" or "trailer" clauses, these terms typically assert ownership of inventions for a set period after the employee's departure, or purport to establish a presumption of ownership. Some courts have rejected such clauses, at least where the former employee has

and rejecting argument that scope of assignment extends only to specific department in which the employee works).

³² An attorney had even warned the employee on this point. *See id.* at *21-22.

³³ While there is little case law on the question, courts have rejected employees' assertions that company managers or other employees waived or otherwise acquiesced to their personal use of inventions created during employment on two grounds: (a) because an invention automatically vests in the employer at the moment of creation, before the time of any claimed waiver; and/or (b) because the employee did not completely or fully disclose every facet of the invention to the employer, the employer could not have waived an interest in something it did not know everything about. *See, e.g., DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1289-90 (Fed. Cir. 2008) (employee's arguments of waiver and estoppel based on manager's disinterest in idea were irrelevant because contract gave rise to automatic assignment at moment of creation); *Iconix*, 457 F. Supp. 2d at 986-87 (employee's claim that manager and general counsel had expressed disinterest in the idea did not prevent invention assignment where idea was never fully disclosed). *See also Eaton Corp.*, 971 F.2d at 137-38 (employee told employer just before his resignation "of his plans to develop and market his own competitive device" but invention vested in employer under invention assignment contract).

not misappropriated the former employer's trade secrets, or has narrowed their potential applicability.³⁴ But in 2012, the South Carolina Supreme Court found a broad holdover clause enforceable under the law of that state.³⁵ The court's reasoning was similar to those of courts which enforce post-employment non-competition covenants. It also failed to analyze the case of former employees working in good faith to launch a new venture. The threat posed by holdover

³⁴ See *Applied Materials, Inc. v. Advanced Micro-Fabrication Equip. (Shanghai) Co.*, 630 F. Supp. 2d 1084, 1089-1091 (N.D. Cal. 2009) (voiding a clause under California law that created a purportedly rebuttable presumption that the employer owned inventions for one year after the employee left, even where no trade secrets were misappropriated); *Ingersoll-Rand Co. v. Ciavatta*, 542 A.2d 879, 890-95 (N.J. 1988) (applying a reasonableness analysis to a post-employment holdover invention assignment clause; finding that such covenants might be enforceable beyond "trade secrets and confidential information" to include some additional, poorly-defined category of "highly specialized, current information not generally known in the industry" that appears indistinguishable from contemporary definitions of what trade secret law covers); *Fed. Screw Works v. Interface Sys., Inc.*, 569 F. Supp. 1562, 1564 (E.D. Mich. 1983) (agreement which required employees to assign all inventions for an indefinite time period relating to the employer's field of activity or "contemplated field of activity" found unenforceable); *Armorlite Lens Co. v. Campbell*, 340 F. Supp. 273, 275 (S.D. Cal. 1972) (finding clause in employee invention assignment agreement which required assignment of new ideas and concepts for one year after employment ended was unenforceable unless such inventions used the trade secrets of the former employer); *Winston Research Corp. v. Minn. Mining & Mfg. Co.*, 350 F.2d 134, 145-46 (9th Cir. 1965) (where employer's contract required invention assignment of post-employment inventions that were "based upon" its confidential information, court affirmed rulings where such inventions were premised on former employer's trade secrets, and thus owned by employer, or where no trade secrets were used); *De Long Corp. v. Lucas*, 176 F. Supp. 104, 127-28 (S.D.N.Y. 1959) (where settlement agreement between former employer and former employee only assigned rights to inventions developed during employment, and where evidence was that new inventions post-dated employment, former employee owed no assignment obligation), *aff'd*, 278 F.2d 804 (2d Cir. 1960); *Guth v. Minn. Mining & Mfg. Co.*, 72 F.2d 385, 388 (7th Cir. 1934) (invention assignment agreement without time limitation was "contrary to public policy"); *cf.* *Yield Dynamics, Inc. v. TEA Sys. Corp.*, 66 Cal. Rptr. 3d. 1, 26 (Ct. App. 2007) (where employer's invention assignment contract created a one-year, post-employment holdover stating that there was a rebuttable presumption that inventions conceived within one year of leaving are owned by the employer, and that inventions during that time must be disclosed, court did not address legality of the clause and affirmed trial court on grounds that employee disclosed a post-employment development to the former employer, which did not request assignment).

³⁵ See *Milliken & Co. v. Morin*, 731 S.E.2d 288, 295 (S.C. 2012) (finding a one-year holdover clause enforceable even though it covered inventions created post-employment and without use of the employer's trade secrets).

clauses to employees who resign and create new intellectual property for the first time after leaving is obvious.³⁶

At the same time, courts have generally rejected employment contracts which purport to require employees to assign inventions created before starting the new job.³⁷ However, the employee's incorporation of pre-existing work product into intellectual property created during the period of employment generally will not prevent assignment of that new work to the employer, assuming the conditions for such assignment exist.³⁸

Finally, if an employee signs two invention assignment contracts, the first-in-time has priority. This means that if an employee has signed a valid invention assignment contract with a current employer, he or she cannot avoid that agreement by signing a new, second-in-time invention assignment contract in favor of a new start-up venture. Thus, creating an outside-the-workplace invention and assigning it under a new agreement to a new venture would not transfer ownership to the new venture if the prior first-in-time assignment agreement applies to vest the employer with ownership.³⁹

³⁶ For a well-written student note critiquing holdover clauses, see Marc B. Hershovitz, Note, *Unhitching the Trailer Clause: The Rights of Inventive Employees and Their Employers*, 3 J. INTELL. PROP. L. 187, 206-12 (1995).

³⁷ See *Feeney v. Transition Automation, Inc.*, No. 06-11677, 2008 WL 190766, at *17-19 (D. Mass. Jan. 9, 2008) (where individual disclosed invention before becoming employee and signing invention assignment contract, court interpreted language of contract to vest ownership with individual, not employer); *Voith Hydro, Inc. v. Hydro W. Group, Inc.*, No. C-96-1170 SC, 1997 WL 154400, at *6 (N.D. Cal. Mar. 26, 1997) (although company had a valid employee invention assignment with individual, company did not own invention that employee had conceived and disclosed before becoming an employee of the company); *Bailey v. Chattem, Inc.*, 684 F.2d 386, 391 (6th Cir. 1982) (employer did not own employee's idea that "was complete prior to the time he began to work for" the employer, and thus prior to invention assignment agreement); *Fox v. Kingsland*, 81 F. Supp. 433, 437-38 (D.D.C. 1948) (where inventor was employed by Patent Office and also the Signal Corps, he retained ownership despite written agreement with the Signal Corps because invention pre-dated that employment).

³⁸ The incorporation of pre-existing material does not defeat an invention assignment of the new combination as a whole. See, e.g., *ViChip Corp. v. Lee*, 438 F. Supp. 2d 1087, 1095 (N.D. Cal. 2006) (granting summary judgment and rejecting employee's argument that some of the technology in the invention was "preexisting"; employee failed to identify such material or explain how it could be "carved out from" the overall invention that was subject to his employment agreement); *Mosser Indus., Inc. v. Hagar*, 200 U.S.P.Q. (BNA) 608, 613-14 (Pa. Ct. Com. Pl. Jan. 11, 1978) (granting injunction for employer; even if employee thought up "individual elements" of his creation before he joined the employer, his "combination of those elements into a working prototype occurred during" his employment, and thus the invention assignment clause applied to that "combination").

³⁹ See, e.g., *Imatec, Ltd. v. Apple Comput., Inc.*, 81 F. Supp. 2d 471, 482 (S.D.N.Y. 2000) (prior employer had invention assignment contract which covered invention, and thus former

C. The Case Law on Invention Assignment Contracts is One-Sided

Overall, these rules tend to favor the employer where an employee creates an outside-the-workplace invention. Where exactly an invention stops “relating to” or “resulting from” the company’s business or the employee’s work is not clear. That ambiguity empowers employers over employees. Adding further ambiguity about what constitutes use of the employer’s time or equipment, and the open question whether the employee’s personal notice of the employer’s activities matter, the statutes pose a minefield for offsite creations. Oral permissions may not suffice, undermining above-board efforts to be transparent. And in the most restrictive jurisdictions, former employers may even be able to obtain ownership of intellectual property conceived and developed entirely after the employee has quit and left.

Given the reach of state statutes and the manner in which these agreements override the common law “hired to invent” exception to broaden the scope of employer ownership, it is not surprising that the available case law strongly favors employers in disputes with employees, and in fact is nearly one-sided. Employees rarely prevail.⁴⁰

employee had nothing to assign to third party and third party lacked standing to sue over patent at issue); *Filmtec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1573-74 (Fed. Cir. 1991) (stating same rule and remanding for factual findings as to whether company had actual or “inquiry” notice of a prior invention assignment to a former employer or a third party and thus may not have been bona fide purchaser); *Thompson v. Automatic Fire Prot. Co.*, 211 F. 120, 121 (2d Cir. 1914) (where inventor already had assigned invention to plaintiff, and where defendants knew of that assignment, assignment to defendants was invalid: “It seems to us that a business man of reasonable care and prudence would, under these circumstances, before putting his money into an enterprise, have gone to [plaintiff] and asked him if he was making any claim to this invention of [inventor] and, if he said he was, would have asked him what was the nature of his claim, so that the inquirer might advise himself whether he could safely purchase.”).

⁴⁰ See *Venture Corp. v. Barrett*, No. 5:13-cv-03384-PSG, 2015 U.S. Dist. LEXIS 165809, at *13-14 (N.D. Cal. Dec. 9, 2015) (affirming jury finding that employee’s invention belonged to employer because it was created using the employer’s time or resources); *Blackbird Techs., Inc. v. Joshi*, No. 5:15-cv-04272-EJD, 2015 U.S. Dist. LEXIS 136505, at *24 n.6 (N.D. Cal. Oct. 6, 2015) (issuing preliminary injunction under duty of loyalty theory against employee who started competitive business while employed; terms of injunction barred use of inventions covered by invention assignment agreement); *Preston v Marathon Oil Co.*, 684 F.3d 1276, 1359-60 (Fed. Cir. 2012) (invention assignment agreement valid and assigned rights in invention to employer); *NovelAire Techs., LLC v. Harrison*, 50 So. 3d 913, 919-21 (La. Ct. App. 2010) (affirming finding that employee violated invention assignment agreement by failing to disclose invention he created and took to new venture after departing); *Iconix, Inc. v. Tokuda*, 457 F. Supp. 2d 969, 989-92 (N.D. Cal. 2006) (issuing preliminary injunction over social media tool that related to company’s advertising strategy plan); *Regents of the Univ. of N.M. v. Knight*, 321 F.3d 1111, 1118 (Fed. Cir. 2003) (affirming finding that university patent policy vested ownership in invention in institution); *Fenn v. Yale Univ.*, 283 F. Supp. 2d 615, 629-30 (D. Conn. 2003) (academic bound by university’s patent assignment policies, despite policy amendments since he

Even a rare exception – a remand ruling in favor of a departing employee – rests on dubious conclusions. In the well-publicized *Mattel v. MGA* battle over ownership of doll designs where a departing employee had ideas and did at least some preliminary work before resigning, the Ninth Circuit found fault with the employer’s position because its invention assignment contract lacked the word “ideas” in its recitation of what the contract covered.⁴¹ That ruling comes across as the

agreed to it, and thus university owned patent he had licensed to a third party); *Univ. of W. Va. v. Van Voorhies*, 278 F.3d 1288, 1298 (Fed. Cir. 2002) (academic bound to assign patent under university’s patent policy); *Waterjet Tech., Inc. v. Flow Int’l Corp.*, 996 P.2d 598, 601-02 (Wash. 2000) (where former employee refused to assign rights over patent to workplace invention, court found notice to employee satisfied Washington’s invention assignment statute such that invention assignment contract was enforceable to vest ownership in employer); *Vt. Microsystems, Inc. v. Autodesk, Inc.*, 88 F.3d 142, 150-51 (2d Cir. 1996) (affirming ruling that defendant, who started as intern and later became employee and signed an invention assignment agreement, had no interest in software created for the company); *Eaton Corp. v. Giere*, 971 F.2d 136, 140 (8th Cir. 1992) (granting summary judgment in favor of employer where employee had breached invention assignment agreement by creating a product within employer’s “actual or demonstrably anticipated research and development,” even though employee’s invention related to a market which employer had “not yet been able to crack”); *Cubic Corp. v. Marty*, 229 Cal. Rptr. 828, 835 (Ct. App. 1986) (affirming judgment for employer where assignment provision was for “inventions which relate to the ‘actual’ or ‘demonstrably anticipated’ business of the employer); *Goldwasser v. Smith Corona Corp.*, 817 F. Supp. 263, 276 (D. Conn. 1993) (entering summary judgment for IBM, noting that employee’s invention or idea which “involve[d] the entry of text into a computer relates to IBM’s ‘actual or anticipated business’”); *Gen. Signal Corp. v. Primary Flow Signal, Inc.*, No. 85-0471B, 1987 WL 147798, at *4 (D.R.I. July 27, 1987) (granting employer ownership of invention where employee was subject to invention assignment agreement, and claimed to have come up with new ideas just five days after leaving job; court found employee’s account “difficult to believe”); *Syntex Ophthalmics, Inc. v. Tsuetaki*, 701 F.2d 677, 682 (7th Cir. 1983) (affirming finding in favor of employer on invention assignment dispute given “the inherent improbability” of employee’s “story that he conceived of the [invention] four days after he left” his job); *Andreaggi v. Relis*, 408 A.2d 455, 460 (N.J. Super. Ct. Ch. Div. 1979) (invention related to employee’s work and thus fell within invention assignment agreement); *Goodyear Tire & Rubber Co. v. Miller*, 22 F.2d 353, 354 (9th Cir. 1927) (where defendant signed an employment contract in which he agreed expressly to assign title to any inventions that related to “methods, processes, or apparatus concerned with the production of any character of goods or materials sold or used” or “any character of goods or materials sold or used” by Goodyear, employer owned invention that fell within general range of what employee was hired to do).

⁴¹ See *Mattel, Inc. v. MGA Entm’t, Inc.*, 616 F.3d 904, 909-12 (9th Cir. 2010) (vacating constructive trust for former employer because invention assignment agreement did not contain the word “ideas” and remanding for consideration of extrinsic evidence; court notably did not construe California Labor Code section 2870 except for a passing reference in a footnote). One student commentator found fault with the ruling, but erroneously conflated California’s invention

product of incomplete analysis given that the contract seemingly included synonyms (such as “developments”) and because the court did not analyze the terms of California’s invention assignment statute.⁴²

All told, and excluding cases about post-employment “holdover” clauses, there are many cases where the employer (whether a private company or a university) prevailed in an invention assignment contract dispute with an employee.⁴³ By contrast, only a few have found in favor of an employee.⁴⁴

assignment statute with the work for hire doctrine. *See* Connor Boyd, Note, *The Bratz Trap: Ownership and Infringement at the Nexus of Copyright and Employment Law*, 45 U.C. DAVIS L. REV. 221, 237, 245 (2011) (asserting that section 2870 “refined” the work for hire doctrine, assuming that a state statute could alter the federal Copyright Act and that its coverage was not instead for trade secrets and patentable inventions).

⁴² One court denied (in whole or in part) cross-motions for summary judgment where there were disputed facts regarding an employee’s development of source code on his own time, for an unrelated side business, but that the employer contended contained “similarities” with its own source code. *See* Enreach Tech., Inc. v. Embedded Internet Sols., Inc., 403 F. Supp. 2d 968, 974-75 (N.D. Cal. 2005). *See also* Rothschild v. Cree, Inc., 711 F. Supp. 2d 173, 182-83 (D. Mass. 2010) (finding fact issues on jurisdictional matters as to individual’s standing to sue for patent infringement where it was unclear whether individual had developed key patent ideas while under another company’s invention assignment agreement or afterwards).

⁴³ *See* cases cited *supra* notes 7, 34, 36. As with any attempt to count holdings from reported cases, caveats are in order. The LEXIS and Westlaw databases do not pick up every ruling in every case, especially those from state trial courts. Some rulings in trade secret cases may be under seal, so that details are not viewable to the public. Appellate rulings matter more than trial court rulings, but the degree of careful analysis varies from case to case. Reported cases may or may not reflect typical fact patterns. Many disputes settle without litigation, or settle before a court issues a ruling on issues of substantive law. As a result, apparent trends in case law can be somewhat arbitrary, as they depend on what lawsuits become easily available to researchers.

⁴⁴ Of the three, one remanded on a rather unique contract interpretation, one is unpublished, and one arose from a time period before California enacted its current invention assignment statute. The same outcome under today’s statute seems unlikely. *See* *Mattel*, 616 F.3d at 909-12; *Applera Corp. v. Illumina, Inc.*, 375 Fed. App’x. 12, 17-18 (Fed. Cir. 2010) (in a case decided under an older version of California’s invention assignment statute, the court affirmed a finding that employee-attorney’s invention did not “result from” work for the plaintiff); *NeoNetworks, Inc. v. Cree*, A07-0729, 2008 Minn. App. Unpub. LEXIS 565, at *15 (Ct. App. May 20, 2008) (affirming dismissal of claims against former employees and costs award in their favor after failed ex-employers causes of action, including breach of contract over invention assignment, were rejected where defendants began project after company failed and did not use company resources).

But as discussed below, a different regime governs when employees create copyrightable works – with different considerations, different outcomes, and potential direct conflicts with the law of invention assignment agreements.

III

THE WORK FOR HIRE DOCTRINE AND EMPLOYEE-EMPLOYER CONFLICTS

A. *Work for Hire Law and the Restatement of Agency*

This article proposes that where an employee creates copyrightable material, the test for allocating ownership of that material differs from the invention assignment tests for allocating ownership of trade secrets and patentable inventions described above. We start with an analysis of modern work for hire law, developed following a major Supreme Court decision in 1989, *Community for Creative Non-Violence v. Reid*.⁴⁵

The law of employee invention assignment contracts is pervasive, and encompasses most of the creative work product employees may generate on the job – whether trade secrets or inventions – that result in issued patents. However, it does not cover everything, and thus a separate, but seemingly similar body of law fills the gap. For employee creations that are expressive – and that meet the standards for copyright protection – the work for hire doctrine allocates ownership between employers and employees, just as the interplay of contract wording and (in some states) legislative enactments allocates ownership of potential trade secrets and patentable inventions.

The work for hire doctrine allocates ownership of copyrightable works in a manner that is more favorable to the employee, posing a direct conflict with the law of invention assignment contracts where an employee creates something that is potentially both copyrightable and a trade secret.

The work for hire doctrine is partly a matter of statute, partly a matter of contract law, and partly a matter of the common law of agency. Generally speaking, a copyrightable work created by an employee within the scope of his or her employment belongs, at creation, to the employer:

A “work made for hire” is (1) a work prepared by an employee within the scope of his or her employment; or (2) [specific categories of works not applicable to this essay].

In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

⁴⁵ Cmty. for Creative Non-Violence v. Reid, 490 U.S. 730, 743 (1989)

See 17 U.S.C. §§ 101, 201(b) (2012).⁴⁶ The work for hire doctrine does not extend to independent contractors, however, and thus a copyrightable work created by an independent contractor belongs to the contractor, absent a contract saying otherwise.⁴⁷

In determining who is an employee and who is not, courts are to apply the federal common law of agency, rather than the employment law of particular states.⁴⁸ That question is solved by analyzing a large number of factors.⁴⁹ Disputes over whether a person is a contractor or an

⁴⁶ As the text of the statute indicates, no contract is required for a work for hire to exist. Nonetheless, as with the law of employee invention assignments, companies generally insert work for hire assignment terms into standard-form employment contracts, usually if not always next to the terms regarding invention assignment.

⁴⁷ See *Reid*, 490 U.S. at 743 (key case on the work for hire doctrine); *JustMed, Inc. v. Byce*, 600 F.3d 1118, 1128 (9th Cir. 2010) (affirming finding that software programmer was employee, giving company ownership of software as work for hire).

⁴⁸ *Id.* at 750-51 (“To determine whether a work is for hire under the Act, a court first should ascertain, using principles of the general common law of agency, whether the work was prepared by an employee or an independent contractor.”).

⁴⁹ Whether someone is an employee or an independent contractor for purposes of Copyright Act analysis involves the weighing of numerous factors. *Reid* lists twelve, none of which are “determinative”: (1) the hiring party’s right to control the manner and means by which the product is accomplished; (2) the skill required; (3) the source of instrumentalities and tools; (4) the location of the work; (5) the duration of the relationship between the parties; (6) whether the hiring party has the right to assign additional projects to the hired party; (7) the extent of the hired party’s discretion over when and how long to work; (8) the method of payment; (9) the hired party’s role in hiring and paying assistants; (10) whether the work is part of the regular business of the hiring party; (11) whether the hiring party is a business; (12) the provision of employee benefits and the tax treatment of the hired party. See *id.* at 751-52. Some courts have suggested that the tax/benefits classification of the author is the most important factor, or at least a disproportionately important factor. See *Hi-Tech Video Prods., Inc. v. Capital Cities/ABC, Inc.*, 58 F.3d 1093, 1097 (6th Cir. 1995) (factor is a “strong indication of a worker’s employment status”); *Kirk v. Harter*, 188 F.3d 1005, 1008 (8th Cir. 1999) (finding factor important where hiring party reported author to IRS as an independent contractor); *Aymes v. Bonelli*, 980 F.2d 857, 862-63 (2d Cir. 1992) (failure to pay taxes and benefits “constitute virtual admissions of [author’s] status by [hiring party] himself;” citing numerous post-*Reid* cases and saying “every case since *Reid* that has applied the test has found the hired party to be an independent contractor where the hiring party failed to extend benefits or pay social security taxes.”) (citing cases); *Numbers Licensing, LLC v. bVisual USA, Inc.*, 643 F. Supp. 2d 1245, 1251-52 (E.D. Wash. 2009) (where individual had his own consulting entity and company contracted with that entity, and where entity was responsible for individual’s “payroll obligations, tax obligations, and employee benefits,” those and other factors led to court’s conclusion that individual was independent contractor and software was not a work for hire). One court, however, rejected the “usually dispositive” tax/benefits factor where the author worked full-time, was paid weekly, believed he had a long-term relationship, was shown the hiring party’s source code, worked with

employee are common, and the case law on that question is extensive. However, where the individual at issue starts as a contractor and later becomes an employee, the question of whether a work for hire exists is further muddled.⁵⁰

For our purposes, these disputes are peripheral. What matters instead is who owns the copyrightable material created by an employee when an employment relationship exists. As the Copyright Act states, when the author of a copyrightable work is clearly an employee of the party claiming ownership under the work for hire doctrine, the sole question is whether the author created the work within the scope of his or her employment:

A “work made for hire” is . . . a work prepared by an employee within the scope of his or her employment.⁵¹

the hiring party’s equipment and accessed the hiring party’s servers from home, telecommuted but also worked twice a week at the hiring party’s facility for at least some period, assisted with other assignments, received assistance in software programming from the hiring party, had access to the hiring party’s office and equipment, and met a third party as a representative of the hiring party. *See Sasnett v. Convergent Media Sys., Inc.*, No. 95-12262-NG, 1997 WL 33142149, at *9 (D. Mass. Aug. 29, 1997) (on preliminary injunction request, finding that plaintiffs were likely to succeed on the merits).

Courts have identified other possible factors beyond those set forth in *Reid*. A possible additional factor could be whether the corporation existed at the time of creation. *See Billy-Bob Teeth, Inc. v. Novelty, Inc.*, 329 F.3d 586, 591 (7th Cir. 2003) (doctrine did not apply where, among other things, “the corporation did not exist when the [works] were authored”; company incorporated the year after creation of works). Another possible additional factor is whether the author worked for others at the same time. *See Kirk*, 188 F.3d at 1008 (“[T]hroughout his six-year relationship with [hiring party], [author] continued to engage in computer consulting with other companies, a factor suggesting that he was an independent contractor.”); *Aymes*, 980 F.2d at 864 (finding it probative that author “did occasional work for others at the same time” despite working for two years for hiring party); *Alcatel USA, Inc. v. Cisco Sys., Inc.*, 239 F. Supp. 2d 645, 654 (E.D. Tex. 2002) (noting that author “was simultaneously working as an independent contractor for two other companies”). Yet another possible factor is the hiring party’s own perceptions of whether the author was an employee or not. *See Hi-Tech Video Prods., Inc.*, 58 F.3d at 1099 (fact that hiring party did not perceive assistants as employees weighed in favor of finding them to be independent contractors); *see also Alcatel USA*, 239 F. Supp. 2d at 654 (finding it significant that hiring party had called author an independent contractor in a prior lawsuit before time “when it finally became advantageous for [hiring party] to treat [author] as its employee in order for it to assert ownership of [author’s] creations”).

⁵⁰ *See Massingill v. Stream, Ltd.*, No. 3:08-cv-0091-M, 2009 WL 3163549, at *5 (N.D. Tex. Oct. 1, 2009) (company’s motion for summary judgment on ownership of software program denied; fact issues remained where individual started work on software as contractor, later became employee, and whether the work “continued to be developed during his employment with [company] such that it would constitute a ‘work for hire’ under the Copyright Act.”).

⁵¹ 17 U.S.C. § 101 (2012).

Much like the law of invention assignment contracts, an employer's agreement with an employee to assign works for hire is not the end of the story. A penumbra of case law defines what "scope of his or her employment" means, and in effect creates exceptions to the presumption of employer ownership.⁵² Thus, while employment contracts ubiquitously recite that works for hire belong to the employer, the assignment is not monolithic.⁵³

⁵² As Nimmer puts it, "Under the current Act, even if a work is prepared by an employee, if it is not prepared 'within the scope of his or her employment,' it is not regarded as a 'work made for hire.' Therefore, an agreement between employer and employee whereby works prepared by the employee that are not prepared within the scope of employment are nonetheless deemed to be 'works made for hire,' will not in itself convert such works into the 'for hire' category." 1 MELVILLE B. NIMMER AND DAVID NIMMER, *NIMMER ON COPYRIGHT* § 5.03[B][1][b][ii] (Matthew Bender, Rev. Ed. 2018).

⁵³ I have found no empirical study of employment contract terms assigning works made for hire. That said, many samples are publicly available. My own anecdotal experience, based on viewing thousands of employment agreements in Silicon Valley and elsewhere, drafted by a wide variety of law firms, suggests that most recite that works for hire in the scope of employment are assigned – that is, the typical agreement follows the text of the Copyright Act. A very typical sample, pulled from a website which collects such standard terms, reads: "Employee acknowledges that all original works of authorship which are made by him (solely or jointly with others) within the scope of his employment and which are protectable by copyright are works made for hire, pursuant to the United States Copyright Act (17 U.S.C. SS 101 et seq.), and are solely the property of the Company." See LAW INSIDER, *Works Made for Hire Sample Clauses*, <https://www.lawinsider.com/clause/works-made-for-hire> (last visited Oct. 17, 2018).

Two other points about such contracts are worth noting. First, an employer and an employee can negotiate a different structure by contract – such as a royalty-based scheme – though it seems unlikely that a form contract could undercut rights granted by the Copyright Act through the scope of employment test any more than an invention assignment contract could get around state statutory limits on the scope of such agreements. See generally *Comput. Data Sys., Inc. v. Kleinberg*, 759 F. Supp. 10, 13-14 (D.D.C. 1990) (triable issue of fact on scope of employment because contract stated that if employee developed certain computer software and agreed to transfer it to employer, he would get a royalty to be negotiated at the time).

Second, as with any matter of employment contracts, questions of timing matter. Some courts have taken a position on the question whether, in general, a post-creation writing can give a hiring party work for hire rights. Because the statute's text seems to indicate that ownership starts from the time of creation, the Seventh Circuit held in 1992 that there cannot be a work for hire based on a written agreement unless the writing predates the creation of the work. See *Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 413 (7th Cir. 1992) (basing its rule on the need to have certainty). By contrast, the Second Circuit rejected this approach and held that it is possible to have a work for hire based on a post-creation written agreement, so long as that agreement evidences a prior agreement before the time of creation. See *Playboy Enters., Inc. v. Dumas*, 53 F.3d 549, 559 (2d Cir. 1995) (noting that the Nimmer treatise disagreed with *Schiller* and holding that "the writing requirement . . . can be met by a writing executed after the work is

Every court to address the “scope of employment” issue since the Supreme Court addressed work for hire law in the 1989 *Reid* decision has applied a three-part test based on section 228 of the Restatement (Second) of Agency: “Conduct of a servant is within the scope of employment if, but only if: (a) it is of the kind he is employed to perform; (b) it occurs substantially within the authorized time and space limits; (c) it is actuated, at least in part, by a purpose to serve the master.”⁵⁴ This reference to the Restatement is typically perfunctory, as courts do not cite other sections from the same chapter.⁵⁵

Supposedly, all three tests must be met for there to be a work for hire, meaning that the test is conjunctive, not disjunctive.⁵⁶ But at the same time, courts seem to place the least emphasis on the second factor and will find a work for hire if the other two factors are met and at least some

created, if the writing confirms a prior agreement, either explicit or implicit, made before the creation of the work”; remanding on that factual question). *See also* Compaq Comput. Corp. v. Ergonome Inc., 210 F. Supp. 2d 839, 843-45 (S.D. Tex. 2001) (following *Playboy*, holding that test requires showing that the parties “understood at the time the [works] were created that the works were made for hire,” and finding test met where written agreement made express reference to work done the year before; written agreement predated author’s subsequent assignment to another company by several years); *Kasten v. Jerrytone*, No. 02-421, 2004 WL 1857680, at *6 (E.D. La. Aug. 16, 2004) (noting *Playboy* rule, finding that agreement at issue did not mention previous works, only future works, but separately holding that contract was modified by acceptance of royalties for pre-agreement works).

⁵⁴ RESTATEMENT (SECOND) OF AGENCY § 228 (AM. LAW INST. 1958).

⁵⁵ Although rarely cited by the courts, the Restatement (Second) of Agency has ten sections regarding “scope of employment.” For the most part, the focus of these sections is on whether the employer will be liable for tortious or illegal acts by an employee. As a result, many of the annotated cases address such matters as joy rides in the company car and assaults by employees, with little value for work for hire disputes. That said, section 229, “Kind of Conduct Within Scope of Employment,” details factors that might assist courts in work for hire disputes, such as “whether or not the act is one commonly done by such servants,” “the time, place and purpose of the act,” and “the similarity in quality of the act done to the act authorized.” Sections 235 and 236, in turn, address the third factor of the employee’s purpose, or intentions. Section 235 states “An act of a servant is not within the scope of employment if it is done with no intention to perform it as a part of or incident to a service on account of which he is employed.” The comment says “It is the state of the servant’s mind which is material.” Section 236 states “Conduct may be within the scope of employment, although done in part to serve the purposes of the servant or a third person.” That is consistent with the case law cited above. *Id.* §§ 228-237.

⁵⁶ *See* *Genzmer v. Pub. Health Tr. of Miami-Dade Cty.*, 219 F. Supp. 2d 1275, 1280 (S.D. Fla. 2002) (stating rule: “Courts interpret this test as conjunctive. That is, the party attempting to establish that the work was made for hire must establish all three elements.”); *Moonstruck Design, LLC v. Metz*, No. 02 CIV. 4025(RWS), 2002 WL 1822927, at *3 (S.D.N.Y. 2002) (stating rule); *Quinn v. City of Detroit*, 988 F. Supp. 1044, 1052 (E.D. Mich. 1997) (same); *Roeslin v. District of Columbia*, 921 F. Supp. 793, 798 (D.D.C. 1995) (same); *City of Newark v. Beasley*, 883 F. Supp. 3, 8 (D.N.J. 1995) (same).

of the creative work was done at the employer's facility and during work hours – or in some cases none at all.⁵⁷ Further, like invention assignment law, courts may be open to an expansive interpretation of employer time where a company has a more 24/7 working culture.⁵⁸

Perhaps because the work for hire scope of employment test presents a more balanced allocation of interests compared to the tests under a typical employee invention assignment contract, case law outcomes appear less one-sided. Putting aside inconclusive rulings, I have found around the same number of work for hire cases where the employer prevailed as to ownership of the work (at least as to injunctive relief)⁵⁹ as those where the employee prevailed.⁶⁰

⁵⁷ See *Avtec Sys. v. Peiffer*, 21 F.3d 568, 571 (4th Cir. 1994) (noting that if first factor is met, courts will not favor employee just because work was done off-site); *McKenna v. Lee*, 318 F. Supp. 2d 296, 301 (E.D.N.C. 2002) (same; prisoner did work in his cell, but license plate design was what he was hired to do); *Martin v. City of Indianapolis*, 982 F. Supp. 625, 634 (S.D. Ind. 1997) (noting that you can't avoid the work for hire doctrine by doing the work off-site), *aff'd*, 192 F.3d 608 (7th Cir. 1999); *Marshall v. Miles Labs., Inc.*, 647 F. Supp. 1326, 1331 (N.D. Ind. 1986) (pre-*Reid* case; article held to be work for hire even though employee did much work away from the employer's facility because work related to the things plaintiff was hired to do, and because it was based on research done by another employee for employer); *Miller v. CP Chems.*, 808 F. Supp. 1238, 1243 (D.S.C. 1992) (employee worked off-site on software but “[o]n the other hand, the work was performed during the time period in which he was employed by [employer].”).

⁵⁸ See, e.g., *U.S. Auto Parts Network, Inc. v. Parts Geek, LLC*, 692 F.3d 1009, 1018-19 (9th Cir. 2012) (remanding where there was a triable issue of fact as to whether portion of software written when programmer was an employee was within his scope of employment, where among other things he “lived rent-free in a house that doubled” as a company office and did not “strictly” differentiate between work and personal hours, so that his work was “within authorized work hours and space limits.”).

⁵⁹ As of May 2018 when this research was completed, these cases are: *Genzmer*, 219 F. Supp. 2d at 1275; *Molinelli-Freytes v. Univ. of P.R.*, No. 09-1655(DRD), 2012 U.S. Dist. LEXIS 143262 (D.P.R. Sept. 30, 2012); *Fleurimond v. N.Y. Univ.*, 876 F. Supp. 2d 190 (E.D.N.Y. 2012); *Le v. City of Wilmington*, 736 F. Supp. 2d 842 (D. Del. 2010); *Rouse v. Walter & Assocs., LLC*, 513 F. Supp. 2d 1041 (S.D. Iowa 2007); *McKenna*, 318 F. Supp. 2d at 296; *Miller*, 808 F. Supp. at 1238; *Vanderhurst v. Colorado Mountain Coll. Dist.*, 16 F. Supp. 2d 1297, 1307 (D. Col. 1998); *Lewis v. Activision Blizzard, Inc.*, No. C 12-1096 CW, 2013 U.S. Dist. LEXIS 149784 at *1 (N.D. Cal. Oct. 17, 2013); and *Sterpetti v. E-Brands Acquisition, LLC*, No. 6:04-cv-1843-Orl-31DAB, 2006 U.S. Dist. LEXIS 21407 at *1 (M.D. Fla. Apr. 20, 2006).

⁶⁰ These are: *Avtec*, 21 F.3d at 568; *Moonstruck*, 2002 WL 1822927 at *1; *TAP Worldwide, LLC v. Becker*, No. CV 10-04903 DMG (JCx), 2010 WL 2757354, at *1 (C.D. Cal. July 12, 2010); *PFS Dist. Co. v. Raduechel*, 332 F. Supp. 2d 1236 (S.D. Iowa 2004), *Roeslin*, 921 F. Supp. at 793; *Quinn*, 988 F. Supp. at 1044; *Food Lion, Inc. v. Capital Cities/ABC, Inc.*, 946 F.

Scholarly writing about the work for hire doctrine has mostly centered on a question that precedes the topic of this article – whether the author is an independent contractor or an employee in the first place.⁶¹ That focus is no surprise, as there is a prominent Supreme Court

Supp. 420 (M.D.N.C. 1996); *Beasley*, 883 F. Supp. at 3; *Cannon Grp., Inc. v. Better Bags, Inc.*, 250 F. Supp. 2d 893, 901 (S.D. Ohio 2003); and *Martin*, 982 F. Supp. at 625.

⁶¹ See Ryan Vacca, *Work Made for Hire – Analyzing the Multifactor Balancing Test*, 42 FLA. ST. U. L. REV. 197 (2014) (thorough history and analysis of case law after *Reid* on employee versus contractor analysis); Llewellyn Joseph Gibbons, *Love’s Labor’s Lost: Marry for Love, Copyright Work Made-for-Hire, and Alienate at Your Leisure*, 101 KY. L.J. 113, 180 (2013) (addressing work for hire in the community property context); Jon M. Garon & Elaine D. Ziff, *The Work Made for Hire Doctrine Revisited: Startup and Technology Employee and the Use of Contracts in a Hiring Relationship*, 12 MINN. J.L. SCI. & TECH. 489, 505-09 (2011) (addressing work for hire agreements and asserting in passing that, as to California’s invention assignment statute, “[t]he two exceptions in section 2870 reasonably approximate the ‘scope of employment’ prong of the work for hire doctrine, as applied to the state law of assignment of employee work product”); Assaf Jacob, *Tort Made for Hire – Reconsidering the CCNV Case*, 11 YALE J.L. & TECH. 96, 143-144 (2009) (touching on the scope of employment test, but primarily focusing on whether agency law provides the best fit for assessing employee/contractor status); Deborah Tussey, *What Ifs and Other Alternative Intellectual Property and Cyberlaw Story: What If Employees Owned Their Copyrights?*, 2008 MICH. ST. L. REV. 233, 242 (2008) (“In short, if Congress had not adopted the work for hire doctrine during the early years of corporatization of the copyright industries, it probably would have had to invent an alternative legal structure to handle the licensing of collaborative works in the later years of the copyright terms of those works.”); Vai Io Lo, *Employee Inventions and Works for Hire in Japan: A Comparative Study Against the U.S., Chinese, and German Systems*, 16 TEMP. INT’L & COMP. L.J. 279, 305-06 (2002) (noting, in survey, that Japanese law requires “reasonable compensation if the employee assigns the right to obtain a patent, the patent right, or grant an exclusive license to the employer.”); Carolyn M. Salzmann, Comment, *You Commissioned It, You Bought It, But Do You Own It? The Work for Hire: Why Is Something So Simple, So Complicated?*, 31 U. TOL. L. REV. 497 (2000) (focusing on a writing requirement for work for hire in order to clarify ownership); Colleen Creamer Fielkow, Note, *Clashing Rights Under United States Copyright Law: Harmonizing an Employer’s Economic Right with the Artist-Employee’s Moral Rights in a Work Made for Hire*, 7 DEPAUL-LCA J. ART & ENT. L. 218, 220 (1997) (reviewing potential conflicts between work for hire and employee-authors’ moral-rights); Shannon M. Nolley, Note, *The Work for Hire Doctrine and the Second Circuit’s Decision in Carter v. Helmsley-Spear*, 7 DEPAUL-LCA J. ART. & ENT. L. 103, 128 (1996) (examining the independent contractor vs. employee aspects of work for hire); Jennifer Sutherland Lubinski, Note, *The Work for Hire Doctrine under Community for Creative Non-Violence v. Reid: An Artist’s Fair Weather Friend*, 46 CATH. U. L. REV. 119, 125 (1996) (arguing for revamp of *Reid* test to better benefit artists and incentivize creation of more works); Alan Hyde & Christopher W. Hager, *Promoting the Copyright Act’s Creator-Favoring Presumption: “Works Made for Hire” Under Aymes v. Bonelli & Avtec Systems, Inc. v. Peiffer*, 71 DENV. U. L. REV. 693, 716-717 (1994) (primarily

ruling (*Reid*) on that issue. Moreover, the rise of the so-called “gig economy,” where companies treat workers as independent contractors rather than employees, may also explain why many focus on the rights of contractors versus those who hire them. By contrast, commentary on the scope of employment test has been meager, with some exceptions noted below. The same is true in the leading treatise on copyright law.⁶²

That said, several articles provide useful background for the issues analyzed here. A student note comes perhaps closest to the issues presented here, by contrasting copyright and patent rights in employee-created software.⁶³ Another commentator, in a detailed overview of the allocation of ownership interests in works created by employees, advocates for “an interpretive rule operating in favor of the employee” given that “[e]mployers are likely to attempt broad and vague definitions of the job description” in order to satisfy the first factor of the scope of employment test.⁶⁴ Finally, a definitive history of the work for hire concept and the transition to employer

examining employee versus contractor case law and approving the concept that absent a written agreement, authors may often own their creations); Anne Marie Hill, Note, *The “Work for Hire” Definition in the Copyright Act of 1976: Conflict Over Specially Ordered or Commissioned Works*, 74 CORNELL L. REV. 559, 564-66 (1989) (early work assessing pre-*Reid* case law); Jon L. Roberts, *Work Made for Hire: The Fiction, the Reality, and the Impact Upon Software Development*, 1 HARV. J. L. & TECH. 97, 128 (1988) (addressing early employee versus contractor case law); Rochelle Cooper Dreyfus, *The Creative Employee and the Copyright Act of 1976*, 54 U. CHI. L. REV. 590, 638-47 (1987) (examining work for hire law primarily in the context of academic versus university control over scholarly output).

⁶² That treatise provides a general summary, with only a few case citations on “scope of employment” disputes, outside of a long section of disputes between universities and academics. See 1 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT §§ 5.03[B][1][b][i]-[ii] (Matthew Bender, Rev. Ed. 2018).

⁶³ David Loretto, Note, *Employee Patents on Computer-Implemented Inventions: The Conundrum of Separate Ownership of Patent and Copyright*, 23 CARDOZO L. REV. 705, 711 n.35, 727-28 (2002) (noting possibility of conflicting rights in software covered by copyright and trade secret law and primarily addressing potential conflicts between business-method patents (as patent law stood at that time), employer shop rights, and copyright law). See also Joshua L. Simmons, *Inventions Made for Hire*, 2 N.Y.U. J. OF INTELL. PROP. & ENT. L. 1, 46 (2012) (comparing development of work for hire doctrine to incremental development of patent-related concepts like the hired-to-invent doctrine and the shop right doctrine, and arguing that patent law should cease requiring written inventor assignments and instead adopt an umbrella ownership doctrine like work for hire).

⁶⁴ Michael D. Birnhack, *Who Owns Bratz? The Integration of Copyright and Employment Law*, 20 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 95, 152-53, 157-59, 162 (2009) (seeking “the most efficient and fair rule of initial allocation of copyright in works created by authors in the workplace”).

ownership of employee work product sheds light on the origins of the conundrum this essay addresses.⁶⁵

B. The Scope of Employment Case Law is More Balanced

The manner in which courts have analyzed the three-part scope of employment test in work for hire disputes is noticeably different from the analysis seen in invention assignment disputes. As described in the cases summarized here, courts tend to focus most on the first and third factors of that test. And in contrast to invention assignment agreement law, employees prevail more often because the three factors are more employee-friendly.

Case Law on Factor One (Hired to Perform): So long as the employee's job description/job duties are of the same general category as the copyrightable work, employers tend to win on the first factor – even if the work is only incidentally related to the employee's job duties. The employer's provision of guidance and supervision to the employee weighs in the employer's favor as well.⁶⁶ At the same time (and even if the work might be incidentally related to the scope

⁶⁵ See Catherine L. Fisk, *Authors at Work: The Origins of the Work-for-Hire Doctrine*, 15 YALE J.L. & HUMAN. 1 (2003) (covering the nineteenth century, the creation of the work for hire doctrine under the 1909 Copyright Act, and modern developments).

⁶⁶ For cases where the employer wins on factor one, see *Lewis v. Activision Blizzard, Inc.*, No. C 12-1096 CW, 2013 U.S. Dist. LEXIS 149784, at *10 (N.D. Cal. Oct. 17, 2013) (where employer and former employee clashed over employee's voice recording used in video games, first factor favored employer where employee handbook listed creation of game content as a job role); *Molinelli-Freytes v. Univ. of P.R.*, No. :09-1655(DRD), 2012 U.S. Dist. LEXIS 143262, at *32-37 (D.P.R. Sept. 30, 2012) (granting summary judgment to employer over faculty member's proposal for a graduate program; even though employee worked on vacations and holidays, that second factor mattered less where work was clearly of the type employee was hired to perform); *Fleurimond v. N.Y. Univ.*, 876 F. Supp. 2d 190, 201-09 (E.D.N.Y. 2012) (granting summary judgment to employer, which met all three factors as to employee who created graphic design while employed to create such things, where she was expected to perform her job in part at home using her own equipment, and where "no reasonable juror could find that she was not motivated in large part to serve the interests of NYU."); *Rouse v. Walter & Assocs., LLC*, 513 F. Supp. 2d 1041, 1056-60 (S.D. Iowa 2007) (applying three-part test; on tangled fact pattern where professors argued that software program created in the course of sponsored university research was not a work for hire, court rejected argument because, among other things, the software development was within the duties they were "hired to perform," the software "was developed and tested on [university] computers" even if some work was done at home, and professors "were motivated at least in part" to further university research when creating the work); *Sterpetti v. E-Brands Acquisition, LLC*, No. 6:04-cv-1843-Orl-31DAB, 2006 U.S. Dist. LEXIS 21407, at *20-22 (M.D. Fla. Apr. 20, 2006) (where parties disputed ownership of pasta-making manual, employer prevailed on first factor because it asked the employee to create the manual and provided feedback, showing its creation was part of employee's job duties); *Genzmer v. Pub. Health Tr.*, 219 F. Supp. 2d 1275, 1281 (S.D. Fla. 2002) (employee hired as a doctor, but in fact his required research "included the drafting of computer programs" and job description was

of employment) the employer's disclaimer of the work is highly relevant, in contrast to the law of invention assignment contracts.⁶⁷ Conversely, if the employee is hired to do tasks in categories unrelated to the copyrightable work, the employee tends to prevail on the first scope of employment factor.⁶⁸

broad enough to cover “the development of the computer program at issue”; in addition, employee's supervisor gave him “guidance and praise” for the software); *Avtec Sys., Inc. v. Peiffer*, No. 92-463-A, 1994 WL 791188, at *3-4 (E.D. Va. 1994) (employer won first factor in software case because employee's job description including writing programs and implementing computer simulation, and because at his employment, employee had generated similar software, and because employer had been able to use the work to “win a contract”), *aff'd*, No. 94-2364, 1995 WL 541610, at *1 (4th Cir. Sept. 13, 1995); *Miller v. CP Chems., Inc.*, 808 F. Supp. 1238, 1243 (D.S.C. 1992) (employee who wrote software was “not hired primarily for the development of computer programs,” but “the development of the computer programs was at least incidental to his job responsibilities because it was ‘within the ultimate objective of the principal and an act which it is not unlikely that a servant might do.’”) (quoting RESTATEMENT (SECOND) OF AGENCY § 229 cmt. b (AM. LAW INST. 1958)).

⁶⁷ See *Roeslin v. District of Columbia*, 921 F. Supp. 793, 798 (D.D.C. 1995) (“It is unfair for the District to now claim that an activity it discouraged – developing the system – was within the scope of plaintiff's employment.”).

⁶⁸ For cases where the employee wins on factor one, see *TAP Worldwide, LLC v. Becker*, No. CV 10-04903 DMG (JCx), 2010 WL 2757354, at *3-4 (C.D. Cal. July 12, 2010) (export manager of parts manufacturer, which did not develop or sell software, created software to expedite export shipments, usable by any company for a monthly fee; finding in favor of employee when employer moved for preliminary injunction because “[c]reating software was not within the scope of his job and no one else at the company was tasked with anything similar,” employee identified a business need not specific to his employer “but in the business world generally,” and created it “on his own time, not during working hours”; employer did not even learn about software until it terminated the employee); *Pavlica v. Behr*, 397 F. Supp. 2d 519, 525 (S.D.N.Y. 2005) (finding triable issue of fact for trial where high school teacher created a program to train high school students to conduct scientific research where teacher did so without prompting or direction from school, and where his intent was a model useful for any high school); *Moonstruck Design, LLC v. Metz*, 02 Civ. 4025 (RWS), 2002 U.S. Dist. LEXIS 14583, at *12-13 (S.D.N.Y. Aug. 12, 2002) (denying motion for preliminary injunction where former employer failed to meet any of the three tests; jewelry designer was not an employee at the time of creation, was hired only in a sales capacity, did not create the design during working hours, and was motivated by desire to honor his wife and other cancer survivors); *PFS Dist. Co. v. Raduechel*, 332 F. Supp. 2d 1236, 1248 (S.D. Iowa 2004) (employee was truck driver, not a software developer, so this factor favored employee); *Martin v. City of Indianapolis*, 982 F. Supp. 625, 633-34 (S.D. Ind. 1997) (going a little against the grain of some other cases cited here, finding that employee won on first factor because only a little of his work for employer involved ornamental metal work, but also because he demanded his own fee paid directly to him for artistic work, and his work on sculpture in question differed significantly from his “normal

Case Law on Factor Two (Employer's Time and Space): Much of the case law on the second scope of employment factor focuses on whether or not the work was done at the employer's facility, though the test as worded is broader than that inquiry. The focus is where the work was created, not where it was later used.⁶⁹ If job duties necessarily include working off-site, the fact that an employee creates the work at home may still favor the employer.⁷⁰ However, in many cases, the employee's work off-site means that the employee wins this factor.⁷¹

course of work”), *aff'd*, 192 F.3d 608 (7th Cir. 1999); *Roeslin*, 921 F. Supp. at 798 (employee hired as labor economist, not software programmer and was discouraged from pursuing project); *City of Newark v. Beasley*, 883 F. Supp. 3, 8 (D.N.J. 1995) (employee was police officer, but work on classroom training materials to teach young people not to steal cars was unknown to employer, and employee learned nothing from employer that assisted in project, so factor favored employee); *Quinn v. City of Detroit*, 988 F. Supp. 1044, 1051 (E.D. Mich. 1997) (employee was an attorney, not a programmer, employer never requested the work).

⁶⁹ See *Quinn*, 988 F. Supp. at 1051 (software created at home but later installed at work).

⁷⁰ See *Fleurimond*, 876 F. Supp. 2d at 201-09 (granting summary judgment to employer, which met all three factors as to employee who created graphic design while employed to create such things, where she was expected to perform her job in part at home using her own equipment, and where “no reasonable juror could find that she was not motivated in large part to serve the interests of NYU.”); *Rouse*, 513 F. Supp. 2d at 1056-57 (applying three-part test; on tangled fact pattern where professors argued that software program created in the course of sponsored university research was not a work for hire, court rejected argument because, among other things, the software development was within the duties they were “hired to perform,” the software “was developed and tested on [university] computers” even if some work was done at home, and professors “were motivated at least in part” to further university research when creating the work); *Sterpetti*, 2006 U.S. Dist. LEXIS 21407, at *27-28 (employee created pasta-making manual offsite, but at employer's direction, so employer prevailed on second factor); *Genzmer*, 219 F. Supp. 2d at 1282 (employee was involved in research and thus would not have been at clinic seeing patients; “it follows that he would not have developed the software” at the employer's facility).

⁷¹ See *Moonstruck Design*, 2002 U.S. Dist. LEXIS 14583, at *12-13 (S.D.N.Y. Aug. 12, 2002) (denying motion for preliminary injunction where former employer failed to meet any of the three tests; jewelry designer was not an employee at the time of creation, was hired only in a sales capacity in any event, did not create the design during working hours, and was motivated by desire to honor his wife and other cancer survivors); *Raduechel*, 332 F. Supp. 2d at 1248 (software work done at home with employee's own equipment and software licensed to other companies; employee did later modify software for use at employer but factor favored employee); *Martin*, 982 F. Supp. at 634 (off-site and on own time); *Roeslin*, 921 F. Supp. at 798 (employee created software in 3000 hours of work at home, fact that he later used it at work immaterial); *Beasley*, 883 F. Supp. at 8 (police officer created anti-car theft training materials solely off-site, and thus factor favored employee); *Avtec*, No. 94-2364, 1994 WL 791188, at *4-5 (employee created software at home and with own equipment, even though he later used it at work).

That said, prevailing on the second factor may not favor the employee overall if the work was done during the time the employee was employed. Courts may not find the second factor determinative if the employer has prevailed on the first and third factors.⁷²

Case Law on Factor Three (Employee's Purpose): Sometimes there are cases where the employee did not seek to benefit the employer, beyond any doubt.⁷³ And sometimes the employee's copyrightable work is developed in tandem with work done for the employer, so that it cannot reasonably be anything other than a work for hire.⁷⁴

However, most cases are closer. Many involve a situation where an employee created something at home, used it at work but also for other purposes, and was motivated by both personal motives and a desire to help the employer. As noted above, the second factor can be discounted if the other factors are in the employer's favor. That makes sense, as otherwise an employee could create something at home and automatically get ownership of it, no matter how closely it relates to his or her job role.

So where do courts draw the line when the employee may have had mixed motives? In general, the motivation to assist the employer need only be partial; it need not be the sole motivation. The employee must be at least "appreciably" motivated by a desire to serve the employer's goals.⁷⁵ But what does this mean? Greater than a 50 percent motivation to serve those goals? Something

⁷² See, e.g., *Miller v. CP Chems., Inc.*, 808 F. Supp. 1238, 1243 (D.S.C. 1992) ("On the other hand, the work was performed during the time period in which he was employed by [employer].").

⁷³ See *Food Lion, Inc. v. Capital Cities/ABC, Inc.*, 946 F. Supp. 420, 421-22 (M.D.N.C. 1996) (journalists working as undercover employees made secret tapes of employer's working conditions, employer tried to claim the tapes as works for hire to suppress them; the court rejecting this stratagem as not meeting any "reasonable interpretation of scope of employment").

⁷⁴ See *Lewis v. Activision Blizzard, Inc.*, No. C 12-1096 CW, 2013 U.S. Dist. LEXIS 149784, at *13-14 (N.D. Cal. Oct. 17, 2013) (employer easily prevailed where employee created sound recording at employer's request, for employer's purposes, and under employer's supervision); *Quinn*, 988 F. Supp. at 1052; *Miller*, 808 F. Supp. at 1243-44 (employee's software was "created to simplify [employee's] job and to eliminate errors," employer asked employee to develop similar software for other company products, and all software related specifically to a product made by the employer).

⁷⁵ See *Avtec Sys., Inc. v. Peiffer*, 21 F.3d 568, 572 (4th Cir. 1994) (as to the third scope of employment factor, the employer must show that the employee "was at least 'appreciably' motivated by a desire to further its corporate goals[.]" (citing RESTATEMENT (SECOND) OF AGENCY § 226 cmt. b (AM. LAW INST. 1958)) ("The fact that the predominant motive of the servant is to benefit himself or a third person does not prevent the act from being within the scope of employment. If the purpose of serving the master's business actuates the servant to any appreciable extent, the master is subject to liability[.]").

else? The cases do not nail it down with precision. Both the employer⁷⁶ and the employee⁷⁷ can prevail on this factor.

⁷⁶ For cases where the employer wins on factor three, *see* *Fleurimond v. N.Y. Univ.*, 876 F. Supp. 2d 190, 201-09 (E.D.N.Y. 2012) (granting summary judgment to employer, which met all three factors as to employee who created graphic design while employed to create such things, where she was expected to perform her job in part at home using her own equipment, and where “no reasonable juror could find that she was not motivated in large part to serve the interests of NYU.”); *Le v. City of Wilmington*, 736 F. Supp. 2d 842, 845-51 (D. Del. 2010) (on summary judgment by employer, municipal employee hired as Information Analyst who created an “Instant Ticketing” program for a city department of licensing and inspections to use in lieu of paper tickets did not own the software, even though he wrote the software “essentially exclusively on his own time, on his own computer at home,” because his purpose was “to facilitate the City’s business of issuing tickets,” and did so at the direction of a supervisor, received input from other employees, and used code previously used for city-owned software); *Rouse v. Walter & Assocs., LLC*, 513 F. Supp. 2d 1041, 1056-57 (S.D. Iowa 2007) (applying three-part test; on tangled fact pattern where professors argued that software program created in the course of sponsored university research was not a work for hire, court rejected argument because, among other things, the software development was within the duties they were “hired to perform,” the software “was developed and tested on [university] computers” even if some work was done at home, and professors “were motivated at least in part” to further university research when creating the work); *Sterpetti v. E-Brands Acquisition, LLC*, No. 6:04-cv-1843-Orl-31DAB, 2006 U.S. Dist. LEXIS 21407, at *18-19 (M.D. Fla. Apr. 20, 2006) (employee’s ideas about “gaining personal benefit” from creation of pasta-making manual insufficient where he clearly created manual at employer’s behest, showing at least a partial motivation to server the employer’s interests); *Genzmer v. Pub. Health Tr.*, 219 F. Supp. 2d 1275, 1283 (S.D. Fla. 2002) (employee claimed vague personal reasons, but evidence showed that he “tailored” software to “fit [employer’s] needs”).

⁷⁷ For cases where the employee wins on factor three, *see* *Moonstruck Design, LLC v. Metz*, 02 Civ. 4025 (RWS), 2002 U.S. Dist. LEXIS 14583, at *12-13 (S.D.N.Y. Aug. 12, 2002) (denying motion for preliminary injunction where former employer failed to meet any of the three tests; jewelry designer was not an employee at the time of creation, was hired only in a sales capacity in any event, did not create the design during working hours, and was motivated by desire to honor his wife and other cancer survivors); *Avtec*, 21 F.3d at 572 (“appreciably” standard); *Avtec Sys., Inc. v. Peiffer*, No. 92-463-A, 1994 WL 791188, at *6 (E.D. Va. 1994) (applying test, programmer created work off-site and later used it at work, but his conduct was consistent with a belief that he was the owner, and employer’s bonus payment could have been made “as a reward for [employee’s] willingness to utilize his own property for the benefit of his employer”); *PFS Dist. Co. v. Raduechel*, 332 F. Supp. 2d 1236, 1248-49 (S.D. Iowa 2004) (where employee had previously licensed software to other companies and then modified it to work with employer’s system, not enough to favor employer on third factor); *Roeslin v. District of Columbia*, 921 F. Supp. 793, 798 (D.D.C. 1995) (court found evidence that employee was primarily creating software for self-motivation and to create job opportunities for himself, so fact

Some courts, such as the *Beasley* and *Roeslin* cases cited below, suggest that looking at the employee's subjective beliefs is one approach to analyzing the third scope of employment factor. One court made this approach the dispositive test. In *Martin v. City of Indianapolis*, the court, relying on the Restatement (Second) of Agency section 235, comment (a), stated that "[t]he state of mind of the employee is the material determination; the court may consider the employee's actions or other manifestations only as evidence of the employee's state of mind."⁷⁸ Under that sort of analysis, the employee won easily, because he claimed that his sculpture was a personal project, that he did not get paid for it, spent a lot of time on it, worked on it in his free time, signed an agreement calling himself the "owner" of it, and was, apart from his work for the employer, "a serious, independent artist who uses stainless steel as a medium." Focusing on the employer's potential economic motivations, the court noted that the work was not created in order for the employer to get a commercial benefit, as it never sold the work to a customer.⁷⁹

Another way to consider the question is to look to whether the employee was doing the work for a third party at the time – as doing the work for someone else is surely relevant to whether the work was done "appreciably" for the employer. In one case, the work in question (a bag design) was of the type the employee was hired to do, and the first factor favored the employer. However, the work was not a work for hire, because the employee created the design for a third party, assigned it to that third party, and was paid directly by the third party. Thus, the design was not "actuated by a purpose to serve [the employer's] interest."⁸⁰

Overall, an employer can win on the first factor but still lose the third, and the focus – however a court words it – appears to be whether some significant percentage of the employee's subjective motive was to help the employer, focusing on the time the work was created.⁸¹ Because the law

that software also benefited his employee immaterial); *City of Newark v. Beasley*, 883 F. Supp. 3, 9 (D.N.J. 1995) (police officer intended that many cities, not just his own, might purchase his training materials; even though he believed his employer might be one customer for his work, that was not enough).

⁷⁸ See *Martin v. City of Indianapolis*, 982 F. Supp. 625, 634-35 (S.D. Ind. 1997), *aff'd*, 192 F.3d 608 (7th Cir. 1999).

⁷⁹ See *id.*

⁸⁰ See *Cannon Grp., Inc. v. Better Bags, Inc.*, 250 F. Supp. 2d 893, 901 (S.D. Ohio 2003).

This case is atypical, however, as the employer was not a party. The party holding the assignment was the cross-plaintiff in an infringement case, and the cross-defendant was trying to undermine the cross-plaintiff's copyright registration. There was nothing in the case about whether the employee had been permitted to do the work for the third party while employed, and the court appeared to be moving hastily to shut down the cross-defendant's strained attempt to defeat the cross-plaintiff's copyright. The employer was not present to argue its own case for a work for hire. In other words, courts may be less exacting when an accused third party infringer tries to invalidate the copyright on some technicality.

⁸¹ Some courts, of course, find the evidence in conflict, and hold that a trial is necessary. *E.g.*, *Koenig v. Dowdy*, No. 5:15-CV-00347-RN, 2017 U.S. Dist. LEXIS 163850, at *19 (E.D.N.C. Sept. 28, 2017) (denying motion for summary judgment as to copyright ownership where, among

of invention assignment contracts does not expressly consider the employee's intent when creating intellectual property, this consideration of the employee's state of mind is quite different from the analyses seen under that body of law.

IV

IS WORK FOR HIRE LAW INCONSISTENT WITH INVENTION ASSIGNMENT LAW?

This review of the work for hire doctrine and the law of invention assignment agreements shows why there is seemingly a direct conflict between them. Where an employee creates something that is both copyrightable and that could be an employer-assigned trade secret, the outcome of an ownership dispute could differ.

Unlike trade secrets and patent rights, trade secrets and copyrightable works are categories of intellectual property that can exist concurrently in the same work. Indeed, because the Copyright Act does not preempt state trade secret law, courts deem that confidentiality requirements sufficiently distinguish a state law trade secret cause of action from a copyright infringement cause of action. A plaintiff with ownership rights under both can theoretically pursue both causes of action against a defendant regarding the same work.⁸²

Thus, it follows that when an employee creates new work, that work might constitute the employer's trade secret – if it meets the conditions for automatic invention assignment under the employment agreement – and it also might constitute the employer's work for hire – again, if the conditions for the scope of employment test are satisfied. In many cases, especially for routine situations where the employee creates work for the employer in the ordinary course of business, both tests will easily be satisfied, and nobody would imagine otherwise.⁸³

However, on the margins, where employees create work outside the workplace and for outside purposes, the two tests can dictate different results as to the same work by the same employee. To begin with, the invention assignment analysis is *disjunctive* – the employer need only satisfy

other things, third work for hire factor was subject to disputed evidence over an architectural house plan created by an employee/architect); *Bell v. Maloney*, No. 1:16-cv-01193-RLY-DML, 2017 U.S. Dist. LEXIS 111867, at *4-5 (S.D. Ind. July 19, 2017) (triable issues of fact on all three factors where attorney took photo that was used on law firm's website and parties disputed ownership).

⁸² Federal courts agree that trade secret causes of action are not copyright-preempted. *E.g.*, *GlobeRanger Corp. v. Software AG USA, Inc.*, 836 F.3d 477 (5th Cir. 2016) (collecting cases from other circuits and joining them). Notably, with the May 2016 enactment of the federal Defend Trade Secret Act, no preemption analysis is necessary as to a cause of action for trade secret misappropriation brought under federal law. *See generally* Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 18 U.S.C. §§ 1831-1839, 130 Stat. 376.

⁸³ For example, in the well-known California case, *Cubic Corp. v. Marty*, 229 Cal. Rptr. 828, (Ct. App. 1986), the employee's work product in dispute included a "manuscript describing his invention," which surely would have been a work for hire under the facts, where the employer easily prevailed under its invention assignment contract. *Id.* at 830.

one of the conditions for ownership, such as demonstrating that its equipment was used. By contrast, the work for hire analysis is *conjunctive* – the employer must show all three factors, or at least such a strong showing on the first and third that the second is discounted.

Second, the invention assignment analysis is agnostic to an employee's job role. If the receptionist writes software that relates to the employer's business, and if the receptionist signed an invention assignment contract, the employer owns the work even if the receptionist programmed it during off-hours and away from the office. The invention assignment contract thus reaches beyond the common law "hired to invent" test for employee ownership, as discussed above. Again, by contrast, the work for hire scope of employment test looks to the employee's job role as the first factor of the analysis, thereby providing a narrower path to employer ownership.

Perhaps most importantly, the invention assignment analysis is agnostic to the employee's motive or intent. Even if an employee creates an off-site work in anticipation of a new job or creating a new company, that motive is not relevant if the work is found to relate to the employer's business or relate to its demonstrably anticipated research and development.⁸⁴ But as discussed above, the third factor of the work for hire scope of employment test significantly considers the employee's motive.

With these differences in mind, there are many decisions where the outcome might have differed depending on which of the two doctrines the court focused on (or perhaps more accurately, the doctrine the employer focused on when bringing the lawsuit).

One example where a conflict might have arisen had the court spent more time on the employer's invention assignment claim was a 2004 ruling from the Southern District of Iowa, *PFS Distribution Co. v. Raduechel*. There, the employee was a truck driver for a poultry plant. A self-taught programmer, he created software at home for an order entry system. The employee licensed his software to two unrelated businesses and later created a version for use by his employer, brought it on site and installed it, and tailored it for the employer's business.⁸⁵

After the company was acquired and cut salaries, the employee and a co-worker planned a mass departure for a new venture, engaging in significant misconduct that led to a preliminary injunction.⁸⁶ However, the employer's claim to ownership of the truck driver's order entry software faltered because the court agreed that the employee owned the work under the work for hire doctrine. He was not hired to program, he created the work at home and even licensed it to others before bringing it to work, and his purpose in creating it was not to serve the employer.⁸⁷

⁸⁴ *E.g.*, CAL. LAB. CODE §§ 2870-72 (West 1979). As noted, however, it remains unclear whether an employer could meet these tests where the employee had no notice of related work by a large, far-flung employer.

⁸⁵ *PFS Dist. Co. v. Raduechel*, 332 F. Supp. 2d 1236, 1240 (S.D. Iowa 2004).

⁸⁶ *See id.* at 1240-43, 1246-47, 1251-53.

⁸⁷ *See id.* at 1247-49.

Raduechel is possibly the only case where a court considered a work for hire dispute alongside a claim for breach of an invention assignment contract. Had the court spent more time analyzing the latter, it might have recognized a potential conflict. After all, the employee's software surely related to the employer's business, and at least a version of it was modified for use at the employer's facility and presumably on its equipment. Under the employer-friendly regime of invention assignment law, perhaps the court might have found that the employer owned at least a portion of the work. However, the court appears to have brushed off the employer's invention assignment cause of action, having already decided the work for hire issue and quickly concluding that the result was the same under the employer's contract claim.⁸⁸

Another case illustrating the potential conflict is a 2010 ruling from the Central District of California, *TAP Worldwide, LLC v. Becker*. There, the employer sold "off-road parts and accessories." The employee prevailed in a work for hire dispute over ownership of a software program he wrote to expedite the processing of export shipments.⁸⁹ He had created the work on his own time, and based on his own "market research," without using the employer's equipment.⁹⁰ The employer sought ownership and an order requiring the former employee to "restore access" to the software, but lost on all three work for hire scope of employment factors.⁹¹ Would the result have been the same if the employer had sued for breach of an invention assignment agreement? In California, it would need only show that the work related to its business, and not that the employee was hired to create that type of work, or that the employee was motivated by a purpose to serve the master.⁹²

Perhaps the case that comes closest to demonstrating the conflict between the work for hire doctrine and invention assignment law is a 1994 Fourth Circuit case where an employee's ownership of the copyright in a work precluded the employer's dueling claim to trade secret rights in the same information. In *Avtec Systems, Inc. v. Peiffer*, the employer provided simulations of orbital patterns to the federal government. The employee, whose job duties included computer simulations for satellite orbits, wrote a software program for that purpose, but did so on his own time. The company used the program as a marketing tool, and other employees suggested modifications. However, the employee later licensed the program to a third party.⁹³

⁸⁸ See *id.* at 1249. The court spent all of five sentences on the invention assignment claim, and found that "[d]ue to the insufficiency of the evidence to establish the database software as a 'work for hire,' or otherwise rightfully owned by plaintiffs, the Court declines to award injunctive relief that ordinarily might be warranted by this claim."

⁸⁹ *TAP Worldwide, LLC v. Becker*, No. CV 10-04903 DMG (JCx), 2010 WL 2757354, at *1 (C.D. Cal. July 12, 2010).

⁹⁰ See *id.* at *1, 3.

⁹¹ See *id.* at *4-5.

⁹² See CAL. LAB. CODE § 2870 (West 1979).

⁹³ This factual summary is taken from the Fourth Circuit's first appellate ruling in the case. *Avtec Sys., Inc. v. Peiffer*, 21 F.3d 568, 569-70 (4th Cir. 1993). See also *Avtec Sys., Inc. v. Peiffer*, 805 F. Supp. 1312, 1315-17 (E.D. Va. 1992).

After a confusing bench trial ruling where the lower court found that the employee owned the copyright but the employer held a “shop right” and/or a “trade secret” in the same work, the Fourth Circuit remanded for clearer findings on the work for hire question. Crucially, the court rejected the notion that an employee’s copyright ownership could be undermined by an employer’s trade secret claim to the same information. Noting that copyright ownership confers a right of publication and distribution, while trade secret rights depend on non-publication and secrecy, the court held that “Avtec offers no authority, and we have found none, for the proposition that the alleged ‘owner’ of a trade secret . . . could maintain the secrecy of material that is subject under federal law to publication at the will of another.”⁹⁴

Ultimately, after remand, the Fourth Circuit affirmed a ruling that the employee owned the copyright under the work for hire factors, and confirmed that an employee-owner of a copyrighted work cannot be subject to an employer’s trade secret misappropriation claim over that work.⁹⁵

Although the employer brought trade secret and fiduciary duty causes of action against the employee rather than a breach of contract claim relating to invention assignment, that is a distinction without a difference for our purposes, as the intellectual property rights arising from an invention assignment contract would be trade secret rights. Thus, *Avtec* teaches that, should an employee prevail on copyright ownership under the work for hire analysis, an employer likely could not succeed in a breach of invention assignment claim over trade secret rights in the same work, as the conflicting trade secret claim would be void *ab initio*.⁹⁶

⁹⁴ *Avtec*, 21 F.3d at 575. This logic – that copyright ownership precludes a conflicting trade secret ownership claim in the same information – formed the basis for a 2002 ruling in the Eastern District of Texas, where a contractor’s ownership in a software program overrode the hiring company’s claim to trade secrets in the same program. *See Alcatel USA, Inc. v. Cisco Sys., Inc.*, 239 F. Supp. 2d 645, 659 (E.D. Tex. 2002). That case did not involve the work for hire doctrine because the author was an independent contractor, but its holding is consistent with the theme of this essay, that copyright ownership in some instances can conflict with dueling claims under other categories of intellectual property law.

⁹⁵ *See Avtec Sys., Inc. v. Peiffer*, No. 94-463-A, 1994 U.S. Dist. LEXIS 16946, at *11-19, 25-26 (E.D. Va. 1994) (although the employer prevailed on the first scope of employment factor, the employee won on the second and third factors; “Peiffer’s creation of the Orbit Program was too little actuated by a purpose to serve the master.”; rejecting employer’s trade secret claim and awarding no damages on breach of fiduciary duty claim), *aff’d*, No. 94-2364, 1995 WL 541610, at *1 (4th Cir. Sept. 13, 1995).

⁹⁶ Cases in this area appear to be exceedingly rare. In one odd Texas case, a court found that an employer’s state-law claims against a former employee (including trade secret misappropriation, conversion, and unjust enrichment) were preempted by the Copyright Act – a conclusion that would not be reached today at least as to a trade secret claim. Thus, a potential clash between the work for hire doctrine and trade secret ownership through an invention assignment agreement was averted. *See Butler v. Continental Airlines, Inc.*, 31 S.W.3d 642, 651-52 (Tex. App. 2000).

Given this under-analyzed conflict, an employee's potential copyright ownership of an outside-the-workplace creation may well be the dispositive question in clashes where an employee prepares work product for an outside opportunity while still employed. Litigants' choices about what law to focus on during ownership disputes over copyrightable works may be more important than has been recognized thus far.

CONCLUSION – THE USE-VALUE OF THE SCOPE OF EMPLOYMENT TEST

This essay is not about ownership of ordinary-course creative work performed in the workplace on behalf of an employer. It is instead about marginal cases where an employee, operating in good faith, avoids the employer's trade secrets, time, and equipment to start preparing for a new job, forming a new company, or simply creating for personal interest. That is the context where employer ownership is most debatable, and that is the context where the clash between the work for hire doctrine and invention assignment agreement law is sharpest.

As we have seen, it is not difficult to imagine a situation where an employee creates something outside the workplace that is both copyrightable and something an employer might claim as its trade secret through contractual assignment. Whereas the scope of employment analysis might provide that the employee was not hired to create the sort of work in question, did not create it with the employer's time or resources, and did not create it to serve the employer, invention assignment agreement law might find that the work nonetheless can be deemed "related" to the employer's business in some manner.

Heightening the risk for employees, these rules are not intuitive. The work for hire doctrine is barely a ripple in the ocean of intellectual property law. Reported invention assignment disputes over outside-the-workplace creations that are not clearly related to the employer's business are rare. Employees may not recognize that an employer may stretch invention assignment law to find ways to argue that the work relates to the employer's business in some unexpected fashion. And as discussed above, if the employee were unaware of that purported connection between his or her at-home work and some project contemplated by a far-flung, international employer, it is not clear that the employee's lack of notice would play a role in the analysis. In jurisdictions like South Carolina, invention assignment terms can reach beyond the grave, as it were, to allow past employers to claim ownership in work product created long after an employee's departure.

This potential for overreach endangers employee mobility and subjects new enterprises to aggressive legal claims by former employers. Many employees may begin creating work product for a new venture before leaving their current job. Some will break the rules in clear-cut ways, but others try to do the right thing, yet still face legal traps for the unwary. Not everyone can afford to quit and then start development work. And not everyone can afford legal advice before quitting.

How should such conflicts be resolved? And how can these issues be resolved in a manner fair to an employee operating in good faith? As to copyrightable work, one answer is that the work for hire rules should control over the trade secret-centered rules of invention assignment agreement law. That is not merely because copyright law is federal law while invention assignment law is

largely a matter of state contract and state statutory law.⁹⁷ After all, trade secret rights can now exist under federal law as well, and some aspects of invention assignment contracts are also matters of federal law.

Rather, the work for hire rules control because copyright ownership precludes a conflicting claim to trade secret ownership, whether via an invention assignment contract or otherwise. As the *Avtec* case explained, if an employee owns the copyright – and thus the right to disclose and publish the work – an employer’s conflicting trade secret claim is not possible because there can be no trade secret rights in something the adverse party has the freedom to disclose at will. To put it in the language of invention assignment law, an employee cannot agree to a future conveyance of a trade secret right that would be stillborn at the outset given overriding copyright ownership under the work for hire doctrine’s scope of employment test.

This outcome is the better result for outside-the-workplace creations where the employer’s ownership claim would require an attenuated argument that the employee’s at-home work “relates” to the employer’s business in some strained or unexpected manner – or where the employee had no notice that the employer was thinking of something similar in another office, or with a different engineering team. Where work product is copyrightable, the scope of employment test under the work for hire doctrine could become a tool to prevent overreaching, and thereby to protect departing employees.

To be sure, this is hardly the same as full reform of a confusing regime, as this prospect only applies in cases where the employee creates something copyrightable. People changing jobs face a confusing mix of potential claims, and this is only part of the difficulties they face.⁹⁸ Future essays in this series will examine others.

⁹⁷ See *DDB Techs., L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1289-90 (Fed. Cir. 2008) for the exception to this point.

⁹⁸ For example, the law of fiduciary duty may require that certain employees provide an “opportunity” to employers. The next essay in this series will focus on that “preparations to compete” context.