

## PATENTS AND OWNERSHIP OF PATENT RIGHTS

### SUMMARY

**Every contract plant owner should be familiar with the general rules of patents and should be concerned about obtaining and maintaining full ownership of all property rights in inventions created by its employees or independent contractors as a result of custom-built machinery. This Business Management Advisory (BMA) provides a brief explanation of patents, patent laws and considerations for ensuring ownership of all patentable rights.**

#### WHAT IS A PATENT?

A patent for an invention is a grant of a property right to the inventor (or his heirs or assigns) by the Government, acting through the U.S. Department of Commerce Patent and Trademark Office. The term of the patent is twenty years from the date the patent is granted, subject to periodically adjusted maintenance fees that are due 3 1/2, 7 1/2 and 11 1/2 years from the date of the patent grant. The right conferred by the patent grant (valid throughout the United States) is the right to exclude others from making, using or selling devices that embody the claimed invention. Any third party who infringes a patent is subject to an injunction and the payment of damages.

Some persons occasionally confuse patents, copyrights and trademarks. Although there may be some similarity in the rights of these three types of intellectual property, they are different and serve distinct purposes. A copyright protects the writings of an author against copying and it goes to the form of the expression rather than the subject matter. A trademark is related to any word, name, symbol or device that is used in trade with goods to indicate the source or origin of the goods and to distinguish them from the goods of others.

#### OWNERSHIP OF PATENT RIGHTS ON CONTRACT MACHINERY

Where an individual is employed to make an invention and is successful within the scope of his employment, the invention is generally the property of the employer and the em-

ployee is bound to assign any patent right. Even if an independent contractor is hired, an employer is regarded as the inventor if he has suggested the broad idea that results in the invention. In any situation other than an individual inventor, the safest way to ensure ownership of all patent rights in works created by employees or independent contractors is for the employer to require a contractual agreement whereby an assignment of all patentable rights in inventions is executed.

Whenever a customer contacts a contract plant owner and requests that a particular machine or tool be made, the owner should fully protect the patentable rights. This should not be based upon mutual understanding and goodwill, but on specific written terms and conditions that might be printed on the purchase order. Suggested language might read:

“Any invention made, conceived or reduced to practice as a result of this order shall be the sole and exclusive property of the plant owner or his designees, whether patented or not, and the customer shall assign to the plant owner all right, title and interest in such inventions and to applications for United States and foreign letters patent and to resulting letters patent.”

**This BMA was prepared by NTMA's Legal Counsel Alan P. Dye of Webster, Chamberlain & Bean.**