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### **Inventions by Municipal Employees**

#### **Florida City Loses Patent Ownership Suit**

The City of Cocoa, Florida has been involved in litigation with two city employees over who owns the rights to a patent for technology potentially worth \$300 million in licensing royalties. As reported in the Wall Street Journal on March 26, 2002, seven city employees designed a new method of removing hydrogen sulfide gas from water, and the process was incorporated into a water-treatment plant built by the city. Later, a patent was obtained for the new technology in the name of the seven employees. Five of the employees agreed to turn over their rights to the patent when asked by the city, but two refused. Through litigation, the city attempted to force those two employees to turn over their rights to the patent, but a Florida state court of appeals recently held that the two employees jointly own the patent along with the city. Thus, all three parties (the city and the two employees) may independently license this technology to others. This result is not satisfying to any of the parties because a buyer is not likely to pay a significant amount of money for the patent when one of the other original patent holders could sell the same rights to either that buyer at a lower price or to a competitor of the buyer at a lower royalty.

#### **Others Have Employees Sign IP Agreements**

Corporations, universities and states, in contrast, routinely require their employees to sign over the rights to any potential patents as a condition of employment. Towns and cities generally do not think that their municipal employees will invent something patentable as part of their employment. The situation in Cocoa, Florida, illustrates the need for municipalities to understand the state of the law regarding employee inventions, and review or create policies accordingly.

#### **State Law Governs Ownership of Inventions**

The question of who owns a patentable invention or a non-patentable trade secret is governed by state law. Under Connecticut law, if the municipal employee has not signed an express agreement giving the patent rights to the city or town, the employer generally has no right to the ownership of that patent. However, there are two ways in which a city or town, as an employer, may have some rights. First, the municipality may have a right to a patent if the employee was specifically "hired to invent." In this case, even if there is no express contract giving the city the patent rights, courts reason that if an employee is hired to invent something, he does not need to own the

patent because he has already been compensated for his work. However, if an employee is hired or directed to make improvements in a certain area, a court will generally find that this is not a specific enough directive and that the employer does not own the patent. The line between an employee who is specifically directed to invent something and one who is more generally asked to make improvements is not always clear, but this issue can be avoided if employers require their employees to sign over their rights before a project is undertaken.

The other way in which a city may have some rights is known as the “shop right” doctrine. Under this doctrine, a municipality receives a royalty-free and nontransferable right to use the invention if its resources or facilities were used by the employee when creating the invention or putting it into practice. This doctrine essentially allows a municipality to use the invention for free, but gives that town or city no other rights, including the right to license others. The employee retains the patent rights and may issue licenses to others to use the invention.

## **Conclusion**

It is important to remember that the two situations described above are very narrow and that, in general, an employee who creates something on the job will have the right to the patent. If a municipality gets involved in a patent dispute with an employee, the result may be lengthy and costly litigation, with no one profiting from the patent, as in Cocoa, Florida. This uncertainty can be avoided if, instead of waiting and trying to secure the rights to a patent after the fact, municipalities make sure employees are on board from the beginning by having them sign an agreement turning over any potential patent rights.

This document is intended as an informational reminder and does not constitute legal advice for any specific factual situation. If you would like more information please contact Bill Simons at 203.498.4502 or [wsimons@wiggins.com](mailto:wsimons@wiggins.com).