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THE ALLOCATION OF INTELLECTUAL PROPERTY RIGHTS
BETWEEN EMPLOYERS AND EMPLOYEES IN THE UNITED
KINGDOM

Jeremy Phillips B.A. (Cantab.)

Thesis for the degree of Doctor of Philosophy,
submitted in fulfilment of the requirements of
the Faculty of Social Sciences, The University
of Kent at Canterbury; February 1977

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CHAPTER I

ABSTRACT

THE ALLOCATION OF INTELLECTUAL PROPERTY RIGHTS BETWEEN EMPLOYERS AND EMPLOYEES IN THE UNITED KINGDOM

The subject of this thesis is the allocation of intellectual property rights between employers and employees: a legal, a social, a psychological and an economic phenomenon.

Chapter 4 sets out the basic methodological framework adopted in this thesis and explains what is intellectual property.

Chapter 5 examines the economic problems attached to the creation and exploitation of intellectual property rights.

Chapter 6 examines the subject of industrial relations and explains why employee creators do not obtain adequate protection for themselves through the medium of collective bargaining.

Chapter 7 examines the psychological nature of inventing.

Chapter 8 looks at the nature of awards given to employee creators by their employers; the theoretical and practical

basis for the making of awards to inventors is also discussed, and objections to the establishment of a statutory award scheme evaluated.

Chapter 9 introduces the layman to the law of contract, the doctrine of restraint of trade, and the employee's difficulty in altering the terms of a standard employment contract.

Chapter 10 is a study of the allocation of patent rights between inventors and their employers. British law is contrasted with the American law, which provides an alternative measure for protecting patent rights.

Chapter 11 looks at the laws relating to confidential information.

Chapter 14 explains the different problems faced by English and American Courts when allocating rights in industrial designs.

Chapter 16 explores the allocation of moral rights to employers and employees, contrasting the Anglo-American tradition with that of the European civil law.

Chapter 17 seeks to evaluate the remedies provided by equity as a potential means of rewarding or compensating an employee for work done outside his contract of employment.

Chapter 18 examines current proposals for law reform.

C H A P T E R I I

AUTHOR'S PREFACE

The groundwork for this thesis was commenced in late October, 1973, at the University of Kent at Canterbury, and was concluded at the University of California, Los Angeles, in the late spring of 1976. The period during which my original research was conducted was one of intense activity on both sides of the Atlantic directed towards the reform of patent, copyright and trade secret law in general, and towards the problems of employee inventors specifically; thus it was my privilege to work in a field of legal science which savoured of topical interest, and my own interest in the subject enabled me to participate, to some small extent, in the formulating of proposals leading to what may ultimately be a constructive reform of the law relating to creative employees. It is thus with some little regret that this thesis is submitted, for it is probable that in the near future there may occur events which will throw at least a proportion of this thesis into the realm of history rather than let it rest in the arena of current interest. Nonetheless, it is for the legislatures of the United Kingdom and the United States to render this work out-dated, and I have no control over them. And so the

decision to submit at this time has been duly taken.

It is customary, and indeed quite proper, to express one's gratitude for the help which has been received in the course of the study and ultimate realisation of a vast and complicated subject which abounds in issues social, legal, economic, psychological and industrial, and I have indeed been fortunate to receive much help. The invaluable financial support of the Social Science Research Council, the University of Kent at Canterbury and the United States-United Kingdom Educational Commission kept the wolves from the door; but more invaluable still were the contributions of my friends, mentors and colleagues during my period of research and writing-up. To my supervisors Harry Bloom and Melville Nimmer is due my great gratitude, for their stimulating arguments and patient expositions; the same also to John Stedman for his meticulous examination of the drafts of chapters 9 to 16. Leonard Cotterell, M.B.E. provided me with much of the unpublished material to which I had access, and spent many hours of his time in discussing with me the practical implications of my work. Finally my thanks to the many friends who have lent their ear to my hypotheses, especially the staff of the unit for Legal Research in Computers and Communications at the University of Kent at Canterbury, for their unfailing wit and good humour. All that is left to say is, feci quod potui; faciant meliora potentes.

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C H A P T E R Ⅳ

SUBJECT-MATTER AND METHODOLOGY OF THE THESIS

4.1 What is Intellectual Property?

Simply put, intellectual property is that which pertains to oneself (proprius being the Latin for 'one's own') and which originates from the exercise of one's intelligence or intellect. Thus any legal interest which one may have in one's ideas, writings, sculptings, choreography, inventions or designs may be construed as an interest in one's intellectual property.

Like real property, the intellectual variety may be purchased, sold, used and licensed to the use of others; unlike real property it may be reproduced an indefinite number of times without diminution of the original estate. Some forms of intellectual property (e.g. plays, songs) can be performed; others can be put to industrial application, such as registered designs. Some can be stolen (trade secrets and confidential information), but others are incapable of being so (e.g. copyrights, patents). It is perhaps curious to imagine that a

copyright, which can be sold, leased or even given away cannot under any circumstances be stolen; for it is strange property indeed.

One's rights in real property are usually infringed by appropriation or by physical interference (trespass, nuisance, the tort of *Rylands v. Fletcher*), but this is not so of intellectual property. If one burns a book one does not thereby extinguish the copyright therein; but should one make a duplicate copy of that book, then the estate of the copyright owner has been perturbed. Likewise does one interfere with a patent, merely by carrying out the actions prescribed therein as leading to an inventive end. But intellectual property, in all its different guises, is not limitless in its application. One does not infringe a recipe by cooking a meal. And over the course of years one's patent and copyright are yielded over into the hands of the public at large; the same is not true of a trade secret, which may thrive perpetual if no-one else can discover it, but which will perish instantly if so much as divulged to the general mass.

This thesis presumes upon the reader to have at least some little familiarity with the nature of the major 'systems' of intellectual property: the laws of copyright, patent, registered design and confidential information. Yet no depth of knowledge is needed. The chapter on the law of contracts will offer little to the lawyer, and may be omitted ad libitum;

but it should be read by scientists and others coming to this subject for the first time.

4.2 What is so Important about the Allocation of Intellectual Property Rights?

Like all other rights, those vested in intellectual property do not exist in a vacuum. They are attached to people, and it is people who use intellectual property as the bricks and mortar of their businesses or careers. If an invention has been made, and two people both claim that they have invented it first, each will endeavour to sway a court of law that their claim is the just one, and one, or even both of them will be enjoined from using that invention until the issue is resolved. This is what happens, actually or potentially, whenever two parties both claim to have the rights in the identical invention which the one has made while working with, for, or in the presence of the other. Where the rules are clearly defined, resolution of such disputes is made easier, and may be resolved by examination only of questions of fact; but where the law is not clear, it too must be examined, at the expense of the litigating parties, before one or the other can enjoy his rights in peace.

This author has traced the evolution of the current laws governing the ownership of intellectual property both in the United Kingdom and in the United States, and is convinced that the state of the law at present is not wholly clear, and that it

has not so been for very many years for the reason that the law evolves in order to meet the social and industrial needs of its litigants, yet a forum for expounding of the law the Courts have not been able to step back and conduct a full and true enquiry into the social and industrial implications of their decisions. Consequently the law has been examined in the light of those bodies of learning, once ascribed to common sense or to the frailties of human nature, now known as economics, psychology and industrial relations, and it has been criticised wherever it has not met up to the needs, either of industry or of employee creators, which motivate them in their work and speed them in their prosperity.

It is the hope of this author that the following thesis will help to provide a valuable stage in the examination of the tribulations of employee creators - and their employers - which will lead ultimately to the treatment of those tribulations as a multidisciplinary subject, and which eventually too will lead to a just and practical reform of the current laws.

4.3 How has the Author approached this Subject?

With some training in the field of law, but with little or no skill in economics, psychology or industrial relations, the author has naturally proceeded from a careful study of the law itself, and has ventured but cautiously into the alien

disciplines. For this reason, great reliance has been placed upon secondary sources such as the writings of those skilled in those disciplines; the author has exercised his own judgement as to the strength of the reliance which he has chosen to place upon those sources.

Additionally, the author received the benefits of interviewing representatives of nine divergent industrial concerns as to their employment policies for inventors and creators generally, their current industrial relations problems pertaining to the allocation of intellectual property rights, and their hopes, aspirations and opinions relating to possible future developments. While those concerns were, on the whole, most co-operative in answering my questions, several of them were loath for the names of their companies to appear in the text of the thesis; I have therefore referred to these concerns only at the end of the thesis, in an Appendix of advisors and suppliers of materials.

Information from the employees' side of industry was harder to come by, and letters to some thirty-five trade unions resulted in some useful information but only one actual interview, which was rather disappointing. However, the author had some more direct access to the problems of inventors, both in his private correspondence with two disaffected employees, and also through his contact with the Institute of Patentees, which provided him with a useful source of press cuttings,

current inventor-problems and unpublished materials.

The arrangement of the thesis is tri-partite; chapters 5 to 9 discuss the current practical and theoretical problems in the field of the employee creator, chapters 10 to 16 look at the substantive law on the subject, and chapters 17 and 18 offer a degree of speculation in relation to (i) the prospect of the greater development of equity in compensating creators for the use of their creations, and (ii) actual reform proposals which have recently been put forward. Cross-references have been supplied where it has been thought that they might be an aid to the reader, but it is not mandatory to take up such cross-references.

The author has striven to keep his footnotes short and concise, and not to use them as a spill-over for excessive quotations or segments of text. They are not integral to the comprehension of the thesis, and so have been relegated to the end of each chapter, where they may be consulted if desired. The author has cited only the actual volume in which reported cases were consulted by him, which may be slightly irritating to those who adhere only to the All England Reports, or to the Weekly Law Reports; but in view of the occasional textual differences which may occur in different reports of the same case, it was decided to leave the reader clear evidence of the source from which quotes and arguments have been gleaned.

This is not a thesis on American law; I have consulted the practice of that vast country, and have also made use of its own legal solutions to problems faced in common by American and British jurisdictions. The American law has been analysed and discussed in great depth where it has thrown some interesting light upon the English practices, but no attempt has been made to provide a profound comparison of the laws in their legal systems. I have not cited the full circuit reference to American cases in the footnotes, but the same may be found in the full list of cited cases (British and American) at the end of this tome.

In the interests of avoiding continuous repetition, I have used the terms 'England', 'Britain', 'Great Britain' and 'United Kingdom' interchangeably (but 'Scottish' excludes 'English'), and I have on occasion used the words 'master' and 'servant' for 'employer' and 'employee' - to which I apologise to all employees. I have also used 'America' for the 'United States'. Out of deference to the International Federation of Inventors' Associations I use the term 'employee inventor', and not 'employed inventor'.

C H A P T E R V

ECONOMIC AND STATISTICAL ASPECTS OF INTELLECTUAL PROPERTY¹

5.0 Introduction

The legal rules which go to make up the patent and copyright systems are not of themselves adequate criteria by which to judge those systems. This is because patents and copyright exist in the reality of an ever-changing world in which inventions and books are created and exploited, and are measured in terms of their commercial worth rather than by legal status. The rules of ownership of intellectual property affect the initial disposition of monopoly rights, determine who must pay whom for the right to exploit, and protect that party from market encroachments. It is the function of this chapter to examine intellectual property rights as means whereby commercial exploitation - and thus public accessibility - is achieved, and to look at the effect of economic considerations upon the patent and copyright monopoly systems, and vice versa.

5.1 Patent and Copyright Monopolies Explained

In reality neither patents nor copyrights are true monopolies upon the use of intellectual property; a true monopoly is an unfettered right to satisfy all the demands which a given market may make upon a particular commodity; both copyright and patents enjoy only a limited span of years, which means that (i) after their expiry the monopoly is lost, since anyone can use the contents of the right, and that (ii) even before the right expires the holder faces competition from prospective post-monopoly users; thus where A seeks commodity X which has been made solely by B at a constant price bearing no reference to competition, A may be advised to wait until the patent expires and the purchase price will take into account the market balance between B and new manufacturers C, D and E. Additionally the copyright is not protection against the independent creation of a work identical to that copyrighted; the independent creator may do whatever he pleases with his own creation without reference to the rights of the copyright owner.² The holder of a copyright monopoly, too, cannot prevent 'fair use' of his precious commodity by another without payment,³ which may diminish seriously his literary estate, and both patents and copyrights in the United Kingdom are subject to some measure of compulsory licensing, which leaves the would-be monopolist helpless against even commercial exploitation of his commodity, and with the value of his market privilege translated

into a fair sum by way of compensation.⁴ Even when the holder of a patent or copyright is untrammelled by 'fair use' provisions and compulsory licences, the very use of his right may be restricted by agencies of the government which gave him that right in the first place, agencies such as the Federal Trade Commission in the United States, or the Monopolies Commission in the United Kingdom.

The following chapters will deal mainly with patent rights, but much which is said of them will equally apply to copyrights; copyrights will be discussed specifically in 5.7, inf.

5.2 Patents: the theory of the Monopoly

The technical legal justification for the patent monopoly is that it is an award made to the person who discloses a patentable invention, and is as such a form of 'consideration' moving from the Patent Office in exchange for that disclosure.⁵ This is all very well, but why give to the discloser of an invention a monopoly right rather than a cash award, a life peerage, tax relief or some other privilege?

Each generation has sought to justify the monopoly grant in terms of the economic conditions then prevalent; this in the fifteenth and sixteenth centuries an inventor would usually seek a licence to practice his art without being harried by local trade or guild rivals who might otherwise claim his invention to

fall within the scope of their own royal charters which gave them exclusively the right to operate in certain areas. The form which this licence would take was that of a personalised charter to the inventor to practice his art for a term of years long enough to train two sets of apprentices, so that any new skill introduced into the land - and most 'inventions' were bodily imported, most inventors foreign - would have a chance to take root as new industries. From the seventeenth to the mid-nineteenth centuries the patent was awarded as an encouragement to the inventor to manufacture and sell his novel wares; the patent ideally reflected the morality of the time, in that the patentee who by his own industry exploited his patent and put it to good use would receive his just reward, if the invention were meritorious. Patents were given to all, irrespective of the merit of the invention, and the market decided which were the good inventions. From the nineteenth century onwards, the patent has served to protect the considerable outlay in plant, manpower, research and development of new inventions. From this time, inventions tended to be more specialised, complex and expensive to put into full working operation, and the enterprising individual or firm could borrow from others, or risk his own money, in relative safety where he was assured of a market free from direct physical competition. Thus it can be seen from this generalisation that the device of the patent of monopoly has

been employed to serve different functions in the evolution of different economic conditions in society.

Having briefly justified the use of the monopoly as an award in return for disclosure of an invention, it is necessary also to ask whether that award in fact encourages or stimulates further invention, and, indeed, whether any system - based upon monopolies, compulsory licences, laissez-faire or whatever - will achieve that end.⁶ Arguably, no system is equipped to stimulate further invention; a free market will not encourage exploitation of an invention if the cost of research and development is paid by the first inventor and is then used freely by all his rivals who have only manufacturing expenses to recoup; the monopoly will not encourage further enterprise, because once an inventor has gone to the trouble of obtaining it his best interests are served by exploiting it until its expiry; and to grant a monopoly subject to compulsory licences obtainable by trade rivals is to destroy the incentive of those rivals to invent around a patent which would otherwise be an obstacle to their own development.⁷

There is of course a fallacy in each of these arguments: the advantage of being 'first on the market' is considerable - though there may be instances in which there is no such advantage⁸ - and may often be as valuable as the monopoly itself in practice;⁹ the patent system does encourage invention around a dominant patent in any industry¹⁰ both by

competitors in the same fields, competitors in different fields which serve the same basic markets (e.g. the gas and electrical industries), and by the patent-holders who seek to extend the life of their dominant patent by surrounding it with improvement patents, without which its commercial value to the user in the public domain will be seriously impaired; and the compulsory licence-based system combines the income-earning aspects of the patent system with the open competition of the free market, which competition is as much reflected in the marketing of innovative goods as it is by the marketing of identical produce at lower prices.

On a more cynical, though no less tenable note, adopting the argument of Macaulay¹¹ that a copyright monopoly is just a necessary evil preceding a greater attendant benefit, one can claim that the function of the patent system is to increase the sum of public knowledge in the public domain as rapidly as possible; the monopoly is the carrot which lures manufacturing and inventive interests to disclosure of their secrets into the public domain. If this is so, the system is certainly efficient, for it encourages the exposure of many inventions which, while being of certain value, are for technical reasons incapable of being patented, or are so capable, but are 'weak' and are not renewed after five years. Only 18% of patents are renewed after this period, 8.2% after ten years and 2% only are still in force after sixteen,¹² even though renewal fees are modest. Just how powerful a carrot the monopoly is, is a matter of dispute, for some have said that inventors will only seek to

patent those inventions which they are unable to protect in any other way, e.g. by contract or by secrecy, and that these inventions will remain undisclosed and lost to the public;¹³ but this counter-argument is weak in view of the fact that modern science is so advanced that the chemical composition of formulae, and other 'mysteries', can often be ascertained by close examination of the product and of relevant scientific information.

5.3 Importance of the Profit Motive

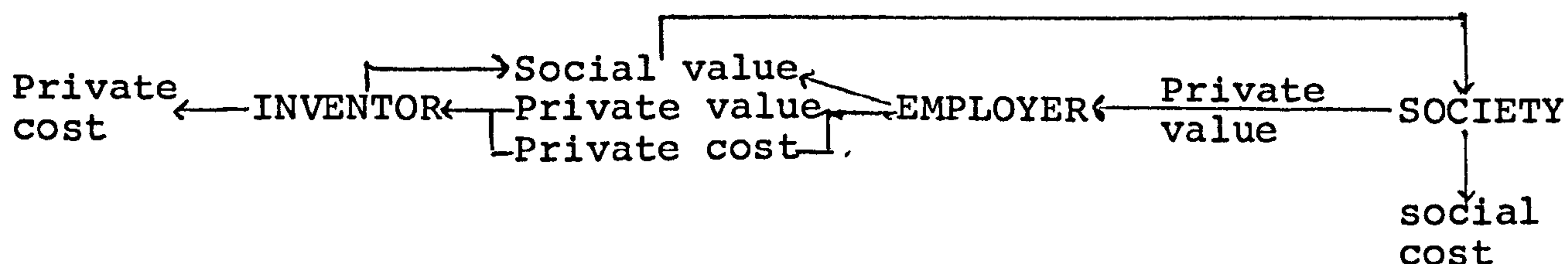
In order to illustrate the importance of profit and cost in the patent system, Professor Fritz Machlup¹⁴ constructs a model which brings together the factors of (i) private cost - the cost involved in achieving a given end, (ii) social cost - the detriment to society at large which is achieved by this end, (iii) private value - the profit or gain resulting from that end, and (iv) social value - the benefit which society derives from that end; in the case of inventions, this is often perceived in advance, in the form of 'demand'.

The capitalist assumption behind the model is that where private cost exceeds private value, production stops; the socialist assumption is that if social value exceeds social cost, production continues. In a controlled social democracy it may be surmised that production will stop if social cost exceeds private value, irrespective of social value. Machlup's

basic model



assumes that the inventor's private cost is his outlay of labour and materials, and his private value to be the patent right, for what it is worth. A more common and realistic model might, however, look like this:



In this model, the patent is held by the employer, or for his benefit, and it is the employer's private value and private cost which will determine whether a patent will be exploited, or even applied for. Note how the employee is 'frozen out'; he may often receive nothing in excess of his salary if he makes an invention, so that his private value will not be increased if he does not invent, and his private cost is entirely underwritten by the employer for hire. Thus the inventor's basic property in his invention, and its cost to the employer, are 'internalised'.¹⁵

Having explained how profit fits into the employment situation in regard to the creation of inventions and their exploitation, it is necessary to say a few words about the more general effects of profit upon the practical reality of the industrial application of inventions.

1. The expectation of profit effectively channels effort and resources into particular areas of expertise; once an investment is made in a given area of science, those scientists who work in that area and are the beneficiaries of that investment will be able to dedicate their time, resources and expertise into that area. By implication such investment will also diminish the volume of research in other areas from which those scientists may have been drawn. Of the investment areas themselves, it is usually safe to generalise that they will be of practical rather than purely theoretical interest, and research capabilities therein will be geared rather towards the solution of specific problems than towards the study of mere generalities;¹⁶ investment from private enterprise will also be predominantly 'patent-oriented', that is, it will direct the minds of the scientists and researchers so employed towards formulating the solution of whichever problem they work upon in such a way, if possible, as to result in the patenting of their solution,¹⁷ and any resulting patent is more likely to be "intensive" - i.e. built around an area of expertise which is already covered by patents, owned by the investor or by his rivals - than "originative", i.e. providing the basis for a new discipline or area of commercial exploitation.¹⁸

2. The profit motive will decide what is the best mode of protection for an invention. For example, if (i) the cost of obtaining a patent will be high in relation to its likely income, or (ii) the invention lies in a field of abrupt and volatile technological change, and would thus have only a very

short predictable utility span in commercial terms, or (iii) if the patent, once granted, would probably be 'weak' and easily evaded, would be unlikely to stand up in court, or would encourage infringement by others, or (iv) if the invention covered just one of many processes whereby the same end be reached, and infringement would be difficult to detect, then in such circumstances it would be the considerations of profitability which would dictate that the legal monopoly be eschewed and that the invention remain unpatented. Such inventions are, like unreported crimes, an 'hidden' quantity, and are no less a product of the patent system than are their patented counterparts.

3. Profit will decide when, or even whether, a granted patent will be worked at all. For example, a company invests £45,000 in plant which manufactures a certain type of television valve, on the assumption that by manufacturing 3,000 valves a year it will make a net trading profit of £10,000 per annum and will be able to recoup its initial outlay in six years (including the payment of interest and other sundries); after one year a new valve manufacturing process is invented whereby the same valves can be made for a profit of £12,000 per annum, but the necessary new plant would cost £75,000 to install. The company - especially if it were in a monopoly position - would certainly think in terms of recouping most if not all of its earlier outlay before investing in the

more expensive plant.¹⁹ On an industry-wide basis it is probably not dissimilar considerations which have stayed the introduction of such devices as light-bulbs which do not need replacing, genuinely run-free and ladderless ladies' tights, and relightable matches.

4. Economic considerations will determine whether or not a patent monopoly will be abused by pooling agreements or by other unfair trading practices. The pooling agreement can result in a shift of industrial power of a considerable scale; for example, small companies A, B and C are technologically advanced but hold only a small share of D's market. If A, B and C pool their patents, know-how and resources, producing a superior or cheaper product, and if they refuse to license D to use them likewise, they may effectively remove D's market in time. Such abuses have forced legislative action both in the United States²⁰ and in the United Kingdom.²¹

5. Profit decides, on an indirect basis, the future trends in corporate research and development spending; it has been pointed out²² that the funds allocated to research and development in the United Kingdom are usually taken as a proportion of the net trading profits of the previous year.

It should be borne in mind that any changes made in the current patent system would, mutatis mutandis, effect a change of some sort in the assessment of the five points described above; the smaller the change, in the distribution and in the

influence of patent rights, the less are likely to be the consequent changes in industrial practice.

5.4 Who pays the Price of the Patent and its Rewards?

When a patent is granted, the public is not deprived of a right to do anything which it had a claim to do before, except the liberty to conceive the patented invention anew and to apply for a patent on it; thus the patent grant can be described as a reward to an inventor which costs the public nothing, or at any rate very little.²³ However, at the time of grant the patentee has already met the private costs of working upon and developing the invention, and of giving that invention some market-potential. This cost is borne by the patentee at first instance, though it may be alleviated in part as being an expense which offsets the tax liability upon his trading profit, which means that some part of the cost is borne by the taxpayer. The rest of the cost to the patentee is recovered (in theory) by the sale, use, production of the patented invention, or by the sale or licensing of the patent itself, or by both; this means that the rest of the cost to the patentee is met by the consuming public either directly, when they purchase the invention or its benefits, or indirectly, when the consuming public purchases from an assignee or licensee of the patent. When the public purchases the invention in the form of a new product or service, the taxpayer then recoups his notional contribution (described above) in the form of sales or Value

Added Tax,²⁴ where appropriate.

The larger the potential market within the consuming public, the lower will be the break-even price at which the exploiter of the patent can sell the goods or services; thus if the market consists of N consumers, and patenting, manufacturing and marketing costs are P , Q and R respectively, the break-even cost of the end produce $\frac{P + Q + R}{N}$ will drop as N rises. The degree of profit taken in excess of this price is a factor of variables such as the degree of competition and the maturity of the market, which do not concern us here.

When a new factor such as the purchase of another patent must be accounted for, the formula above is adjusted, giving us the following formula, $\frac{P + Q + R + S}{N}$, where S is the cost of the new patent. In practice this should be a minor element only in the total price, for, if S is an high figure, there is proportionally less likelihood of our company adopting the new patent, especially where N diminishes as $\frac{P + Q + R + S}{N}$ increases. However, the adoption of the new patent at cost S is to some extent stimulated by the fact that the real cost to the company is less than S , once he has set off his manufacturing expenses against his sales returns.²⁵

What if a product, for instance a new colour television set, involves the use of a large number of patented inventions? Then the cost of the end product would have to be at least $\frac{P + Q + R + S_1 + S_2 + \dots + S_n}{N}$, where n is the number of patents.

Although the final cost may be appreciable where N is small, and the cost of the patents is high, the proportional increase in break-even price rises more slowly than the proportional increase in our company's expenses, since the ultimate source of finance, the general public, spreads the load across it. Where the cost of $S_1 + S_2 + \dots + S_n$ represents the payment of compensation to an employee inventor under a statutory award scheme,²⁶ the quantum of payment in each case is almost certain to be far lower than the cost of purchasing a licence or the patent itself at a fair industrial market price because the sum payable by way of compensation is settled so as to take into account the employer's "contribution" to the invention through provision of plant, materials and resources, fixing of the employee's employment duties, and other sundry factors.²⁷

In West Germany the cost of rewarding employee inventors is shared by the employer (and thus, through sales profits, by the consuming or manufacturing public) and the taxpayer, since under the provisions of its award scheme law inventors are taxed upon their invention compensation at only half the normal rate of income tax.²⁸ According to Professor Schippel²⁹ this encourages employers to give more generous awards, though it is difficult to see how the opposite is not the more likely consequence. Apparently the half-taxation provisions have

been open to some degree of abuse,³⁰ the better (and better-off) inventors managing to get more than just their invention awards paid as such, thus reducing their normal income tax liability. Nonetheless there would appear to be no movement towards the reform of this law, which presumably satisfies employers and employees, if not the West German taxpayer.

5.5 Economic Requirements that Patents be Employer Controlled

A simple ideal model of the economic considerations of patent exploitation in a manufacturing company might look as follows:

STAGE 1 Potential public demand for produce → Amplification of demand (through consumer groups etc.) → Company perception of market

STAGE 2 Corporate balancing of income, assets and predictable expenditure

Credit

Existence of patent monopoly
Current profits
Shares and loans raised
Assets and plant

Debit

Patent fees
Market research and marketing costs
Interest payable; dividends
New plant; training costs; salaries

STAGE 3 Company manufacture and supply of new product → Amplification of supply (advertising, etc.) → Compliance with legal checks (e.g. Fair Trading, Monopoly law)

Actual public demand and consumption ←

This is indeed a far cry from the simpler still model which we may surmise to have existed before the industrial revolution, along these lines:



Yet the current patent system was conceived with the pre-industrial model in mind. As it can be seen, the employee inventor has no real role to play in the current 3-stage model since - although it is his invention which the company exploits - he is economically insignificant. It is the exception rather than the rule that he will hold a position of decision-making influence within his organisation; his capital will as a rule be infinitesimal in comparison with that of his employer, and the ability of any one single man to attract full-scale or even partial industrial investment money is far less than that of the employer with assets to mortgage. In probability the employee inventor will have no experience or expertise in any field of industry outside his own - and the research worker, the manufacturing engineer, the production-line labourer and the sales executive deploy thoroughly different, often specialist skills in their line of employment; the corporate entity will be more likely to have that spread and depth of experience which the individual lacks.³¹ To complete the overall black picture for the employee inventor who may wish to exploit his own inventions, it is fair to point out that there is a tendency

towards inventions today being far more technical or specialised in their application and content, a fact which is apparent to anyone who peruses patent specifications of today and compares them with those of times bygone. This means that, on the whole, more sophisticated machinery, techniques and training are required to put into successful commercial practice the sound theories contained in the patent specifications; a further obstacle is that so many inventions today are valueless unless employed in conjunction with other recent inventions (as in the computer hardware and aerospace industries), and the same may be said of inventors - who are often employed to the best effect when harnessed to their fellow-employees in the form of research teams; while invention is itself an individual act, the importance of team work has been reflected by its rapid growth in current industrial practice.³²

In short, the transfer of ownership and exploitation rights in a patent

falls little short of a transfer of the invention from one culture to another. It lifts the patent out of the province in which it is supposed to operate, separates it from the objectives it is supposed to serve, strips away the world of idea and custom which impinges upon it. It sets the grant down in a universe of business, makes it a counter in the acquisitive game, subjects it to the discipline of money-making.³³

Thus without prejudice to the employee's right to secure fair and just compensation for any invention he makes and which is taken from him and is used by his employer, it would seem that the exploitation of patents is more effectively and efficiently performed with the resources of the corporate enterprise; and this, if true, will be equally true whether the enterprise is

that which employs the inventor, or is an outside concern, and whether the enterprise falls within the private or the public sectors of industry.

5.6 Patent Statistics as a Monitor of Patent Trends

The analysis of the patent system by economists has often involved the examination of Patent Office statistics and the extraction of conclusions therefrom. Jacob Schmookler³⁴ warned against the use of such statistics other than as an indication of contemporary areas of and trends in invention which correlate approximately to the degree of investment activity of industry; the basis of this warning was that there are factors which the patent figures do not themselves reflect. Such factors include (i) non-patenting of inventions which are more valuable if unpatented, e.g. where there is no competition to protect, or where the invention lies in a field of rapid technological obsolescence, (ii) the fact that inventivity may be channelled into largely non-patent areas such as physiotherapy, computer software development, etc., (iii) the number of weak 'defensive' patents, which are not actually intended to be exploited, but which fend off competition where the patentee 'embroiders' a non-patentable process or one which is covered by a patent now expired, (iv) the fact that the interminable march of science from areas of simplicity to those of academic erudition causes more time and trouble to be spent on expanding the frontiers of knowledge, and probably means

that a good deal of research is spent in difficult areas where failure to come up with any attempt to correlate the patent statistics with the inventive activity of employee-inventors, whether remunerated or otherwise, without first taking into account all of these hidden factors;³⁵ to do otherwise would be analogous to examining current patent-ownership practice on the basis of decisions in recent litigated cases only.³⁶

5.7 Economic Considerations of Copyright

As explained in 5.1, supra, the economic impact of copyright is less significant than that of patents because the monopoly nature of that right is far less complete and its protection is accordingly less. If I invent a machine and patent it, I know that no-one else may make, use or sell such a machine at all, but if I spend time and capital in the compilation of a dictionary I have no legal recourse against anyone who goes to the same lexicographical sources as I, and compiles a work identical or nearly so to mine, which that compiler has never seen, and has thus not copied. However, in practice it would seem that copyright protection usually does give publishers sufficient confidence to produce dictionaries and other labour-intensive works, for the cost and trouble of the necessary independent research by would-be non-infringers is usually high.³⁷

Perhaps because of its lesser economic significance copyright has enjoyed but little economic analysis in comparison

with the patent. We do know, however, that whereas some ventures, for example in the theatrical, filming and recording industries, must rely heavily upon the laws of copyright for the protection of their capital, the commercial requirement of the journalist or of the photographer is far less, especially where his market is a fairly 'instant' one, where the chief value of any work produced lies in its topicality or 'newsworthiness' rather than upon its continued marketing and exploitation. We also know that relatively few producers of copyright materials (as opposed to the publishers of such) manage to derive their income solely from their production unless they are salaried to do so. In an analysis of freelance authors' incomes between the years 1953 -1957³⁸ it was revealed that 51.4% of writers derived more income from non-writing than from writing sources, and that only 7.8% of those polled derived all their income from commissioned writings; of playwrights over 60% relied on 'acting and teaching' for their support.³⁹

Unlike the field of patent law, where man's knowledge, expertise and future endeavours are shaped by the decision made by the inventor - now largely supplanted by the employer - as to which areas of prospective research should be cultivated, copyright law would appear to influence no such profound matters. Yet in certain areas of the publishing industry the legal incidents of ownership of copyright are of some

considerable economic significance; for example, in an high-risk area like that of publishing children's books - where the supply of ready materials far outstrips demand for it - it has been suggested⁴⁰ that

Publishers could contract with authors before the manuscript is completed or even before it is started. This would reduce the risk to the author of putting time and effort into a product which is not marketable. It is a small step from this procedure for the publisher to hire the potential author, putting him on the publisher's pay-roll while he is working on the book. In fact, in the very high risk (from the author's point of view) field of elementary school texts, many publishers do this.⁴¹

In the entertainment and book-publishing industries, the employer will be concerned to exert an element of control over the right of others to compete with him, either by taking a full assignment or an exclusive licence from the copyright producer.⁴² But the news media - and especially the national press - place more value upon the privilege of publishing the news before anyone else, and often do not care what the author-employee does with his contribution once the work has been published.⁴³

FOOTNOTES

Chapter V

1. This thesis assumes the existence of a free market of the Anglo-American type; it is to such a model that the case-law discussed below at chapters X and XIII is directly referable. The relative merits of capitalist and Marxist economic theories fall outside the scope of this thesis, though some of the works of economists cited in this chapter were to some extent devoted to this issue.
2. Copyright with an extended ambit of monopoly such as patent law enjoys would be a powerful right indeed; see Plant, "Economic Aspects of Copyright in Books" (1934) Econ. N.S. 167,170.
3. See, e.g., Williams & Wilkins Co. v. United States, 487 F.2d 1345 (1973), aff'd sub nom.
4. See, e.g., Patents Act, 1949, section 46.
5. On the 'contract' theory of patents see chapter 10.0, inf.
6. On this subject generally see F. Machlup, An Economic Review of the Patent System (1958).
7. M. Polanyi in Machlup op.cit. n.6, sup.; "Plans for Reforms and Alternatives".
8. In one old case the subject-matter of the patent was an irrigation system, which even after the patent expired would still be regarded as something of a novelty.
9. See Breyer, "The Uneasy Case for Copyright" (1970) 84 Harv. L.R. 281.
10. See Schmookler, op.cit. n.34 inf.
11. Macaulay: The Works of Lord Macaulay: Speeches, Poems and Miscellaneous Writings, volume II (Albany edition, 1898): speeches of 5th April 1841, 6th April 1842, in the House of Commons.

12. Boehm and Silberston, The British Patent system: Part 1 (1967), chapter 1.5.
13. See Machlup, n.6, sup.: most economists reject the 'contract' theory of the patent lawyers.
14. *ibic.*, at 57-8.
15. See Demsetz, "Toward a Theory of Property Rights" (1967) *Am. Econ. Rev.* 347, 347-8.
16. Lontai, "Research Contracts in the East and in the West" (1972) *A.J.S.H.* 104.
17. Plant, "Economic Theory Concerning Patents for Inventions" (1934) 1 *Econ. N.S.* 30, 45.
18. *ibid.*, at 33.
19. Practices of this kind have been described by Schumpeter (Capitalism, Socialism and Democracy, 1947, at 87) as 'steadyding the ship'; such a practice is regarded as essential, though it is often in fact abused.
20. e.g. The Sherman antitrust legislation of 1890.
21. e.g. Restrictive Trade Practices Acts, 1956, 1968.
22. Jewkes, Sawers, Stillerman, The Sources of Invention (1969), chapter 6.
23. There is still the cost of administering the Patent Office, which currently runs at a loss. For an account of Patent Office administration, see Boehm and Silberston, *op.cit.* n. 12, sup.
24. Finance Act, 1972, section 2.
25. Income and Corporation Tax Act, 1970, sections 238, 243 (3).
26. For an account of statutory award schemes, see chapter 8, *inf.*
27. In West Germany the inventor usually receives between 13% and 20% of the value of the invention: Schippel, "Compensation of Employee Inventors in West Germany" (1973) *I.I.C.* 1, at 16
28. *ibid.*, at 16
29. *ibid.*, at 17
30. see Brennan, "The Developing Law of German Employee Inventions" (1962) *P.T.C.J.R.E.* 41.

31. Lack of expertise in non-inventive fields is legendary; in the Hearings before the House Committee on Patents (the Oldfield Committee), Revision and Codification of the Patent Statutes (1912) no.3, where it was claimed that only 1% of named inventors were financially successful: Vaughan, Economics of Our Patent System (1925) pp. 202-4.
32. See Bush, Proposals for Improving the Patent System (1956), p. 89.
33. Hamilton, Patents and Free Enterprise (1941), p. 46.
34. "Technological Change and the Law of Industrial Growth" in Patents, Inventions and Economic Change (1972)
35. This was done by Smith, "Technological Innovation and Patents" in Alderson et al (eds.), Patents and Progress (1965) and by Taylor and Silberston, The Economic Impact of the Patent System (1973), p. 56.
36. This was done by Tuska, Individual Inventors and the Patent System (1961).
37. Hurt and Schuchman, "The Economic Rationale of Copyright" (1966) Am.Econ.Rev. 421, 429.
38. See Lord, How Authors Make a Living (1962), chapter 2.
39. Lord, op.cit. n.38 sup., at 188.
40. Horvitz, "Pricing of Textbooks" (1966) Am. Econ. Jour. 412.
41. Horvitz, op.cit. n. 40, at 414 (no names or examples given).
42. See the Writers' Guild of America Theatrical and Television Film Basic Agreement (1970).
43. Interview with Paul Smith, Deputy Editor, Kentish Express, November 1974.

C H A P T E R V I

INDUSTRIAL RELATIONS AND INTELLECTUAL PROPERTY

6.0 Introduction

The relationship of capital to labour may be viewed in two distinct forms; the first is that of the employer as a powerful bargaining unit (by virtue of his superior capital resources) contracting with the weak individual employee (who depends upon the former for his continued or prospective livelihood) under such terms as the employer can impose upon the employee, and the second is that of the employer striking a bargain not with each individual employee, but with a collective body of employees (who may between them, in skill and training, represent a large fraction of the investment made by the employer), as to what terms each individual employee should or should not be prepared to accept. In the second case the superior bargaining power of the employer over the individual is usually neutralised, and sometimes bettered. To the extent that labour depends upon the investment of capital in

the form of employment, and investment itself requires the existence of labour, the collective bargain - that is, the bargain struck between the employer and his employees as a body, not as individuals - has probably succeeded in preserving the delicate balance of mutually competing interests.

The function of this chapter is not to give a general account of collective and individual bargaining, but to examine the subject so far as concerns the rights of those employed - intentionally or otherwise - in the creation of intellectual property. By and large this chapter will concern itself with 'industrial' property rather than with the creation of copyright works, which latter is dealt with en passant, in 13. and 16.

6.1.1 Employers

Today's employers are most likely to be corporate bodies and not individuals; as such their prime responsibility is to their shareholders and not to their employees. In some 80% of inventions patented today, the inventor will be an employee and the patentee will be his employer.¹ This author interviewed nine companies in respect of their intellectual property policies, and only one of these reflected even a slight preparedness to alter the standard form contractual terms (requiring assignment of patents) if pressed to do so by applicants for posts with them. That this can be so even when most of these companies are

in competition with trade or industrial opposition for the securing of the best employees, is some indication of how strong the policy of requiring pre-assignment of inventions runs against the interests of the prospective employee.

Employers have often proven to be less than enthusiastic about the attempts of their employee to organise unions or groups to represent their collective enhancement. Of the nine firms interviewed, three seemed to regard unionisation as a necessary evil, five took a fairly neutral view of it, and one had no union representation at all within its organisation. Some employers have apparently sought to discourage the 'brand name' unions from organising, by encouraging 'house unions' instead,² but this author found no evidence of that practice among his fairly limited sample.

6.1.2 Employees

The employee as an individual is usually more eager to secure and hold employment than the employer is to grant it. This is because a man who applies for a job either does not have one, or does so but seeks to improve upon it. The man seeks the job; the employer seeks an employee to fill his vacancy, and it is the employer who interviews the employee, not vice versa, in the vast majority of cases.

The employee who produces intellectual property of whatever kind is usually a 'white-collar' worker whose talents

lie rather in the fields of mental dexterity or physical skills than in the use of physical strength and effort. He is infrequently part of a collective bargaining unit, a phenomenon accounted for by Dr Frederik Neumeyer³ in terms of (i) his feeling of 'independence' of the unskilled or semi-skilled employees whose work is routine and is dependent upon the strictures of the hierarchical organisation, (ii) a traditional identification with 'management' and not 'labour', coupled with aspirations towards promotion into 'management' and the advancement of interests synonymous with the employer rather than employees, and (iii) the heterogeneity of occupational interests of such workers - after all, union solidarity can conjure up pictures of fellow-toilers standing shoulder to shoulder by identical pieces of plant, performing the same work in the same workplace and thus sharing their worries, interests and occupational experiences; while a man involved in engineering may have little or nothing by way of shared experience with a pharmacologist or physicist, and such men may not even perceive themselves as forming part of any pressure- or interest-group based upon their diverse occupations within an employing concern. To these reasons may be added three more: (iv) the fact that invention- or innovation-oriented employees are often a small numerical minority, sometimes even to the point of insignificance,⁴ and (v) that such employees have in any case little bargaining power: if the men who operate the machinery, service the plant,

prepare raw materials for use or package the end product of an industrial operation withdraw their labour, that operation will come to a standstill. The same cannot be said if it is the men who design the machinery, or who invent new products, who withdraw their labour. Finally (vi) employees who are members of professions such as engineering, may feel, as a matter of professional conscience, that their prime responsibility rests in the furtherance of their chosen arts, and that union activity and the implicit furtherance of their own ends may detract from this lofty goal.

6.1.3 Trade Unions

Trade unions, that is, organisations formed by the coming together of employees of a similar industrial background, or with an identity of interests, for the furtherance of those interests in respect of their employment terms and conditions, have not traditionally been active in the field of negotiating intellectual property rights or remuneration for their memberships. In the United States a work-force of between 1.4 and 2 million worker-inventors has been organised into only eleven unions or groups representing the interests of about 30-40,000 of their number;⁵ in the United Kingdom there is less organisation still: the author wrote to all the leading white-collar unions as well as to many minor ones, and could find only three claims by trade unions to have played any part in

the negotiation of terms relating to intellectual property, and all three claims related to the establishment of 'suggestion schemes' only.⁶ One major union, the Amalgamated Union of Engineering Workers, in response to a letter from the author, said:

The Union has no policy on this matter and has received no complaints from members regarding employer 'exploitation' in this respect. We are unaware of any collective agreements which cover this subject, as it is usually a matter of company policy rather than for determination by joint negotiation.⁷

Another union replied that "Rewards for worker ingenuity are something we do not encounter in this Union - they fall more into the field of the manual unions".⁸

It is perhaps easiest to explain the lack of union involvement in terms of the lack of interest in the subject by employees themselves; for, unlike such matters as salaries, holidays, workplace hygiene and pensions, the question of who owns, or should own, a patent right, is of limited interest. Most employees will not create valuable intellectual property, and it is not unlikely that many of those who do will have assigned away their rights in advance, and will not have thought that there was very much that they could do about it in the wake of such an assignment. Moreover, it may be hypothesized that the protection of intellectual property rights is not, ideologically speaking, the sort of subject which appeals to the trade union tradition of participation, sharing, and collective involvement; after all, invention and creation

are by their very nature individual acts, and their rewards are individual too - the collective harvesting of new industrial benefits. A final reason behind the lack of union involvement in this area is that there has in recent years been something of an over-emphasis upon the role of a trade union as a provider of more pay, to the detriment of its other functions.⁹ It is thought that this over-emphasis may abate during the current T.U.C. policy of limiting the pay-claims of its constituent unions.

6.2 Trade Union Policy

The General Council of the T.U.C. proposed to the Banks Committee that there should be a presumption of law that the employee, not the employer, should have the right to exploit a patent resulting from his inventions made during employment, but this was rejected by that Committee as being 'more appropriate to a socialist country than to Britain.'¹⁰ Apart from this the only other indication of union policy on a nationwide level prior to 1976¹¹ (when the acceptance of a statutory patent award scheme of the West German or Swedish models was mooted) can be found in a memorandum for union representatives on the subject of inventions and suggestion schemes,¹² wherein no particular distinction is made between employees' interests in patented and non-patented inventions. The nub of the T.U.C.'s position taken in this pamphlet is that

Some companies claim that suggestions should become the property of the company and patented in its own name. This, as far as workers are concerned, is probably

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the least satisfactory way of dealing with patent rights of suggestions. More satisfactory is the type of agreement in which the company does not limit any private action by a suggester to secure patent protection, on condition that the company is free to market the idea, and that the suggester receives royalties or other financial remuneration on mutually agreed terms.^{12a}

It should be remembered that the type of employee in respect of whom this advice is given is presumed to be of the blue-collar and generally non-inventive variety, and who would probably enjoy full patent rights at common law, were it not for the all-embracing practice of employers to require contractual pre-assignment of inventions.

The author is not aware of any trade unions which have adopted the T.U.C. policy on patents as stated above in either of its forms, but it is necessary to make reference to two unions which do have invention policies (at least at national level). The Association of Scientific, Technical and Managerial Staffs supports the sharing of patent profits on a fifty-fifty basis between employer and employee, by analogy with 'salvage laws'¹³; and the small, conservative United Kingdom Association of Professional Engineers' manifesto¹⁴ adopts a policy resembling that of a statutory award scheme of the types described in chapter VIII, infra., but established on a voluntary basis. Another union, the Association of University Teachers,¹⁵ has no actual policy on the ownership of intellectual property because the employers concerned - universities - do not customarily take out patents or claim rights in the ordinary non-sponsored research activities of their

employees; but should individual members need help or advice with problems of this sort the union (and also the Amalgamated Union of Engineering Workers¹⁶) is prepared to provide it.

6.3 Current Industrial Practice

It is difficult to generalise about current practice for the reason that the stated policy of a union is not necessarily reflected in the bargaining activities of its members at a local level. However, it does seem that there is very little union involvement in the drawing up and the administration of award schemes for suggestions, whether patentable or otherwise. The Civil Service Department^{16a} and the Post Office¹⁷ do consult with the relevant unions before making any alterations or amendments to their existing schemes, though both organisations give the impression that the consultation is something of a formality in practice. As a matter of principle, however, consultation is viewed as being of some importance; "We wouldn't move an inch without consulting them (the unions)", as one of those organisations put it.

Outside the public sector there was little evidence of union involvement in intellectual property award schemes. One small firm interviewed by the author had just instituted its own award scheme at the suggestion of the unions represented in its plant, but this was the only such instance found. In all other companies it was clear that employee organisations took no part at all in the running or in the establishment of award

schemes and did not instruct or represent members who wished either to make a claim, or to appeal against a decision as to a reward which they felt to be too small. One firm suggested that the unions regarded award schemes as a ploy to curry favour with employees and so to weaken union solidarity based upon "confrontation" with the employer; but this view was not shared by any other firm.

It is the author's submission that, to some extent, the lack of union activity in this area can be explained in terms of union self-perception of bargaining roles; the union sees itself as operating in the area of "labour law", or "workers' law" - settling matters of pay, hours, holidays, pensions, workplace safety and other issues of relatively tangible benefit to the union membership, but it perceives topics such as inventions, industrial designs, improvement suggestions and the like as falling within the scope of "patent law", which is "bosses law", and which as such has no vital bearing upon the wellbeing of the membership.

In fact, if employer-employee patent disputes are viewed in terms of patent law, not labour law, it is hardly surprising that the individual employee will not be likely to enter into litigation to protect his position; for he knows that patents are valuable, and that they are thus likely to be expensive to obtain and maintain, that litigation is costly when it goes to court,¹⁸ and that he will be suing the employer - for whom he

depends for his job and livelihood - without union support. This is indeed different from the employer-employee labour dispute, where a cheap and speedy hearing before the Industrial Tribunal will often see the employee represented by union or colleagues, and without the acrimony of appearance before a full court of law. The employee's position in patent litigation is further eroded by virtue of the fact that the employer will be more likely to retain the services of a patent lawyer, but that the employee, especially in the provinces, will be more likely to go to his local solicitor, who will in all probability have no academic training or practical expertise in that area of law.¹⁹ Legal aid²⁰ is available in theory to needy litigants, but this will not avail the average producer of intellectual property, whose white-collar pretensions and income will likely put him over the limit below which legal aid is granted; and should the employee not be barred by his income from receiving legal aid, he will find that it is granted only with some reluctance in respect of patent matters, even where an inventor's future livelihood is at stake.²¹ The difficulties currently faced by the employee litigant could be partially resolved by inducing a change in perspective, rendering employment patent disputes as "labour" and not as "patent" matters, and by the hearing of such disputes before an Industrial Tribunal, as was suggested in the Report of the Donovan Commission.²² This would not completely overcome the reluctance of employees to sue the hand that pays them, but it would enable them to do so more cheaply, quickly and painlessly.

6.4 The Tradition of Abstentionism and Future Reform

Customarily the British government has sought to avoid the appearance of interfering in the relationship of employer to employee; this is the principle of "abstentionism", or "voluntarism", that the rules established for the harmonious regulations of industry be imposed voluntarily by contract or by custom as between the two sides of industry. In the sphere of patent law a good example of this principle may be seen in the rejection by the Banks Committee²³ of a statutory scheme whereby employers would have to compensate employees for the use of the latter's inventions, while at the same time encouraging the voluntary establishment of such schemes on a company-wide level, with the provision of guidance and advice towards the achievement of such an end by the Department of Employment and Productivity.²⁴ The philosophy of abstentionism is not an invariable rule, and will certainly be abandoned by the government where there is an overriding public interest, or a quantity of private interests, to be protected,²⁵ or where it merely seeks to consolidate into a legal form what is already a wide-scale industrial practice, for instance in passing the Contracts of Employment Act 1963²⁶ which compelled employers in general to do what many already did, in providing employees with written notice of their basic terms and conditions of employment, such as hours of work and holiday entitlements.

One requirement omitted from the Contracts of Employment legislation was that employers give notice to their employees of any provision in the contract itself, or of the common law,

which serves so as to deprive the latter of their intellectual property rights. It cannot be foretold whether such a provision, even coupled with a rider that employers may not enjoy any intellectual property rights in employee creativity in the absence of such written notice, would redound to the advantage of the employee, for there is some likelihood that it would alert many employers who do not already require contractual preassignment of patent and other rights to do so; insofar as the contract is completely silent there is always the chance that an employee might benefit from his own inventions,²⁷ but once a contractual provision is inserted into his employment contract, that chance will vanish. On the other hand, the requirement of notice of intention to take intellectual property rights might serve (i) to alert employees to the existence of rights otherwise unknown to them, and (ii) to aid employees to see this particular branch of patent law as being in reality a branch of labour law instead, with the possible result that union involvement in the area would grow.

FOOTNOTES

CHAPTER VI

1. Schade, "The Working of the Law of Employees' Inventions in the Federal German Republic" (1973) A.P.L.A. Quart. Joun. 159,163.
2. Lumley, White-Collar Unionism in Britain (1973), chapter 4.
3. The Employed Inventor in the United States (1971), chapter 4.
4. Asserted by Mr B. Sherman, A.S.T.M.S. Research Director; interview, June 1974.
5. Neumeyer, op.cit. n. 3; cf. national proportion of workers represented by collective bargains - c. 25%. This is not to say that organised labour has not recognised the existence of unfair contractual practices vis-a-vis the individual employee: see Woll, "How Labor Views Patent Abuse" (1945) Com. & Fin. Chr., Mar. 22nd., p. 1260, 1278.
6. The Union of Post Office Workers (letter of May, 1974) claimed some credit for the final form of the Post Office's voluntary award scheme, though it takes no active part in that scheme's operation; and see T.U.C. Production Committee Document "Employees' Inventions" (1965), in which the Electrical Power Engineers' Association and the Society of Technical Civil Servants had also conducted some award scheme negotiations.

7. Letter of May, 1974, from the Research and Technical Services Department.
8. Letter of April, 1974, from the Association of Professional, Executive, Clerical and Computer Staff.
9. See n.4, sup.; Mr Sherman suggested that obtaining patent compensation was "not our business", unlike that of obtaining higher wages.
10. See T.U.C. Conference Report, 1971, p. 231.
11. See G.H. Doughty, in "A Statutory Scheme for Employee-Inventors - A Discussion" (1976) *The Inventor*, vol.16, no. 1, p. 11.
12. T.U.C. Production Memorandum X: "Suggestion Schemes" (1964).
- 12a. *ibid.*, at §33.
13. See The Case for the British Manager (1972), appendix 2, para. A.2.79.
14. Current 1974 edition; see Appendix for extracts. The U.K.A.P.E. is not typical of trade unions, in that it is a small, conservative body oriented toward the preservation of professional integrity.
15. Letter of April, 1974.
16. Letter from G.H. Doughty, June, 1974.

- 16a. Interview, April, 1975.
17. Interview, April, 1975.
18. The little-used provision of section 56 of the Patents Act, 1949, whereby the Comptroller can hear employment disputes is certainly cheaper than going to Court, but (i) the hearings are in London only and (ii) costs in such actions are not intended to compensate the successful party for the expense to which he is put: O.J. (1963) 3rd. July, Ruling on Costs.
19. See Davis and Stowell, "The Patent Profession and the General Lawyer" (1948) L.C.P. 310, 313.
20. Legal Aid Act, 1974, sections 1 (1), (2), 6.
21. See Halpern and Ward's Patent, /1974/ F.S.R. 242.
22. Royal Commission on Trade Unions and Employers' Associations, (1968) Cmnd. 3623, ch. X.
23. "The British Patent System" (1970), Cmnd. 4407, §§459-469.
24. ibidem.
25. e.g. Redundancy Payments Act, 1965, Factories Act, 1961, Truck Acts 1831 onwards.
26. Now the Contracts of Employment Act, 1972.
27. See 10.2.3., 4.

C H A P T E R V I I

THE CREATION OF INTELLECTUAL PROPERTY : PSYCHOLOGICAL ASPECTS

7.0 Introduction

It is a truism that on a personal, national and indeed global level people face problems which require solution. The process whereby such problems are solved may be described as 'inventive' in the sense that the problem exists before the solution is recognised, and that solution is 'found' or 'chanced upon'¹ by the solver. On a narrower level the patent system is intricately bound up in the matter of solving problems, for in the Western world there may be granted to the solver of a problem a legal monopoly in his solution for a period after the problem has been solved (and has usually ceased to be a problem). In this chapter the relation - if any - between the solution of problems and the operation of patent grants will be examined and the following hypothesis mooted: that the inventive award offered by the existence of the patent system acts upon the mind of man so as to motivate he who is so

capable to make patentable inventions, but provides no means whereby one not so capable will be enabled to do so.

Before examining in detail the psychological aspects of inventivity it is worth bearing in mind certain fundamental points:

(i) It has widely (and conveniently) been assumed that there is such a thing as an 'act of invention', or 'process of invention', and that this is a different and identifiable form of thought-process from all other thought-processes; there is no necessary reason why this should be so, for it may well be that 'invention' is based upon the same mental process as ordinary learned acts such as walking, or tying one's bootlaces, or as such non-learned acts as peeling a strange fruit for the first time, or doing jigsaw puzzles.

(ii) 'Invention' is a concept which we ourselves have invented and which describes a process which we not only do not understand, but which we recognise only on an ex post facto basis (i.e. it is not so much the process which invents, but the result which is inventive or novel). It is a quasi-laudatory term as well, and will, for example, be applied to the man who solves a difficult scientific problem, but not to the man who so skilfully contrives to get around without the necessity for having to make that invention, even though the latter may have displayed an higher degree of 'creativity' and initiative than the former.

(iii) It has never been made clear whether the word 'invention' as used by psychologists refers to the making of something new (which may of course happen by accident, or by trial and error, as well as by individual wit) or to the perception of some fact or function, whether new or old, as having some new or novel application. The two alternatives may be the product of different thought-processes, and it is the latter which is recognised by the patent legislation,² but the former may well be the sine qua non of the latter.

(iv) It is possible to regard invention as no more than a continuous process of reordering and reorganising that which is already known;³ 'inventions' such as the motor car, aeroplane, stereophonic sound production and the atomic bomb would surely fall into such a category. However, it should be pointed out that the description of, say, the motor car as an 'invention' is misconceived in that it is an ex post facto attribution. The 'motor car' was not 'invented', but hundreds of components, engine parts and fittings were invented, and their reorganisation in a particular form was hailed as a 'Daimler', 'Ford', or whatever. Invention does not lie in the creation of a new brand of product, but in the application of the known to the unknown in such a way as to produce a result which was hitherto unknown itself.

(v) The creation or 'invention' of copyright works will not be discussed in this thesis; writing or creating as a form of permanent communication, for art's sake, by way of popular

cultural expression or of industrial application is too heterogenous a topic to be susceptible of treatment within the scope of this work.

7.1 Invention by the Individual

Popular theories of invention can be divided essentially into those which answer one of three questions: (i) how do people invent; (ii) why do people invent; and (iii) which people invent? The 'how'-approach presupposes that there is a mental process of invention which can be isolated (and perhaps taught or copied), and that by applying a problem to an inventive mind one should provide the circumstance whereby an invention is made. A problem-solving system incorporating this notion might look something like Fig. 1.

The 'why'-approach works on the assumption that the process of invention within the cranium is not a fit subject for analysis, in that almost all persons are potential inventors, inventions being made as a response to the stimulus of a problem or by way of imitation of solutions to other problems. Here one applies not an inventive mind, but a stimulated inventor, to a problem (see Fig. 2).

A close examination of the 'how'- and 'why'-approaches may incline the reader towards the conclusion that neither of the two theories is itself a sufficient explanation of the inventive process, for the very good reason that each sets out to answer a different question; thus the two are not necessarily mutually

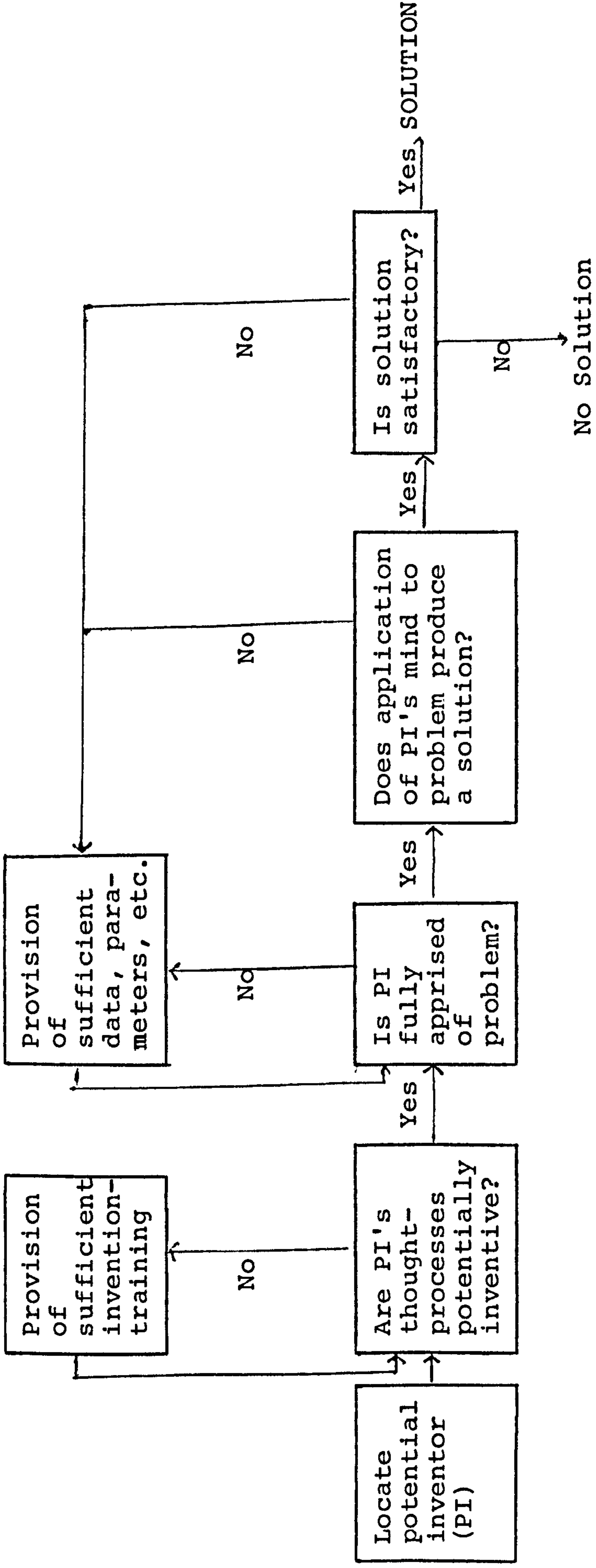


FIGURE 1

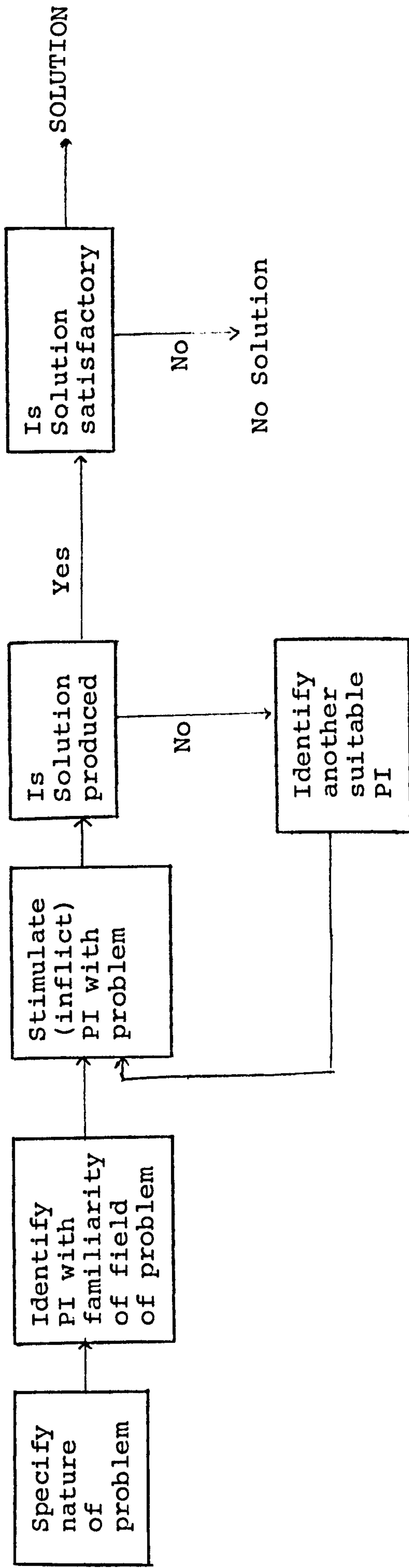


FIGURE 2

exclusive. As to the 'which'-approach, that is probably compatible with the other explanations, since it is little other than a statistical analysis of the sort of person who either possesses an inventive mind or has been so stimulated as to invent, and it might be viewed as a precondition for the application of either the 'how'-or the 'why'-approaches.

7.1.1 'Personal' theories of Invention (the 'how'-approach)

Perhaps the best-established personal theory of invention is the 'cognitive' theory, that invention is the result of the thought-process of the "individual at grips with his environment, not merely a chance recipient of whatever it has to offer him".^{3a} The inventor sits down and works out solutions to problems either consciously or after a period of 'incubation' in the upper reaches of the subconscious mind,⁴ and his act of invention is a rational, logical act. This theory is essentially a reaction against the stimulus-response (S/R) theories discussed below at 7.1.2.

R.S. Woodworth's 'symbolic' theory⁵ is cognitive, and attempts to explain the act of invention in some detail: perception is a simple physical process; the objects of perception are translated into 'symbols' which the mind then manipulates; the patterns formed in the mind by this manipulation are called 'imagination', and it is this process of 'imagination', which is dependent upon perception and also memory (the retention of symbols), that juxtaposes concepts in symbolic form; the brain, acting as a simple storage and retrieval mechanism, prints out the juxtapositions and the conscious mind translates them into non-

symbolic form which, if original, is an 'invention'.

The 'symbolic' theory is an interesting one, and has the advantage that it also provides some explanation for the mechanism of non-inventive thinking; but it is also vulnerable to substantial criticism on the following grounds:

(i) the theory works very plausibly if one starts with the thing invented and works backwards towards the mental process by which it evolved; but would it work so well on a forwards basis? For instance, if one perceives first a bird flying, and then a man walking, the manipulation of symbols would point towards the following concept-combinations: that of a bird walking, and that of a man flying. This might certainly point the cognitive man in the direction of the end which he seeks to achieve, for example, man-powered flight, but it may be difficult to conceive of symbols to the degree of abstraction which would set that cognitive man thinking in terms of aerodynamic theories.

(ii) no account is given as to the juxtapository process within the brain, or as to the individual's recognition of a particular set of symbols being useful, inventive or indeed anything else in the context of his daily existence. Presumably the perception of one's imagination too is a perception which is turned into symbolic form, which will go through the same mental process as the symbols from which that imagination had evolved. Is it the juxtaposition itself, or the perception of 'imagination', or indeed the 'realisation' of one's perception which constitutes

the inventive act?

7.1.2 'Behavioural' theories of Invention (the 'why'-approach)

The stimulus-response (S/R) theory postulates that invention is merely a mode of behaviour; behaviour is merely the individual's response to a stimulus. If the stimulus is varied, the response is potentially different too, and if invention is the individual's reaction to his environment, scientific betterment will depend upon the transmission of a stimulus to scientists (or indeed anyone) producing an inventive response.⁶

The great difficulty with S/R theories is that it is questionable what should be the quality of the stimulation. Is it 'concrete', like money, or 'abstract', like frustration;⁷ is it 'academic', like the joy of challenge of a knotty problem, or 'practical', like the awareness of an analogous solution to a similar problem?⁸ Each theory has its proponents, as Ithiel de Sola Pool⁹ points out:

There is a fantasy that the scientist cares only about truth and beauty, or maybe even truth and not beauty. He is supposed to be doing research for its own sake and could not care less whether he is paid or not. That is a complete illusion.¹⁰ There is research data indicating that scientists are very concerned with such mundane things as money.

Perhaps the best summary of an (admittedly attenuated) S/R theory is that of J.A. Samuel:¹¹

Every individual works in his own unique psychological environment. This is made up of his own interests, aspirations, attitudes, fears and circumstances modified by his perception of his role, status, relationships and place in the working environment. Our understanding of each of those attitudes, their effect upon one another and how they might be influenced to optimise the psychological environment is as yet limited.

One wonders whether it would be possible to create a table of stimuli together with the appropriate responses, based upon the observed activities of employees at work, something along the lines illustrated here:

STIMULUS

RESPONSE

Need for job-security.....longer hours, more effort

Desire for promotion.....manifest increase in perceived competence

Need to preserve status.....workplace conservatism or obstinacy

and so on, until we get to

?inventivity and innovative output.

Whether it is possible to generalise the stimulus required from a detailed study of individual case histories remains to be seen.

A variant of the basic S/R theory was propounded by the inventor and intellectual Thorstein Veblen,¹² to the effect that the stimuli of invention are man's basic, primal needs such as survival, shelter and security,¹³ and that human beings respond instinctively to these prime movers. Thus the instinctive requirement of 'justice' is fulfilled by 'law', 'religion' by 'ritual', 'security' by 'status', 'shelter' by 'home-owning', etc. All invention is a by-product of the individual's response to a particular stimulus, and the process of invention¹⁴ commences with an unselective and unsystematic absorption of facts, inferences, theories, old wives' tales and what you will; all this basic data is manipulated so as to fulfil the demands of whichever prime mover is dominant at that time. Why do

only some and not all people invent? Because they alone invent who have the right data at the same time as the relevant stimulus to which the unconscious act of invention is the natural response.

Veblen's theory is open to the following criticisms:

(i) although it posits the stimulus as a cause of the response, the stimulus is in each case a matter of conjecture, since it must be traced backwards from that response (this is of course a basic weakness of all S/R theories). Moreover, the value of Veblen's theory in terms of identifying inventive stimuli is diminished by his own admission¹⁵ that the prime motivating demands all keep pulling at the individual, and may strengthen or weaken the influence of each other upon that individual; in other words, a particular stimulus may be present, but not in the capacity of a stimulant.

(ii) Most inventions today are made by employees in fulfilment of their contractual obligations towards their employers;¹⁶ this is unlikely to be regarded as a response to a primal urge or stimulus. Veblen suggests that the employee inventor is motivated by the 'instinct of independence' which is 'proximated' into a lust for 'competition',¹⁷ or that the motivation is by way of the 'instinct of ownership' 'proximated' into the 'earning of income'; as such, salary differentials and bonuses would provide the necessary concrete form of the stimulus. However, much as this might explain why some people work for others, it does not, it is submitted, satisfactorily explain why they invent.

Professor F. W. Taussig¹⁸ refined Veblen's theory, naming man's prime instinctive aims as (i) contrivance, (ii) acquisition/accumulation, (iii) domination, (iv) emulation, and (v) sympathy/altruism/devotion;¹⁹ these categories are employed in the explanation of the conduct of (inter alia) the modern businessman and the inventor. It is contended that the 'instinct of contrivance' itself causes men to invent simply for the sake of inventing, and Professor Taussig cites the case-histories of numerous compulsive inventors to support his theory. To the contention that most inventors are not compulsive and rarely invent more than once or twice in a lifetime, it is suggested that the instinct of contrivance is less strong in most people, and must be buttressed by further stimuli before invention is likely to result. Professor Taussig's argument is challenging in that it generalises from the minority of inventors to the majority, and it cannot be proven to be right or wrong; however, it must be considered too wide a theory to be of any value in the analysis of the mechanism of inventing.

Yet another variant upon the behaviourist S/R theory, explaining not so much how or why, but which inventions are made, is the theory of supply and demand, of either a purely physical²⁰ or an economic²¹ nature. According to C.R. Rogers,²²

There is a desperate social need for the creative behaviour of creative individuals. It is this which justifies the setting forth of a tentative theory of creativity - the nature of the creative act, the conditions under which it occurs, and the manner in which it may constructively be fostered;

the subject-matter of inventions is an individual response to a social demand for adaptation of its environment to its changing needs - and, mutatis mutandis, one presumes, to the needs brought about by those very changes. It may very well be that social need, or the likelihood of social acceptance, is vital for the commercial survival of an invention, but it does not necessarily follow that the invention is the response to the stimulus of demand. In fact, it may be more true to say that, since 'demand' can be viewed in its concrete form as the demand for a commodity or service, the invention is the stimulus and the demand is the response.

The Marxist theory of history, which hypothesises that if Watt had not invented the steam engine someone else would have done (or that Napoleon was the Zeitgeist on horseback), accords well with the social demand S/R theories; and indeed it may not be denied that there are many instances of simultaneous invention of the same product in different parts of the world.²³ It is not necessarily correct though to assume that the Marxist and social-demand theories are the only explanations consonant with the facts; for can simultaneous invention not be explained perhaps more plausibly in terms of the application of a current body of scientific knowledge to a contemporary problem by minds schooled and trained in similar ways? And even if "invention, or any particular invention, is... a social growth and adheres to a fairly definite pattern of impersonal causation",^{23a} the fact still is that such causation is determined ex post

facto; before something new is invented we cannot project forward from our pattern of social growth anything more specific than the areas in which invention may come to bear.

Not all the demand theories are based upon social demand; Jacob Schmookler's is based upon economic demand alone,²⁴ and his hypothesis is that inventive activity fluctuates in direct proportion as to economic activity, which itself is encouraged in turn by major inventive activity. The theory is similar to Rogers', except that for 'social need' there is substituted 'industrial need' or 'investors' need'. Schmookler's theory was evolved from his close and detailed study of patent statistics and indicia of investment expenditure, and though there can be little real doubt that there is a positive correlation between expenditure and inventive activity, it would be going a long way to say that there is any relationship of dependence, or even necessary causation, between the one and the other.

7.1.3 'Environmental' theories of Invention (the 'which'-approach)

The fundament of the 'environmental' theories is that inventors can be identified not so much by their thought-processes, or by their response to particular stimuli, but statistically, through analysis of their background and/or their genetic constitution. Thus Anne Roe²⁵ could conclude, on the basis of a detailed study of sixty-four scientific figures, that the 'inventing' type was usually the first-born son of a middle-

class professional household, that he was either a sickly child or was deprived of a parent in early years, that he was an avid childhood reader and was a 'loner' by nature, with a good school record²⁶ and an high intelligence quotient; this type was not highly motivated by sex and could not marry until an averagely late age of twenty-seven, but he would enjoy "contemplative and individualistic" recreation when not working a seven-day week. We can surmise from other sources that this hybrid creature will do most if not all of his productive inventing between the ages of twenty-five and forty,²⁷ and also that he will cut something of a romantic figure. Elting Morison²⁸ depicts the inventor as a poet, a loose drinker with little formal education, unhappy in his private affairs and altogether more 'inspirational' than analytical. Interesting though this data be, it would be more interesting still to ascertain how great a proportion of people fitting the above descriptions are not inventors, and to seek for reasons which would account for some of them inventing while the others do not. Perhaps such an explanation could be found by reference to the degree of mental stimulation which the child is able to derive from his immediate family and social background; for a stimulating and lively social environment has long been regarded as a fertile breeding ground for inventive genius.²⁹

7.1.4 Theories of Invention: Conclusion

Unfortunately we know sufficiently little about the

inventive process to be able to state conclusively how - or in response to what - the human mind invents. Thus at present there would seem to be ample room for all of the above theories, so long as their relevance is confined to the narrow parameters of the 'how', 'why' and 'which'.

When seeking to evaluate the theories, certain points must be borne constantly in mind. First, that man does not invent in a vacuum - he derives his ideas from a living, changing, demanding society, and his invention once disclosed augments the vitality of that society. Second, that even if it is not possible to teach a man to invent, the educational process may still be important in the development of such faculties as 'perception' and 'memory', which may be of some value to the aspiring inventor. Next, it should be remembered that there are different ways of inventing, and that some of these may be explained more appropriately by one theory of invention than by another; for example, the 'cognitive' theory would seem more apt where the individual is at odds with the solution of problems with some abstract base, such as underwater survival, air flight, or the efficient handling of complex monetary transactions, while the stimuli-response theories are more suited to the 'direct' type of problem such as "which carbon compound when added to M acid will produce a solution filling requirements N, O and P?"³⁰ This latter is less 'inventive' than the former, but is a no less invaluable part of the inventive process. Finally, it may well be not just that different theories of invention are appropriate to different types of inventions, but that they are also appropriate to

different kinds of inventor.

7.2 Patents, Incentives and the Employment Contract

Does the patent system of the United Kingdom reflect any of the psychological theories of invention described above, or does it strike its own independent line? The likely truth of the matter is that the patent system is not concerned with the process whereby inventions are made, nor with their makers - unless inventions are disclosed; for it is the disclosure of inventions for which the patent system provides. The basic disclosure-model for the patent system is represented in Figure 3, though in view of current industrial tendencies towards employer-entrepreneurship the diagram in Figure 4 more closely depicts today's state of affairs.

The disclosure depicted in Figure 3 is not compelled by law; the inventor (or his successor in title) may keep the invention secret - as he would be advised to do if it were not patentable, or if the law of breach of confidence would give it better protection - or he may disclose it to the Crown in exchange for a monopoly on its exploitation. In Figure 4 the employee who invents may well be under a duty of disclosure towards his employer, and it is for the employer and not the inventor to decide whether or not disclosure would be made. The employee inventor will also be under a duty to protect his employer's confidences and secrets, so there is no opportunity for him to patent his invention without his employer's consent.

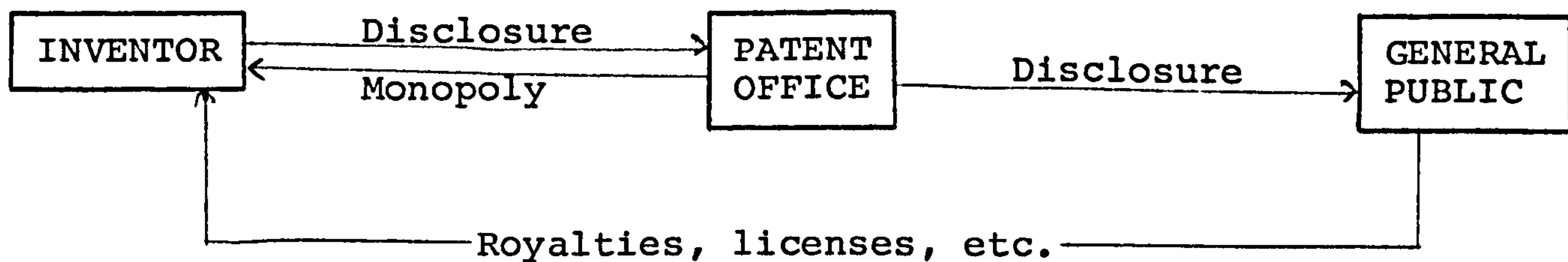


FIGURE 3

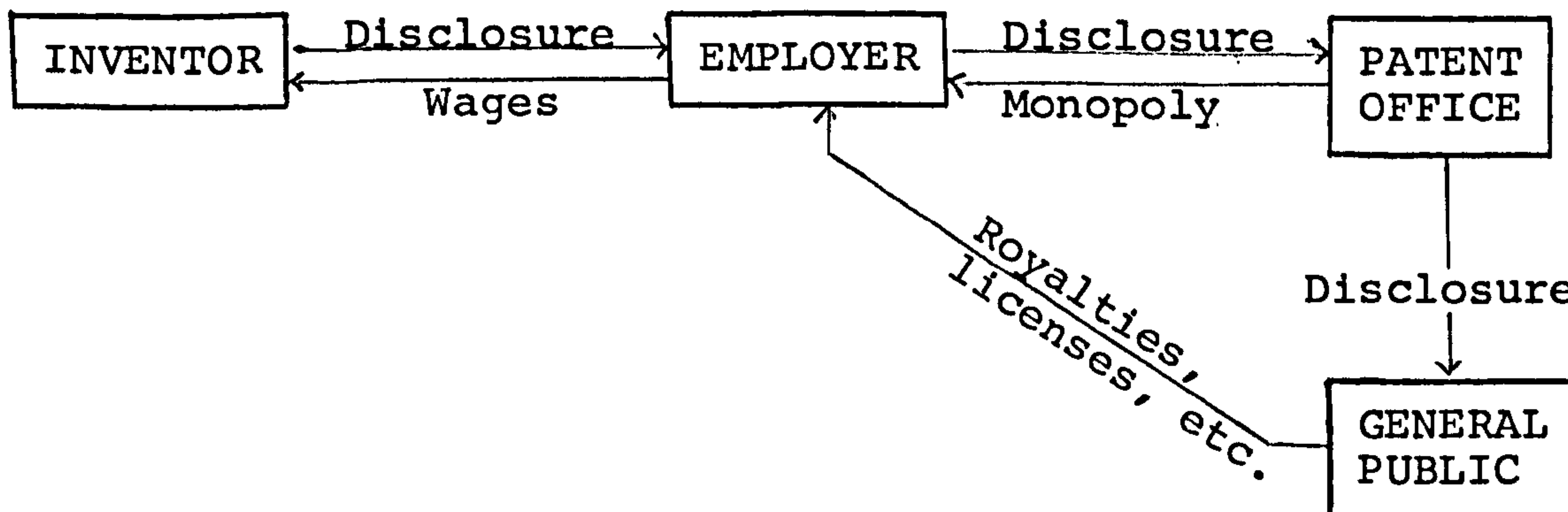


FIGURE 4

It is difficult to explain what effect the exact nature of the employment relation has upon the employees' propensity to patent, or, at any rate, to invent, since one is always led towards generalisation, and since the propensity to invent is

still a relatively uncharted area of our understanding. It is, however, possible to make the following comments:

(i) it is within the power of an employer to create a physical and mental environment favourable or conducive to employee-invention; for example, he can provide plant and training, time for research and employee-interest-oriented activities, and financial support, whether the employees succeed in inventing or not.³¹

(ii) the contribution of an employer, no matter how great, in terms of material and environment, know-how and moral support, is not itself an act of invention, and produces no new knowledge or understanding without employee creativity.³²

(iii) the employer can provide encouragement to disclose inventions (which was the original function of the patent system) in one of two ways: positively, by providing bonuses, rewards, promotions or enhanced research prospects for the successful employee,³³ or negatively, by threatening to terminate the employment of those who do not invent.³⁴

(iv) the employee may be inhibited from inventing, or from disclosing an invention in a particular field, by virtue of the employer's neutral or negative attitude toward operations in that field.³⁵

(v) 'invention' remains an individual mental process³⁶ no matter how many people are assigned to work upon a particular project or to contribute their ideas to the solution of a set problem; but that is not to say that the end-product of a

teamwork approach towards a problem is not inventive - it will be the result of the separate inventive activities of individual team-members synthesised (perhaps also by an inventive process) into one solution or end-product.

Management scientists have made much of the role of the employer as an organisation, in maximising the performance potential of individual employees, and they have recognised the importance of maintaining an healthy psychological environment in which the employer might get more out of an employee by not using him in the manner which a purely economic analysis of work-roles might suggest. Thus there has been something of a departure from the 'production' theory of management,³⁷ that efficiency is the prime function of the productive organisation and that efficiency is dependent upon the division of labour into convenient production units; instead there has been growing support for the 'humanistic' school of thought,³⁸ that the primary function of an organisation is the satisfaction of the needs of its 'members' - a category which, presumably, does not include its shareholders - and that complete job satisfaction leads to a better performance of an employee's allotted duties. In fact, a generally positive correlation has been asserted between job-satisfaction and an employee's status in the corporate hierarchy,³⁹ which would seem to corroborate the 'humanistic' school of thought; but the correlation is purely statistical and takes no account of causation. Are high-status employees happy with their jobs because they actually enjoy them, because the jobs carry high status, because they have been promoted out of

less pleasant jobs, or even because, having been happy in their previous status, they have served well and been rewarded accordingly (i.e. are they happy because they have high status, or do they have high status because they are happy?)? At any rate, even if one can show that workplace contentment causes efficiency, there is nothing to follow from this that the ordinary employee - unless employed as an inventor or problem-solver - will be any the more likely to invent, and it can be argued convincingly (if cynically) that job-satisfaction enhances an attitude of conservatism towards innovation in the employee, for who would exchange his present happiness for the instability or change in one's work-pattern or job-expectation brought about by technological developments?⁴⁰

How, then, in psychological terms⁴¹ does the employer, or 'management', set about encouraging his employees to work better, harder, and more intensively in respect of their latent innovative abilities?⁴² Taking the stimuli-response line John Pincus⁴³, in a study for the Rand Corporation, explains that any incentive to work more efficiently will stem from the employee himself, by way of response to a stimulus in the form of a desire to be perceived as 'modern', 'up-to-date', 'responsive', 'efficient', or 'professional'. He may go to some length to depict himself in this manner; and if the employer can play upon these employee-aspirations, he might expect at least some dividend from his endeavours. Where the employee is motivated highly by his own job-interest, or by an altruistic passion for the work so undertaken, the employer may

not need to play upon the aspirations suggested by Pincus; and if, as Kleingartner⁴⁴ suggests, individual employee-satisfaction increases when a man feels himself to be a responsible member of a 'profession', or to be fulfilling a 'career', the need for employer-stimulation in such a case might be slight indeed.

To close this chapter, two further points should be brought up: (i) the process of stimulating inventivity in order to achieve technological change can also be used for the minimisation of change; for example, where economic conditions necessitate reduced investment and industrial cutbacks, the workforce can be encouraged to respond by 'innovating' the minimal amount of change necessary to achieve compatibility with the new situation,⁴⁵ and (ii) none of the management theories mentioned above take into account any qualitative differences between workers; and what is true in respect of the man who is employed to invent may not be so of the man who invents while just so happening to be employed.

FOOTNOTES

Chapter VII

1. 'Invent comes from the Latin invenire, to find, chance upon or happen on.
2. See chapter X.0, 1, supra.
3. Perhaps the persistence of this theory has derived strength from the phenomenon that, once an invention has been made, it so very often seems obvious, so much so that one shudders to think that it has ever in fact been 'invented'.
- 3a. See A.J. Cropley, "S-R Psychology and Cognitive Psychology" in P. Vernon (ed.), Creativity (1971).
4. See G. Wallas, "The Art of Thought" (1926), in Vernon, op.cit.
5. R.S. Woodworth, Dynamic Psychology (1918).
6. See Cropley, op.cit. n. 3a, sup.
7. See J. Rossman, Psychology of the Inventor (1931).
8. ibidem, "Psychological Theories of Invention".
9. "The Social Environment for Sustained Technicological Growth" in Alderson et al (eds.), Patents and Progress (1965).

10. cf. J.W. Riegel, Intangible Rewards for Engineers and Scientists (1958).
11. "People at Work - the Psychological Perspective" (1972-3)
P.O. Telecomm. J. vol. 24, no. 4, p. 13.
12. The Instinct of Workmanship (1918).
13. *ibid.*, pp. 4 - 12.
14. *ibid.*, pp. 38-39.
15. *ibid.*, pp. 9 - 12.
16. Jewkes, Sawyers and Stillerman, The Sources of Invention (1969), chapter 4; from 1913 to 1955 the proportion of company patent applications had risen from 15% to 68½%; the current West German figure may be as high as 90%: see H. Schade, "Employees' Inventions - Law and Practice in the Federal Republic of Germany" (1972) *Ind. Prop.* at 149.
17. *Op. cit.* n. 12, *sup.*, at 183-9.
18. Inventors and Money-Makers (1915).
19. *ibid.*, at chapter 3.
20. C.R. Rogers, "Towards a Theory of Creativity" (1954) in Vernon, *op.cit.* n.3a, *sup.*
21. J. Schmookler, "Technological Change and the Law of Industrial Growth", in Patents, Invention and Economic Change (1972).

22. Op.cit n.20, sup.
23. See R.C. Epstein, "Industrial Invention: Heroic or Systematic?" (1926) 40 Quart. Jour. Econ. 232.
- 23a. Kahn, "Fundamental Deficiencies of the American Patent Law" (1940) Am. Econ. Rev. 475, 480.
24. Op.cit. n.21, sup.
25. "A Psychologist Examines Sixty-Four Eminent Scientists" (1952) 187 Sci. Am. 21-25.
26. cf. Edwin Mansfield, "The Economics of R & D: A Survey of Issues, Findings and Needed Future Research" in Alderson et al, op. cit. n.9, sup., where a sample of inventors over a period of time indicated that 31% of them got no further than high-school (secondary school).
27. B. Sanders, "How Many Patentees?" (1965) J.P.O.S. 501, 505.
28. Man, Machines and Modern Times (1966).
29. E. Bogardus, Essentials of Social Psychology (1926).
30. This is sometimes called the "haystack approach", after Judge Arnold in Potts v. Coe, 140 F2d. 470, 475 (1944): "Give each person a piece of the haystack and tell him to hunt for the needle".
31. See S. Gratwick, Q.C., letter to the editor, New L.J., 6th November 1975.

32. cf. opinion of H.R. Mathys, A.I.P.P.I. Conference, Tokyo (1966).
33. See McTiernan, "Employee-Inventor Compensation Plans" (1964) J.P.O.S. 475.
34. One company interviewed by the author expressed that its main research problem was not the acquisition or retention of good staff, but the removal of the less successful.
35. J.A. Mostel, "A Psychologist's View", (1965) J.P.O.S. 507.
36. The problem of identifying one of many men as an 'inventor' may be analogised to that of locating one of many men as possessing mens rea; see J.J. Phillips, "Punishing the Good: the Case of Employee Inventors" (1975) New L.J. 1003, 1004.
37. Described in H. Simon, "Applying Information Technology to Organisation Design" (1973) Pub. Admin. Rev. 268.
38. See Gibson & Teasley, "The Humanistic Model of Organisational Motivation: a Review of Research Support" (1973) Pub. Admin. Rev. 68.
39. ibidem.
40. Curiously, inventors push forwards inventions even when the implementation of the same would cause redundancies amongst themselves and their friends; letter of T.B. Pawlicki

41. For the more practical aspects of this chapter, see chapter 8, inf.
42. It is probably impossible at present to stimulate more than the employee's desire to do well.
43. "Incentives for Innovation in the Public Schools" (1974) Rev. Ed. Res. 113.
44. "Collective Bargaining between Salaried Professionals and Public Sector Management" (1973) Pub. Admin. Rev., 165.
45. See L.R. Sayles, "The Innovative Process: an Organisational Analysis" (1974) Jour. M.S. 190.

CHAPTER VIII

INCENTIVE, COMPENSATION AND AWARD SCHEMES

8.0 Introduction

In almost every country in the world, both in the West and in the communist East, inventors are customarily granted at least some form of recognition for the fact of their invention, whether it be a patent grant, a monetary reward, a medal or rank of honour, promotion at work, or the enjoyment of public recognition and respect of one's colleagues. However, there are many different bases upon which the inventor, whether employed or otherwise, is rewarded, and these may be inherently contradictory. This chapter will examine the divergent rationales for the rewarding of employee inventors, the variety of rewards which the employee inventor is likely to receive in Anglo-American employment, and the implementation of award schemes in practice, whether imposed by force of law or on a voluntary basis. Then, bearing in mind that it is very often

the employer and not the employee who reaps the benefit of the patent grant - the fundamental reward for an invention - this chapter concludes by examining the case for and against the introduction of a statutory award scheme for employee inventors.

8.1.1 Moral Foundations for Awards

There are five identifiable grounds for regarding the compensation of an employee inventor as a moral, rather than a purely practical issue; they are (a) that the inventor should be given reparation for the loss of a property right, (b) that he should be enabled to exploit the fruits of his labour, (c) that he should be rewarded for the creation of a meritorious invention, (d) that he should be compensated for the degree of effort or labour which he expended, and (e) in order to demonstrate the approval of society of such meritorious acts as inventing. We shall examine each of these in turn.

(a) Compensation for the loss of a property right: traditionally speaking, the proper subject of a patent grant is the man who is the inventor of the invention as disclosed, though both in the United Kingdom¹ and in the United States² the patent may certainly vest in one who is not the inventor at all. However, if that invention is seen as an award in respect of the disclosure of an invention by its inventor, then clearly the

imposition of an employer between inventor and Patent Office upsets their juridical relationship,³ and the employer it is who gets the benefit of both sides of the notional contract between them: the inventor discloses the invention not to the Patent Office but to the employer, and the Patent Office grants the patent monopoly not to the employee but to the employer; and the employee inventor has been deprived of what was potentially his patent right. If this is to be accepted, then it can be argued that since no-one should be deprived of a property without compensation, the employer should not be able to enjoy the patent right without the payment of such compensation.

Against this theory it may be argued that it is morally unfair that the employer be expected to compensate the employee for that which was not the employee's to enjoy; for where the employee invents in circumstances where in he is expected, or has specifically contracted to do so, or where he has promised to assign his patent rights, the current common law (though not formerly⁴) regards the patent right as the employer's. The employee's salary is quite capable of being regarded as 'consideration' for the deprivation of invention, and thus as legal compensation; and since the employee is taken freely to have entered into his employment on terms the adequacy of which the courts will not question,⁵ he may be regarded as already compensated. Where the employer derives his patent interest not from the terms of the contract of employment but from the exercise of some equitable rule, such as the law of trusts, it

cannot be argued that in fairness the employee should be compensated for his invention, for equity itself is an embodiment of fairness and has not felt that the employee should be so compensated.

Though there is much strength in the argument against the compensation theory, it should be pointed out that the climate of opinion towards unbridled freedom of contract has increasingly moved to take the side of the lesser power where there is an inequality of bargaining strength,⁶ for the moral reason that a strong party should not be free to inflict upon a weaker such terms as it wishes, especially - as often happens where an employee invents - when the weaker party did not contemplate that the events contemplated by the words of the contract would ever come to pass, or when he had no idea what rights he was yielding. As to the point that equity has persistently sided with the employer, it is only fair to point out that equity has traditionally been invoked by the employer against the employee's common law rights, and that, where equity has been invoked by an inventor seeking compensation in the United States, the principle of such compensation has often been accepted.⁷

(b) Compensation for the exploitation of the fruits of another's endeavour: it is possible to argue that the real reason why inventors are granted patents is because they are morally entitled to harvest the fruit of their production. Certainly in past times the inventor was very commonly the man

who put his invention into practice and then enjoyed the monopoly of its exercise himself, and an analogy can be struck between the man who harvests the crop planted by another and he who uses an invention created by another. The notion that the object of the patent law is to protect the inventor against the gratuitous exploitation of his brain-labours has been propounded by J.C. Duckworth,⁸ who states:

The original purpose of patent law was to create rights for the individual inventor which would safeguard his position when his ideas were commercially exploited... The original concept of personal responsibility is maintained in that individuals alone, and not for instance corporate bodies, are recognised as first inventors for the purposes of patent law.

In argument against this theory, much the same points may be made as were made in opposition to theory (a), above; for the essential difference between (a) and (b) is that the former seeks compensation in respect of the rights to a res, whereas the latter contemplates compensation for the unauthorised use of that res. In both cases the common law looks not to the relation between the inventor and his invention, but between the employee and his employer, to resolve the conflict of invention interests. The civil law prevalent in many European countries today has long had a tendency which many common lawyers regard with curiosity, to regard certain types of right as being inalienable, and while the right to property countenanced in argument (a), supra, is clearly an alienable right (if it were not, there could be no contracts of sale), there is a genus of 'personal rights', such as the right of authorship, the droit moral,⁹ which may be analogous to a right of inventorship which

the inventor cannot lose, and which cannot be diminished. Thus while (a) may be regarded in England as a stronger argument than (b), the converse may be true on the Continent of Europe.

(c) Compensation for the creation of a worthy invention: it has been argued that an inventor should only be rewarded for good, noble or meritorious inventions,¹⁰ and that the patent system effects such an end - even though poor and unworthy inventions may also be patented - on the basis that only the good inventions will enjoy marketable success.¹¹ Although this view has been rejected for reasons which do not concern us here, it was adopted by successive Royal Commissions when making awards to those inventors whose products aided the allied cause in the two world wars.¹² A derivative of the 'worthiness' theory has recently been hypothesised by Mr R. Orford, at a meeting of the Legal Affairs Committee of the Licensing Executives Society (U.K.),¹³ when he suggested that the Queen's Award for Industry be given to such employee inventors as create inventions so basic as to establish new industries.

Against this theory runs the argument that people from all walks of life, especially in the medical, welfare and charitable fields, perform meritorious acts of many descriptions; many, like the employee inventor, also draw a salary. Why should merit be the basis for rewarding inventors alone?

(d) Compensation for labour expended: the inventor often puts in many long hours of arduous effort, in his own time as well as in the time for which he is paid by his employer to

work, even to the extent that notional investment returns upon his time expended would not be viable;¹⁴ and he does this in order to perfect a patentable invention for the benefit of his employer. Should not this extra-employment effort be the subject of compensation? The answer commonly given is that the sweat and toil of the inventor are underwritten by the employer in the form of salary payments,¹⁵ whether a successful invention is made or not, and that although it is open to the employee to claim compensation for the loss of his patent right, the mere act of creation itself affords no clear basis for compensation at law.¹⁶ Where an employee has in fact put himself out to a great degree, there may be a possibility that his labours will be rewarded,¹⁷ but this is aside from the matter of patent compensation.

(e) Compensation simply to underline society's approval of the act of inventing: this theory is correlative to the 'denunciatory' theory of criminal punishment,¹⁸ that society imposes a sentence upon a criminal not so much because he deserves it, but in order to reinforce social rejection of a criminal deviancy from the acceptable norm; and just as murder was a serious offence because people were hanged for it,¹⁹ so inventing must be considered a laudatory act if we grant patents for it. This theory is clearly not the reason why inventors are rewarded for, as with theory (c) above, there are very many categories of laudatory category which we not only do not reward through law, but positively ignore; and the criteria of the patent grant are narrow,²⁰ and often arbitrary.²¹ Many

unpatented and unpatentable inventions may be as beneficial to mankind as their monopolistic counterparts.

Social approval is, however, the yardstick whereby inventors and 'innovators' are rewarded for their inventive contributions in the Eastern European communist bloc.²² There, it makes little difference that an invention has sufficient novelty, originality, scientific content or whatever, so long as it works to the benefit of the State; and instead of a monopoly patent the inventor can expect an 'inventor's certificate', or a sum of money which reflects the benefit accrued to the State.²³

8.1.2 Utilitarian Foundations for Awards

Leaving aside the question, "Do we act in accordance with what is (or ought to be) right?", we now turn to that of "Do we do that which yields the best overall results?" Justifications of invention-awards in terms of a utilitarian philosophy can take four main lines: that (i) awards encourage the non-inventor to invent, (ii) they encourage the inventor to invent again, (iii) they create an atmosphere of 'patent-consciousness' and (iv) they stimulate the disclosure of inventions already made.

(i) Encouragement of the non-inventor to invent: since it is in practice impossible to identify a prospective inventor in advance of his first act of invention,²⁴ it may be statistically, if not physically, true to say that every non-inventor is a potential inventor. To this end, the argument runs, everyone

should have a carrot dangled in front of him, to tempt him from non-invention to invention in the maximisation of mankind's potential inventivity quotient; and just as a man may be sent to prison either so the he will not act the same way again or so that others, on seeing him, will not wish to follow in his path, so the patent system may be regarded as encouraging non-inventors to emulate the inventor when they see his largesse and prestige from obtaining a patent. This theory rests upon the unproven and probably false assumption discussed above,²⁵ that the mere operation of an incentive can cause the human brain to work in different ways, thus causing invention to spring from the barren rock where none grew before. It is also difficult to imagine the causative chain from 'stimulus to invent (something abstract)' to 'actual invention (something concrete)'.

It has been suggested by Duckworth²⁶ that

As a consequence of (the West German) system many employed inventors... have amassed appreciable private fortunes, and there is little doubt that knowledge of this fact has its effect on workers in the more applied areas of technology.

While it is true that the knowledge of the remuneration of others has some effect, it may be doubted that its effect is anything more than the 'negative' one of, say, discouraging employees from moving away from jobs in areas, or in countries, where inventions are likely to be made, or of encouraging new workers into those industries or areas, rather than the 'positive' effect of encouraging the production of actual inventions.

(ii) Encouraging the man who invents to invent again:

this theory, assumed by Franklin C. Harter,²⁷ is basically that once a man shows his inventive potential by creating an invention, the purpose of any award given to him is to make him want to do it again, by showing him that it is a remuneration activity which wins him some tangible gain. If this theory of invention-award is correct, it is certainly not reflected in the current operation of the patent system, where rights are conferred upon, and are enjoyed by employers, who alone can in most cases expect to benefit as of right from the invention. Such compensation as is granted the employee inventor is usually ex gratia; and that which is hoped for as an occasional favour or a privilege is, presumably, less stimulating than that which would be the inventor's by legal right. Moreover, there was little to support this theory in the past, when the patent grant was only a prelude to the expensive and exhausting task of putting one's invention to work, thus to recoup the costs of obtaining the patent in the first place. In fact, so arduous and inconvenient a task was the obtaining a patent at all, once an invention was made, that many inventors did not even attempt to get a monopoly grant; the first half of the nineteenth century has been described as the 'age of the patentless invention'.²⁸

(iii) Creation of 'patent-consciousness': since the patent system provides recompense only for patentable inventions, may it not be argued that the function of that system is to channel the generally creative instincts, skills or urges of inventors into those areas where, specifically, a patent may be

granted? The award schemes of many companies take this into account by paying to inventive employees a fixed sum of money bearing no relation to the worth of the patent monopoly, on the basis of £X when the provisional patent application is made, and £Y if the patent is granted. This would mean, as W.M. Larke²⁹ puts it, that

... useful inventions are likely to be promoted, and what is more they are likely to be promoted promptly. At the same time patent consciousness on the part of everyone concerned, management and inventor alike, is developed.

Thus, in theory, invention which leads to a patent will be stimulated; the real problem faced by this theory lies in the fact that the categories of patentability are arbitrary, and many genuinely inventive solutions to problems are excluded from the protection of the Patents Acts,³⁰ either because they are not new 'manners of manufacture', or because they are (in retrospect) 'obvious', or did not involve an 'inventive step'. If it is not the act itself, but the possible legal consequence arising out of it, which will entitle the employee inventor to his reward, might it not be that there is too great a degree of remoteness between the stimulus or reward, and its consequences?

(iv) Encouragement of disclosure or communication of an invention: here it is argued that the important thing is not whether, or how, people invent, but that when they do so, their inventions are prised out and presented to the general public, so that the common stock of knowledge be augmented and industrial expertise be increased. This has been expressed to be the most important function of the patent system by Charles McTiernan,³¹

and it is difficult to raise objection to it. Without this incentive to disclose, there is no reason why the employee inventor should do so, especially if he would derive little or no benefit from his disclosure of the invention to his employer, as is very often the case today.³² Currently, if an employee does wish to disclose his invention, he may be tempted to 'time' that disclosure to coincide with the prospect of departmental promotion, or when annual allocations of research funds and facilities are being made, or when some other factor at work so determines; or he may save it for an interview with a likely new employer.

8.1.3 The Significance of 'Theories of Reward'

Having examined some of the reasons why it has been considered that employees should enjoy some reward in respect of their inventions, it should be considered whether this examination bears any purpose. It is submitted that the discussion of the theoretical basis for invention awards is of the greatest importance, for the following reason: only recently, for the first time, has there been any serious attempt to examine the desirability of award schemes on a voluntary or statutory basis as part of a larger whole - the well-being and future prosperity of industry; but the arguments put forward for consideration have come, by and large, from opposing groups, each with their own interests as a paramount consideration and each eager to impose upon the other its own intentions. Consequently, discussion of award schemes has not always been

ad idem. For example, if I support a scheme for rewarding inventors on the basis that such a scheme would act as an incentive for the disclosure of their inventions, it would not be apt to argue against my proposition that employees are happy with their salaries and do not want or deserve any more, for such a criticism would be founded upon a different underlying hypothesis from my own. If, however, I argued along with Jacob Rabinow³³ that inventing employees do not deserve any more money than they can get out of their contracts of employment, it would be an appropriate criticism to claim that they do deserve more because their actions are so meritorious, for that criticism meets the point of the original argument. By examining the different foundations laid out in the previous sub-chapters, we can tell more easily whether argument and criticism are suited to each other, and we can determine for ourselves which types of argument we propose to give more weight.

A further justification for examining the possible foundations of an award scheme is that a different designated function may lead to a different form of scheme. Thus a scheme to reward inventors on the strength of the merit of their inventions would adopt different criteria for assessing the quantum of an award - or even for deciding whether or not there should be one at all - than would a scheme for encouraging employees to submit patentable inventions, or a scheme for compensating them for the deprivation of a marketable intellectual property right. If we decide to set up a scheme for compensating those who have invented in respect of their loss of patent rights, it is

illogical then to turn round and criticise that scheme for not encouraging more people to submit their ideas in the first place, for that was not what the scheme was set up to achieve.

It should be noted that the fact that a scheme is set up to accomplish target A does not of itself mean that it will not also, as a by-product, accomplish aims B and C; almost all forms of pecuniary award made to inventors will, even if made solely to compensate them, have a tendency to increase the effort and endeavour, if not the success, of peers and colleagues who wish to emulate them.

8.2 Voluntary and Statutory Award Schemes Distinguished.

Since much of this chapter is given over to a discussion of incentive and awards schemes, some explanation is necessary as to the salient features of such a scheme. A voluntary award scheme is a system whereby an employer, not being required to do so by law, makes a payment or a promise of payment to an employee inventor or innovator in respect of all or any of the following: the submission of an idea (whether useful or not), the submission of a patentable invention, the application for or grant of a patent for an invention, or the successful use or application of it. A feature of voluntary schemes is that their operation does not in general form any part of the consideration moving from the employer in the contract of employment. Thus the expectation of reward on the part of the employee is founded upon an ex gratia privilege or (more rarely)

upon some contractual obligation, but not upon any statutory right; such an award scheme can usually be terminated at will by the employer, and may indeed be suspended from time to time.³⁴

Statutory award schemes are those imposed by law upon employer and employee alike; they may not be contracted out of. They impose upon the employer a duty to pay for any invention the rights to which he claims from his employee, and a duty is usually imposed upon the employee to report any inventions which he makes to his employer, and, in certain circumstances, to offer them to him. The quantum of the employee's award is usually determined by the relation of the invention to the employee's duties, by its own net worth, and other appropriate variables.

8.2.1 Voluntary Schemes

While it is true to say that the employee cannot forcibly secure just compensation for his invention, he will often enjoy adequate remuneration through an ex gratia payment made to him by the employer. There is much to commend voluntary schemes in the eyes of industry, for they are flexible³⁵ and can thus be tailored to the specific requirements of each workplace, and they may be curtailed at a moment's notice should they prove too expensive a burden to support (as where the establishment of a new plant will predictably bring with it a number of 'teething troubles', which it is not felt should be rewarded in

excess of the employees' salary.³⁶⁾ Moreover, pecuniary awards under a voluntary scheme can be blended with awards which may not, strictly speaking, form a part of it, for example, promotion, study leave or extra research facilities. Four typical examples of award schemes are described below.³⁷

(i) Firm A is a capital-intensive company of some 9,000 employees. It has used an awards scheme for over twenty years which is open both to skilled and unskilled employees. Professional men and scientists very rarely feature in the awards because it is felt that they are already sufficiently remunerated by their (admittedly first-class) salary. Both patentable and non-patentable ideas fall within the ambit of the scheme, and there is no ceiling on awards paid out (the maximum so far³⁸ has been £1,170); minimum awards are typically £5, or the gift of a pen with the name of the company inscribed upon it. The scheme is administered by firm A's Employment Relations Department and, while it is conceded that many useful inventions have been submitted through the scheme there is a prevalent feeling that the scheme is really little more than a sideline, and of no real importance. This attitude has been noted by Dr Joseph Rossman,³⁹ who felt that it was a not uncommon phenomenon that "... although companies regard those payments as fringe benefits, I don't think that the inventors actually regard them that simply...".

(ii) Firm B is a manpower-intensive public corporation which has been using its award scheme since 1906. The scheme,

which is under constant review, is handled by a secretariat of seven employees; it is available for staff throughout the organisation, but is virtually never used by regional management and above, or by members of the secretariat themselves. Patentable and non-patentable inventions are both reviewed for award, but patents are also reviewed separately by an independent committee better able to assess the commercial value of each invention and also its degree of industrial application. No award is forthcoming where the invention or idea submitted is not "outside the scope of the suggestor's duties" - ostensibly for tax reasons⁴⁰ - but the decision as to whether a suggested innovation falls within those duties or not is left with the employee. Suggestions flow in at the rate of some 5,000 to 6,000 per annum, and total more than a quarter of a million since the scheme began. Currently⁴¹ most award payments are in the £15-£20 range, though £5 is often given to 'encourage' those who have suggested meritorious but impracticable ideas; the highest award has been £500. Both employer and employees seem to be satisfied with the scheme, and the latter can enjoy the prestige of being named in the corporation's journal as inventors.

(iii) Firm C is a small company (750 employees) of which about 100 are 'professional' or 'salaried', the rest being paid hourly. It has only recently introduced an award scheme in November 1974 with the avowed purpose of "keeping in touch" with its employees as the firm grows. Maximum awards are as



follows: £25 if an employee makes out a good prima facie case for the adoption of his invention, £500 if it proves to be successful up to the stage of its development, and £1500 if it is then actually used. The awards are assessed by the firm's manager together with a "select committee" appointed by him; senior technical staff are excluded from the assessment procedure on the grounds that, having not thought of that particular idea themselves, they may tend to disparage its value. Like Firm A, but unlike Firm B, Firm C has no appeals procedure, the decision of the committee being final.

(iv) The Civil Service Department (CSD) is responsible for some 700,000 employees excluding members of Her Majesty's armed forces, and their suggestion scheme has been in use for some sixty years. Both patented and unpatented ideas and inventions are subject to awards made by the Central Staff Suggestions Committee (CCSC), and by the individual Departments of the Civil Service which the CCSC advises in respect of awards of up to the value of £500.⁴² Awards are usually calculated on the basis of 10% of the profit or savings made from the invention by the CSD over the period of one year; should such a profit or saving be more than £10,000 the percentage of the award is "tapered down". Awards in kind may be made if the £5 minimum appears excessive, but there is no official maximum award, and as much as £1500 has been paid out in respect of an ordinary improvement suggestion.⁴³ The CSD regards its scheme as a staff relations exercise, and has claimed that it costs £125,000 per annum to administer a scheme which saves

about £70,000 over the same period; but it has also been claimed that the saving to the Civil Service has been considerable.⁴⁴ What is probably true is that the 'saving' quoted by the CSD is a figure in respect of only one year, whereas many inventions - whose profitability is calculated on the basis of 10% of one year's saving - will continue to produce savings for many years thereafter. Thus the figures given by the CSD are probably true but misleading, and there may well be considerably greater advantage to the CSD than their figures indicate.

Two important features of voluntary award schemes remain to be pointed out; the first is that there is usually no duty laid upon the employee to report his ideas or inventions in excess of that required by the implied terms of his contract of employment;⁴⁵ the second is that not all award schemes are devised by the employer for his own benefit: firms such as Performance Awards (Reserve) Ltd. organise incentive schemes - usually for suggestions of manual workers but capable of adaptation for every echelon of employment - offering Green Shield stamps or catalogue gifts as an incentive. The schemes prepared by this company are geared to stimulate the disclosure of inventions rather than for any other purpose, and, as their Administrative Manager⁴⁶ put it:

We are usually approached with the view to suggesting ways in which the employees can be motivated to submit their suggestions rather than to propose a system of awards based upon the savings made by the suggestions's implementation.

8.2.2 Statutory Schemes

Statutory schemes, superimposed by law upon the day-to-day practices of the employment relation, have one great advantage for the employee over their voluntary counterparts: they are enforceable by the employee inventor, who may assert his right to and then secure fair and just compensation on the basis of agreement inter partes with the latent threat of a legal settlement should the employer negotiate unjustly. While employers may complain, with some justice, that employees, in common with all inventors, are so 'subjectively involved' with their inventions that they regard them as being of far greater real or potential value than they actually are, it is probably equally true - at least from the author's personal impressions - that employers tend to undervalue the inventive services of their staff, especially when the invention concerned is not solicited. The simplest solution to this conflict of perceived values is either to effect a fixed formula for the computation of the worth of an invention, or to establish some neutral arbitration procedure to aid the parties in dispute to resolve it fairly; and this is one of the chief features of statutory award schemes. This procedure operates to translate into concrete terms an abstract right to compensation for any invention which is used by the employer; the provision of such an abstract right is another feature of statutory award schemes.

Of course, to the extent that the course of action taken by the employer is circumscribed by law, the flexibility of

reward shown in voluntary schemes will be compromised, but this lack of flexibility is itself of value where it causes certainty in the employment relation as to whether, when and how an award is to be made. Even so, there is some degree of versatility remaining, for the quantum of compensation is left in almost every case to the good sense of the employer in negotiation with the inventive employee. Below will be found three major examples of statutory award schemes.

8.3 Examples of Statutory Schemes

8.3.1 West Germany⁴⁷

All inventions capable of being patented and which are made by an employee in the duration of his employment are divided into two categories: (i) 'service inventions' - those which either arise from the employee's contractual duties, or which are substantially based upon the workaday activities or the workplace 'know-how' at the employee's place of employment, and (ii) 'free inventions' - which consist of all inventions not falling into category (i), supra.⁴⁸ Free inventions must generally be notified to the employer in writing, thus to give the employer the opportunity to oppose the employee's claim that it is free and not a service invention,⁴⁹ and the employee must give his employer - even where the invention is free - at least a three-month option on taking a non-exclusive licence, if the invention falls within the actual or intended operations of the employer at the time the licence is made.⁵⁰ As for service inventions, the

employee is under a duty to inform the employer when he has made one,⁵¹ and if the latter makes no claim to it within four months, it becomes automatically free⁵² and the employer has no further right in it.

Should the employer wish to use a service invention, he may make either a limited or an unlimited claim to it⁵³ (i.e. he can take a licence or an assignment). Once any claim to any invention is made, the employee has a right to reasonable compensation for that claim,⁵⁴ and the employer is barred from challenging the eligibility of that invention for patent protection.⁵⁵ Ideally, compensation is agreed inter partes;⁵⁶ but if after three months no such agreement has been reached, the employer can 'impose' an award, which he must pay to the employee while providing the latter with his reasons for assessing that particular amount to be payable.⁵⁷ The employee has two months in which to object before the employer's settlement offer becomes binding on him.⁵⁸

Where there is no agreement between the parties at all, the offices of an Arbitration Board⁵⁹ and, failing that, the Courts,⁶⁰ are available to help settle the dispute. In the absence of amicable solution an award may be assessed on the basis of (i) a 'licence analogy', i.e. the amount that such an invention would have cost the employer on the open market, or (ii) the 'measurable benefit to the enterprise'⁶¹, in accordance with complex mathematical formulae. In fact nearly 999 out of every 1,000 cases are settled amicably and without recourse to the

award calculus machinery,⁶² but that may be for the reason that employees, even those who are dissatisfied with their employment, do not take easily to suing the employer upon whom they depend for continued employment, promotion, testimonials and references. It might seem that because most cases are settled amicably the arbitration and assessment procedure is not important, but this is not so. Employers and employees alike will negotiate with each other on the expectation that a particular quantum of award will be payable; no employer will want to pay more than he feels he would legally be obliged to pay, and no employee inventor will be tempted to take less than he thought he could get through the legal machinery, and both parties will have to make some computation of their own, in accordance with the laid-down formulae, to assess the strength of their relative claims. This, we may surmise, is easier for large firms with their own patent departments than it would be for employee inventors who would have to consult patent law practitioners at some inconvenience and cost to themselves.

The West German system has been both praised for its generosity and fairness, and criticised for its complexity; a typical comment comes from Herr Friedrich Kretschmer,⁶³ of the Bundesverband der Deutschen Industrie:

Ideally, the law should be simple, practicable and fair. The German law is probably trying too hard to establish individual justice, thereby neglecting simplicity though not practicability. It certainly involves a lot of administrative effort to handle inventions of employees. Most German firms seem to have adapted quite well.

Despite criticisms of complexity, the West German scheme has been proposed as a model for legislation in other countries, for example the Moss Bill⁶⁴ in the United States.

8.3.2 Sweden⁶⁵

Not the Germanic love of precision but the Scandinavian affection for clear, sweeping lines governs the format of the employee-invention law of Sweden, which is the basis also for the laws of other Scandinavian countries.⁶⁶ There is little detail in the statute, which is only ten sections long, but there can be no doubt as to the principles expressed in it. Employee inventions fall into three categories:⁶⁷ (i) those which the employee is under a duty to make, or which he makes in the course of solving a problem which it is his duty to solve, so long as the invention falls within the employer's line of business as well, and (ii) those which fall within the employer's line of business but have a less definite connection with the employee's duties or work than outlined in category (i), supra, and (iii) those which fall within the scope of the employer's business but have no connection at all with the employee's job. As in Germany the employee must inform his employer when he makes such an invention,⁶⁸ and the latter may claim full or partial rights to a category (i) invention, a non-exclusive licence to use and a first option to purchase further rights in a category (ii) invention, and a first option to purchase category (iii) rights.⁶⁹ The employer has four months to exercise his claims and options and, if he does so, the employee is, as in Germany, entitled to a reasonable compensation.⁷⁰

There is no formula for computing how much such a sum should be, the matter being left to simple agreement⁷¹ based upon such factors as the value of the invention, the nature of the rights acquired by the employer, and the part played by the employment (or by employment duties) in creating the invention.⁷² No compensation will be payable for category (i) inventions unless the value of the rights to the employer exceeds what could reasonably have been expected, after due consideration of the employee's salary and other benefits which he may have received.⁷³

If the parties cannot agree upon reasonable compensation a 'special jury' may be consulted;⁷⁴ this is in essence a panel of experts representing employers and employees. No precise guidelines are provided for the assessment of awards by this panel, which makes a well-informed guess as to how much the employee should receive. There is no evidence that the 'guesswork' procedure is less fair or reliable in practice than any other method of ascertaining how much the employer should pay.⁷⁵ The Swedish scheme is far easier to operate than its German counterpart, since it does not require the existence of an administrative bureaucracy either in Government or in industry. A system based on the Swedish scheme has been proposed for introduction into the British law by the Institute of Patentees and Inventors in 1975.⁷⁶

8.3.3 Japan⁷⁷

Where a patentable invention is made (i) within the scope of the employer's business and (ii) within the scope of the

employee's past or present employment duties, then the employer may claim an exclusive licence to use that invention.⁷⁸ If the employer wants more than an exclusive licence he must bargain for it with the inventor. Unlike Sweden and Germany, where no contractual incursion on to the inventor's rights is tolerated, Japanese law permits the pre-assignment of inventions not yet made, but only in respect of the category of inventions outlined above. Whether or not such pre-assignment occurs the employer becomes liable to compensate the inventor with a reasonable remuneration which is based upon (i) the profitability of the invention, and (ii) the degree of employee-contribution to the invention. As in Germany the sum may be calculated with reference to mathematical formulae if the parties are unable to reach any agreement. Litigation on 'Article 35' - which lays down the right to compensation - has been minimal, for in the period 1959-1971, when some 300,000 patents were granted in Japan,⁷⁹ only five recorded cases were heard.⁸⁰

8.3.4 A Comparison of Statutory Schemes

In many ways the three schemes outlined above are similar; for example, there is no means whereby an employer can evade his obligation to pay for an invention which he uses. The reason why this is so, as Sugimura⁸¹ puts it, is that, "Without the mandatory provision in the... Patent Law it would become general practice for an employer to issue regulations as advantageous as possible for himself", a statement the truth of which can be adduced from examination of the practice of many industrial

enterprises both in Britain and in the United States. Another similarity shared by all the schemes is that they make distinctions between different categories of employee inventor, mainly between the inventor who happens to be employed and the employee who happens to invent; and the distinction thus made becomes an integral part of the inventor's expectation of an award. If he does what he is paid to do, his prize may be nominal, but if he surpasses his station or his employment duties, he will be the beneficiary of a substantial reward. Juridically all three schemes are founded on the principle that the employee is compensated for the loss of his property, and there is no right to a reward unless the employer claims the invention (wholly or partly) for himself. This does not of course mean that the three schemes do not also, incidentally, further other aims such as providing an incentive to disclose inventions.

Differences between the schemes may be ascribed either to cultural or to practical considerations; thus Germany and Japan both offer highly precise means of calculating the quantum of the award, but the Nordic countries do not find this necessary. Japan's grant of an exclusive licence alone assures the employee that two types of compensation may accrue to him: one for the use of his invention, and one for the assignment of the full rights themselves; however, the inducement to have the patent assigned is probably very strong on both sides - the employer cannot sell the patent or licence it to others if it is not his, and the employee cannot license anyone else to use it and will thus get no

more for it in the absence of a purchase price. It is difficult to ascribe any reason for the fact that this peculiar form of division of rights is found in neither Swedish nor German law. At any rate, all three different systems would appear to be functioning well, and would appear to provide something of an extra boost for industrial inventivity in comparison with industrialised countries lacking any such system.⁸²

8.4 Objections to Statutory Award Schemes⁸³

Objections to the introduction in common law jurisdictions of statutory award schemes along the lines described in the last subchapter may be divided up into five categories: those which claim such systems to be (i) unnecessary, (ii) impossible to administer, (iii) harmful to inventive productivity, (iv) unfair to employees and (v) unfair to employers. The validity of many of these objections may offer a useful subject for the further research of social scientists; but in the meantime the author will content himself, for the most part, with theoretical arguments and with comments made by those with practical experience in the field of inventive industrial relations.

8.4.1 Arguments that such Schemes are Unnecessary

(1) Employees should not look beyond their salaries for remuneration. This is because they are paid to do a job of work; if they fail to invent, the employer will have underwritten their failure by his expenditure upon their salary, so is it not fair also that the employer should not have to pay twice for an

invention, once by way of salary and once more when the invention is made?⁸⁴ An alternative form of this argument is that the contract of employment is freely entered into as between employer and employee, and thus that what the employee agrees to work for is the price at which he values his skill and services; if the employee feels that his services are worth more, he should go to a new employer who is willing to pay him more. As Jack Rabinow (inventor and then an employer)⁸⁵ said:

In this society, anyone who wants to change employers can, as I left the Government... I think inventors should get all they can in a competitive society, such as ours. And if all they can get is a good salary, then that is all they deserve.

Against this, it can be maintained that salary is paid for the performance of acts of physical and/or mental labour; it is not necessarily consideration for the transfer of a property right also.⁸⁶ If the employer bargains for the employee's labour, why should it be assumed in the absence of express contract that he has also contracted for the resulting - and more often than not unexpected - monopoly right? Certainly it might be considered unfair to reward a man for doing what he has in fact contracted to do, and this is reflected in the quantum of the rewards available to such employees under a statutory award scheme; such a man would receive little (West Germany) or nothing (Sweden) unless his work was outstandingly profitable.

In practical terms, as P.M.B. Walker⁸⁷ has pointed out,

In industry the effect of the doctrine (i.e. that all the fruits of a man's output, including patent rights, belong to the employer because he pays salary) is probably less pernicious... because greater salaries flexibility and the possibility of alternative

employment may combine to satisfy the inventor.

Walker's analysis is open to objection for the following reasons:

(i) the existence of 'trailer clauses', which either prohibit employment by a rival or act so as to make it difficult to secure alternative employment in the same field of expertise,⁸⁸ can retard the possibility of an unhappy employee leaving his scientific or research appointment and (ii) the justification of 'free market' theories postulates an absence of external facts or pressures which generally militate against the employee's seeking, or finding, any comparable employment. Such externalities include the fact that unemployment may be high (which itself tilts the bargaining balance in the employer's favour, and the employee must take what he is offered), the surplus of trained or experienced staff in a particular field of expertise and the problems attendant upon moving a home, family and possibly a wife's employment also to a new area.⁸⁹

(ii) Most employees will get an award anyway, so why introduce a compulsory scheme?

Curiously enough, this was very much a debating issue in the late nineteenth century when it was conceded that, while some employees received rewards, others most certainly did not, and it was argued that so great was the element of uncertainty as to whether an individual inventor would be so rewarded, that the patent system was itself at fault, and was so unfair that it should be abolished!⁹⁰ It is probably true today that most inventors do get some sort of reward for their invention, but the voluntary

nature of their reward means that (i) they have no right to sue for an award which is not forthcoming, or to quarrel with the amount which the employer decides is a fair sum for his use of enjoyment of the invention,⁹¹ except under the rare circumstance that the employee made the invention in the expectation of getting a reward, which he was promised and which was not forthcoming,⁹² and (ii) if the employee receives an 'intangible' award such as promotion or the grant of greater research project facilities, there is no way for him to tell whether he would have received those benefits even if he had not made his invention.

It has long been a tradition of labour law that statutory duties laid upon employers should at least to some extent recognise the prior practices of their industry. For example, the Contract of Employment Acts⁹³ sought by and large to bring into the line the few employees who did not provide their employees with details of various terms and conditions of employment with the majority who did supply them. The introduction of a statutory award scheme would have the same effect, and would not only bring into line recalcitrant employers, but would also standardise the expectations of employees in different industries, or with different firms, as to how they would be treated. Is it worth legislating to protect only the interests of those employees who at present receive no rewards? According to Larke,⁹⁴

Human nature being what it is, there will always be people who will take unfair advantage of a position of strength. This is not to say that those people are necessarily in the majority amongst either employers or employees - but that there are unfortunately a sufficient number of them as to make it imperative that practical steps are taken to curb their abuse of power.

If it is true that most employees do get rewards, it is no less true that some do not, and it is to protect precisely those majority interests that a statutory award scheme is proposed.

(iii) No stimulus is required for prolific commercial inventors; such people invent anyway, and there is no point in stimulating them to do what they already do.

It is of course that there were inventors long before there were ever patents - or salaries - and that some people will invent without care for profit, reward, property or anything else; similarly there are men who write books not only when they are not protected by copyright but where their very existence may be threatened for so doing (for example, the Samizdat writers of the Soviet Union⁹⁵), but that has not been suggested as a reason for depriving men of their expectation of copyright.

Some distinction must be made between the habitual inventor and the once-in-a-while inventor; the former is an uncommon phenomenon, the best examples being the historical ones of Watts, Brunel, Edison and the like, but the latter is probably in the majority by an overwhelming majority. It is hardly fair to attribute to the vast majority the personal motivations, psychological make-up and inventive flair of a tiny minority of persons who may in fact, given the complexity of modern science and the attendant difficulty in mastering more than one or two branches of it in a lifetime, be virtually extinct. We must cater for the needs and requirements of the majority of inventors, and for the majority of employers who pay their salaries; we must also recognise that most of the employed work-force is

designated non-inventive, and that any stimulus to divulge inventions might lessen that number.

(iv) So few really important creative inventions are made that there is very little point in introducing the full regalia of a statutory scheme to encourage them.

This argument presupposes that the prime function of a statutory scheme is that of an incentive which drives the inventor to attain lofty heights of achievement and creativity; if its function is seen rather as providing compensation for the loss to the inventor of a property right, then the quality of the invention is only really a minor consideration; and in any event what makes an invention 'important' is what other people think about it and the way they exploit it after it has been disclosed to them - so what is required is a larger number of disclosures, which should result in a larger pool of potentially important or valuable inventions becoming available for consideration.

To the extent that an award scheme is an incentive at all, it may have the opposite effect to that propounded by the criticism. This is because the schemes as operated by Sweden, Germany and Japan all allow for a larger sum to be provided for the employee who makes an invention outside the scope of his employment duties, and of his employer's interests. This would favour the employee inventor who thinks in radically new terms as against the painstaking modifier or improver of his employer's plant, processes and products.

8.4.2 Arguments that such Schemes are not practicable

(i) It is difficult, if not impossible, in these days of teamwork and group invention to isolate the person who made the from those around him who assist in it.

The invention of today is 'evolved' through the mutual efforts of employees and is not 'invented' as such by any single one of them. If an inventor cannot be isolated, then he obviously cannot be rewarded by a statutory scheme.

This argument in fact highlights one of the great practical difficulties of the current patent system as a whole; for even in the absence of an award scheme it is still incumbent upon the applicant for a patent to name the inventor in the application.⁹⁷ Some firms privately admit to the practice of putting the name of the leader of a research team, or sometimes the name of whoever happens to be around at the time, on the application; but most firms do take the trouble to enquire as to exactly who is responsible for the specific claims which are the subject of the application notwithstanding that, according to the house patent officer of one multinational petroleum company, the process of interviewing each member of a research team to find out who did what is "embarrassing and degrading" for those concerned, at least where several members of the team all contend that they alone are the "true and first inventor". The introduction of a statutory award scheme, while often making it more important for the identity of the inventor to be ascertained, does not, then,

introduce into the law any problem which was not there already.

Two further points should be raised here; the first is that most large employers do in fact operate voluntary award schemes of one sort or another, and it is presumably a condition of the success of those schemes that the inventor be identified in that he receive his ex gratia payment; thus it ill becomes those firms which already operate voluntary schemes to claim that compulsory ones would be impracticable on this ground. The second point is that, even though the act of invention is personal and individual in its nature,⁹⁸ there is no reason why, in the interests of either equity or convenience, 'team inventions' should not be entitled to 'team awards', as is apparently done in Norway.⁹⁹ This would possibly be more of an incentive than the current patent system, where the notion of the personal patent monopoly is ill-fitted to the team concept of invention.¹⁰⁰

(ii) It is impossible to equate the value of different inventions in a commercial or other context; one invention may be of great use to mankind but of little or no commercial value, while another may be quite the opposite.

This objection assumes that the equation mentioned therein is one which is necessarily to be made in assessing the amount to be received by the deserving inventor; in fact, it is not. The award scheme is concerned to do justice in the individual case, as between employer and employee- it is not concerned with assessing the abstract worth of an invention award on any moral or commercial scale. Thus in respect of similar inventions employee A may receive only a small amount, and employee B a large one, not

because B's invention is better or more valuable than A's, but because there was a close relation between A's invention and his employment duties, but B's invention was made right outside the scope of his employment duties. There is an analogy here with criminal law, where the sentence received by the joint perpetrators of the same offence may be higher for one than for the other, if one is an 'old lag', the other a first offender.

8.4.3 Arguments that such Schemes are harmful to Invention

(i) A statutory scheme would discourage the disclosure of inventions between employees because secrecy would be encouraged by the possibility of personal gain, and no inventor would want to take the chance that another would claim his invention as his own.

This argument fails both upon practical and theoretical grounds if employers and their employees take a responsible view of inventing in employment, especially where those employees are professional inventors. The practical point is that companies should - and often do¹⁰¹ - encourage the keeping of dated 'ideas books' by employees, in which each records his own thoughts, creative ideas and outlines for inventions. These books can be inspected periodically by company supervisors and officials. Once an idea is recorded, the employee is in a strong position to claim 'priority', should any of his colleagues seek to utilise any of his ideas for their own personal ends. Of course such a system is not infallible, but it is submitted that it would go a very long way towards removing the danger of intra- or inter-departmental secrecy among employment concerns.

On a theoretical level should we postulate the absence of a statutory scheme, we would still see potential causes of secrecy in employment. If, for example, the company operates its own voluntary scheme, might not employees be even more jealous to guard against others finding or exploiting their ideas if their right to a reward is not an automatic one? And even if there are no award schemes at all, are not employees equally cognisant that their hopes for promotion, enhancement of present and future employment prospects and for professional recognition also depend upon their being credited with the inventions which they make? In any event, since there is no concrete evidence that award schemes do enhance secrecy amongs employees, we may as well bear along with the comment made by the former Managing Director of the National Research Development Corporation, Mr J.C. Duckworth,¹⁰² himself by no means a supporter of statutory schemes, that "... although this factor is probably a very minor one,... it does, at least, not seem to have hindered their (i.e. the West Germans') prowess".

A further argument along the lines of the objection above is that the incentive of awards, far from encouraging employees to work together as a team, will set them against each other and their perceived interests will be competing, not co-operating with each other. Once again there is no evidence to support this assertion and it must be asked whether, if free competition is so healthy between rival companies, the same principles should not apply to free competition between employees.

(ii) The introduction of such a scheme would be harmful to the quality of research, since it would encourage people to put short-term award gains before long-term scientific goals.

Without providing any evidence in support, Taylor and Silberston¹⁰³ assert that

As far as propensity to patent is concerned, the present system in Britain probably leads to fewer patents of a trivial nature being taken out by firms than would occur under a system where employees might be entitled to a share in the profit of invention.

Such an argument is not founded upon a correct apprehension of the law concerning statutory award schemes abroad. It is for the employer alone to decide whether an invention offered to him will be patented by him or not, and not until he makes an affirmative decision to take an interest in that invention will he be under any duty to pay compensation for it, but the innuendo of Taylor and Silberston suggests that employers are pressurised into patenting worthless inventions by greedy employees eager for their share of the loot. Where the employer does not wish to enjoy the fruit of his servant's intellectual exercise, the employee is still quite capable of earning some extra remuneration for it; he does not have to look solely to his employer for recompense or reward because if that latter should decline to use the invention or in some other way exploit it, the employee himself may do so, and will be entitled to the full benefit of the revenue from the resulting patent. Moreover, in the unlikely event of an employee pushing an employer into taking an invention which the latter does not want and will not use, he has little hope of securing any real compensation at all, for it will have been of no use to his employer.

What is clear, on the other hand, is that it is voluntary schemes which tend to push employers into patenting unwanted and largely trivial inventions, when the substance of a voluntary scheme is to reward the employee not in respect of the master's use, or with regard to the merit of the invention, but which give employees a bonus when (i) a patent application is made, and (ii) when the resulting patent is granted.¹⁰⁴

(iii) The law would be killing inventors with kindness; inventors would become so well-off that they would cease to have any incentive to invent.

This argument is also based upon a misapprehension of award scheme law and practice. Since the essence of existing schemes is that awards are given by way of compensation for the loss of a property right, it follows that such an award cannot be made until a property right is said to exist. There is no property right in a non-existent invention any more than one can own a non-existent dog; in order to come into existence, such rights must be attached to a res, in this case the invention itself. Since the inventor does not have any hope of a reward until he has made his invention, it cannot seriously be suggested that that which is a precondition to the worker establishing a right to compensation can be harmed or diminished by that subsequent reward.

What if it is argued that the "killing with kindness" sets in where the inventor has received so ample a reward that he will no longer feel the need to bestir himself again? To this it should be pointed out that (i) the reward received by an employee

inventor is a factor of not just the commercial worth, or inherent novelty of the invention, but also of the relation of the employment duties of the inventor to the creation of the work; the closer that relation, the less the reward. Where rewards are likely to be highest, where there is very little connection between employment duty and the act of creation, it is very likely that, under the common law, such inventions would be wholly-owned by the employee. Assuming that the inventor would wish to exploit the momentous invention, he would in fact receive more money in the absence of an award scheme - where the whole of the profits would be his - than under a statutory award scheme, where what he would receive would be a substantial proportion of his employer's profits. Thus if a large 'award' under the current 'free-for-all' system is not regarded as a disincentive, a smaller sum under a statutory scheme can scarcely be so!

(iv) The cost of invention, already high and rising fast, would be further increased.

At the time of writing, there are three very good reasons why the cost of invention is rising rapidly: (i) inflation has increased the cost of labour in respect of the hiring of scientists, technical and managerial staff, by anything up to thirty per cent in a year, over the last four years or so; (ii) more sophisticated plant has been employed, at great cost, for more advanced research in the aerospace and nuclear industries, and (iii) on the whole it is probably safe to say that most of the world's 'easy' inventions have already been made, which necessitates the looking to areas further afield than convenient gadgetry for

future research projects. It has not been shown that invention, in relation to world resources and potential profit, is in fact any more expensive on a relative scale than it was in the past. Additionally, the cost of research and advanced development of a commercially used invention usually varies between 5% and 10% of the total outlay on a new product, compared with 40% to 60% for tooling and manufacturing engineering, 10-20% for engineering and design of the product and 10% to 25% for the cost of marketing 'set-up' expenses.¹⁰⁵ Where the employee inventor invents what he is employed to invent, his award is in any case nominal or non-existent unless the invention itself is outstandingly marketable, and it is usually inventions in this category which are exploited by the major products manufacturers, who almost invariably have their own research and products innovations departments. Even where a firm is faced with a substantial award to pay, it should be noted that (i) there is always the likelihood that, under common law, the invention was the employee's anyway, so the firm would have had to negotiate a licence fee, and (ii) the payment of an award will represent usually only a small and tax-deductable charge upon the employer, who may in any case distribute that cost between his purchasing customers.

8.4.4 Arguments based upon Unfairness to Employees

(i) If only inventors are given statutory awards, it is unfair that non-inventive staff who may be more responsible than the inventor for the commercial success of the invention, should not also be entitled to a reward.

This argument misses the point that statutory award schemes

are not established for the furtherance of meritorious or valuable activities (in which case the company doctor, accountant and patent staff would all have strong claims for awards too), but for the compensation paid to one who would otherwise have had an undisturbed right to enjoy a property right. Moreover, the act of invention, arguably, is more important than the contributions of others to the success of the enterprise, in that the invention, or the act of invention, is a sine qua non to its exploitation. It is, as Lloyd says¹⁰⁶, the discovering of what is unknown, not the application of the known to the known, which latter is the role of the non-inventive staff, no matter how meritorious they be. The act of invention, while often performed by a member of a team, is still an individual act, and it is worth noting the comment of Maurice Crews¹⁰⁷ that

The growth of the (patent) system in encouraging the making of inventions by individuals has been questioned or criticised with the comment that invention has become a corporate and group activity and is no longer a subject for individual initiative and incentive. I disagree 100%. The invention is an individual function in its very essence. It can be supplemented and reinforced by group activity, but never replaced. Our problem is to make the incentives of the system operate through the corporation or group upon the individual, not to replace the individual by the group.

(ii) To reward the inventors of patented or patentable inventions is unfair to those who 'invent' inventions which are not susceptible of patent protection.

This argument is open to the same criticism as is (i) supra, that if an invention - for whatever reason - is unpatentable, there is no property right in it¹⁰⁸ and in respect of which the law would seek to give the inventor compensation; if the

employee is not deprived of a monopoly right, he has no claim to a reward. Of course, there is no reason why unpatentable inventions should not be encouraged, and their inventors reumunerated, by a voluntary award scheme running alongside a statutory one, and this is the net effect of the 'Inventors' certificate' laws of most Eastern European countries,¹⁰⁹ whose Marxist philosophy encourages rewards for meritorious innovative behaviour but would scarcely countenance so doing for the loss of an economic monopoly right.

8.4.5 Arguments based upon Unfairness to Employers

(1) Employees will not wish to work in 'non-inventive' areas such as accounting, sales, or in the development of researched ideas, since they are not likely there to benefit from the statutory award scheme; nor will they pursue duties relating to the creation of non-patentable inventions, and their thoughts will dwell only upon areas of patentability.

This argument does not take into account the fact that inventions which are made outside the scope of one's duty are likely to be far more remunerative to their creator than are those which fall within the narrow scope of one's employment duty; moreover, it is founded upon the assumption that the lure of a reward is the sole motivating factor which operates upon the mind of the employee, and that none are countervailing. For example the accountant, the sales representative and the architect are all, in probability, likely to derive an higher degree of job-satisfaction¹¹⁰ from doing their chosen work in preference to their engaging in speculative activity towards the unfamiliar end,

inventing. As to the second part of the argument, should the allegation therein be true, it does not necessarily follow that concentrating upon areas of patentability is itself a bad thing; for the mere existence of the patent means that there is an incentive to develop an invention, which means in turn that its benefits may be felt by a consuming public. However, there is no indication that the human mind does in any case proceed from an intention to make something patentable towards the creating of that patent; more likely the existence of the invention is antecedent to the vexed question as to whether a valid patent might issue in respect of it. And Archie Palmer, who studied for many years the topic of inventivity and university research policies, suggests¹¹¹ that

The patenting of the product of creative or inventive research need not necessarily bring direct personal benefit to the research worker himself..., nor need it distract his interest from fundamental research through the lure of greater rewards from work with patentable possibilities.

(ii) Award schemes are unfair to employers because they force them to pay a reward for the use of rights which were usually theirs anyway, by common law or contractual term.

Or as Taylor and Silberston¹¹² put it:

... inventions of importance made by employees are likely to be made by those employed expressly to invent or do research, and such people know when they accept employment to invent that they are in effect exchanging their right to any invention they may make for a regular income from their employers.

The answer to this objection is not easy, resting as it does upon the examination both of the common law¹¹³ and of current

contractual practice.¹¹⁴ Historically speaking, to the end of the last century employers were quite content to negotiate with employee-patentees at arm's length for the use of their inventions, and there was felt to be nothing wrong, or even uncommon, in an employee enjoying a patent right against his continuing employer. In the United States the 'shop right' doctrine entitled the employee to enforce his monopoly against all save his employer where that latter had contributed in some way towards the development or financing of the invention; in Britain there grew up no such 'shop right', and at the beginning of the current century it was first felt to be inequitable that an employer in the 'shop right' situation should be totally and conclusively excluded from any part of the employee's patent right. In rectifying the grievous position of the employer, British courts saw no alternative to employee-ownership of a patent right save that of employer-ownership, and no tertium quid developed; and while the ceding of rights to the employer was first conceived as an equitable remedy for an oppressed employer, it was soon rendered into the common law as a test of ownership in a patent. Thus what was once the employee's by right became the employer's, and without compensation too.

In the United States there was little or no need for the ordinary employer to seek the transfer of all rights in a patent, especially where that party enjoyed its 'shop right'. But the courts were not always predictable in their application of 'shop right' doctrine to the facts of the cases before them, and many employers sought certainty in their enjoyment of patent rights by

requiring assignment from the employee of whatever he might happen to invent. This practice, introduced at about the turn of the century, soon spread to the British Isles. Thus in the area of contractual pre-assignments too the employer now enjoys rights to which he was not customarily entitled not so long ago; and no compensation has been capable of being claimed as the inventor's legal birth-right. Although this does not formally dispute the fact that a statutory scheme would force employers to pay compensation for that which is today usually theirs by right, the establishment of that right has cost them nothing and has benefited the inventor by that same amount.

(iii) Statutory award schemes would interfere with more flexible schemes already introduced into various industries and which were tailor-made for the requirements of each.

This criticism would certainly be true of an award scheme along the lines of that implemented in West Germany,¹¹⁵ where the employee inventor can calculate with some accuracy the sort of sum he is likely to receive and is thus in a position to say whether or not the sort of money or reward the employer offers him is adequate or not. However the Swedish type of scheme¹¹⁶ puts the emphasis upon the right to a reward rather than upon the quantum, and there is little reason why a well-regulated and balanced voluntary award scheme should be incompatible with a Swedish scheme. As such, the employee would be enabled to accept an enhanced promotion or better research facilities, if both parties were willing, without the feeling that his right to a reward has been materially compromised; but if he does not wish

to accept so intangible an award, he can settle for a sum of money.

(iv) Employers will be flooded with ill-conceived and worthless ideas by speculative employees.

This objection might at first seem frivolous; after all, the employer is under no obligation to pay for any ideas or to use them unless he manifests some desire to do so, and only when an idea is accepted for use will the employer be under an obligation to pay compensation for it. However, the process of sifting the inventive wheat from the uninventive chaff might be regarded as a time-consuming task which cannot be performed by a machine and which may be complicated by an increased flow of the latter category of idea. Since statutory schemes require the employer to give a fairly prompt 'yes' or 'no' to the employee, usually within a period of three or four months from the date that the idea is submitted, it may be felt that good inventions will be missed in the pressure of time.

The answer to this criticism is that the time spent processing inventions which are hastily- or ill-conceived is usually very small, simply because such inventions have little substance; and the time spent in deciding whether such inventions - assuming them to be of at least some substance - should be adopted for the employer's use or not will also, in probability, be small. In addition, though the ratio of frivolous and doubtful inventions to real and valuable ones may indeed increase, no idea can be either accepted or rejected unless it is first submitted; and it

is likely that a statutory award scheme will indeed increase the number of inventions submitted, and this should have a beneficial effect upon industry in that employers will indeed have a greater choice of inventions to exploit, methods to adopt, or markets to utilise.

(v) Employees can patent the trade secrets of their employers, and hold them to ransom, by requiring rewards if the patent is not to be misappropriated or sold to another.

This is a misapprehension of the law and of the operation of statutory award schemes. If an employee seeks to patent an inventive trade secret which is not his own, such a patent would be invalid¹¹⁷ and no statutory award could in any case be payable on it. Nor can the employee even disclose an invention which is the property of his employer without acting in breach of the latter's confidence.¹¹⁸

A slightly more complex problem arises where an inventor offers his employer a patentable invention, when the employer, eager to use the invention, does not for one of a number of reasons wish it to be patented. If it is treated as a trade secret, can the creator nonetheless claim a statutory award? Under West German law¹¹⁹ such an award must be paid as though the invention were patented, and that is the fair result; for the employee may not then go ahead and patent the invention himself, or extract money from the employer by his threats to do so, and the invention itself may be enjoyed in secret by his employer.

(vi) Employees would press hard for the acceptance and commercial exploitation of their inventions.

There is no reason why this objection should be sustained if

one considers that the first and foremost reward for an invention is a patent therefor; only if the employer wants an employee's invention and takes the patent rights to it will that employee then be deprived of his patent right, and only then will he get compensation. In all other cases his reward is the patent itself, which he may exploit or use as he pleases.

It may be envisaged that the employee would try to push the employer to take on inventions which are worthless, because the employee would be unable to derive any benefit if he tried to exploit them himself; but if the invention is worthless to the employee inventor it will be worthless also to the employer who, even were he to succumb to such unreasonable and unjustified pressure from an individual employee, would incur the duty to pay a minimal, nominal sum in respect of that invention, remuneration for which being referable to, inter alia, the commercial value of the invention.

8.5 Types of Award

Statutory award schemes tend to assume that, in the absence of any other agreed form of reward, a pecuniary award is most appropriate to compensate the employee inventor for his troubles; and it is probably true to say that the pecuniary award is that most commonly enjoyed under voluntary schemes too. Yet there are many different ways in which an inventor can be remunerated or compensated by the employer, and each of these deserves to be examined both in terms of (i) their value as a compensation or incentive, and (ii) their practical application in industry.

8.5.1 Tangible Awards¹²⁰

'Tangible' awards are those which the employer can 'get his hands on'; they have some form or substance to them. Cash bonuses, government bonds, company shares, national savings certificates, a new car or washing machine, or an holiday in Hawaii, and on a smaller scale inventors' trophies, ties, plaques or badges are all examples of the tangible award. In general it would seem that a monetary bonus is preferred by inventors,¹²¹ but there may be tax reasons for the employee to wish to receive payment in a form which incurs neither income nor capital gains tax liability.¹²² The Civil Service Department¹²³ is not averse to making payments in kind for intra-Departmental (i.e. smaller) awards, and other firms have resorted to the making of small gifts such as ball-point pens emblazoned with the name of the firm. Performance Awards (Reserve) Ltd.,¹²⁴ which contracts to supply award or incentive schemes for employers to utilise in their industries, favours the awarding of goods rather than cash because it enables the employee to 'save' invention credits or tokens, or green stamps, until he can get what he fancies from the firm's reward catalogue; this involves the whole family rather more than if a mere cash award were made (the wife, presumably, having some say in the husband's selection or merchandise, or vice versa) and there is no chance of any ill-feeling arising from the workplace where one man, through invention or otherwise, takes home more money in his pay-packet than do his co-workers.

8.5.2 Intangible Awards

'Intangible' awards are those which, unlike the tangible, cannot be used or consumed by the individual for his own enjoyment. Typical of such awards are promotion, greater control over one's future research projects, professional recognition and 'publicity' both within and outside of the employment concern, 'fellowships' at work¹²⁵ or eligibility for inventors' dinners, meetings and the like. The basis for making an intangible award is that the employee's job-satisfaction quotient is assessed by reference to his status, capabilities and desires, and that the award so made is not designed to compensate the employee for any loss of property right, but is designed instead to enable him to achieve an higher degree of job-satisfaction. A propos of intangible awards, John Riegel¹²⁶ made a study of the wants and needs of three categories of employee: research personnel, development engineers and operational engineers; from Riegel's findings¹²⁷ it is impossible to draw any significant conclusions as to the type and merits of intangible awards because of the 'static' nature of Riegel's work, which does not take into account the 'dynamic' nature of the employment relationship. For example, an employee with a dull job will want an interesting one; but once he is transferred to such a job he will no longer want an interesting job, for he has one already, and he will want something else instead. Thus also the man whose job is insecure, lacks an outlet for his professional skills, or pays badly. We may safely conclude that a suitable intangible award is that which the individual employee wants but does not possess, but that is scarcely useful as a

conclusion upon which to base any fruitful analysis of the intangible award.

The most dangerous form of intangible award for invention is that of promotion to an higher job. Some companies assess an employee's creative ability and record as a basis for promotion, but this has apparently proven to be an unsuccessful criterion in so many individual cases that many employers now specifically ignore a man's invention record when considering him for a more responsible post within the firm. The danger of using promotion as a reward is this: that (if we take Figure A as a typical corporate hierarchy) each promotion at either the operational or supervisory level will require that the employee newly-promoted acquire a set of new skills for his new job, but the basis for the promotion is made upon his proven success in a previous type of job. Promotion which takes the inventor out of the laboratory and puts him in executive management or departmental supervision may thus be counterproductive to the interest of the company. Some firms which do still reward inventors by promotion do so on a 'parallel paths' corporate structure of the kind depicted in Figure B. This enables the successful scientist to continue receiving promotions as a scientist until he reaches the point where the criterion for promotion is his ability to influence company policy decisions taken in his field of expertise.

Perhaps a more successful, though less lucrative, mode of intangible award is that of an honour, such as being listed in the house newspaper as an inventor. The Post Office uses such a

Supervisory Staff :
Operational Staff :

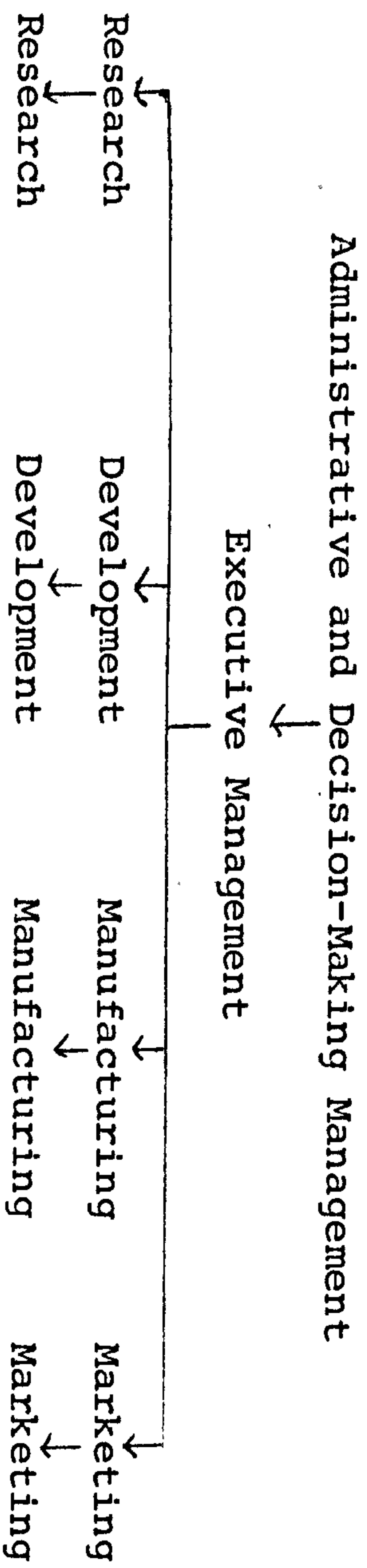


FIGURE A

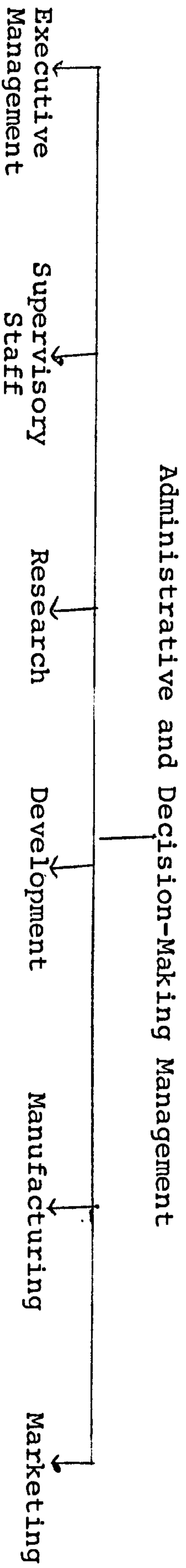


FIGURE B

ploy as a back-up to its tangible awards, and is a popular part of its general suggestions scheme; it has been found that employees whose names are printed in the relevant journal tend to remain 'inventive' for some weeks after the paper is published.¹²⁸ Not all intangible rewards cost the employer so little; a valued employee may be given such bonuses as time off for the writing up of research projects which may then be delivered as papers before learned societies, or a greater allocation of research funds to his department. Such awards today are of course ex gratia and are not habitually granted even by firms which employ such awards.¹²⁹ There are also awards which may in fact cost the employee a considerable sum of money should he accept them, such as the grant of an option to purchase stock in the company, at a discount or otherwise.

It may be noted that, while tangible awards, and especially cash, can take on the appearance of either a reward, an incentive, or a compensation payment for the loss of a property right, the intangible award more easily assumes the role of an award for the act of inventing or for loyal and valuable service. As such it falls more closely within the ambit of the 'master-servant' relationship than that of commercial investor and inventor/patentee. From a psychological view it may thus be that intangible awards, though desirable in themselves, smack more of notions of 'service' or 'obedience' than of the cold, objective transfer of intellectual property rights. This might explain why employers themselves seem to be not unenthusiastic

about such modes of intangible award which produce correlative benefits to them in the form of the employee's gratitude and good will, and it might also explain why employees prefer payments in cash. It is probable that employers would be none too sympathetic with the view of American economist Irving Siegel,¹³⁰ who pointed out that "motives (for working or inventing) that may seem uneconomic at first glance - such as security, ego enhancement, and desire for power - have economic components and are amenable to monetary accommodation", for Siegel suggests (by implication) that the effects of non-monetary awards - including the intangible benefits to the employer - can be replaced by cash values. Indeed, it is difficult to agree with Siegel's assertion unless one views the employer as a limitless fund of money and plenty of room at the top. Just how does one make "desire for power" within a corporate structure "amenable to monetary accommodation"?

In conclusion it is suggested that the comparative motivating force of awards tangible and otherwise is a subject upon which future research is required. It may be pointed out as a generalisation that companies themselves are more likely to be influenced by considerations of profit, rather than 'good reputation' or other intangibles, unless the lack of those intangibles is itself likely to manifest itself in a loss of profit. We might at this stage wonder that what is true of companies - which reflects the attitudes of the persons who comprise it and form its policies - will not also be true of its employees, and that the lure of the lucre is more powerful than the promise of fame or glory as a motivating force.

FOOTNOTES

Chapter VIII

1. Patents Act 1949, section I (1) (b)
2. Ti. 35 U.S.C. § 118.
3. For the 'contract' theory of patents, see chapter 10.0, inf.
4. See chapter 10.2.1, inf.
5. On adequacy of consideration see, e.g., Thomas v. Thomas (1842) 2 Q.B. 851.
6. See Lloyds Bank Ltd. v. Bundy [1974] 3 W.L.R. 503, 508-9.
7. See chapter 17.2, 17.3, inf.
8. "Incentives to Innovation and Invention" (1965) 11th. Graham Clark Lecture, at p. 2.
9. For an extensive discussion of the droit moral see chapter 16, inf.
10. See Brennan, "The Developing Law of German Employee Inventions" (1962) PTCJRE 41, citing Reimer, Das Recht der Arbeitnehmererfindung (1958), third ed. of Reimer, Schade & Schippel; also Fritz Machlup quoting the late Professor M. Polanyi in An Economic Review of the Patent System (1958), p. 57.

11. See Coryton, Law of Patents for Inventions (1855), p. 41-2.
12. Royal Commission on Awards to Inventors, Reports 1921-37, Cmnds. 1112, 1782, 2275, 2656, 3044, 3957, 5594, Reports 1948-9, Cmnds. 7586, 7832 (H.M.S.O.).
13. Meeting of 19th June, 1975.
14. See, e.g., F.H. Towler, "Inventions and Inventors", letter to New Sci., 25th February, 1965.
15. "Doctrine of total employment", in P. Walker, "Rewards for Inventors" (1971) Nature 357.
16. This notion espoused in National Development Corporation v. Gray (1941) 316 Mass. 240, 246.
17. See chapter 17, inf.
18. See Royal Commission on Capital Punishment (1953), Cmnd. 8932, para. 53.
19. per Sir James FitzJames Stephen.
20. See Patents Act 1949, sections 14, 32.
21. *ibid.*, section 10.
22. See M. Bogulslavsky, "The New Soviet Statute on Discoveries, Inventions and Innovative Proposals" (1975) 6 I.I.C. 121; Wenig, "The Law of Innovators in the German Democratic Republic" (1974) 5 I.I.C. 407.

23. For an interesting account of modern Marxist theory and practice see A. Dietz, "Trends Toward Exclusive Patent Rights in Socialist Countries?" (1971) 2 I.I.C. 155.
24. But see chapter 7.1.3, sup.
25. See chapter 7.1.1, 7.1.2, sup.
26. N.8, sup., at pp. 2-3.
27. "Statutorily Decreed Awards for Employed Inventors: Will they Spur Advancement of the Useful Arts?" (1971-2) IDEA 575.
28. per Boehm and Silberston, The British Patent System: Volume 1 (1967).
29. "Employees' Inventions" (1964), 4th. Ballanthne Lecture, 28th May, 1964.
30. See Patents Act 1949, sections 10, 101.
31. "Employee-Employer Compensation Plans" (1964) J.P.O.S. 475.
32. In a letter to this author, one electronics employee and lately inventor pledged never again to disclose inventions to his current employer - a well-known firm in the southern Midlands - because there was no possible incentive for him to do so. On a previous occasion when he had submitted an invention (later patented by a well-known Japanese firm) he had been treated with derision.
33. "The Employee Inventor - an Inventor's View" (1965) J.P.O.S. 495 (referring to those employed specially to invent).

34. This practice is very common where new plant is being installed, or a new process introduced, when 'teething troubles' may occur.
35. This was the reason for the recommendation of the Banks Committee that voluntary rather than statutory schemes be set up in industry; see (1970) Cmnd. 4407, §461.
36. The author has been able to find no employee complaints relating to this practice.
37. All examples drawn from the U.K.; an exhaustive study of practice in the United States can be found in Neumeyer, The Employed Inventor in the United States (1971), chapter 3 etc.
38. To May, 1974.
39. "Patent Policies for Employees" (1962) PTCJRE 24, inf.
40. Presumably the payment is made for realisation of a capital asset, not by way of income.
41. To April, 1974.
42. Estacode EC/223 (1974).
43. Interview with officers of the Civil Service Department, April, 1975.
44. e.g. R. Jones, "Who Benefits from the Suggestions Box?", The Times, 5th March, 1973, claims an annual return of 50% on CSD investment in new ideas.

45. Typical is the practice of the National Coal Board, as described by Lord Robans before the Select Committee on Nationalised Industries (sub-committee A), Minutes of Evidence, Thursday 17th July, 1969 (H.M.S.O.).
46. Letter from S. MacMillan Pratt, July 1974.
47. Source: Cartwright and Uexküll (transl.), German Laws Relating to Inventions of Employees and Directives Issued Thereunder (1964), Schade, "Employees' Inventions - Law and Practice in the Federal Republic of Germany" (1972) Ind. Prop. 226, 249.
48. Law Relating to Inventions of Employees, July 25th, 1957, amended October 1st, 1957, June 30th, 1959, October 1st, 1960, March 23rd, 1961 and June 27th, 1970, section 4.
49. *ibid.*, section 18.
50. *ibid.*, section 19.
51. *ibid.*, section 5.
52. *ibid.*, section 8.
53. *ibid.*, section 6.
54. This claim cannot be removed by contract; *ibid.*, section 22.
55. *ibid.*, sections 9, 10.
56. *ibid.*, section 12 (1).
57. *ibid.*, section 12 (3).

58. *ibid.*, section 12 (4).
59. *ibid.*, sections 28-36.
60. *ibid.*, sections 37-39.
61. Directives on the Compensation to be Paid for Employees' Inventions Made in Private Employment, July 20th, 1959, directives 6-12.
62. Schippel, "Compensation of Employee Inventors in Germany" (1973) 4 I.I.C. 1, 9 and Appendix 2, *ibid.*, p. 16.
63. Letter of 2nd July, 1975; BDI is the German equivalent of the CBI (Confederation of British Industry).
64. Currently H.R. 5605, 94th. Cong., 1st Sess. (1975).
65. Source: Law Concerning the Right to Employees' Inventions, June 18th, 1949 (Swedish Statute Publications, n. 345), F. Neumeyer, The Swedish Act on Inventions by Employees and Handling of Matters in the Swedish State Telecommunications Administration, undated.
66. See. e.g., Norway, Law n. 21 of April 17th, 1970 Concerning Salaried Workers' Rights in their Inventions; Nordic Council, 16th Sess. 1968, "Members' Proposal on the Unification of the Rules Relating to the Inventions of Employees", proposal A 159/j and recommendation no. 18/1968 (that the Swedish law should provide the minimum basis for protecting the employee inventor in Scandinavia).

67. Swedish Statute of June 18th, 1949, article 3.
68. *ibid.*, article 4.
69. *ibid.*, article 3.
70. *ibid.*, article 6 (1).
71. The agreement may be inter partes or upon the basis of collective agreements such as the Agreement on the Right to Employees' Inventions between the Swedish Employers' Confederation, the Union of Clerical and Technical Employees in Industry, the Foremans' and Supervisors' Association and the Association of Graduate Engineers, July 15th, 1970.
72. *op.cit.*, n.67, *sup.*, article 6 (ii).
73. *ibid.*, article 6 (iii).
74. *ibid.*, article 10.
75. Neumeyer, Systems to Stimulate Employee-Inventions in Europe (1974), National Bureau of Standards Special Publication n. 388.
76. "Report of the Institute of Patentees and Inventors on the Government White Paper (Cmnd. 6000) "Patent Law REform", September 1975.
77. Source: A. Sugimura, "Protection for Employees' Inventions" (1971) 1 Pat. & Eng. 1 (Tokyo)
78. Japanese Law of 1959, article 35.
79. Projection of statistics in Banks, *op.cit.* n.35, *sup.*,

Appendix C (b) (i).

80. Sugimura, *op.cit.*, n.78, *sup.*
- 81 *ibidem.*
82. See Lavoie, "Who Cashes in on Your Patents?" (1972) *Mach. Des.*, 24th August: statistical table showing per capita inventive performance of U.S., U.K. and France lagging behind that of West Germany, Japan and Sweden.
83. Some of the contents of this section may be found, in different form, in the Institute of Patentees and Inventors' paper, n. 76, *sup.*; the paper, which was unpublished and of limited circulation, was drafted by the author and revised by members of the Institute.
84. Brenner, "The Untapped Potential of the Employee Inventor" (1972) *Action 83*, likens this to having one's cake and eating it too.
85. *op.cit.*, n. 33, *sup.* See also Hafstad, "Lay Comments on the Proposed Patent Law" (1967) *IDEA* (Conference Issue).
86. See n. 16, *sup.*
87. "Rewards for Inventors" (1971) *Nature*, vol. 231, p. 357.
88. See Arnold and McGuire, "The Law and Practice of Corporate Information Security" (1975) 57 *J.P.O.S.* 169, 237.
89. This was felt to be a very important factor by two interviewed firms operating in areas in which there was very little other industry.

90. See Macfie, Copyright and Patents for Inventions..., volume 2 (1883), per Thos. Webster p. 227-9, John Lewis Ricardo p. 268-9; cf. William Fairbairn, p. 241.
91. One inventor, in a letter to the author, recalled an instance where his employer gave him £20 for a sophisticated electronic invention, telling him "You realize this is generous - we don't have to give you anything".
92. See Lampleigh v. Braithwait (1615) Hob. 105, re Casey's Patents, Stewart v. Casey [1892/ 1 Ch. 104.
93. 1963. 1972 (incorporating the changes made by the Industrial Relations Act, 1971)
94. Larke, n. 29, sup.
95. See D. Loeber, Samizdat under Soviet Law (1973) Index, vol. 3.
97. Patents Act 1949, section 2; Ti.35 U.S.C. §§112,115, 118; and see chapter 16.1.2., inf.
98. See chapter 7.1, sup.
99. "Law no. 21 of April 17th 1970, Concerning Salaried Workers' Rights in their Inventions."
100. See D. Smith, "Technological Innovation in Patents", in Alderson et al (eds.), Patents and Progress (1965).
101. This seems to be predominantly an American practice: see, e.g., Bryce, "Engineering - a Profession or a Job?" (1973) APLA Quart. Journ. 130.

102. op. cit. n.8, sup., at pp. 2-3.
103. Economic Impact of the Patent System (1973) at 323; this work involves an "industrial survey" confining itself to the basic patent-producing industries (pharmaceuticals, chemicals and electronics).
104. See Page, "Award Schemes for Employee Inventors" (1975) C.I.P.A. Transactions, discussing the interesting and unfortunate experiences of the Westinghouse Brake and Signal Co.
105. Lloyd, "Inventio Innovation and Size" (1970) Moo. & W.St.35 (statistics based upon NRDC grants).
106. ibidem.
107. "The Three Patent Incentives - a Reappraisal" (1961) J.P.O.S. 554.
108. Subject to any protection it may receive as a trade secret: see chapter 11, inf.
109. See, e.g., Bogulslavsky, op. cit., n. 22, sup.
110. On job-satisfaction see also chapter 7.1.2, sup., on stimulus-response theories of invention.
111. "Patents and University Research" (1947) L.C.P. 680, 681.
112. see n. 103, sup.
113. see chapter 10.2, inf.

114. See chapter 10.8, inf.
115. See chapter 8.3.1, sup.
116. See chapter 8.3.2, sup.
117. Patents Act 1949, section 32 (a), (b), (c), (e).
118. See, e.g., Amber Size Co. v. Menzel /1913/ 2 Ch. 239.
119. See n. 47, sup.
120. For an interesting factual account of tangible and intangible awards practice in the United Kingdom in the 1950's see Industrial Welfare Society (now the Industrial Society) Summary No. 43, Patent Rights and the Employee (1957).
121. Rossman, "Patent Policies for Employees" (op. cit. n. 39, sup.), estimated from a statistical sample that 40% of employee inventors wanted cash or royalty bonuses as a direct stimulus to invent.
122. See, e.g., Murray (Inspector of Taxes) v. Imperial Chemical Industries Ltd. /1967/ Ch. 1038, Blum v. Commissioner of Internal Revenue, 183 F. 2d 281 (1950), Beausoleil v. Commissioner of Internal Revenue, (1976) 279 PTCJ A-10.
123. Interview, n. 43, sup.
124. Letter, n. 46, sup.
125. This policy has apparently been followed by International Business Machines in the United States with some degree of success.

126. Intangible Rewards for Engineers and Scientists (1958).
127. For an extrapolation of these findings, see Appendix
128. Interview with H. Bickley, Post Office Patent Department, August 1974.
129. See Neumeyer, op. cit. n. 37, sup.
130. "Employee Inventions - An Economist's View" (1965) J.P.O.S. 493.

C H A P T E R I X

THE LAW OF CONTRACT AND THE EMPLOYMENT RELATION

9.0 Introduction

The disposition of legal rights between two or more parties can be effected by either of two basic means: the first is by operation of a law which will apply wherever those parties occupy a particular relation to each other, and the second is by the operation of a binding agreement between them which, by virtue of (i) the fact of agreement and (ii) the satisfaction of certain legal requirements will become 'law' between those parties. Examples of the first situation would be the relation of a man to his child, his local council or to the Inland Revenue; of the second, the relation of that same man to his car mechanic, green-grocer or golf club. In most cases, including the contract of employment, the relation of the parties is governed by both status and contractual considerations; thus the amount of money which an employee earns, and the duties which he performs, are fixed by agreement, but the circumstances in which the employer can terminate the contract, and the mode of payment of the agreed sum, for instance, are governed by laws which apply to almost all

parties who occupy the status of employer and employee.

Where an employee has created a work of intellectual property there are four sets of rules governing the disposition of rights in that property: (i) rules which operate in the absence of any agreement at all - these are the old common law rules which are derived from the status of inventor and assistant, collaborator or sponsor, (ii) rules given force of law because both parties have agreed that they should be so treated, (iii) laws which govern the fair operation of the second category, which are status-imposed by Parliament upon employers and employees, and (iv) laws governing the validity of contracts, which are imposed by the court upon all contracting parties. Subsequent chapters¹ will be dealing with the first two categories, but this chapter is designed to deal with the last two, by way of a brief introduction to the principles of the law of contract.

9.1 How Contracts are Made

Before a contract comes into being there must be an 'offer' and an 'acceptance' of the terms and conditions of the contract. The employer will usually make an offer to bind himself to the promises which he makes (e.g. the promise to pay salary, pension contributions, etc.) in return² for the future employee promising to bind himself to perform the obligations which that contract will put upon him (e.g. a duty to do what he is instructed to do, to work for forty hours a week). If this is agreeable to the

prospective employee he will accept the terms as specified, and a contract is formed; but if he turns it down, lets it lapse or makes a counter-proposal he has, legally speaking, rejected the offer, and an offer once rejected cannot be accepted before it is made anew.

Some contracts are made not by the parties but by the courts in circumstances in which the parties have not only made no agreement but will have had no idea that they were entering into a contract. This type of contract is called a 'collateral' contract because it usually runs parallel to the contractual obligations of the parties concerned in dealings with others. A good example of a collateral contract would be where A manufactures boots, for which purpose he seeks to purchase a machine made by the B Co. He asks B if the machine is suitable for the manufacture of plastic as well as leather footwear, and is assured that this is so. Thus assured, A goes to retail outlet C to purchase the machine which turns out to be unsuitable for plastics. A cannot sue C for breach of contract, for C has done what was required of him; but in such an instance the court may invent a contract between A and B under which B notionally warranted that the machine was suitable for plastics in 'consideration' of A's going out and buying such a machine. This type of contract is far less common than the first, but can often be used to cover situations in which more conventional contract law cannot provide a remedy for a wronged party.

9.2 Giving Effect to Contracts: Express and Implied Terms

Once a contract is found to exist, its terms are 'law' between the parties, and its obligations are rigorously enforced on the principle that pacta servanda sunt ("promises must be kept). The only problem is to ascertain what exactly those pacta are. If a promise is express, there is usually little difficulty in identifying it; thus if I say, "I will give you £5 for your clock", and you accept, then my promise is simply to pay the money in return for the clock. But if I then refuse to pay up, claiming that the clock does not work, you will complain that I promised to pay the money, and I will rejoin that you promised that the clock was in working order. You will then point out that no such promise was ever made; nonetheless, the courts may infer the existence of such a promise. There are several avenues whereby a term may be implied into a contract:

(i) Business efficacy: in the old case of the Moorcock³ a man agreed to let another man moor his boat in the former's dock; unfortunately, the dock was too shallow and the boat ran aground. The owner of the mooring did not promise that the dock was deep enough for the plaintiff's boat, but under the circumstances, the defendant's dock being a commercial venture, the court decided that the requirements of 'business efficacy' demanded the implication of such a promise.

(ii) The Officious Bystander: If A agrees to buy, and B to sell, a car, and C, who happens to be around at the time, says "Does the car come with tyres on it?", one might expect both A

and B to turn on C and snap a testy "Of course" at him. This is the 'officious bystander' test,⁴ that a term will be implied because it is patently obvious that it should.

(iii) Custom: If I borrow £5,000 from my bank and agree to pay it back over a period of years it is quite possible that neither I nor the bank will say anything about the payment of interest; yet banks do not customarily lend money without making an interest charge, and the courts will presume me to know that, even if I do not.

(iv) Status: Either through the operation of statute or of the common law a promise can be implied into a contract without either of the parties realizing it. Statutes such as the Sale of Goods Act, 1893 or the Equal Pay Act, 1970 import promises that goods sold be of a particular quality and that a woman employee will not get less pay for the same job as the man beside her gets. Under the common law, the duty not to perform any act harmful to one's employer, or the duty to hold in trust for the employer any invention made in the course of one's employment duties, will be implied even if neither party realizes it. Three of these implied duties are of great importance to the allocation of intellectual property and confidence rights, and will be met frequently in the subsequent chapters:

(a) Duty of fidelity: this is a duty owed by all employees who have possession of information of value to the employer, or who occupy a status whereby they enjoy full knowledge of their

employer's interests. The duty owes its existence to the difficult wartime case of Hivac Ltd. v. Park Royal Scientific Instruments Ltd.⁵ where the plaintiff company sought to prevent the defendant company from employing various of the employees of the former in their spare time. One such employee had unlimited access to the plaintiff's data on midget valves for deaf aids - an area of industrial interest to the defendant - but there was no evidence at all that any of the employees had divulged any confidence owed to the plaintiff, who could thus succeed against the defendant only if it could be substantiated that the latter was committing an inducement of breaches of the plaintiff's contracts of employment.

At first instance Cohen, J. pointed out that since there had been no breach of the contracts, the defendants could not be said to have induced any, but this simple reasoning was not accepted by the Court of Appeal, which regarded the employees' activities as "morally reprehensible, if not legally wrong"⁶ in that the secrecy enjoyed by the plaintiff was put into a position of danger by the dual employment. That court then imported into the contract of employment a new duty, a 'duty of fidelity', which was in practice a duty not to act against the best interests of the employer; thus the defendant was restrained from employing the plaintiff's men.

The duty of fidelity was described by Lord Greene, M.R. as being ever-present but subject to differing standards of care owed the employer. His Lordship said:

I can well understand that the obligation of fidelity, which is an implied term of the contract, may extend very much further in the case of one class of employee than it does in another.⁷

But there is little indication as to quite how far it goes. It could certainly be argued that any intentional breach of the contract of employment by the employee would also be a breach of the duty of fidelity, as may be the situation where any valuable employee seeks to terminate his employment and work for a rival. The duty of fidelity has been held to apply where an employed solicitor was 'kidnapped' by a client of the employer,⁸ even though there was no confidential relation at stake, and even though the client wished to be advised solely by the employee and not by the employer.

In a recent case it was held that the duty of fidelity expires at the date of termination of the employment contract;⁹ this is without prejudice, of course, to the duty to keep secret that which is protected by a relation of confidence.

(b) The fiduciary duty: this duty is founded upon the express or implicit assumption of the role of a trustee or expert adviser by an employee, director¹⁰ or partner,¹¹ by virtue of his high status or his position of responsibility within the employing concern which renders him a trustee for its best interests.¹² The principal obligation of this duty, so far as it concerns intellectual property, is that of not exploiting for the employee's benefit that which the employee knows to be the

employer's, whether it be an invention, a business operation,¹³ or a set of policies or plans;¹⁴ any benefit which accrues to the employee through putting his own interest before that of his employer will go to the employer as the beneficiary of the employee's trust,¹⁵ even though no harm be caused to the employer thereby.

(c) Duty of non-derogation from one's grant or duties: this doctrine is known on both sides of the Atlantic, but has in the United Kingdom been applied principally to the law of real property. In the United States it has been applied to intellectual property too. Its basis is that if A gives to B a property right, or renders him a service, he may not thereafter do anything whereby B's enjoyment of that right or service would be adversely affected. There are two related juridical bases for this duty: (i) a covenant may be implied to the effect that A may not use the ungranted portion of any patent or copyright to the detriment or destruction of the licensee's estate or interest,¹⁶ and (ii) a fiduciary duty of good faith may be implied so as to prevent A from generally acting so as to reduce B's monetary expectations.¹⁷

9.3 The Personal Nature of a Contract

If I decide to sell my bicycle it will probably be of no great interest to me that it is purchased by Tom, Dick or Harry; nor does it concern the bus-conductor to whom he sells tickets. The same cannot in general be said where I intend to hire a person to perform particular labours for me, or to possess and share my

secrets and inventions, for my ultimate betterment, and I will of course be careful to secure the services of not any Tom, Dick or Harry, but of a person whom I consider capable of doing the work involved, or in whom my trust may safely be reposed.

There is an old rule of equity that contracts of personal service will not be specifically enforced; that is, the courts will not compel either employer or employee¹⁸ to work in personal proximity to each other; to do so would be to enforce labour and thus servitude. If either a master or a servant refuses to perform, or to allow performance of, service obligations, the only remedy available to the aggrieved party is an action for damages for breach of contract.¹⁹ Similarly, no court will enforce a contract of a fiduciary nature, since that would in effect coerce one party into reposing his trust in someone in whom he has no trust. Where a contract of employment is of a fiduciary nature,²⁰ there is thus no chance of specific performance being granted.

For the same reason that employment contracts are not specifically enforceable, their duties may not be assigned. Thus if I enjoy the services of employee A, I cannot sell his employment duties along with my business and thereby bind him to serve my successor in title B; nor can B rely upon restrictive covenants which are written into A's contract with me,²¹ unless he renegotiates them himself.

9.4 Unenforceability of Contracts in Restraint of Trade^{21a}

Not all contracts are enforceable; if the effect of a

contract would be to compel an illegal act, to harm the public, or to produce some other undesirable end, the courts will declare it 'void' or 'unenforceable'. Some contracts may be enforced by one side only - as where one party is a minor - and others are unenforceable by either side, even though this may cause hardship or injustice.²² Into this latter category fall contracts in 'restraint of trade', which may be devices whereby an employer seeks to protect his secrets from being freely used by ex-employees and their new employers; or they may be devised in order that a man be prevented from practising his chosen art or profession.

A restraint can prevent an employee either (i) from doing or using a particular thing at all, (ii) from doing it before a specific time has elapsed, and (iii) from doing it in a particular place. In the absence of a restraint of trade doctrine it would be open to me to prevent my ex-employees from leaking my secrets to successive employers, by barring them from working for anyone else again, anywhere in the world, or at any rate, from working in their chosen profession, in which they may have been trained and educated over a long period of years. Since this would be not merely detrimental to the employee but to the country at large, should skilled men be compelled to seek unskilled employment, the 'public good'²³ was to be protected by the discouragement of restraint of trade.

The basic common law approach is that all restraints upon trade - whether by contract,²⁴ monopoly²⁵ or bye-law under Royal Charter²⁶ - are presumed bad;

but if the circumstances are set forth, that presumption is excluded, and the Court is to judge of those circumstances, and determine accordingly; and if upon them it appears to be a just and honest contract, it ought to be maintained.²⁷

Today the test of the "just and honest" is the standard of what is reasonable²⁸ in all the circumstances to protect the employer's and the employee's²⁹ interests;³⁰ and it is for the employer who imposes the terms of restraint to prove that they are reasonable.

What is a reasonable restriction as to time, space or scope of the employee's activities will depend upon all the facts of the given case. Thus in one case a restraint upon a man's practising his art for a lifetime has been justified,³² yet in another case a restraint of one year was held too long.³³ In respect of spatial considerations, the courts may presume a restraint with no expressed limit (e.g. without a 'radius clause' or other delineation) to be worldwide, and will thus render it unenforceable since it is clearly unreasonable.³⁴ There is, however, no reason why the same circumstance which justifies spatial restraints should not also justify a temporal one,³⁵ the same is true of restraints as to the scope of activity prohibited, so long as it is carefully drawn so as to protect the real and actual needs of the employer.³⁶ Thus if I employ a chemist in my munitions laboratory it would be reasonable for me to stop him working for another munitions manufacturer, but any restraint upon his working in, say, a cosmetics manufactory, would probably be construed as an unreasonably stringent protective precaution.

9.4.1 Construction of Contracts in Restraint of Trade

Since it is generally the employer who decides how best his interests should be protected, the restraining terms in a contract of employment are generally put there by him, and the employee usually accepts these terms as part of the price he pays for getting the job. For this reason the Courts will construe restraining clauses contra proferentem, against the person who drew them up, and in favour of the employee. This construction does not, however, give any right to the employee to act in breach of any restrictive covenant where he perceives, rightly, that it would be in the employer's ultimate good interests to do so.³⁷

The courts have the power to 'sever' the unenforceable from the enforceable parts of a contract in restraint of trade, cutting away the illegal parts and enforcing the rest; but they are unwilling to exercise this power in the contract of employment, and will certainly not enforce an unenforceable contract to the extent which would have been reasonable, had it been enforceable (i.e. if A imposes upon B a duty not to work for a trade rival for twenty years, when five years would have been sufficient, the fact that B starts work with rival C after only one year will not entitle A to any remedy). As Lord Moulton put it in Mason v. Provident Clothing and Supply Company:³⁸

It must be remembered that the real sanction at the back of these covenants is the terror and expense of litigation, in which the servant³⁹ is usually at a great disadvantage, in view of the longer purse of his master. It is sad to think that... this appellant, whose employment is a comparatively humble one, should have had to go through four Courts before he could free himself from such unreasonable restraints

as this covenant imposes, and the hardship imposed by the exaction of unreasonable covenants by employers would be greatly increased if they could continue the practice with the expectation that, having exposed the servant to the anxiety and expense of litigation, the Court would in the end enable them to attain everything which they could have obtained by acting reasonably.

This judgement is probably as good law now as it was in 1913, but it may have been affected by two swings of the judicial pendulum; in Triplex Safety Glass Co. v. Scorah⁴⁰ Farwell J. held that the unenforceability of express terms does not affect the force of those which are implied (a doctrine which, if construed widely, could negate the effect of Mason), and in Lloyds Bank Ltd. v. Bundy⁴¹ Lord Denning M.R. evolved the doctrine of 'inequality of bargaining power', whereby an unconscionable contract might in certain circumstances be re-written or set aside (which, if construed widely, might go further than Mason and give relief where the restraint is reasonable but the employee suffers great hardship).

In construing restraining clauses the courts will not confine themselves to examination of the adequacy of the consideration for the restraint. This is because the adequacy of consideration is a matter of concern inter partes, and is thus 'private policy'⁴² while the courts are equally concerned with 'public policy', viewing restraint of trade as being justifiable only where the gain to the public is greater than the detriment to it. Thus in Nordenfelt's case,⁴³ where, in 1894, the vendor of a business received £237,000 in cash, £50,000 in paid-up shares and £2,000 per annum for seven years, the correct approach was to look at the

interest of the public, before that of purchaser and vendor.

A variety of restraining clause which has given the courts some trouble is that which reads: "Employee A is not to work for any firms in the B, C and D industries in the country of E, without the express consent in writing of employer F, such consent not to be unreasonably withheld." The idea in the mind of the original drafter was that, instead of the courts having to decide in abstract whether or not a clause was in restraint of trade, it could adopt instead a 'wait and see' approach, the validity of the clause depending upon the quality of the refusal of consent. The courts, however, refused to adopt this approach - which could certainly have undermined the strongly pro-employee line of Lord Moulton in Mason - but treated the clause just as they would have done, had the 'consent not unreasonably to be withheld' clause not been there at all. Thus where the restraint is too wide the clause will not save it,⁴⁴ and where the restraint is not too wide, the clause can only benefit the employee,⁴⁵ by possibly securing the employer's consent to the employee's working for a trade rival who would certainly have fallen within the scope of a reasonable restraint, but whose rivalry was of an insignificant nature.

Another type of clause consistently rejected by the courts is that which, though in appearance seems to protect trade secrets or inventions, in fact is designed primarily to inhibit competition. Thus in Perls v. Saalfeld⁴⁶ a fifteen-mile, three-year trailer clause was imposed upon an ex-employee, subject to

his being able to prove to the employer that the latter would not be threatened by competition from the new employer. Such a clause is obviously wider than is necessary to protect a recognised property interest, since it could prevent, for example, a gas company employee from joining his local electricity board staff. Likewise in Vandervell Products Ltd. v. McLeod⁴⁷ the plaintiffs manufactured a bearing the construction of which was a trade secret. The defendant left for another company which soon thereafter commenced manufacture of the same item. The plaintiff sought to rely upon a two-year restraint upon the defendant's joining a 'competitor' without its permission, but they could not show that so wide a covenant was necessary for the protection of its secrets; there was not even any evidence that the defendant knew that the function of the covenant was to protect that invention.

9.4.2 The Effect of Unenforceability

If a contract is unenforceable as in restraint of trade that unenforceability has been assumed by the courts to be non-retroactive. Thus where copyright passes to A in exchange for a promise of royalties paid to B, and the contract turns out to be in restraint of trade, A will still be entitled to enjoy the copyright vested in him, and B can still enjoy the prospect of royalties.⁴⁸ Exactly what may be the juridical basis for this recovery of royalties is not clear, though it may be that the contract is enforceable by the one side, for limited purposes, as against the other party.⁴⁹

If a restrictive covenant is contained in a contract which is repudiated by the employer without just cause, that employer will not be able to enforce such a covenant⁵⁰ for the reason that one cannot 'blow hot and cold' by treating the contract as at an end for some purposes, but as still subsisting for others. The unenforceability of such covenants is subject to the rule in Triplex, at 9.4.1, sup.

The usual remedies for breach of a restraining clause are (i) an injunction, and (ii) damages. However, the value of the clause to the employer is that it acts in terrorem, as it were discouraging the employee from testing the validity of the clause before the courts unless he felt that there was a better-than-even chance of succeeding. Damages themselves are likely to be small unless there is evidence that identifiable trade secrets or inventions have been given to a new employer, and an injunction will not be granted unless there is a real likelihood that the restricted party will act in a manner incompatible with his undertaking. Thus in Brooke v. Chitty⁵¹ the defendant sold a treatise on criminal law to the plaintiff and covenanted not to write or edit any other work upon the same subject. When the plaintiff heard that Chitty was about to edit Burn's Justice, an injunction was sought; Lord Brougham L.C. declined to grant it, holding that Chitty was free to write in his closet whatever he pleased, and that the court would not interfere until there was a violation of his covenant by actual printing and publication of another work.

9.5 Public Policy, Solus Agreements and Future Assignments

Aside from the sort of covenant discussed above, where one party seeks to limit the activities of one who has worked for, or with, him, there are also restraints whereby one party promises to deal only with the other; these are called 'solus' agreements, from the Latin solus, alone. To some extent the solus agreement is implicit in the employment contract, in the guise of the duty of fidelity (see 9.2, sup.). Of an early solus clause whereby a writer agreed not to write for anyone other than a theatre proprietor, Lord Eldon said: "I cannot perceive any violation of public policy in this provision."⁵² This may suggest that the solus clause in the contract of employment is not regarded as an ordinary restraint of trade, and that accordingly the employer does not need to shift the burden of proving that such a clause is necessary for his protection, to rebut the presumption of invalidity. As between independent contractors the courts are, however, far more careful to examine the public policy behind the consequences of such agreements, where there may be a monopoly or monopsony of goods, supplies or services.⁵³ These contracts do not usually have the virtue of defending secrets to inventions from trade rivals, and are thus harder to justify.

Protection of the employer's interest by requiring assignment of future inventions of an employee or contractor is not per se void as against public policy,⁵⁴ at any rate where there is some connection between the trade relation of the parties and the subject-matter of the invention to be assigned (e.g. where the

future inventions are of a 'like nature' to those previously assigned,⁵⁵ have some connection with the employee's duties or the employer's interests, or are 'improvements' upon inventions made by the employer, or owned by him.⁵⁶) This may be so even after the contract of employment is terminated.⁵⁷ However, if an assignment of future rights in inventions or copyright is so wide as to include the entire intellectual output of the employee, "This would effectively close the doors of employment to him",⁵⁸ and would thus be unenforceable as in restraint of trade, unless it were severable.⁵⁹

FOOTNOTES

Chapter IX

1. Chapters 10-16, sup.
2. The doctrine of 'consideration' requires that one party give a thing, or make a promise, in return for (or 'in consideration of') the other party doing the same.
3. The Moorcock (1889) 14 P.D. 64.
4. See Shirlaw v. Southern Foundries Ltd., [1939] K.B. 206, 227
5. [1946] Chapter 169.
6. *ibid.*, at 179.
7. *ibid.*, at 174.
8. Sanders v. Parry, [1967] 1 W.L.R. 753.
9. See United Sterling Corporation Ltd. v. Felton and Mannion, [1974] R.P.C. 162.
10. Aubanel and Alabaster Ltd. v. Aubanel, (1949) 66 R.P.C. 343.
11. Floydd v. Cheney, [1970] 1_x All E.R. 446.
12. e.g. Grip Nut Co. v. Sharp, 66 USPQ 391, 395 (1945),
Worthington Pumping Engine Co. v. Moore, (1903) 20 R.P.C. 41
13. *ibidem*.
14. Davis v. Hamlin, 108 Ill 39 (1883), approved in Frohlich v. Seacord, 180 Ill 85 (1899).

15. For a wide statement of the fiduciary duty, see the judgment of Laskin J. in Canadian Aero Services Ltd. v. O'Malley, (1974) 40 D.L.R. (3rd.) 371; see also Pre-Cam Exploration and Development Ltd. v. McTavish, (1966) 57 D.L.R. (2d.) 557.
16. Harper Bros. v. Klaw, 232 F.609 (1916), followed in Manners v. Morosco, 252 U.S. 317 (1920).
17. Kirke La Shelle Co. v. Paul Armstrong Co., 263 N.Y. 79, 85-7 (1933)
18. Davis v. Foreman, [1894] 3 Ch. 654.
19. Obligations which stem from the contract of service but which do not require any act of service for their fulfillment may not be 'severed' from the performance obligations and thus enforced: Ogden v. Fossick, (1862) 4 De G, F and J 426.
20. e.g. Page One Records Ltd. v. Britton, [1968] 1 W.L.R. 157.
21. Chafer (J.W.) Ltd. v. Lilley, (1947) L.J.R. 231.
- 21a. For a detailed account of this doctrine see Heydon, The Restraint of Trade Doctrine (1971), Blake, "Employee Agreements not to Compete" (1966) 73 Harv. L.R. 625, Farwell, "Covenants in Restraint of Trade as between Employer and Employee" (1928) 44 L.Q.R. 66 and Hays, "The Californian Law of Unfair Competition takes a New Turn - Against the Employer" (1954) 41 Cal. L. Rev. 38.

22. See Wyatt v. Kreglinger and Fernau, [1933] 1 K.B. 793.
23. See, e.g., Esso Petroleum Co. v. Harpers Garage (Stourport) Ltd., [1968] A.C. 269, per Lord Hodson.
24. Mitchel v. Reynolds, (1711) 1 P. Wms 181, 190.
25. *ibid.*, at 187.
26. Master, Warden and the Society of the Mystery of Gunmakers v. Fell, (1742) Willes 384.
27. Mitchel, n. 24, *sup.*, at 196.
28. The opinions of those in the same line of business as to what is 'reasonable' protection is not admissible; the matter is solely for the Court to determine: Haynes v. Doman, [1899] 2. Ch. 13.
29. It is not clear what these interests are, except that of the enjoyment of the largest amount of freedom compatible with the protection of the employer's rights: Herbert Morris Ltd. v. Saxelby, [1915] XX 2 Ch. 57. The interests of employees who are minors or who have just attained the age of majority will be specially noted: Leng & Co. v. Andrews, [1909] 1 Ch. 763.
30. Attwood v. Lamont, [1920] 3 K.B. 571, at 587; effectively the same position is reached through the A.L.I. Restatement of Contracts (1932), §§513-515.
31. *ibid.*, at 587.

32. Maxim Nordenfelt Ltd. v. Nordenfelt, /1894/ A.C. 535, where the goodwill was sold for a vast sum of money, and the market was very limited.
33. S.V. Nevannas & Co. Ltd. v. Walker & Foreman, /1914/ 1 Ch. 413, 422.
34. Commercial Plastics Ltd. v. Vincent, /1965/ 1 Q.B. 623, 645; but such restraints may be severable: Caribonum Co. Ltd. v. Le Couch, (1913) 109 L.T. 385.
35. Haynes v. Doman, /1899/ 2 Ch. 13, following Hitchcock v. Coker, (1837) 6 Ad & E 438.
36. e.g. Technograph Printed Circuits Ltd. v. Chalwyn, /1967/ R.P.C. 339.
37. London Theatre of Varieties Ltd. v. Evans, (1914) 30 T.L.R. 258.
38. /1913/ A.C. 724, 745-6.
39. 'Servant' includes, for restraint of trade purposes, both apprentices (Chesman v. Nainby, (1727) 2 Stra. 739) and directors (Leather Cloth Co. v. Lorsont, (1869) L.R.9 Eq. 345)
40. /1938/ Ch. 211.
41. /1974/ 3 W.L.R. 501 at 508-9.
42. phrase used by Pollock C.B. in Atkyns v. Kinnier, (1850) 4 Ex.Ch. 776, 782 as a counterpart to 'public policy'.

43. n.32, sup.
44. Chafer, n. 21, sup.; Technograph, n. 36, sup. at 344.
45. Marchon Products Ltd. v. Thornes, (1954) 71 R.P.C. 445, 448-9; Kerchiss v. Colora Printing Inks Ltd., /1960/ R.P.C. 235, 240.
46. /1892/ 2 Ch. 149
47. /1957/ R.P.C. 185.
48. A. Schroeder Music Pub. Co. v. Macaulay, /1974/ 1 W.L.R. 1308.
49. See Dawson, "Contracts in Restraint of Trade: Meaning and Effect", (1974) 90 L.Q.R. 455.
50. Measures Bros. v. Measures, /1910/ 1 Ch. 336.
51. Brooke v. Chitty, (1847) 2 Coop C.C. 216
52. Morris v. Colman, (1812) 18 Ves. 437.
53. See, e.g., Esso, n. 23, sup.
54. Printing and Numerical Registering Co. v. Sampson, (1879) L.R. 19 Eq. 462.
55. *ibid.*, at 464.
56. Bonsack Machine Co. v. Hulse, 65 F. 864, 867 (1895), approved in Mississippi Glass Co. v. Franzen, 143 F. 501, 507 (1906).

57. Bonsack, *ibidem*.
58. Guth v. Minnesota Mining and Manufacturing Co., 22 USPQ 89, 91 (1934), and see Electric Transmission Ltd. v. Dannenberg, (1949) 66 R.P.C. 183, 186, 188.
59. Guth, *ibid.*, at 92.

C H A P T E R X

LETTERS PATENT FOR INVENTIONS

10.0 Introduction

A grant of letters patent (or 'a patent', in modern English) permits the granter to enjoy the liberty of making, selling and using the invention described in the grant, coupled with the exclusive claim that no one else may make, sell or use that invention, subject only to the laws of the land and to any exceptions contained in the grant itself.

The practice of granting letters patent to worthy artificers has existed since at least 1331;¹ it was not until about 1559, however, that royal prerogative policy favoured the grant of a monopoly in respect of new inventions, either to encourage craftsmen to disclose their inventions or to lure foreign inventors away from their native lands.² This new policy, which may have reflected the importation of the philosophy of Venetian patent law by the free-thinking Jacobo Aconcio,³ ran parallel with the practice of giving trade monopolies to royal favourites and while that latter institution was held in great opprobrium,⁴ the 'patent-for-

invention' was not, since it had the good effect of training two sets of apprentices in the new art (which is why the English patent grant traditionally ran for 14 years⁵).

By 1624 not only had the common law evolved a doctrine that patents were capable of judicial scrutiny and avoidance as being contrary to the laws of God and hurtful to the Commonwealth,⁶ but the Statute of Monopolies had been passed.⁷ By this enactment,

all Monopolies, and... Letters Patents... are altogether contrary to the Laws of the Realm, and so are and utterly void and of none Effect...⁸

except that

any Letters Patents and Grants of Privilege for the Term of Fourteen Years or under, hereafter to be made, of the sole Working or Making of any Manner of new Manufacture within the Realm, to the true and first Inventor or Inventors of such Manufactures ... so as also they be not contrary to the Law, nor mischeivous to the State, by raising Prices of Commodities at home, or Hurt of Trade, or generally inconvenient...⁹

This was the first time that there had been made a legal requirement that the recipient of letters patent be an 'inventor'.

In the seventeenth century, the meaning of "true and first inventor" was more colloquial than it is now, naturally embracing the person who first found an invention or idea and imported it to England from abroad.¹⁰ This is still legally so even today in England,¹¹ although the real inventor of the imported invention can seek revocation of the patent grant,¹² and there have been moves to reform the law in this area.¹³ However, relatively

few inventions secure patents through importation, and this thesis concerns itself with such patents as are granted to the inventor by virtue of his ingenuity, intelligence or instinct.

A brief description of a patent may be needed; its two most important parts are the 'claim' - the inventor's declaration of what his invention will do, and as to what extent the patent monopoly will apply. Since the claim should delineate the extent of the monopoly sought, it should not be ambitiously wider than the invention or the patent will be void since the patentee has claimed a monopoly not only in what he has invented, but in what he has not.¹⁴ Thus if I invent a new braking system for a car, I should claim that braking system as my monopoly; I do not claim that I have invented a car, nor that I have a monopoly of all systems of decelerating an automobile. However, if I invent a braking system (a product) but claim only a monopoly in the means of constructing it (a process), I shall have claimed less than what I have invented, and I will only be able to stop others from using my braking system if they have made it the same way as I did.

The 'claim' is followed by the 'specification'; just as one says "this is what my invention can do", and then adds, "and here's how", so the specification backs up the claim by describing the invention with sufficient particularity for anyone reasonably skilled in the art to be able to reconstruct whatever it is that I claim I have invented. If it is not possible for a reasonably skilled person to emulate what I have done by following my

instructions, my patent may be revoked;¹⁵ this is so because I am granted a patent not just for inventing something - for I could invent something and then keep it hidden¹⁶ - but because, having made an invention, I am prepared to disclose it to the world so that everyone else can learn about it too. If I do not disclose my invention I have not performed my half of the bargain between myself and the Patent Office, that if I disclose it, I receive an useful monopoly in return.¹⁷

Having established the difference between a claim and a specification, we must decide whom to call the 'inventor' - is it one who works out the specification (or the factual details of the invention), or is it he who realises that the contents of such an invention are in fact an invention, and makes claims in respect of them? The law resolves this dispute in favour of the first claimant,¹⁸ on the grounds that he who works out all the details of the invention is only its first 'manufacturer' and not the first 'inventor'. For anyone through skill, patience or serendipity can come across a valuable scientific discovery,¹⁹ not anyone can appreciate the fact of what is found, and realise that it is an 'invention'. The claim is always a creative intellectual activity, and the reward of a patent goes not to the first person who comes across a fact or a process (the 'inventor inveniens' or inventor sine qua non²⁰) but to the person who first realises what can be done with that fact or process (the 'true and first inventor'²⁰). An invention will have only one specification²¹ but may give rise to more than one claim, if it has different properties which are novel; where

different persons make distinctly separate claims in respect of the same 'invention', each may be granted a monopoly which is limited to his claim alone.²² If what the claimant claims has been stolen or has come into his possession without the consent of its originator, such a claim to a patent monopoly is said to be 'obtained' from its rightful owner, and any patent resulting from the claimant's application can be voided; caselaw seems to suggest that no distinction is made between 'obtaining' a specification, and 'obtaining' a claim together with a specification.²³

In the United States the basic principle annunciated above are equally applicable. American law derives its validity from the provision of the Constitution²⁴ which empowers Congress to "promote the Progress of Science... by securing for limited Times to... Inventors the exclusive Right to their... Discoveries"; the concept of the 'true and first inventor' was taken over as a model²⁵ even though the first patent law in 1790 did not even mention the word 'inventor',²⁶ this was remedied three years later,²⁷ where the inventor was required to swear that he was the 'true inventor',²⁸ of that which was 'not known or used',²⁹ before the time of the application. The law has not essentially changed today.³⁰

10.1 Inventors, Owners and Applicants

Having established that patents are awarded in respect of new inventions, and that it is the inventor who is, prima facie,

entitled to such a patent, it is necessary to consider (i) who may be considered as the inventor of any given invention, (ii) whether the application by the inventor for a patent may either be prevented by one who has an equity in the invention, or else executed by that person instead of the inventor, and (iii) what conditions attend the application for a patent by one who is not the inventor.

10.1.1 Who may be considered to be the 'inventor'?

The real inventor, for the purposes of the law, is not the person who first has an idea, or the person who first comes across something which is novel, it is instead the person who first reduces that idea or concept into some practical or practicable form.³¹ The time at which the idea is worked out in such a form is the time at which that person becomes the inventor; this can be very important where the contract of employment is concerned, for the man who joins a firm while an idea is fermenting in his brain, then works it out to practicality in the course of his employment, may find that the employer will have a right in the resultant patent even though the idea belonged to the man before he started work for the employer.³²

In order to be considered the inventor, it is not necessary that the object or process invented be put into action or created in tangible form; it is sufficient that it be described in sufficient particularity for its novel principle to be capable of emulation and trial. Thus if I say to X that it

would be a good idea to make a machine which peels potatoes and X subsequently does so, all that I have done is to give him a vague goal to aim at; he will be the inventor of that machine. But if I tell X that it would be a good idea to make such a machine which operates by affixing the potato to a rotating spike against which is held a stationary blade at an angle of Y degrees together with a spring and balance device to allow the peeling to take into account the contour of the potato, and X does just that, I can say that I am the inventor of the potato peeling machine which X has constructed, for he has exercised no other talent than the imitation of my process.³³ Often the courts are faced with the job of determining whether one or the other litigant is the inventor in situations less clear-cut than in the potato-peeler instances above. The judges are cautious and will not deprive an applicant of his patent right unless they are convinced that the applicant is not the inventor. The approach of Bacon V-C in Winby v. Manchester, etc., Steam Tramways Co.³⁴ is typical:

... the subject was a matter of constant and common discussion in Mr. Newton's office, and... some method of remedying the evils of the old dummy and drop-off point was often discussed. But I do not find myself able to come to the distinct conclusion that the particular thing described in the plaintiff's Letters Patent... was ever exactly foreshadowed or put into shape, though some sketches of such a thing may have been made and discussion thereon may have taken place.³⁵

In the context of the contract of employment it is often necessary to decide whether master or servant, working together, is the inventor. The above rule is applied, and the finding that one party or the other is the inventor is a finding of fact; it is not upset by any presumptions or inferences stemming from the

duties owed by the servant to the master.³⁶ If the master communicates an invention to a servant who helps in its execution, the latter is regarded as a 'machine' or a 'skilled pair of hands'³⁷ whereby the master's invention is put into action, and he will not derive any property rights in that invention by virtue of his labour or co-operation in its creation.³⁸

What happens where both employer and employee exercise creative or inventive ability in respect of what was initially the employer's invention? If the employee's contribution to the end product would be patentable, then the employee could claim patent rights to the extent that his contribution was patentable;^{38a} but

if a workman is employed by an inventor to make a model for the purpose of carrying out his invention, and the workman suggests improvements in detail in the machine³⁹ which are adopted in the machine or model as completed, those suggestions are the property of the employer and the workman cannot afterward take out a patent for them.⁴⁰

What this means, it is submitted, is that the employee cannot claim to be the inventor of the complete invention which incorporates the improvements; it was this which the applicants sought to do in David and Woodley's Application⁴¹ and it was in the above terms that they were refused. They did not seek patents for their improvements alone, nor was it suggested that the improvements were patentable; thus the work 'them' in the above quote must be taken to refer to the invention plus non-patentable improvement suggestions, which clearly become the property of the employer (possibly by accretion or confusio?) and which,

in toto, the employee may not seek to patent. The rationale of David and Woodley's Application is provided by Maule J. in the well-known case of Allen v. Rawson,⁴² when he says:

It would be very dangerous to employ any workman in matters of this sort, if the inventor were precluded from adopting any slight and insubordinate⁴³ improvement suggested by him⁴⁴,

and by Tindal C.J.:

When we see that the principle and object of the invention are complete without it, I think it is too much that a suggestion of a workman, employed in the course of experiments, of something calculated more easily to carry into the effect the conceptions of the inventor, should render the whole patent void^{44a} (i.e. for obtaining)

Occasionally a situation arises where it is impossible to ascertain from the evidence who is the true and first inventor. As between employer and employee, regard is taken of whether either or both of the parties are capable of making the invention by examination of their professional skills,⁴⁵ education,⁴⁶ and previous patent applications, if any.⁴⁷ In England, where it is sought to oppose a patent application there is usually a heavy burden of proof placed upon the opposer,⁴⁸ because there is always an opportunity to revoke the patent once it has been granted;⁴⁹ however, where there has been communication between applicant and opponent, and the content of such communication is contained in the complete patent specification, the burden of proof lies with the applicant to show that he did not 'obtain' from the opponent the invention in question.⁵⁰

In one interesting dispute between employer and employee the Court found it necessary to place the onus of proof equally upon

both the parties. This was re Russell's Patent,⁵¹ where the Court could not make up its mind which of the two was the true and first inventor, and since (i) one of them must have been the inventor, but (ii) neither could satisfy the burden of proof imposed by the court, Lord Cranworth took the unprecedented step of ordering each party to nominate a trustee so that each might enjoy the benefits of the patent as well as a free licence to use and exploit it.⁵² It is not known whether the unusual facts of this case will be repeated, and the rule followed.⁵³

In the United States the burden in all patent interference proceedings is placed upon the 'junior' party - that is, the most recent of the applicants in time⁵⁴ - who must show that he made the invention before the prior applicant (the 'senior party').⁵⁵ Even so, the burden of proof placed upon a junior party who is an employee is disproportionately heavy; as Acting Associate Justice Smith said:

Inventors who are not skilled mechanics must employ those who are to do that class of work. The mechanic must know what the inventor wants, and of necessity the latter must acquaint the former with the objective sought, and of the inventor's conception of the method of reaching it. The relation between mechanic and inventor is therefore one of high trust and confidence, and the inventor must be safeguarded against a betrayal of the faith imposed by him in his employee and against a misuse of information confidentially acquired. Because of that relation it is prima facie, but strongly, presumed that the employer, not his mechanic, is entitled to patent the invention evolved.⁵⁶

The employee needs "clear preponderance of competent, credible and satisfactory evidence that the invention was his."⁵⁷

This statement of the law is open to the criticism that it impliedly equates the 'employer' with the 'inventor', so that the initial hypothesis presumes the conclusion; but it is an accurate statement of the American law.

10.1.2 Who may apply for a patent?

Under English law,

An application may be made by any of the following persons, that is to say: (a) by any person claiming to be the true and first inventor of the invention; (b) by any person being the assignee of the person claiming to be the true and first inventor in respect of the right to make such an application.⁵⁸

This second provision would appear to entitle to assignee to file by virtue of assignment of 'the right to make such an application', not by virtue of assignment of a mere legal or beneficial interest in the exploitation or enjoyment of the patent; however, the small, subtle distinction between assignment of the right to apply, and assignment of all other rights, has not been noted by the Courts. In Loewy's case⁵⁹ the issue was whether,

there being no express terms in the contract about rights in inventions made by the Respondent during his work for the company, were the circumstances such that a term should be implied giving the company rights⁶⁰ in the invention made;

but the only cases cited involved the question of exploitation of the invention⁶¹ - not the right to apply for the patent in the first place - and the controlling factor in Loewy appeared to be that since the respondent would be in breach of a confidence if he took the invention to one of his employer's rivals,⁶² there must ipso facto be implied a contractual term that the employer is

entitled to the benefit of the invention. This case may thus be wrongly decided (even if the result be right); section 1 of the Patents Act, 1949, was not discussed, nor was there any analysis of the wording of section 2 (2);⁶³ nor could it be concluded from the cases cited that the right to apply for a patent had been assigned.

Perhaps the correct view of the law should be as follows: the inventor has the sole right to apply for a patent unless he assigns to another the right to apply for that patent.⁶⁴ If he has agreed as a term of his employment that he would patent his inventions if required to do so by his employer, such an agreement can be construed as an equitable assignment of the right to apply,⁶⁵ on the strength of which the Courts could have permitted the employer to file.⁶⁶ In the absence of such an express or implied condition inuring to the employer's benefit, the employer may still be able to enjoy all rights in the patent once it is granted or filed,⁶⁷ but may not file an application⁶⁸ and will have no right whatever in the application before it is filed,⁶⁹ except a claim that the employee keep whatever duty of confidence he may owe his master, if such a duty is present.⁷⁰

Where the applicant for a patent does not correctly name the inventor, the grant cannot be opposed,⁷¹ nor the patent revoked,⁷² on that ground alone; but an action for slander of title may lie against the person who claims to be and is named inventor. For such an action to be successful the real inventor must prove (i) that the misnaming was an act of malice, and (ii) that some special

damage was incurred.⁷³

The Patents Act, 1949, does allow for the substitution or alteration of the names of those described as inventors in the patent application;⁷⁴ before this can happen the Comptroller must be satisfied that the person named in substitution is the true and first inventor. Once this condition is satisfied, the new inventor's name is entered on the complete specification and on the register of patents.⁷⁵

As a matter of practice, an employer will often wish to keep both the application and the grant in the name of the inventor employee; for example, where company A, a trade rival of B, does not wish to draw B's attention to the fact that A is working upon or has solved a particular problem, the patent which A could apply for as assignees of inventor C, or which could be granted to them direct, will be applied for and held by employee C, A's rights being safeguarded either by contract or by a trustee-beneficiary relationship.⁷⁶

In the United States, "Whoever invents or discovers any new process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor...⁷⁷", subject to the usual provisions (not dealt with here) relating to joint inventorship and the rights of personal representatives. However, the rights of employers are treated in much the same way by statute as the English Courts have treated the same rights in the United Kingdom, save to the extent that the employers' rights are based upon notions of 'fairness' rather than to notions of

'property'. Ti. 35 U.S.C. §118 states:

Whenever an inventor refuses to execute an application for a patent, or cannot be found or reached after diligent effort, a person to whom the inventor has assigned or agreed in writing to assign the invention or who otherwise shows sufficient proprietary interest in the matter justifying an action, may make application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is necessary to preserve the rights of the parties or to prevent irreparable damage; and the Commissioner may grant a patent to such inventor upon such notice to him as the Commissioner deems sufficient, and in compliance with such regulations as he prescribes.

An example of the operation of this provision may be found in Collins Radio Company's Application,⁷⁸ where the applicant's employee inventor disappeared without trace. Thirty days' notice of Collins' filing was sent to his last known address, but was returned as undelivered; after notice of the application appears in the Patent Office's Official Gazette the inventor has another thirty days' grace before the application proceeds to grant in the name of the employer. Apart from Collins, there appear to have been no other cases on this section, so we have little indication as to how the Courts would deal with such questions as (i) what constitutes a sufficient case in terms of irreparable damage to employer rights, and (ii) whether the duties owed by employer to errant employee in respect of the above 'agency' import any degree of reciprocity and ultimate benefit for the inventor.

Except as provided above, a patent will not be granted, if the applicant is not the inventor⁷⁹ (which affirmation must be sworn on oath.⁸⁰) The Commissioner of Patents may only issue a

patent, to the inventor or to his assignee,⁸¹ if he agrees that the applicant is so entitled.⁸² There is not, as there is in England, an anomalous distinction between grounds of revocability and ground of opposition; either a patent is valid or it is not, and the grounds upon which it would be invalid are the grounds upon which it will not be granted.⁸³

On a more general note it is obvious from the study of both English and American law that the patent is awarded to the inventor, not the invention; even so, the complex provisions of English law do little to protect the inventor's right to be known as the inventor, his droit moral, since there is no explicit requirement that a patent be revoked if the inventor is misnamed. On the other hand the rather more simple provisions of the American law protect the inventor no less, while giving the employer the chance of protecting his investment and research outlay by means of the 'agency' concept in section 118.

10.1.3 Application in the name of one who is not the inventor

In England an application by the assignee of the right to apply for a patent⁸⁴ or, it seems, the holder of the equitable interest in it,⁸⁵ will be accepted by the Patent Office so long as the inventor is named on the application.⁸⁶ However, under section 17(1) of the Patents Act, the Comptroller may direct that an application proceed in the name of the claimant to an undivided interest in the patent, instead of in the name of the applicant; he may do this on proof by the claimant that the latter has such

an individual interest either by virtue of assignment (of the beneficial interest, not of the right to apply for a patent) or by operation of the law. Thus once an employee has filed an application for a patent in an invention in which the employer can claim full rights, the employer may seek to be substituted as the applicant and can thus enjoy the patent unencumbered by the threat that an employee holding it in trust for him might seek to act in fraud or to the detriment of the employer's rights.

It should be noted that section 17 does not give the employer the right to apply where the employee refuses to do so; the employer in such a case will rely on Loewy's case.⁸⁷ What would normally happen where the employee does not refuse to apply, and the employer seeks to utilise section 17, is that the employer will identify the invention (to avoid possible disputes) by referring to the number of the patent application, by obtaining from the employee an acknowledgment that the invention he has applied for is that in which the employer has rights, or by having his claim 'finally established' by the judicial process.⁸⁸

In the United States the inventor must generally be the applicant, subject to the exceptions described at 10.1.2, sup., and there are no provisions for a change of applicants.

An interesting problem in the United States, which has not been judicially resolved, is the status of patent applications wherein the Commissioner of Patents has adjudicated to be the 'inventor' the party with the beneficial interest in the patent-to-be, instead of the inventor. This actually happened in a whole

brace of cases⁸⁹ where ownership and inventorship were confused⁹⁰ even to the point where it was considered unnecessary to establish who was the inventor.⁹¹ Louis Gillson⁹² has argued that patents granted in such circumstances should be invalid because the applicant is not the inventor but the owner. On the other hand, the existence of a doctrine of estoppel per rem judicatam would appear to make it difficult for one judicial body to determine validity on grounds which expressly contradict findings of fact by a prior tribunal, which might be required where the Commissioner rules the non-inventing party to be the 'inventor', but a subsequent Court does not wish to recognise this fiction.

10.2 Allocation of Patent Rights between Employer and Employee in the United Kingdom

10.2.1 1803-1908

The early English writers on patents, from Collier's pioneering work in 1803 to the latter part of that century,⁹³ did not consider the possibility of an employer enjoying the fruits of a patent in any capacity save that of inventor or assignee; in this respect these writers were less sophisticated than their American cousins who had already considered the Supreme Court's 'shop right' doctrine⁹⁴ - that the employer might enjoy a free and irrevocable licence in an employee inventor's patent - and were grappling with the ramifications of the English case of Makepeace v. Jackson⁹⁵ long before it began to feature in contemporary English patent texts.⁹⁶

Makepeace v. Jackson was the first of a long line of cases in which an employee exercised creative skills for the benefit of his employer and to his own ultimate detriment, yet it was not regarded as authoritative in the subsequent development of the law. Makepeace was a dyer, Jackson's head colourman; both were engaged in the mixing of colours and inscribed their formulae in a book owned by Jackson. It was nowhere suggested that the formulae be patentable. Jackson dismissed Makepeace from his employ, and that latter took with him the book belonging to Jackson, in which the formulae of both parties were recorded. Jackson, unable to dye without his book, sought its recovery, which the Court granted. Heath J. held that the book was the 'property' of the master, which meant that Jackson owned the pages of the book itself, and "though there might be inventions of Makepeace in it, yet they were the property of the master".⁹⁷ This does not mean (i) that the master had a right to exclude the plaintiff from using the formulae, or (ii) that the master would have had a right to patent them, had they been patentable. All it means is that Jackson could get his book back. Chambre J. unfortunately dropped into the realm of the obiter dictum when he said:

The master has a right to something beside the mere manual labour of the servant in the mixing of the colours; and though the Plaintiff invents them, yet they are to be used for his master's benefit,⁹⁸

which does not go so far as to say that the employee cannot use the invented colour-formulae himself. The real basis of Chambre J.'s judgment would appear to be an implied contract doctrine of business efficacy, in that the master "cannot carry on his trade without his book".⁹⁹ Future Courts were to grant more than just

a right to the manual labour of the employee, and to the use of the fruits of that labour.

By the 1880s it was assumed that unless an employee was contractually bound to assign his patent the employer had no right in it whatever, even when the employee was instructed to invent. Evidence before the Commissioners investigating the Working of the Law relating to Letters Patent for Inventions (1865)¹⁰⁰ indicated that even the Crown felt it could do nothing to prevent employees from holding patents against it - even for inventions made in its own munitions department¹⁰¹ and this was presumed still to be the case in 1871, when the Committee of the House of Commons on Letters Patent made its report.¹⁰² This was not to say that the propriety of the taking out of a patent by an office-holder or public servant functus officii was not questioned; but the Courts would not deprive the inventor of such a patent.¹⁰³ In practice employers were rarely held to ransom since they were at liberty to dismiss at will any employee who did not offer inventions to his employer on favourable terms,¹⁰⁴ and inventors could rarely run the risk of individual enterprise since they were usually unable to raise exploitation capital.¹⁰⁵

It was not until the latter part of the 1880s that an employment invention doctrine evolved, and that evolution was remarkable for its piecemeal approach to what was obviously becoming something of an industrial problem, and for the tendency of the judiciary to decide cases on any other ground than that of patent ownership as between parties to the employment contract.

The first cases in point in fact quite evaded the issue; they are discussed below.

In Siddell v. Vickers¹⁰⁶ the plaintiff employee took out a forging patent which the defendant employer put to use under the plaintiff's superintendence; on leaving his master's employ, the plaintiff sued for the infringement of his patent, and his employer raised as a defence the claim that the invention belonged to him (i.e. was made by him and then was obtained by the plaintiff), together with estoppel. Holding for the plaintiff, Kekewich J. found him to be the true and first inventor and had not waived his rights as against his employer.- presumably because the latter had not relied upon any representation made by the plaintiff to his own detriment.

In Kurtz v. Spence,¹⁰⁷ before the same judge, the two parties had filed almost simultaneously provisional applications for an identical invention; the prior applicant sought to undermine Spence's application on the ground that it had been obtained from one Esilmann, employed by Spence. Although this claim was strong, since Esilmann had in fact done most of that applicant's research, the plaintiff failed: the Court held that while Esilmann was the inventor inveniens (see 10.0, sup.), the employer Spence was the true and first inventor, saying that

for all purposes, except that of being the first and true inventor, (Esilmann) was the agent of his employers. His labours were theirs, he worked in their laboratory and with their materials, as well as with their assistance, and the benefits of his discovery, morally and legally, belonged to them.¹⁰⁸

By this, Kekewich J. arguably could be saying that the employer would also enjoy the beneficial rights in any invention of which

Esilmann would have been the true and first inventor, which would have been an hitherto unsupported assertion, but it would not appear that this dictum was so regarded by contemporary sources;¹⁰⁹ thus the proposition should not be treated as going any further than the facts of the case required, that Esilmann was instructed by the true and first inventor to do that which he did, and that he produced no invention capable of protection under the law.¹¹⁰ William Lawson¹¹¹ drew instead the proposition that

where the invention sought to be protected resulted from investigations or experiments directed and paid for by the employers, and on their instructions, and with their assistance, and in their laboratory, and with their materials, the workman cannot take out a patent on them.

This is not what Kurtz established, and Lawson's proposition was never judicially approved, though it may have caused some misapprehensions; at any rate, all doubts were resolved in Heald's Patents,¹¹² where Sir Edward Clarke, S-G, said:

But there I have to deal with the proposition upon which Mr. Graham has challenged his opponents to quote an authority - the proposition that an improvement made by a servant is the property of his employer, so as to entitle the employer to take out a patent for it, or to prevent the servant from taking out a patent for it. I am not aware of any authority which lays down that the invention of a servant, even made in the employer's time, and with the use of the employer's materials, and at the expense of the employer, thereby becomes the property of the employer, so as to prevent the person employed from taking out a patent for it.¹¹³

This statement found its way into the texts, and secured the support of Farwell J. in Marshall and Naylor's Patent.¹¹⁴

Thus far the employee qua inventor had been accorded such rights as he would have enjoyed had he been self-employed; but

there was some pressure for the greater protection of employer-investment in research and development. Whence came this pressure, and what form it took, cannot be precisely ascertained, for it does not appear expressly in the reported cases or on the pages of practitioners' texts; nor may the 'industrial revolution' have been a proximate cause, for that had commenced over one hundred years previously. Perhaps it is safest to say that the end of the nineteenth century was a time when the old guilds and apprenticeship in the traditional craft industries were on the decline, trade unions were growing in number and influence, labour was cheap and plentiful, and employers stopped being people and started to be companies instead. What is expedient for the cottage industry or back-yard workshop is not always meet for the large-scale industrial enterprise dealing with standard contractual terms, heavy plant investment, and research projects, and with an abiding responsibility toward the demands and interests of shareholders instead of guild loyalties and the perpetuation of craftsmanship. The turn of the century marked also the trend toward employment by others rather than self-sufficiency or individual enterprise, and the commercial importance of the employee inventor must have been apparent to the production-line prophets of mass production, high turnover and a low profit-margin which encouraged a wider prospective market for the production of goods.

Anyway, as this pressure became apparent, the common law, ever sensitive to the needs and wants of the community it serves,

began to change in its application toward inventors' rights. The 'thin end of the wedge' was the case of Worthington Pumping Engine Co. v. Moore,¹⁵ where an employee of an American firm and its sole agent in England, occupying a position of "the closest and most confidential character" to the mother firm, took out three patents which he employed for his own benefit while engaging in the company's business. When dismissed by the company he sought to restrain it from using his patents; the firm sought (inter alia) a declaration that he held the patents in trust for them. Byrne J. dismissed the employee's case, granting the declaration sought by the employer.

The Court paid very close attention to the facts; the duty owed by Moore to the company was found to be "little, if at all, less than that required from a partner towards the firm of which he is a member", and it was found that Moore had the company's full trust and complete access to all records and information, that he enjoyed a salary of immense proportions and was Worthington's alter ego in England. Moreover he had tested his inventions at the company's expense, and in its name.

So finding, the Court then examined the law. Reaffirming the rule in Heald's case (sup.) the learned judge turned to Lamb v. Evans¹¹⁶ and Robb v. Green.¹¹⁷ The former is a copyright case (discussed at 13.2, inf.) having no bearing on the facts of Worthington and which was decided upon the interpretation of 5 & 6 Vict. c. 45, section 18 which grants the employer an interest in an employee's copyright; the latter is a restraint of trade case

wherein a business manager was prevented from using his employer's customer-lists for his own use on the ground of a breach of an implied contractual duty. From these two cases the learned judge synthesized a duty of much wider application, which is discussed below. The juxtaposition of these two cases may be traced to Robert Frost¹¹⁸ alone of contemporary commentators, and Terrell¹¹⁹ did not include the Lamb-Robb duty in his treatise until 1906, when Worthington had already been decided, and Frost approved.

The Lamb-Robb duty is a duty of "good faith which ought properly to be inferred or implied as an obligation from (the employee's) contract".¹²⁰ Moore's actions were found to be inconsistent with the observance of this duty. Though it would seem that this duty exists in every form of contract of employment, the standard by which it be measured will of course vary; here the employee occupied a position so close to the bosom of the corporate soul as to be regarded as its alter ego. However, the granting of a declaration of trust (at that time an unusual remedy for breach of a contract of service), and the judicial emphasis upon the status of the employee, lead one to suspect that the real ground of the decision lay in equity rather than contract.

Worthington's case is not without its ironies. The first is that, had the company brought a similar action before its native American Courts at that time, there was no certitude that they would have succeeded (see 10.3, inf.; Dowse v. Federal Rubber Co.,¹²¹ which established a similar proposition, had not yet been decided);

secondly, in all probability the fiercely-litigated patents were void and of no value.

Worthington was regarded initially as no more than an exception to the settled rule in Heald's case, rather than as a doctrine which would shortly help to undermine it. In the complex case of Richmond & Co. Ltd. v. Wrightson¹²² the defendant Wrightson, together with the plaintiffs, had discussed a particular problem which was 'solved' by a machine plan made by Wrightson. He applied for a patent, and told the plaintiffs; they agreed to pay all the patenting costs, and Wrightson agreed in turn to hold the patent in trust for them on certain agreed terms. Unfortunately he then resiled from this agreement, claiming that since it was not in writing and under seal it fell foul of the Statute of Frauds. The plaintiffs brought an action for (inter alia) a declaration that Wrightson held the patent application and the resulting patent in trust for them, citing Lamb v. Evans¹²³ but not Worthington, on the duty owed by an employee to his employer; this omission could scarcely be an oversight - the plaintiffs were represented by Moulton, K.C., the defendant by Terrell, K.C., both eminent writers upon the law of patents. In the event Buckley J. did not have to pronounce upon the contractual duties owed by Wrightson, for he found the latter to be a mere amansuensis of the plaintiffs who had done nothing more inventive than carry out their fairly explicit instructions.

However, in Edisonia Ltd. v. Forse¹²⁴ a major step was taken towards the securing of employers' rights in employees' patents,

when the Richmond case was added to the Lamb-Robb-Worthington line. The facts were simple: Forse was a common servant, then a manager, at the plaintiff's factory where phonographic recording cylinders were made. Two inventions were made, and these were patented in the names of Forse together with one Hough, the general manager. Hough, who was not the inventor of any part of the patents, admitted that he held the patents as trustee for the plaintiff company; Forse refused to do so too, claiming that there could be no rights in Edisonia except by virtue of a specific contractual term, which was lacking here.

Warrington J. recited the rule in Heald's case¹²⁵ then cited the theory adduced by Frost,¹²⁶ that

It may very well be that, in the circumstances of a particular case, it is inconsistent with the good faith which ought properly to be inferred or implied as an obligation arising from the contract of service that the servant should hold the Patent otherwise than as a trustee for his employer, and a declaration of the court may be obtained to that effect.¹²⁷

Frost's theory now claimed support not from Lamb and Robb, as before, but from Worthington and Richmond. That former case, it is true, did approve Frost's theory, but probably only insofar as it applied to the facts of that case - which involved a very high degree of duty owed by one who was virtually a partner or the company's alter ego; and Richmond's holding related to the duties of a non-inventor. In any event, Warrington J. in Edisonia chose not to rely solely upon that theory, for while he held that the employee

must be taken to have been placed under the obligation of using the utmost of his skill and knowledge and

inventive powers to produce in the business of the Company the best possible cylinders...128

he based his decision upon the ground that, contractual duties aside, the conduct of the employee Forse was such as to make him a trustee,

knowing, as he did, that Mr. Hough was a trustee, knowing, as he did, that he was not paying a shilling of the expenses, that they were being provided through the Company; going as he did to the patent agent of the Company; knowing as he did that these inventions were made for the benefit and for the purposes of the business of the Company, I think I should be deciding contrary to all the material facts which have been proved if I held otherwise than that, in the case of these particular inventions, the Defendant was in fact, quite independently from any inference to be drawn from his duty to the Company,¹²⁹ a trustee.¹³⁰

There are several grounds upon which the decision in Edisonia may be criticised. One is that it leaves Heald's case¹³¹ up in the air; it could simply have distinguished that decision as being of relevance only to patent applications, not to patent grants, but it chose not to do so. Secondly, it makes no distinction between different types of contractual obligation; the primary type of duty lays down what the parties are to do, the secondary type lays down the consequences of those actions. Examples of primary duties would be 'Work on problem X', 'Perform experiment Y' or 'Manufacture article Z'; secondary obligations would fix the consequences, thus 'Employee will assign patent rights to A', 'Grant a licence to B' or 'Inform employee of all discoveries made'. Almost all employment contracts have primary duties in mind, but less often do the parties address themselves to the consequential terms. The Court in Edisonia inferred from the

existence of a primary duty the existence of a particular variety of secondary duty, although it was not shown that, when the contract was made, either party had thought about - let alone agreed on - the consequences of those duties, and it was not shown that an agreement that Forse hold as trustee of Edisonia was any more probable or essential than an agreement that the company enjoy a free and irrevocable licence. This approach to the question of the intention of the parties would eventually lead to the inference of employer-ownership being made as a result of an implication through the relation, not the agreement of the parties.¹³²

Thirdly, it was assumed by the court that the disputed patents could be enjoyed only exclusively by one or other party. No consideration was given to the possibility of sharing a patent right by giving one party the legal interest and the other party a right to use or vend the subject of the patent. This 'polarization' of rights, caused by judicial inflexibility on the one hand, and injudicious optimism of the litigants on the other (which would render of little value the chance of an out-of-court settlement), ensured that the many subtle shades of the duty of good faith, ranging from almost no duty at all, through lowly duties of those employed to maintain machinery or supervise men, obligations of those who assist in the inventive work of others, through to the duty of an higher standard owed by the man employed to invent or to direct research, could only be depicted in the simple binary logic of the law as 'duties involving assignment' and 'duties not involving assignment.'

Fourthly, there was the possibility that the wide-ranging scope given subsequent Courts to hold that - irrespective of any duty to invent - a party who has not commissioned an invention and who was made no claim to be its legal assignee could force the inventor to cede his every right because of the former's non-inventive activities such as supplying a patent agent, machinery, materials, moral or financial support. Such a possibility, if utilised, would be contrary to the very foundation of patent law, the rewarding of the inventor for the disclosure of his patentable invention to the world. Hugh Fletcher Moulton, a notable patent counsel and legal scholar, refused to accept the validity of Warrington J.'s trust concept,¹³³ writing:

(Employers') rights are, however, purely contractual¹³⁴ and depend upon special circumstances. It may be, however, that where an employee, occupying such a position that it is his duty to direct how work is to be carried out,¹³⁵ makes an invention, he is bound, since it is his duty to do his best for his employer, to use such an invention and to let his subordinates use it while he remains in his employer's service.¹³⁶

One thing, however, which Edisonia did not do, was to entitle anyone other than the true and first inventor to apply for a patent.¹³⁷

Between Edisonia and the close of the First World War, when a substantial reappraisal of inventors' rights (but not to any great extent employee inventors' rights) took place, employees enjoyed but little light relief for the loss of their erstwhile rights. In Wollaston and Knowles v. Chapman,¹³⁸ decided only nine days before publication of Edisonia in the law reports, former notions lingered on. An employee, paid an handsome salary for

his research in lubricators and lubricants, whose every expense had been underwritten by his employer, claimed to have invented a new lubricant, the idea of which had been with him for a while - and upon which he had done some research during employment - a mere eight days after quitting the employment which he had enjoyed for the previous seven years. In the absence of any special contract relating to inventions made after the end of employment the inventor was found to be the sole beneficiary of the patent which he held. No mention was made of the possibility that Chapman might be holding his belated patent in trust for his ex-employers but Frost, curiously, gives this case as an authority for this proposition.¹³⁹

Meanwhile Edisonia must have alerted lawyers and employers to the danger that it might be necessary to rely upon a trust relationship - which depended upon the equitable notions of good faith on both sides - or implied contractual terms as to employer-enjoyment of employee inventions, before they could be secure in their use of an employee's patent; thus the express assignment clause was introduced, and in 1912 Frost wrote:

The reward of workmen employed to make inventions or improvements upon existing inventions, whether patented or not, is often made the subject of a special contract...¹⁴⁰

The United States underwent a similar trend toward compulsory assignment clauses at about the same time.¹⁴¹

10.2.2 1908-1949

Through the next forty-one years the rigours of a wide

interpretation of Edisonia¹⁴² were abated by the adoption of the 'course of employment' concept prevalent in copyright law at the time, which looked toward the duties rendered by the employee to the employer as the chief arbiter of disputes over the exploitation of patent rights. It was also the period during which the country's largest single employer, the Government, came to realize the value of adopting a policy for rewarding inventors by other means than patents, at least so far as concerned solution of the chronic military and communications of a maritime empire wracked by political and economic depression and the spectre of two World Wars. In fact as early as 1905 a Departmental Committee¹⁴³ examination of the subject had resulted in the War Office and Post Office (then part of the civil service) adopting patent assignment and awards schemes; the Post Office instigated in 1906 an ex gratia scheme for rewarding non-patentable inventions also - possibly the first voluntary scheme of its kind.¹⁴⁴ At any rate the 1908-1949 period was one of both hope and frustration for the employee inventor, and this chapter will examine the caselaw developments and the moves for legal reform which took place during that period.

The first feature of this period was the rejection of the unstated but not unreasonable assumption that, as the march of technology brought more detailed and complex inventions, a proportional increase in the degree of specificity in contractual terms requiring assignment would be required before an employer could claim the fruit of the employee's creation. In British

Reinforced Concrete Ltd. v. Lind¹⁴⁵ there was even a good chance that such an unlikely argument could succeed. Lind, employed as a lowly draughtsman-clerk, was entrusted with a project for designing colliery-heading linings; having neither the data nor the necessary experience for this task, Lind visited the colliery concerned and took some notes, upon the basis of which he came up with a design which was not only appropriate but also patentable. Now, had the plaintiff company sought only a declaration that the copyright in this design was theirs they would undoubtedly have succeeded;¹⁴⁶ but could they claim the patent rights as well? Lind argued that he had not been employed to invent, but to perform the duties of a designing engineer or draughtsman.

Rejecting this contention, Eve J. found¹⁴⁷ that there was an obligation upon Lind to produce, by the exercise of his skill, ingenuity and inventive ability, the best design he could, and that that obligation was not fulfilled when he submitted the designs, before he had applied for the patents at his own expense. It would seem that, had he made the same invention before going down the colliery he would have been entitled to the patent, because such an invention would have required more than the exercise of skill, ingenuity and inventive ability which he then possessed; but once he went down the pit, the scope of his duty increased and deprived him of his patent rights. This interpretation of the case is not inconsistent with the doctrine of consideration,¹⁴⁸ for no new duty has been imposed; all that has happened is that the standard of a pre-existent duty has been raised. Thus, as

Eve J said:

... in dealing with the question whether or not a particular invention is to be retained by the servant or has been made by him for the benefit of the employer, it is necessary to regard not only the contract of service and the relative positions which the servant and the employer occupy thereunder, but the circumstances in which the particular invention was made.¹⁴⁹

Lind's case was followed by Farwell, J. in Adamson v. Kenworthy,¹⁵⁰ on not dissimilar facts to Lind's case. An employee draughtsman had been instructed to design an unlubricated crane brake, and failed to do so; then he succeeded by incorporating into his design a resilient disc, the result of which was so novel as to be patentable. He took out a patent, and the plaintiff employer sought a declaration that the patent was held by the employee in trust for him. Shelley, K.C., for the inventor, tried to distinguish Lind's case on the facts, alleging that in this case the invention's patentable aspect had been known to the inventor since 1918 and would have been patentable at that time for the benefit of the employee alone; however, this contention was not proven, and elicited from the learned judge the comment that "It cannot have been honest for him to offer to his employers to solve the problem and then deliberately to withhold the solution".¹⁵¹ Shelley, K.C. agreed that this might be so, but, as he pointed out, the fact that the inventor acts in breach of his service contract does not conclude the patent ownership suit in the plaintiff's favour. Presumably an action in damages for breach of contract would be more apt.

It is interesting to note that although the Adamson Court

found¹⁵² that the patent was taken out by the employee with the aid and co-operation of the plaintiff's patent agents, materials and financial backing, yet Farwell J. did not base his judgment upon the ground of a trust existing independently of the contract of service as happened in Edisonia;¹⁵³ instead he chose to follow Lind in terms which are now regarded as the foundation of current law upon the matter:

If (an employee) is instructed to prepare a design for a particular thing, it is his duty to prepare the best design for the purpose that he can, and if he has any ingenuity or any inventive ability, to exercise that ingenuity and that inventive ability in order to give effect to the instructions that he has received.¹⁵⁴

We may now assert the following propositions: (1) if I instruct an employee to prepare a specific objective he is under a duty to use his inventive ability to achieve this objective, and (2) any patent arising from an invention so made will be mine and not my employee's. The second proposition is not compelled by the law though Farwell J. assumed it was,¹⁵⁵ since the first proposition relates only to an obligation to perform labour; the fulfilment of such an obligation has two consequences, the 'real' and the 'legal'. The 'real' consequence is that the employer has the right to physical possession and the use of the object which he has instructed an employee to make for him; the 'legal' consequence in relation to that which the employee makes would be the right in either party to exclude third parties from use of the concept created, or the right to raise capital on the strength of the monopoly which vests in the invention. In the

propositions above, the 'real' consequence can be said to be compelled by the first, but the second, a 'legal' consequence, cannot; this is because the 'real' is the consequence of a 'primary' duty (see discussion of Edisonia, at 10.2.1, sup.) but the 'legal' would follow only from a secondary or 'consequential' duty. It is unlikely that Farwell J. had this distinction in mind, especially since he further complicated the issue by holding that the 'legal' consequence, the enjoyment of a patent right, could only be enjoyed exclusively by one party or the other,¹⁵⁶ thus completely removing the possibility of introducing into English law the American concept of the 'shop right' (see 10.3, sup.), which alleviates the hardships which occur where both employer and employee have at least a strong moral claim to a share in the same patent.

In the period between the start of the first and the end of the second World Wars there was markedly less litigation over employee inventors' rights than took place at either end of that period. This may have been because Lind was regarded as settling the law, and also because, during the years of inter-war depression, employees were loth to sue employers who could easily terminate the contract of employment without worrying about actions for unfair dismissal; it was, after all, a time when even highly-skilled, educated employees were pleased to take such employment as they could find, on whatever terms. During the depression only one reported litigated case featured an employer being sued by a current employee - Mellor v. Wm. Beardmore & Co.¹⁵⁷ - a curious Scottish decision in which no precedents were cited;

in that case the old Heald¹⁵⁸ line was followed, that neither the mere fact of employment, nor use of the employer's time and materials in completing the invention, would give the employer any right in the invention which he did not already have through implied or express contract.¹⁵⁹

The Lind-Adamson doctrine was followed closely in subsequent cases;¹⁶⁰ in Vokes, Ltd. v. Heather,¹⁶¹ Romer J. applied verbatim the test of Farwell J. but held on the facts that the defendant's invention did not fall within the duties of employment enumerated in that case. Heather (the inventor) and Vokes were engaged in different fields of scientific interest and expertise, the latter paying to the former a small salary plus royalties on Heather's previous inventions which Vokes was under a positive duty to exploit; in return, Heather was to give Vokes an option to exploit all patents already granted him, and he was also to disclose to Vokes any new inventions made during the period of the option agreement. The court could find neither an express nor an implied-through-circumstances, nor an implied-through-the-words-of- the contract term that Vokes was to enjoy the benefit of Heather's new inventions; Romer J. stressed that Heather was not a 'draughtsman-designer',¹⁶² and thus impliedly limited the Lind-Adamson doctrine only to those cases which involved that category of employee, but the Master of the Rolls, on appeal¹⁶³ felt that the rule was intended to be applied on a wider basis. Farwell J. himself in Triplex Safety Glass Co. v. Scorah¹⁶⁴ postulated a wider rule, that

in my judgment it is a term of the employment, apart altogether from any express covenant, that any invention or discovery made in the course of the employment of the employee, in doing that which the employee was engaged and instructed to do during the time of his employment, during working hours and using the materials of his employers, is the property of the employers and not of the employee, and that, having made such a discovery or invention, the employee becomes a trustee of the employer of it, and he is, therefore, as a trustee, bound to give the benefit of it to his employer.

The Court of Appeal also expressed its preference of the law of contract to the rules of equity as a means of resolution of this problem,¹⁶⁵ and did not disagree with Romer J.'s suggestion that any term which, had it been suggested by the employer, would have met with instant rejection by the employee, could not be implied into the contract of service.¹⁶⁶

So far we have not covered cases in which the parties have actually taken the trouble to make an express contract. In such cases the Courts will endeavour to give effect to the intention of the parties as objectively expressed in the form of the contract. There are, however, some judicial glosses and comments which should not be overlooked. First, the contract of employment can prevent an employee from even applying for a patent, either by so saying, or by implication from a general clause such as "All work done whilst in the service of the said Company (is) to be secret and confidential and the property of the said Company";¹⁶⁷ the effect of this is that any disclosure of inventive detail - on a patent specification or anywhere else - will be actionable as a breach of contract and a breach of confidence. There is also the possibility that, should a specification contain inventive

secrets of the employer and also of the employee, that the latter will be able to proceed with his application, subject to its submission to the employer for the striking out of the specification of such parts as contain information which the employer wishes to keep secret.¹⁶⁸ Should an employer seek to prevent an employee from applying for or from enjoying any patent, whether the invention is made during the period of employment or otherwise, a contractual clause to that effect may be void as in restraint of trade.¹⁶⁹ Severance of such a clause from the rest of the contract of employment will not usually be permissible;¹⁷⁰ nevertheless, a Court, striking out an express contractual term, may substitute an implied one¹⁷¹ if it is reasonable to do so in order to protect the employer's interest.

It would appear that, prior to 1949, there were few indications of dissatisfaction among employee inventors en masse, though disgruntled individuals often went to Court to seek declarations of ownership or equitable remuneration in respect of their inventions. Apart from the fact that the depression would render the concept of 'freedom of contract' as little more than a matter of 'take it or leave it', there was also the problem of what to do once the employee actually got his patent right. Capital was in general difficult to raise, especially for the small man, and there was also the threat that the ex-employee who went into business on his own account or with trade rivals could be restrained from competing in any area of expertise in which the former employer had an interest in 'know-how' or confidential data.¹⁷² Besides, he would probably not be a member of a trade union or an inventors'

association,¹⁷³ and even if he were, it would give him little joy at a time when collective bargaining for white-collar labour was even less common than it is now (see chapter 7, sup.).

The first major opportunity for inventors to express their grievances came in 1931, when the Sargent Committee was investigating general issues of patent law reform. The Sargent Report¹⁷⁴ revealed that the only issue vaguely connected with employee-inventors was that of whether they or their assigns should be able to apply for the patent. No trade unions, nor the Institute of Patentees and Inventors - which was then but twelve years old - gave any evidence or made any submission to the Committee, which did, however, receive numerous submissions from chambers of commerce, representing the more commercial interests of traders, manufacturers and employers.

By 1947, when the Swan Committee published its Report,¹⁷⁵ the inventors' lobby had grown in strength; submissions relating to the employee inventor were made by the Association of Scientific Workers, the Master Printers and also by the Institute of Patentees and Inventors. Swan sought to make two changes in the law, one of general, the other of specific value to inventors. The general benefit was to come from a reduction in litigation costs, which the introduction of specialist judges sought to achieve;¹⁷⁶ this was intended to have the threefold effect of (i) shortening trials by reducing the time spent instructing the judge in arts and sciences, (ii) reducing the likelihood of appeals by improving the standard of first-instance decisions, and

(iii) providing an eventual buttressing of the Court of Appeal's capacity to handle cases involving patent matters.¹⁷⁷

The reform of more specific benefit was the proposal that both employer and employee could share the fruit of the patent grant. At common law, "There is a ... possibility... that both the employer and the employee may be entitled to share in and derive benefit from the invention",¹⁷⁸ but this so rarely happens (per Swan) because each side in an ownership dispute adopts an uncompromising attitude towards the protection of what each considers to be its own right solely, with the result that out-of-court settlements would be difficult to achieve, and only total ownership remedies would be sought by the litigants. It was thus proposed¹⁷⁹ that an order for apportionment of the benefit of a patent should be available, and that such an order could best be done cheaply by the Comptroller-General (with an appeal to the Patents Appeal Tribunal) than by the time-honoured but expensive Chancery Division.

One further suggestion made by Swan was that the practice of the Patent Office in allowing applications to proceed in the name of the employer, given proof of the existence of a contract of employment, be terminated.¹⁸⁰ Even though the inventor's right would be 'protected' by Patent Office notification that an application for a patent had named him as the inventor, the Committee felt that this was unfair, and that the employer should be required to show proof of contractual rights specifically

referring to the invention made, or should produce the employee's signed assent to the application. This suggestion was enacted¹⁸¹ but may soon be repealed in order that English and European patent application technicalities be in closer harmony.¹⁸²

10.2.3 1949-1965

The Patents and Designs Bill of 1949 represented a far-reaching reform of the patent system, and the area of employee-inventions was far down the list of reform provisions when Harold Wilson, then President of the Board of Trade, introduced the Bill to the House of Commons.¹⁸³ One of the details of the Bill, at clause 38, was that

Disputes between employers and their employees as to the ownership of inventions can be referred to the Comptroller by either party, not necessarily by agreement between the parties, instead of going to the court, since it often happens that an employee is unable to face the cost of a court action.¹⁸⁴

No mention was made of the apportionment clause, save a prophetic comment by Henry Nicholls, the Member for Stratford, that the Bill "does very little for the inventor. It may do something for those who help to exploit patents, but very little for the inventor himself".¹⁸⁵ There was no substantive Parliamentary debate of that clause.¹⁸⁶

When the Bill was passed, clause 38 became section 56,¹⁸⁷ the basis of which was that

(2) In proceedings before the court between an employer and a person who is or was at the material time his employee, or upon an application made to the comptroller..., the court or comptroller may, unless satisfied that one or other of the parties is entitled, to the exclusion of

the other, to the benefit of the invention, by order provide for the apportionment between them of the benefit of the invention, and of any patent granted or to be granted... in such manner as the court or comptroller considers just.

The meaning given this subsection has been the subject of controversial discussion ever since 1955 when the House of Lords in Sterling Engineering Co. v. Patchett¹⁸⁸ rendered its ambit rather narrower than had hitherto been anticipated.¹⁸⁹ We can, however, make the following statements pertaining to Parliamentary intention:

(i) Parliament did not give any clear indication of exactly what function it assumed that section 56 would perform;

(ii) Swan¹⁹⁰ identified two separate factual situations; one where the inventor makes an invention 'quite unconnected with his duties and in no way attributable to his employment', and the other where 'the employee is expressly engaged and paid to exercise his skill in solving a particular problem'. The first instance, it was accepted, would result in the patent right going to the employee, and the latter, the employer. Swan than alludes to a tertium quid, that both parties 'may be entitled to share in and derive benefit from the invention'. This tertium quid is described as being of application 'where the circumstances are such that both employer and employee can fairly be said to be entitled to a share in the benefits of an invention'.

(iii) The last quote in (ii), sup., is ambiguous. Does the word 'circumstance' refer to factual or legal circumstances? Does the word 'entitled' mean legally or morally entitled, and do 'benefits' refer to the fruit of legal ownership or to an

equitable entitlement? Flower¹⁹¹ argues that it means 'where the legal circumstances are such that both employer and employee are legally entitled to a share of benefits incidental to legal ownership', as where both parties agree that the employer will have the patent subject to the payment of a royalty, but they forget to mention the amount of that royalty.¹⁹²

Swan did in fact give one further hint as to what the Committee intended; the report's summary of recommendations says that

provision should be made for apportioning the benefit of an invention or a patent between an employer and an employee-inventor in cases where no written contract exists and the Court is not satisfied that either the employer or the employee is exclusively entitled to the benefit of the invention.¹⁹³

This could well suggest that, irrespective of legal rights, if (a) the invention is not obviously the employer's or the employee's, or if (b) no express contractual term exists which would vest sole rights in the employer, the beneficial interest in the invention must be shared on the basis of the moral entitlement of each (i.e. 'in such manner as the court... considers just'.¹⁹⁴ Such a solution would be of benefit to employees, who would get some compensation for the act of invention, to employers, who would not have to labour against the evidential burdens where there is no written contract, and to the Court, which would no longer need to wield the sword of Solomon over inventions in which both employer and employee have a good moral claim.¹⁹⁵

(iv) Sir Kenneth Swan himself pointed out¹⁹⁶ that

there may be cases in which the invention is of such a character (say an invention with widely different fields of application) or in which the circumstances are so

special or so balanced that both employer and employee are legally entitled to the benefit of the invention.

Though the second alternative would support the narrow interpretation of section 56 put forward by Flower, supra, insofar as legal entitlement to the patent is concerned, it is submitted that Swan himself could not have meant that conclusion to be drawn; after all, the fact that an invention can have 'widely different fields of application' will have absolutely no relevance to the issue of legal ownership. What Swan must have meant was simply that, in the absence of contract, and where it was not painfully obvious that one side was entitled to the whole interest in the invention in the patent to the exclusion of the other, the Court should have powers of equitable apportionment.

(v) Contemporary legal commentators¹⁹⁷ all assumed that section 56 (2) was designed to apportion 'moral', not 'pre-existent legal' rights.

However, the House of Lords in Sterling v. Patchett¹⁹⁸ thought otherwise. The facts of that case need not be discussed here, and their Lordships' analysis of the common law rule will be discussed below. As to the ambit of section 56(2), Viscount Simonds¹⁹⁹ took the view that 'entitled' meant 'legally entitled', and that since the employer alone was so entitled to the patent, section 56(2) was of no application and the employee could secure no part of the benefit for which he sued. Lord Reid, concurring, pointed out that

The ordinary meaning of the word 'entitled' is entitled as a matter of legal right, and even if the word could

in some contexts²⁰⁰ be held to mean fairly or justly 'entitled in all the circumstances' some very cogent reason for so construing it would be required to justify an inference that Parliament intended to take the very unusual course of subordinating the legal rights of the parties to the discretion of the court or the comptroller - particularly as there is no indication of any considerations to which the tribunal should have regard in exercising its discretion.²⁰¹

So saying, his Lordship concluded that section 56(2) could only apply where some agreement to share the benefit of the invention existed. It is respectfully submitted that, with regard to the considerations enumerated above, his Lordship's conclusion is open to doubt.

Meanwhile, the era of the '50s had seen little change in the common law. In Charles Selz Ltd.'s Application²⁰² the Assistant Comptroller (on a reference under section 56) handled a disputed ownership by neat expedient of applying Worthington²⁰³ where the employee is not instructed to do that whereby the invention occurs, and the Lind-Adamson test²⁰⁴ where the employee is acting under an instruction or duty;²⁰⁵ this approach was not upset by the Patent Appeal Tribunal²⁰⁶ although it was not actually approved. A line not dissimilar to that of the Assistant Comptroller's was taken by Danckwerts J. in Fine Industrial Commodities Ltd. v. Powling,²⁰⁷ where he held that an invention of the defendant managing director was held by him in trust for the employing company. This finding was composite in effect, drawn both from Worthington and from the general company law principle of Règal (Hastings) Ltd. v. Gulliver,²⁰⁸ that a director may not take advantage of his position in order to gain a pecuniary interest for himself at the expense of the company whose interests it is his duty to protect;

this latter approach was in fact a qualifying pre-condition for the application of Worthington's test.

In Sterling v. Patchett²⁰⁹ Viscount Simonds made a departure from the classical rule of Lind-Adamson, that to ascertain ownership one examine the contract of employment of the inventor and all the attendant circumstances, and then decide who has the better right; instead, by virtue of the status-relation of employee to employer a contractual term is implied that all the labours and exertions of the employee accrue to the employer's benefit:

It appears to me that it is only an implied term in the same sense that it is an implied term, though not written at large, in the contract of service of any workman that what he produces by the strength of his arm or the skill of his hand or the exercise of his inventive faculty shall become the property of his employer.²¹⁰

This wide status-implied term was not adopted by Upjohn J. when he granted a pre-trial injunction in British Syphon Co. Ltd. v. Homewood²¹¹, where Sterling was regarded as being of application to those inventions which it was part of the employee's duty to make. At the trial,²¹² Roxburgh J. did not feel obliged to review the law on this issue, but described it as "an interesting question of law upon which I have considerable doubts", despite, presumably, the fact that the House of Lords had pronounced upon it. Possibly the learned judge's doubts originated from a sentiment that neither Worthington, Lind-Adamson, nor Sterling was wholly appropriate to the facts before him, where the defendant inventor, chief designer in the plaintiff's soda syphon

manufactory, came up with an invention for a soda-pourer in non-syphon form. The plaintiff had never indulged in exploits which did not involve syphons, and could not claim that Homewood was under a duty to invent; the Court, however, found that he was under a duty to give technical advice upon the design and development of anything connected with the plaintiff's business, including prospects of competition and expansion into new fields. As the judge put it,

No particular problem had been put before him, but if, and as often has, any problem of that kind was put before him, it was his duty to be ready to tender his advice and to assist in any matter of design or development. He was... standing by, and paid to stand by, in that respect.²¹³

From this finding the learned judge went on to ask,

Now, would it be consistent with good faith, as between master and servant, that he should in that position be entitled to make some invention in relation to a matter concerning a part of the Plaintiff's business and either keep it from his employer, if and when asked about the problem, or even sell it to a rival and say, 'Well, yes, I know the answer to your problem, but I have already sold it to your rival'? In my judgment that cannot be consistent with a relationship of good faith...²¹⁴

and then, "... he has a duty to be free from any personal reason for not giving his employer the best possible advice." Thus, a new test was added to Worthington and Lind-Adamson: if the employee is under a duty to advise, any invention which may have resulted from such advice - had it been solicited by the employer and given by that employee - is held in trust for the employer's benefit.

This decision is open to criticism; it is one thing to say that an employee is in breach of a contractual obligation to the

employer by putting himself in a position where (i) he is unable to give the advice, (ii) he has sold the advice exclusively to a rival, or (iii) he has in some way derogated from the value of his advice as advice. If such is the case, then the employer's remedy should stand in damages for breach of a contractual duty.²¹⁵ There is no precedent and no compelling logic which demands that that which the employee is not under a duty to make or reveal, and which has not been solicited by his employer,²¹⁶ will be owned by the latter, unless very broad effect be given to Viscount Simonds' dictum in Sterling, supra., a dictum so wide as to be capable of application to almost any invention made by an employee-inventor while not in his spare time.²¹⁷

In any event the Homewood case, though reported, was not even discussed in the similar case of Anemostat (Scotland) Ltd. v. Michaelis,²¹⁸ where a director and part-time general manager with no specific inventive duties patented a device connected with the firm's work but which had not been solicited, where the manager was entitled to the full enjoyment of his unsolicited invention. This case, as it happened, was the last word on the matter to date, which now means that there is still room for doubting the Homewood decision, and possibly Sterling too, but the validity of the Worthington and Lind-Adams tests is beyond further doubt.

10.2.4 1965 to the present date

The advent of a new socialist government in 1964 after thirteen years of conservatism raised hopes for widescale social

and economic reform, especially in the area of industrial relations. One of the results of this was the Patents (Employees' Inventions) Bill, 1965;²¹⁹ the intended function of this Bill was to put into clear and unambiguous effect the 'just benefit' notions of section 56(2) of the Patents Act, 1949, which had been so narrowly construed by the House of Lords in Sterling,²²⁰ but it was poorly drafted and strongly opposed, and when the Institute of Patentees and Inventors withdrew support for it,²²¹ swift was its demise.

That the Bill went wider than the previously supposed ambit of section 56(2) is demonstrated from clause 1(1):

When an invention is made by an employee in the course of his employment or in circumstances connected therewith, he and his employer shall each be entitled to so much, if any, of the benefit of the invention, and of any patent therefor, as may seem just.

It may be assumed that the fact that the words 'course of employment' were intentionally not followed by 'and in carrying out duties imposed by the employment' was an indication that inventions which the employee was not specifically under a duty to make would also fall within the clause; however, that omission does not have that effect alone. By leaving an unqualified 'course of employment' the drafters were including all inventions made in the duration of the employment contract,²²² many of which would, of course, be uncontrovertably owned solely by the employee.²²³

The Bill was given a mildly unenthusiastic reading in the Lords;²²⁴ Lord Cawley objected that it would cause uncertainty because there was no limit as to the operation of the Bill's

provisions and that might (i) cause a reallocation of patents granted before the Bill became law, and (ii) encourage employees to wait for a number of years to see if the invention was going to be a financial success, before claiming any interest in it, and Lord Drumalbyn wanted the Bill to spell out the different ways in which apportionment could take place. For the Bill, Lord Rhodes²²⁵ rather weakly disagreed with the former objection, and argued against the second that since the basis of the Bill was to give the inventor a bargaining position from which he and his employer could come to a full agreement, there was no need to specify that the court should adopt any particular method of apportionment.

In the Commons, George Darling²²⁶ explained that the Bill "does not give power to divide up the legal title to the invention or patent";²²⁷ this being the case, it would still be necessary to follow the old common law rules in order to see which of the two parties should hold the patent - albeit as trustee- where, for example an application was still pending. Opposing the Bill, Sir Lionel Heald,²²⁸ a distinguished patent lawyer, confuted both its function and its form; in particular he pointed out that the words 'as may be just' could be interpreted as meaning exactly what the current case law has laid down. After all, the current law is largely based upon equitable determinations in favour of the employer, and it would be a brave man who stood up before a tribunal and argued that decisions of the Chancery Division be disavowed on the ground of their unfairness. Moreover, (i) there was no indication as to whether the Bill was retroactive in effect

(ii) its passage would necessitate the keeping of quantities of data relating to the profitability of an invention up till such a time as no claim could be brought upon it, (iii) no 'important bodies' had been consulted at the drafting of the Bill and (iv), the Bill could still be avoided by express contractual provision, so was of little use or value to that class which it was supposed to benefit. In the face of this barrage of criticism, and in the light of promises of a new Board of Trade Committee investigation,²²⁹ the Bill was withdrawn and sank without trace.

In 1970 the Banks Committee²³⁰ reported its findings and proposals for reform; resurrection of the 1965 Bill was not among them. The caselaw was briefly and uncritically reviewed,²³¹ as was the history of section 56(2) and the 1965 Bill.²³² The views of both sides of industry were also examined: employees were in favour of the adoption of (i) some beneficial right to an award for inventions made by them but enjoyed by their employers and (ii) a bar upon the enforceability of contractual provisions which compel the assignment of inventions in which the employer would have no right at common law;²³³ employers unanimously rejected the first proposal, magnanimously accepting the second.²³⁴ To date there has been no legislative activity resulting from the Banks proposals, since the then government wished to monitor future developments in European and E.E.C. patent law before introducing a full-scale reform of the current system; the second proposal above could easily be enacted without causing any changes in the substantive patent law, but the early '70s were a period of intense industrial conflict and misunderstanding, not a propitious

time for the introduction of small-scale labour reforms.

A further proposal was made that since section 56(2) was almost never used, it should be repealed, and that the Department of Employment and Productivity²³⁵ should help industry in the establishment of voluntary incentive and award schemes.²³⁶ Although this latter measure did not depend upon legislative effectuation, it does not appear to have been implemented.

There was little reaction to the Banks proposals, which were endorsed by Mr Peter Walker (the then Secretary of State). Walker did, however, describe the rejected trade union proposals for reform as being "more appropriate to a socialist country than to Britain".²³⁷ The General Council of the Trade Union Congress riposted by claiming there was "little evidence" that Banks had examined their proposals seriously, and the Assembly of the T.U.C. carried a motion of disappointment in Government inaction over the Banks report (i.e. the proposal to render unenforceable contractual pre-assignment of employees' own inventions) due to the impending homogenisation of international law. Finally the Secretary of State undertook to consult with the General Council of the T.U.C. before any legislative proposals went to Parliament.

There the matter lay until April 1975, when the new Labour government issued its policy statements on patent reform.²³⁸ In respect of inventions made outside the scope of employment duties, the Banks proposals were supported; but, as for the rejected award-scheme proposal,

Notwithstanding the Banks' recommendation, the

Government is prepared to give further consideration to the introduction of a statutory award scheme for employee inventors if there is substantial evidence to show that this would be fairer to employees generally.²³⁹

This willingness to re-open the question was based upon the fact that no concrete evidence had been offered the Banks Committee as to (i) individual instances of hardship to employees under the present law, or (ii) the greater tangible - as opposed to philosophical - benefits of alternative legal provisions.

Despite the Government's readiness to re-open the question, there is little greater likelihood of success for employee inventors now than there was in 1970, since the inventor's lobby has to date succeeded only in uniting against it the opposition of the Chartered Institute of Patent Agents,²⁴⁰ the Confederation of British Industry,²⁴¹ the Association of British Chambers of Commerce²⁴² and the Trade Marks, Patents and Designs Federation,²⁴³ to name but a few. The submission of the Institute of Patentees²⁴⁴ is discussed elsewhere in this thesis.²⁴⁵

10.3 Allocation of Patent Rights in the United States

10.3.1 Employer-employee case law

In the early nineteenth century there was no doubt but that English and American law was entirely in accord upon the question of the ownership of patent rights. American texts cited English cases as their own,²⁴⁶ and prior to 1843 there was no real substantive American caselaw doctrine. In that year the Supreme Court took what was later regarded as a great innovative step in

One Harley, employed in the defendant's foundry, invented an improved casting process. He did so through experiments made at the defendant's expense, and received a pay increase for his pains; then he patented the invention, which the defendant had been using with his consent, and then assigned it to the plaintiff, who brought against the defendant an infringement action. The jury at first instance found - as directed - that the above facts justified a presumption of a licence to the defendant to use the invention, and that there was good consideration for it or, at any rate, an equitable right to use it. As a matter of law the jury should have been directed that, if the invention had been used for some months by the defendant before the patent was applied for, that patent would be void;²⁴⁸ instead, reliance was placed upon the provisions of the 1839 Act,²⁴⁹ section 7 of which states that:

... every person or corporation who has or shall have purchased or constructed any newly-invented machine, manufacture or composition of matter, prior to the application by the inventor or discoverer of a patent, shall be held to possess the right to use, and to vend to others to be used, the specific machine, manufacture or composition of matter so made or purchased, without liability therefor to the inventor, or any other person interested in such invention; and no patent shall be held invalid by reason of such (prior activities)

This section, it is submitted, was intended to apply to instances where A uses a machine in his factory for some years before B independently invents and patents it; A cannot there be fairly said to infringe B's patent, nor can he invalidate it by reason of his secret prior use alone. This does not mean that if B

communicates his invention to A, and A uses it before B applies for a patent, that the grant will be valid, as the Supreme Court assumed.²⁵⁰ Such a patent will not be valid because it is thus dedicated to the public.

This subtle reasoning was not in any case suggested to subsequent Courts, which extrapolated an entirely different moral from McClurg's case. Later Courts saw, not patentee and user fighting over the validity of the patent, but employer and employee fighting over its ownership; thus was born the 'shop right', the employer's free and non-exclusive right to use inventions for which he has paid and which he has used with at least an implied licence or equity from the inventor. Since forty-three years elapsed between the decision in McClurg and its application as a ratio decidendi of the shop right,^{250a} it may not perhaps be so surprising that its historical origin has been misunderstood.

The first real shop right case was that of Hapgood v. Hewitt²⁵¹ in 1886, a time when inventors on both sides of the Atlantic enjoyed the benefits of legal doctrine and findings of fact in their favour. In Hapgood the defendant inventor, a large shareholder in the plaintiff employer, received the enviable salary of \$3010 p.a. to 'proceed at once to devise and build a sulky iron plow'²⁵² on the understanding that the employer, who paid all expenses involved, would at least be able to use the invention thus underwritten. The Circuit Court held that

Hewitt was not expressly required, by his contract, to exercise his inventive faculties for the benefit

of the employer, and there was nothing in the bill from which it could be fairly inferred that he was requested or expected to do;²⁵³

in other words, he was under a primary duty to produce a plow, but under no duty to hand over any invention;²⁵⁴ the English doctrines of Lind-Adamson and Sterling²⁵⁵ had been rejected even at this early state of the American legal evolution, and if the employer wished to put the employee under a duty whereby 'inventive faculty' was to be used by the latter and for the benefit of the former, an express term would be necessary.

On the other hand, it would be unjust for Hewitt to pocket his massive salary, and his invention, without so much as a by-your-leave. Thus, held the Court,

... whatever right the employer had to the invention by the terms of Hewitt's contract of employment was a naked licence to make and sell the patented improvement as part of its business,²⁵⁶

this naked licence being personal to the employer, and thus not transferable; so here both the equitable²⁵⁷ and implied contractual rights of the employer are protected by the shop right, and the employee - perhaps luckily - was not deprived of his patent.

Hapgood was affirmed in 1890 by the important case of Solomon v. United States,²⁵⁸ which also established that the Government was to be treated no differently from any other employer in private industry. However, the affirmation of Hapgood was in slightly different terms, because Brewer J. emphasized that

An employé, performing all the duties assigned to him in his department of service, may exercise his inventive faculties in any direction he chooses, with the assurance that whatever invention he may thus conceive and perfect is his individual property...

But this general rule is subject to these limitations: if one is employed to devise or perfect an instrument, or a means for accomplishing a prescribed result, he cannot, after successfully accomplishing the work for which he was employed, plead title thereto as against his employer.²⁵⁹

In such an instance the Court may be warranted in finding that he has 'sold in advance' his rights, and a result comparable with that of the English law will be achieved; but where the shop right applies, the patent will vest in the employee alone.

The formulation of the shop right principle did not differ from that of McClurg except in that the salary rise, mentioned in that case as a factor tending toward the finding of the employer's right, was omitted from the Solomon case; this omission led Macomber²⁶⁰ to doubt that it was of relevance. It is submitted that such doubts are justified; whether or not an employee receives an increase in pay after an invention is made will not be relevant in deciding whether the employer has any equity in that invention; nor does it indicate the existence of a contractual right or licence, though it may be consideration for such a right or licence subsequently granted.

It should be noted that at this time no firm distinction had yet been made between shop rights inferred through (i) contractual implication - i.e., the circumstances in which the contract is made, or the conduct of the parties before the contract is made, suggest the existence of an agreement or understanding of both the parties that the employer will have a shop right, and (ii) estoppel - i.e., the employee has full right and interest in the patent but is barred from asserting his rights

as against his employer because it would be inequitable for him to do so, as where the employee has stood by and silently watched the employer build plant in reliance upon the employee's consent, and such reliance has been to the employer's detriment. This distinction was shortly to be of some practical and theoretical importance in the development of the American shop right.

It should also be noted that these two sources of the shop right - contract and equity - operate strictly inter partes, and do not confer upon the employer any general right which may be enjoyed as against the world. The personal nature of the shop right can cause difficulties, as where (as happened in Withington-Cooley Manufacturing Co. v. Kinney²⁶¹) the employer manufactures machines under a shop right and sells them to a customer whom the employee sues for infringement of the patent when that customer tries to use the machines. In Withington the Court held that there was no infringement because the customer enjoyed a licence from the employer, but this may be criticised in terms of privity of contract: the shop right being analogous to a non-transferable non-exclusive licence, it is difficult to see how one who is not privy to the licence may nonetheless benefit from it. A more attractive solution to this awkward problem has been adopted by several E.E.C. countries,²⁶² that 'exhaustion of rights' takes place when goods protected by a patent or trade mark find their way lawfully onto the market; thus if A enjoys a shop right from B, and markets goods under the shop right licence, patent rights in relation are exhausted, and may not be revived.

Whether the shop right was an implied licence or the consequence of estoppel was not just a legal technicality; for, as Brown J. realized in Gill v. United States,²⁶³ one establishes an implied licence by looking to the intention of the parties at the time they enter into a contract, whereas estoppel is established as a legal inference from all the circumstances, including the conduct of the parties. In Gill the plaintiff sought to distinguish the rule evolved through McClurg and Solomon on the ground that he, as inventor, had used neither the employer's time nor his materials, and that there was insufficient evidence from which one could infer that the parties intended that the employer should enjoy an irrevocable licence. Pressed with this argument the Court could well have held that both implied licence and estoppel were possible grounds for granting a shop right, and that such a licence as was established by implied contract would be irrevocable because it represents the will of the parties that such a licence would run for the duration of the patent; but that the licence granted through a theory of estoppel - needing only proof that the silence of the patentee was relied upon by the employer to the detriment of the latter - would be a defence to an action for damages for past infringement only, and that on giving proper notice of termination of the licence, the patentee would then be able to secure a royalty or prevent further use.²⁶⁴

However, Brown J. held that:

The principle is really an application or outgrowth of the law of estoppel in pais, by which a person looking on and assenting to that which he has the power to prevent is held to be precluded ever afterwards²⁶⁵ from maintaining an action for damages.²⁶⁶

The Court may well have intended the words 'ever afterwards' to refer only to the facts of the use as alleged by the plaintiff; and that subsequent infringements by the protected party would be actionable. However, the words are taken as referring to all actions relating to infringements of the patent in question. There is still no precedent governing the case of the employee who gives the employer reasonable notice of revocation of a shop right, and then sues for infringement. Finally, it should be noted that the remarks in Gill were obiter, since the Court held that Gill was hired to do that which he did do, and that the employer was beneficially entitled to the patent in toto.

By the end of the century, industry had taken due note of the fact that, like the English, the American Courts of that time were holding firmly to their requirement of 'special contract' before an employer could compel assignment of an employee's patent, no matter how strong his moral claim;²⁶⁷ but, unlike the English Courts, they could satisfy the employer's legitimate and equitable claim to sue the disputed invention without actually giving him full rights.²⁶⁸ Even so, employers found it more convenient to secure their position by the use of the written contract of assignment, thus obviating any complications or litigation to which the shop right might bring them. If justice is varied in its form, the law is certain; and certainty being a valuable commercial asset, the introduction of pre-assignment contracts led to their soon being widespread.²⁶⁹

The first test of pre-assignments came in Bonsack Machine

the end result is achieved or not - and the 'obligation de résultat' - the duty to achieve a specific end result through whatever means are at one's disposal. In regard to this distinction, the Hapgood-Dalzell²⁷⁴ doctrine would appear to be confined to the 'obligation des moyens'; as to the obligation de résultat' the rules of implied contract, and the contemplation of the parties on entering the contract would demand the inference that both parties intended the employer to enjoy full rights in the invention.

This distinction has been criticized by an anonymous commentator²⁷⁵ in the following terms:

A distinction based on the generality of the contract of employment seems unjustified. While it is upheld on the ground that the employee has sold those of his inventive powers necessary to success in the specific project,²⁷⁶ the same might be said of a general contract to devise improvements.

Subsequent caselaw has had scant²⁷⁷ regard for the substance of Peck's case. In Manton-Gaulin Manufacturing Co. v. Colony²⁷⁸ the plaintiff sought assignment of an improvement in ice-cream homogenization which his employee had derived at the employer's expense; there was no express contractual duty to assign the patent or to hold it for the plaintiff, who cited Peck, Edisonia²⁷⁹ and Lind²⁸⁰ in favour of assignment. The Court ignored the English cases, and preferred American Circular Loom Co. v. Wilson²³¹ (an Hapgood-type case) to Peck. Moreover, it was held in Kay-Scheerer Corp. v. American Sterilizer Co.²⁸² that "in order to deprive an inventor of his invention, proof should be strong and convincing²⁸³ that the invention was to be the property of the employer", and the Court in Bowers v. Woodman²⁸⁴ went even further.

Co. v. Hulse,²⁷⁰ where the employer made it a condition precedent to the employment that "in case (Hulse) should make any improvement in the machines, either while in the company's employ or at any time thereafter, the same should be for the exclusive use of the company."

Apart from arguing that such a contract was void as in restraint of trade, counsel claimed that it was per se contrary to public policy to require such an assignment of a patent. The Court rejected this contention,²⁷¹ thus giving support to the oft-quoted dictum of Sir George Jessel that "if there is one thing more than another which public policy requires, it is that men of full age and competent understanding shall have the utmost liberty in contracting, and that their contracts, when entered into freely and voluntarily, shall be held sacred and shall be enforced by Courts of Justice."²⁷² If an inventor wishes to sign away his valuable rights for valuable consideration he will not be prevented from so doing. Thus the Bonsack decision would have had the effect of removing any doubts which employers may have had. Mutatis mutandis the new environment of the twentieth century, reflected in the use of pre-assignment contracts, caused a softening in the previously rigid requirement of 'special contract' as a pre-requisite for assertion of rights by the employer.

In Standard Parts Ltd. v. Peck²⁷³ the first indications of this softening became apparent; this occurred as the Supreme Court distinguished between the civil law concepts of the 'obligation des moyens' - the duty to exercise one's skill, whether

holding that (i) the fact of previous assignments or of a custom of assignment was not conclusive evidence of an agreement to assign,²⁸⁵ (ii) that the Hapgood-Dalzell line of cases was still good law, and (iii) that Peck was an extreme case where the decision was justified by the facts, and that the principal holding of Peck was that the invention of a specific thing could properly be the subject of a bargain! As Brewster J. said, "I regard this case as standing at the outpost of the field in which equity would be justified in entirely depriving an inventor of all the fruits of his labour".²⁸⁶ Finally, it was held in the great and controversial Dubilier²⁸⁷ case that "The Courts are reluctant to imply or infer an agreement by an employee to assign to his employer the patent for an invention made by him during his employment".²⁸⁸

The net effect of Peck's case was, however, to cause a change in perspective; for the shop right, formerly regarded as a bite taken out of the inventor's rights by the employer,²⁸⁹ later appeared as a bite taken out of the employer's rights by the employee,²⁹⁰ though there is nothing in Peck's case which would compel the reader to draw such a conclusion.

The practical and conceptual problems of the shop right took a new form in Houghton v. United States²⁹¹ in 1928, which followed Peck. At this time the implied licence theory was in vogue, but little attempt had been made to analyse the nature of this contract. For example, it was quite conceivable that a man would start work in a factory as a machine hand, show some

aptitude for his work and be given a supervisory function, then be involved in developmental innovative matters, and finally enjoy administrative duties and a directorship; however, that employee only joined that firm once, when the initial bargain was struck between himself and his employer. Does that original agreement - which like as not was silent about inventions - govern any patent which that employee might take out in any of his capacities in the employing concern, and how would this factor fit in with a contractual shop right doctrine? Moreover, would the employer's interests be sufficiently protected, or over-protected by the operation of a shop right at the different stages of that employee's career, and if the terms of the shop right licence contract do not come from the original contract of service, then what is the consideration for that right?

These problems were largely ignored by the Circuit Court of the Fourth Circuit, which came up instead in Houghton with the following provision: that the right of an employer in his employee's inventions will depend NOT upon the terms of the original hiring (which ideally should manifest the intentions of the parties); but upon the nature of the service in which the employee is engaged at the time of his invention (i.e. upon duties which may be unilaterally imposed by the employer and which, being contractual, still depend upon the existence of consensus between the parties and consideration). Once again, this makes no distinction between 'primary' and 'secondary duties'²⁹² and their consequences.

The difficulty in ascertaining the allocation of patent rights purely by reference to the duties assigned to the employee, instead of by examination of the intention of the parties, is compounded by the fact that 'primary' duties may be expressed as duties of 'moyens' or 'résultat' without the parties realizing this, because most instructions to employees are inherently ambiguous. For example, if I instruct my employee to make a device for opening bottles by means of air-pressure, have I asked him to make a particular device, or have I asked him to solve a problem in a particular way, or what? How concrete or abstract a solution is required, and does it follow that a concrete solution implies an obligation de résultat, and an abstract solution an obligation des moyens? In Moffett v. Fiske²⁹³ the Court held that inventing a technique for the aerial delivery of torpedoes - a concrete solution - was part of the employee's duty to devise plans for protecting the Philippine Islands - a fairly abstract sort of duty.

The final objection to allocation of patent rights by reference to duties and not the silent intention of the parties is that the existence of a duty itself can convey no evidence of consequential intention. Thus if I instruct an employee to work on a vaccine for a particular strain of virus, his duty will be the same whether I am an educational or philanthropic institution uninterested in commercial matters, or whether I am a multinational pharmaceutical conglomerate. In the former instance there is a good likelihood that I would not be

interested in securing a patent at all, but in the latter it would be inconceivable for the employee to think that anyone but myself would be able to enjoy the patent, as I certainly would do so. If one confines oneself to the intention of the parties, not the duties owed by each, no such problem arises.

Unfortunately the superimposition of the Peck-Houghton line of cases upon the old shop right doctrine has led to a confusing broadening of that right; this confusion has caused much dissatisfaction with the vague and sometimes unpredictable findings of American tribunals²⁹⁴ at a time when certainty is itself a merchandable commodity.

10.3.2 Further Development of the American Law: 1929 to date

Up to this time it had always been affirmed that one of the necessary conditions of a shop right, along with the use of the employer's time and/or materials and/or a loose duty binding the employee to the area in which the invention was discovered,²⁹⁵ was that the employee must have consented to the use of the invention by the employer; this requirement was necessary either for the inference of an implied licence or to operate the doctrine of estoppel against the employee. In Massie v. Fruit Growers Express Co.²⁹⁶ the question arose as to whether consent to the use was not just a necessary condition but a sufficient one. The invention here was not made in the course of employment and the time and resources of the employer were not expended. Judge Morris said:

The most that can be said is that (Massie) permitted

the defendant to make and experiment with the hinge in order that they might be convinced... of its merits,²⁹⁷ and that such use could not possibly create a shop right in the employer. It may be taken as a measure of judicial uncertainty that the Massie Court felt obliged to express itself in such narrow terms, confining itself to experimental use to ascertain commercial viability and saying nothing about other forms of use (e.g. commercial or industrial exploitation, licensing to sub-contractors) where there may be sufficient ground upon which to hold an estoppel but not an implied licence.

The matter became complicated when, in Moffett v. Fiske,²⁹⁸ the inventor had not consented to the use of the invention by his employer, nor had there been any, but the Court was prepared nonetheless to grant an irrevocable licence for the employer to use it, a licence implied solely from the fact that the invention was made in the course of the inventor's employment. This case may be distinguished from the other shop right cases, however, in that the Court regarded the invention as being, under the Peck doctrine, one in which the employer could have claimed the sole beneficial interest;²⁹⁹ if entitled to the whole patent, the employer would - irrespective of shop right doctrine - be entitled to the lesser right. However, the requirement of consent to use was not clearly settled, and the legal profession awaited an authoritative pronouncement which would solve the consent problem and also a problem attendant upon it - the importance of the real dichotomy between shop rights through licence and those through the doctrine of estoppel.

The problems were resolved in the landmark case of United States v. Dubilier Condenser Corp.,³⁰⁰ a case remarkable for, inter alia, the fact that the United States Government lost it, and the fact that they lost it despite having a very strong moral claim to have won it. The complex facts, briefly stated, are thus: D and L, employees of the Bureau of Standards (a subdivision of the Department of Commerce), were assigned to perform research and tests upon 'airplane radio'; D and L succeeded in patenting three inventions connected with the substitution of alternating current for direct battery current in telegraph, amplifier and broadcasting receiver sets, not one of which had anything to do with their 'airplane radio' duties, but which were tested at the Bureau's laboratories, where other employees had been trying unsuccessfully to resolve the current problem. On reporting their inventions to the laboratory chief, D and L were permitted to carry on work upon their new inventions. No mention was made of assignment of the patents to the United States Government which sought, inter alia, a declaration that they were entitled to the sole and exclusive property in the inventions. A majority of the Supreme Court (Hughes C.J., Stone and Cardozo J.J., dissenting) denied the petition, but recognized instead a shop right, even though there had not been any use, as such, of the invention with D and L's consent.

For the majority, Roberts J. held that

one employed to make an invention, who succeeds, during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained. The reason is that he has only produced that which he was employed to invent.³⁰¹

On the face of it, the words are ambiguous; does 'employed to invent' mean 'employed with inventive duties' or 'employed on the understanding that his inventions would belong to his employer'? Stone J., in his dissent, picked this up when he criticized the majority, in that

The opinion of this Court apparently rejects the distinction between specific employment or assignment and general employment to invent,... in favour of the broader position that, wherever the employee's duties involve the exercise of inventive powers, the employer is entitled to an assignment of the patent on any invention made in the scope of the general employment.³⁰²

This criticism is unfair, though, for it fails to take into account the sentences following Roberts J.'s quote, which qualify it thus:

His invention is the precise subject of the contract of employment. A term of the employment necessarily is that what he is paid to produce belongs to his paymaster.³⁰³ On the other hand, if the employment be general, albeit it covers a field of labour 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.³⁰⁴

Though the language is not clear, there would still seem to be a distinction between the terms of a contract of employment and the duties which arise from it; in keeping with the distinction is a rather metaphysical dictum of the majority that

Though the mental concept is embodied or realized in a mechanism or a physical or chemical aggregate, the embodiment is not the invention and is not the subject of a patent. This distinction between the idea and its application in practice is the basis of the rule that employment merely to design or to construct or to devise methods of manufacture is not the same as employment to invent.³⁰⁵

Having thus sought to clarify the issue of 'employment to invent', and having found as a fact that D and L in this case were not so employed, not, at any rate, in relation to that which they actually invented, the majority then rejected both the 'implied

licence' and the'estoppel' theories of the shop right. Instead the equitable doctrine of 'he who takes the benefit must bear the burden' was utilised.³⁰⁶

Since the servant uses his master's time, facilities,³⁰⁷ and materials to attain a concrete result, the latter is in equity entitled to use that which embodies³⁰⁸ his own property and to duplicate it as often as he may find occasion to employ similar appliances in his business. But the employer in such a case has no equity to demand a conveyance of the invention, which is the original conception of the employee alone...

The solution of substituting the 'benefit-burden' test for the implied licence and estoppel theories, had the following three effects: (i) it removed the necessary conditions of 'consent to use' of the invention, which had been established by prior caselaw, (ii) it removed the potential uncertainty as to whether estoppel against an employee-inventor would operate prospectively or merely in respect of past use, and (iii) it removed from subsequent litigation the necessity to wrangle over whether an implied licence could in fact be implied in the facts of each given case, which would have been the case had the minority opinion held sway (does 'the employment... contemplate the exercise of inventive talent'? If yes, the employer benefits from an assignment; if no, he gets a shop right as a 'ready compromise' if his materials or time are used, balancing all the equities of each case.³⁰⁹ But the problem is that 'employment' cannot contemplate anything, whereas parties, being animate, can.)

Subsequent Courts regarded the Dubilier benefit-burden test not as synthesizing or replacing the conflicting doctrines of estoppel and implied contract, but as a parallel means to the

same end, a third test to be applied in addition to the others. In Dovel v. Sloss-Sheffield Steel and Iron Co.³¹⁰ the plaintiff had been employed first as manager, then as vice-president of the defendant corporation, and had made some useful inventions relating to the defendant's operations, although he was not so employed. Several years after leaving the corporation he sought compensation for the use of his patent, and the Court, applying the Dubilier test, held that there was no shop right resulting from the use of the defendant's time, materials or tools.³¹¹ The Court then asked:

Does a right similar to a shop right³¹² arise in the defendant to use the inventions... because its full-time employee, having control of its business..., procured their first test and use in that business at the cost and risk of his employer, with no intimation that he expected to charge for such a use?³¹³

Answering the question in the affirmative the Court held Dovel to be estopped from seeking compensation on the facts; for Sloss-Sheffield had undertaken the total risk of the venture, with massive outlay in plant, while Dovel had stood by and acquiesced, drawing a large salary.

Having established the existence of three separate shop rights, we must observe that all three apply concurrently in the absence of any indication as to the intention of the parties. If there is evidence of such intention, then that and not the shop right will be operative, for instance where there is a pre-assignment contract for all the employee's inventions, or where the employee at all times refused to let the employer have anything to do with the actual process of invention or its

development. Thus in Gemco Engineering and Manufacturing Co. Inc. v. Henderson³¹⁴ the employee of a trailer attachment manufacturer invented a tyre demounter; there was no evidence that the invention was made at work and although Gemco was prepared, even willing, to pay for all the costs and materials used in the invention, the inventor persistently refused to send Gemco the bills. Hart J. of the Ohio Supreme Court held³¹⁵ that

an employee, not under contract... to invent, may protect himself against the establishment or accrual of a shop right in his employer in any invention or device perfected by such employee in his own time and at his own expense, though during the period of employment, by words, acts or conduct which clearly negate the establishment or accrual of such shop right.³¹⁶

Gemco was the last major development of the shop right in litigation between private industry and the employee inventor. After 1949 the usefulness to employers of the shop right declined, and the interests of legal and commercial certainty made it expedient to compel the assignment of full rights of all inventions, through the contract of employment. Technically, the employee has the power to negotiate his own employment, and can refuse to accept the pre-assignment of all his rights, but in practice industry would appear to be reflected by the words of Worth

Wade:

The Contract should be signed by all salaried employees regardless of job classification, provided they are supervising or engaging in the company's business under such conditions that there is a good possibility that they will make inventions³¹⁷;

if the employee refuses, "explanation and persuasion" is necessary; no exception should be made, even if an employee will be lost.

It should be noted that American caselaw makes no distinction between the master-servant and hirer-independent contractor relations. It was always assumed that the same legal rules applied to either circumstance,³¹⁸ and this hypothesis was supported in 1957 by Gladding's case.³¹⁹ Nor was any distinction made between employees of different status; even corporate presidents fall within the 'shop right' laws.³²⁰

10.3.3 United States Government Employees and the Law

At common law the Government of the United States is no more than an ordinary employer,³²¹ possessing no special right to appropriate an employee's patent without compensation.³²² There is no overriding public interest in preventing inventors who have utilised Government facilities from holding patents against the taxpayer or his lawful government.³²³ Before the Dubilier case³²⁴ the policy issues involved were not discussed, but the government felt itself to be in a stronger position than the ordinary private employer for two reasons. The first was that it had enjoyed a more than averagely successful litigation record, and the second was a casual dictum of Judge Parker in Houghton v. United States³²⁶ that there was less reason for an assistant chemist to retain patents as against the Public Health Service than as against a private corporation. Neither of these reasons turned out to have any legal substance.

It has always been open to government agencies to compel the assignment of any inventions made by any employee in any capacity; this was not done, although research employees (as in Dubilier³²⁷) would be given to understand that inventions

made within the scope of their employment duties would belong to the Government. It is hard to explain why it was that the all-embracing pre-assignment contract, so common in industry, was not introduced into government practice also. The most likely reason for this is that government agencies considered the common law ownership and shop right provisions a fair and adequate means of protecting their interests, at least until the end of the Second World War.

After the war the Attorney-General was instructed to make an investigation of government patent policies and practices,³²⁸ and to address himself specifically to the question:

What disposition of patent rights as between the Government, its employee or contractor, and what use of patent rights owned by the Government, will best serve the public welfare and stimulate the progress of science and the useful arts?³²⁹

What precipitated this investigation at this time is not clear. The Government had been upset by the decision in Dubilier since its effect was that if A is employed to invent Y, and B is employed to invent Z, and each does so, the Government would own all rights, whereas if A invents Z and B invents Y, the Government would be left instead with nothing but shop rights, and this was undesirable, at least where A and B worked in proximity to each other and could in any event be circumvented by express contract.

Perhaps the truth of the matter was that the world was in a state of change and crisis, and that revision of government patent practices was influenced by factors outside, as well as inside,

the American system. First, the discovery of atomic warfare would militate towards some measure of greater government control over laboratory work and over the sale and licensing of atomic inventions. Furthermore, the balance between federal and private financing of research and development had been seriously disturbed by heavy government wartime spending which was showing little indication of returning to its former level.³³⁰ Since federal funding is derived from the payment of personal and corporate income taxes, industry must have felt itself to have been paying for the privilege of 'competing' with the Government in markets in which it would hitherto have been undisturbed. If the Government held patents, they could act as a stumbling-block to the pursuit of an effective research policy by private industrial concerns, but on the other hand, if the Government were forced to license to all comers each patent held by it, then commercial enterprise could be stifled by the lack of protection accorded to whoever invested in costly development which rivals could then enjoy for nothing.³³¹ There was also the possibility that, if no patents were taken out by the Government, then private firms would come across the same inventions at a later date and patent them themselves. This could be viewed as good- because industry could follow the demands of the free market, untrammelled by Federal interference and red tape³³² - or bad because there would be considerable duplication of research efforts and expense, to the ultimate detriment of the taxpayer.³³³ In the light of all these considerations the Attorney-General's findings were anxiously awaited.

So far as concerned the employee inventor, the Report concluded that the public interest required the vesting in the Government of all patent rights where the invention was made (i) during working hours, or (ii) with a substantial contribution by the Government in the form of facilities, equipment, materials, funds or information or underwriting of services, or (iii) bearing a direct relation to the employee's official functions.³³⁴ This formula goes far wider than the common law, since it gives the Government rights in inventions which were made simply in the employer's time, and also in inventions which would have been appropriate for a shop right in the employer; it would certainly mean that situations of the Dubilier type would thenceforth be resolved in the employer's favour. But,

in other cases, where there is some contribution by the Government, or some relationship between the invention and the employee's official functions, but where these are clearly insufficient to warrant the assignment to the Government of all rights in the invention, as determined by the Government agency concerned... ownership... should be left to the employee,³³⁵

subject to a broad shop right in the Government and a duty to grant reasonable licences to other agencies at the Government's request; thus should it wish to do so, the Government could act as a trustee for the public interest. In all cases which did not fall within the two formulae expressed above, the employee could enjoy his patent rights alone and undisturbed. The net effect of these proposals was that the Government could trawl in almost every patent that it wanted, casting back those for which it had no need, much as does the British Government. In return, it

was proposed to set up an extensive system of awards based upon recognition, promotion and financial awards for the meritorious inventor. Thus the employee would be kept satisfied, while the Government was free to administer the patent for the good of the nation, without the equitable restrictions imposed upon it at common law.

These proposals were substantially embodied in the 'Truman Proclamation of 1950,³³⁶ which also set up a Government Patents Board, consisting of a representative of each government department, plus a chairman, to oversee the operation of the proclamation and the exploitation of patent rights allocated thereunder. A review of the operations of that Board over its first two years³³⁷ shows that employees have on the whole been 'granted' patents rights subject to a shop right much as they would have enjoyed before the order was issued, and that the Board's power to dedicate patents to the public is only likely to be used in cases where a patent is of doubtful validity. Apparently the Board rarely upsets decisions made by individual departments; the operation of individual departments has been the subject of a recent and detailed study by Dr Frederik Neumeyer,³³⁸ and will not be covered in this work.

The exact legal significance of the Executive Order is hard to gauge. It does not as such form part of the contract of employment, and it has been suggested that merely giving notice of it to an employee will not bind him contractually in the absence of consideration.³³⁹ The order has not been the subject

of judicial analysis^{339a} but there is good reason to suppose that the Courts will bind an employee to any memoranda and house-rules of his department even when they do not form a part of the contract of employment. In Shook v. United States³⁴⁰ the Government sought assignment of the late inventor's patent on an invention he had made during his employment by the Department of Agriculture. The Court held for the Department on two grounds;³⁴¹ first, that Shook was bound by the rules of the Patent Manual of the Department of Agriculture which, though not part of the contract of employment, were familiar to Shook and had been complied with by him on previous occasions, and secondly, on the ground that the Department was in any case entitled to the patent at common law. The first ground is questionable; if Shook obeyed rules for which there was no apparent consideration, the Department's right would not be contractual; nor could it be claimed that the court was invoking the doctrine of equitable estoppel, for the Department was using the compliance as a 'sword', to compel assignment, instead of as a 'shield', in defence against an infringement action.

Even if the employee refuses to accept, obey or comply with rules superimposed upon his contractual status, he may still be bound by them. In a curious case before the Patent Compensation Board³⁴² an outside consultant hired by K Co. sought compensation for the use of his invention by the Government, which had entered into a contract with K Co. Government contracts usually stipulate that independent contractors must ensure that

inventions made by their employees will accrue to them in case the Government should require them.³⁴³ The consultant had, however, refused to waive his patent rights. The Board commented that,

a consultant employed at a substantial salary cannot divide his loyalties so meticulously as to deprive his employer of the ingenuity and uncomplicated devotion to the problems of his project as to permit him to assign part of the product to his personal ownership involving a sleeping charge against the project upon which he is employed, or primarily to his own enrichment.³⁴⁴

This, it is submitted, cannot be so. An employee can express himself by the terms of an express contract, and he can destroy the materials from which an inference could be drawn that there was an implied-in-fact agreement in the employer's favour. Shop rights and assignments to the employer had, under the common law, always been implied from the facts of each case and not from the fact of the status of employer and employee alone. The Board, however, continued:

There are clear indications that... (the employee) recognized his duties and obligations, both in his capacity as a consultant and as a citizen of the United States, to permit the Government to have the benefit of inventions made within his services as a consultant...

This too, it is submitted, is untenable. The Government, not being privy to the contract of employment, can scarcely claim the benefits of the consultant's inventions unless by way of assignment or a licence from him, or from the lawful owner of the patent rights, and no citizen of the United States, qua citizen, is under any duty to surrender such rights to the body which granted them in the first place. Finally the Board held that

the contract between K Co. and the Government was "not so sweeping... as to eliminate the possibility that... the Government may have taken shop rights".³⁴⁵ Shop rights are non-assignable and benefit only the 'shop' in which the inventor is employed; thus only the employer can enjoy a shop right. It would, however, appear from this case that the mere absence of consent to be bound by any rule or order unilaterally imposed upon the employee will not prevent the Government from enjoying invention rights.³⁴⁶

Superimposed upon the web of common law, contractual and executive rules governing the rights of the Government employee inventor, there also exist a number of statutory provisions of mainly special effect. The oldest of these is embodied in Ti. 35 U.S.C. §4, that

Officers and employees of the Patent Office shall be incapable, during the period of their appointments and for one year thereafter, of applying for a patent and of acquiring, directly or indirectly, except by inheritance or bequest, any patent or any right or interest in any patent, issued or to be issued by the Office.

The constitutional validity of this provision has been questioned,³⁴⁷ and although it is doubtful whether science and the useful arts are in fact encouraged thereby, the provision has been declared valid; so long as employees have ceased to be employed by the Patent Office for at least one year, and have not appropriated any materials available to them during their employment, they will not be prohibited from patenting inventions made during the period of their employment.³⁴⁸

Under §266 of the same title government employees could

avoid the payment of Patent Office fees by granting the Government a free licence if the utility of such invention were certified by a Department or Agency as being in the public interest. This provision was apparently little used, and is no longer operative.³⁴⁹ Presumably the incentive value of this provision to inventors would diminish as the Patent Office fees represented a diminishing proportion of the total costs of securing a patent.

On a more specific level, several statutory enactments entitle bodies such as the Coast Guard,³⁵⁰ the Atomic Energy Commission,³⁵¹ the Tennessee Valley Authority,³⁵² and organisations developing natural resources³⁵³ or health and welfare³⁵⁴ to claim full ownership of such inventions as are sponsored by public investment or which pertain to their functions, which have been created by their employees.³⁵⁵ Such provisions are more direct and certain than the operation of the Truman Proclamation or the interpretation of contracts, embodied as they are in plain statutory language. Where such provisions exist, the bodies concerned are usually authorised to make compensatory payments to the employee inventor based upon the income from exploitation of the invention, or through the Patents Compensation Board. In most cases the inventions falling within the scope of these provisions will be those made by specially trained and employed scientists and research workers who would have found it difficult to press claims for compensation or ownership even at common law.

One final note on Government patent practices: under

Ti. 28 U.S.C. §1498(a) the Government must pay 'reasonable and entire compensation' for the use or manufacture of any invention covered by a U.S. patent without the licence or consent of the owner; this compensation is awarded by the Court of Claims. Under §1498 (b) government employees also qualify for compensation so long as (i) they were not in a position to influence, order or induce the use by the Government, and (ii) the invention was not made or discovered during the term of employment,³⁵⁶ and (iii) the invention was not the result of governmental research and development, or use of government time, materials or facilities. If an invention in respect of which compensation is sought falls within one of these prohibited categories, the claimant must rely solely upon the terms of the Executive Order and the common law.

10.4 Incidental Rights, Claims and Duties relating to Patents

10.4.1 Employees' Rights other than Patent Ownership

(i) If an employee is deemed to be holding an invention in trust for his employer, he is, as trustee, entitled to all his out-of-pocket expenses resulting from that trust. Such expenses include the cost of patenting and attorneys' fees, and the cost of the raw materials from which the invention was made.³⁵⁷ There is no precedent, however, for the recovery of expenses for the labour and effort expended in the act of inventing, on a trust theory.³⁵⁸ If such an expense were allowed, it could be construed as at least a tacit admission that the employee was

acting outside the scope of his employment duties in making the invention.

(ii) In respect of inventions assigned to the employer, but which are not adequately exploited, the employee has a right at English law, under the Patents Act, 1949, section 37, to apply for a compulsory licence to work that invention himself it, after three years from the grant, the employer has not exploited the patent himself or has unreasonably refused to licence the employee to use it.³⁵⁹ Such a licence may be granted by the Comptroller³⁶⁰ if he is satisfied that the applicant is capable of using the licence, without causing any undue harm to the employer-assignee, and that some resulting benefit to the public will result. It is further submitted that the employee will not be prevented from making such an application by virtue of his contract of employment; since patents are published, no elements of secrecy or confidence will be at risk vis-a-vis the working of the patent, and since there is in any case no employment by a trade rival,³⁶¹ or appropriation of property of another,³⁶² there should be no breach per se of the 'duty of good faith' owed by the employee to the employer.³⁶³ This right to a compulsory licence would not appear to be claimed by employees; if it were, it might discourage employers from requiring the assignment of all the inventions of an employee irrespective of whether they are required for exploitation or not, for they would then be under the threat of having to yield back such inventions as they do not use, under the compulsory licence provisions. This would be more fully in accord with the principles of the patent system, which justify the monopoly

grant in terms of the public benefit derived from the use of the invention.³⁶⁴ American law has no similar provision.

(iii) Under the Patents Act, 1949, section 23(1) any patentee who satisfies the Court that he has not been adequately remunerated by his patent may be granted an extension of that patent for five - or in exceptional cases, for ten - years.³⁶⁵ No employee has yet come before the Court to claim an extension of his patent on the ground that he had to assign to an employer the benefit of his patent for no reward or for a nominal fee, but it is not impossible that such an action would succeed. Under section 23(6), "In considering any application ... the court shall have regard to the nature³⁶⁶ and merits³⁶⁷ of the invention in relation to the public, to the profits made by the patentee as such, and to all the circumstances of the case",³⁶⁸ and under section 23(1) the Court may extend the patent "subject to such restrictions, conditions and provisions, if any, as may be specified in the order". This gives the Courts great discretion to look to the merits of the renewal claim, and to counterbalance them against the interest of the public in augmenting the public domain. Where, for example, a man has invented something which would otherwise have been outside the scope of his employment, but had been forced to assign it to his employer who did nothing with it, and where that man can show that he did all he could to get the employer to exploit that patent,^{368a} and that there was no overriding public interest that the patent be thrown into the public domain, the Courts may find it difficult to refuse the request for an extension. Indeed, in Meredith & Cooke's Patents³⁶⁹ an eight-year extension

was granted to patentees who had assigned an invention to the Crown, their employer, which re-assigned it back to them six years later, and then assigned it a second time, to private industry, receiving a fair sum in return although the second assignee made a small loss.

What is the measure of assessment of 'inadequate remuneration'? Regard is had as to the amount of money spent in research and development by the inventor³⁷⁰ as well as to sums received by him. Salary earned in exploiting the patent is excluded from consideration³⁷¹ because it is payment for labour, not remuneration from the patent itself; nor will dividends from investment in a company working the patent be counted,³⁷² for they are merely returns upon investment of cash.

Since it is the patentee - and not the inventor - who may apply for a patent extension, whether or not the inventor will get any further compensation will depend initially upon whether or not he is also the patentee;³⁷³ if an employee assigns his right to apply for a patent, his employer becomes the patentee in his stead and will have the right to apply for an extension, but if he applies for the patent himself he may seek the renewal. It should be noted that, even if the inventor has no claim to an extension himself, the Court can still impose upon the person who does make such a claim conditions under which the extension will be granted, which may include further remuneration of the inventor.³⁷⁴ Traditionally the Courts have been rather more sympathetic towards inventors than towards assignees, regarding

the latter as speculators who would either sink or swim in their financial ventures, whereas the former could only sink and needed some degree of protection.³⁷⁵

10.4.2 Employees' Duties in relation to Patents and Inventions

(a) Where a patent is taken out in the name of an employee under circumstances in which the employer can claim that it belongs to him, the employee is under a duty to hold that patent in trust for his employer. Since a trustee must take note of the wishes and best interests of his beneficiary³⁷⁶ the employer can reasonably tell the employee to do exactly what the former wants, and expect him to carry out such instructions. A trust of this nature may arise from express contract, or from the common law rules of patent ownership, and its scope includes the administration of foreign³⁷⁷ as well as national patent applications and grants, unless expressly limited.

A difficult problem arises from the implication of a trust relationship in the contract of employment in the absence of a valid express duty. In Triplex Safety Glass Co. v. Scorah³⁷⁸ the employee was contractually bound to hold the patents in trust for the employer under express terms of a contract which were unenforceable as being against public policy, but Farwell J. replaced the unenforceable terms with 'implied terms' that the trust would be operable. This is not strictly speaking an application of the doctrine of severance³⁷⁹ - which may have been applicable on the facts - but the direct substitution of an express agreement by an implied one. It would have been easier to hold that the implied trust resulted, not from the presumed

contractual intention of the parties (which was expressed in the invalid terms of the agreement), but from the status-relation of employer-owner to employee-possessor of the patent rights; however, where, as here, the employer had already inflicted upon the employee terms which were contrary to public policy, that employer would enjoy more securely the legal remedy of implied contract than the equitable remedy of an implied trust, where the Court at its discretion might consider the employer's hands to have been dirtied by the former contract. Fox³⁸⁰ has maintained that the existence of the contractual employment relationship suggests that both legal and equitable duties arising from that relationship are concurrent, and that, following the line taken in Adamson v. Kenworthy,³⁸¹ the scope of the equitable duties is defined by inter partes agreement; thus, it can be argued, if that agreement is unenforceable, its equities will be too. On the other hand, Adamson can be distinguished from Triplex on the ground that it dealt with the question of whether or not the employer could claim an equitable right in the employee's invention, not whether the duties of a trustee could be enforced once the employer's claim as a beneficiary was already established.

A further problem of the trust relation is whether it continues after the employment - from which the trust is derived - is wrongfully terminated by the employer. Accepting the view outlined by Fox in the preceding paragraph we may conclude that once the contract is wrongfully terminated the trust is at an end and the employer can thenceforth enjoy full

rights in the patent which formerly he held for the employer. This conclusion may be buttressed by the position of the House of Lords in General Billposting Co. v. Atkinson,³⁸² when it accepted the proposition that an employee would no longer be bound by restrictive covenants in his contract of employment if it were repudiated unfairly by his employer. Such a conclusion would, however, cause both hardship and uncertainty, for the employer's beneficial interest in a property right would be made to depend upon the extraneous factor of whether an employee's contract had been terminated in breach of its provisions or not, and it would also have the effect that manufacturers operating under an equitable licence from the employer could suddenly find themselves unwitting infringers of the employee's new-found patent monopoly. It is open, though, to draw the contrary conclusion, that the beneficial rights in a patent held in trust for an employer will continue so to be held if the employment contract is breached by that party. Firstly, Fox's contention is itself of doubtful validity, and, secondly, Atkinson's case is distinguishable on at least two grounds: (i) on a narrow ration, that it deals with restrictive covenants and not property right transactions, and (ii) that it deals with duties which the employer must justify to overcome the presumption that they are unenforceable as in restraint of trade, not those which are merely declaratory of a pre-existing legal situation and which are neutral in terms of public policy. There is also the separate argument that although it is the law of contract which vests the trusteeship of the patent in the employee in such cases, it does not follow that subsequent termination of

that contract will be sufficient to divest the trustee of his role and duties as a trustee.³⁸³

It is thought that American law does not differ in substance from that of England, especially in view of the old copyright case of Mallory v. Mackaye³⁸⁴ which established that, in respect of minor breaches of contract by the employer at any rate, the employee is not entitled to repudiate the terms of his agreement under which the employer is to enjoy exclusive rights in his work.

(b) An employee will be under the duty to facilitate the application and grant of a patent to an employer who owns a full beneficial interest in the invention. This duty may stem from express contract³⁸⁵ or from equity.³⁸⁶ By the same token he must not seek to undermine the patent or to seek its revocation, but this rule is construed very narrowly; thus, where an employee makes an invention and assigns it to his employer, who takes out a patent which turns out to be invalid, he is not estopped from pleading the invalidity of that patent when later he works that invention himself; there is no estoppel in respect of the acts of signing the patent application or the assignment of the rights in it.³⁸⁷ The same may not, however, be true where patentee and assignee enjoy equal bargaining power.³⁸⁸

If an employee inventor refuses to sign the patent application his employer may proceed with the application in his own name;³⁸⁹ but if the employee does sign, it is submitted that he cannot be prevented by the terms of an express contract from later opposing that patent because there is a public interest in granting only legitimate monopolies, as evidenced by the many

grounds upon which a patent may be opposed or revoked.³⁹⁰ Since there is no confidence in the restraining of an iniquity no employer can prevent an employee from saying "This patent is in fraud of X's rights", or "This specification does not contain enough detail to enable the invention to be worked by one skilled in the art".³⁹² It has been suggested that once an employee assigns the benefit of his rights to his employer he is thenceforth a trustee of that interest and may not act in any way to the detriment of his beneficiary.³⁹³ While this in general is true, it may be doubted that this will prevent a trustee from opposing an invalid patent application except where it is obviously an act unfairly detrimental to his employer, as where a trustee seeks to rely upon the beneficiary's own prior use in order to invalidate the application.³⁹⁴

The American patent system has no machinery for opposition and revocation directly comparable to the English law,³⁹⁵ but an employee who feels that a patent should not be granted can write to the Patent Office³⁹⁶ which will either examine the objection and reject the application³⁹⁷ or will leave the objection on file for the contemplation of persons with a subsequent interest in the patent.³⁹⁸ No special provision is made for the revocation of patents, but invalidity may be raised as a defence to an infringement suit,³⁹⁹ and under federal law⁴⁰⁰ it is possible to secure a declaration of invalidity.⁴⁰¹ In either instance the burden of proof rests with the opponent of the patent⁴⁰²

What locus standi is necessary for the employee-inventor who wishes to prevent his employer from enjoying an invalid patent?

In the United States, in the absence of a legal or equitable interest in the patent, the employee inventor is just an ordinary member of the general public;⁴⁰³ at least a pecuniary or manufacturing interest is needed. In the United Kingdom 'any person interested' may oppose the granting of a patent,⁴⁰⁴ and may seek its revocation.⁴⁰⁵ An employee qua employee is in no stronger or weaker a position than anyone else, and must prove a legitimate financial⁴⁰⁶ rather than legal or beneficial⁴⁰⁷ interest in the proceedings. A manufacturer under an expired patent will thus have locus to oppose a new patent which threatens to impinge upon his work, but the inventor of the former patent will have no better locus than the man in the street.⁴⁰⁸ There is some doubt as to whether the opponents's interest need be extant at the time of opposition;⁴⁰⁹ thus an employee inventor may have locus standi if he can prove, in good faith, that he was intending to manufacture under a patent - valid or lapsed - which might be affected by the grant of a patent to his employer. However, in view of the presumed proximity of the interests of employer and employee, such opposition by the latter might be a breach of the duty of good faith which he owes toward his employer.⁴¹⁰ In revocation proceedings the fact that the patent for an invention, which the inventor claimed had been obtained from him by his employer, would belong to the latter in any case, will not affect the question of revocation itself but will help tilt the balance of the evidential scales, ceteris paribus, in the employer's favour.⁴¹¹

(c) An employee who appropriates for himself any property of his employer, or any advantage through his status as an employee,

is under a duty to account to his employer for any money received as such.⁴¹² Thus if I utilise my employer's patent for my own benefit I must yield back to him any profit I make. This duty is either fiduciary⁴¹³ or is based upon implied contract.⁴¹⁴

(d) Many employers today have written into their servants' contracts a duty that the latter disclose and divulge to the employer any inventions made during the term of employment. This is a wide duty which does not exist at common law, but narrower common law duties may exist to (i) report inventions which one is hired to make,⁴¹⁵ and (ii) - in respect of managing directors and employees occupying very high fiduciary positions - to report all inventions and developments, whether made by that person or not,⁴¹⁶ to the employing concern.

10.4.3 Employers' Rights in Patents

(a) In general the employer will enjoy all the rights correlative to the duties of their employees. They will also enjoy in relation to their patents all the rights and privileges granted to them in the letters patent, whether the patent is held in the employer's own name, or is held in trust by an employee.

(b) Where the employer has only a licence from the employee, he cannot complain that a third party is infringing the employee's patent unless the latter is contractually bound to stop all infringements. But where the employer is an exclusive licensee equity has given him the right to sue in the name of the patentee, to restrain infringement by means of injunction.⁴¹⁷

10.5 The Scope of the American Shop Right

The scope of the shop right is worthy of note in that the Courts have persisted in construing the employer's right so narrowly. The 'shop' is the geographical location of the employer's works⁴¹⁸ unless a wider area of use can be implied from all the circumstances of the case or from an express or tacit agreement to the contrary;⁴¹⁹ thus an invention made in plant A of company B cannot be used in plants C or D unless such use can be implied, and cannot be used by B's subsidiaries E and F at all. The shop right is non-assignable⁴²⁰ and dies with the employer or his corporate successors,⁴²¹ and it lasts for the duration of the patent grant.⁴²² The shop right cannot be destroyed by the sale of the patent by the employee to a bona fide purchaser without notice of it,⁴²³ which would suggest that the right is legal and contractual, rather than equitable in its form. It is assumed that the employee will not be in breach of any duty toward his employer if he grants licences or sells his patent to a competitor.⁴²⁴

Inventions made before the contract of employment commences,⁴²⁵ or those made strictly outside of working hours⁴²⁶ may also be the subject of a shop right if they are reduced to practice at the employer's expense, in his time or with his facilities, unless the patent application is made prior to the time such facilities or materials are used.⁴²⁷ Such shop rights are founded upon the notion that the employee has taken something from his employer and mixed it into that which is his own; as such the employer's right may be regarded as equitable rather than contractual.

10.6 Evaluation of the Shop Right Doctrine

Until recently there has been relatively little commentary on the evolution and force of the shop right, and commentators have been both unable to monitor its degree of industrial utility and its juridical sources. Biesterfield,⁴²⁸ Costa⁴²⁹ and Morris⁴³⁰ all regarded the doctrine as being founded in estoppel; Fox⁴³¹ saw it as a breach of implied contract, Bishop⁴³² an implied assignment, Cheever⁴³³ as stemming from estoppel and implied licence separately, and Graves⁴³⁴ and Hefter⁴³⁵ as an evolution from estoppel to implied contract. Thus it is not surprising that corporate lawyers would wish to minimise the uncertainty factor inherent in the common law, and follow the advice of Wade,⁴³⁶ Toulmin⁴³⁷ and Tuska⁴³⁸ to seek pre-assignment of all inventions including those which would not otherwise fall within the scope of any legal claim by the employer. It has not been thought unfair to adopt such practices for many reasons (see generally, chapters 8, 9), one of which being that the employee inventor may have obtained his ideas or inspiration while working at the employer's plant.⁴³⁹

Further objections to the shop right were that it caused the employee to receive two rewards for one job: a salary and a patent right;⁴⁴⁰ that its uncertainty was amplified by the fact that, as a common law doctrine, it was subject to the threat of interpretational mutation by over fifty separate court systems;⁴⁴¹ that it was arbitrary in that the range of factual situations, from total reliance upon employer-aid and support, through varying degrees of help and co-operation, to the completely unaided invention bearing no relevance to the employment relation, with all

the shades and subtleties of each instance, could be represented only by one of three legal truths - employee ownership, employer ownership, or shop right;⁴⁴² that it constrained the exploitation of inventions by large or spread-out firms;⁴⁴³ that only when the employer owned all rights to all inventions could a fair award scheme for inventions be introduced,⁴⁴⁴ and even that the assignment of all rights in exchange for a salary was 'democratic', since it reflected the philosophy of 'from every man according to his ability, to every man according to his need'.⁴⁴⁵

Against these detractions there were also strong arguments in favour of the shop right: that the employee's salary was a reward for his labour, while the patent was an award for his inventiveness;⁴⁴⁶ that the potentially divisive effects of the multiplicity of American jurisdictions were illusory, since state Courts followed federal decisions, but rarely vice versa;⁴⁴⁷ that the shop right was less arbitrary than the English common law, which distinguished only between employer ownership, employee ownership and the all-but-defunct joint ownership of an invention;⁴⁴⁸ that it also was less arbitrary than pre-assignment of all inventions, which admitted of only one possible outcome; that since the extent of a shop right in any given case was governed by all the circumstances of that case, the interests of employers large and small could thus be fully taken into consideration;⁴⁴⁹ and that the fairest reward for an invention is a limited monopoly in its inventor.⁴⁵⁰ It has even been suggested by Floyd Vaughan⁴⁵¹ that pre-assignment contracts defeat the intention of the patent provision of the U.S. constitution:

The grant of patents to a corporation via its employees is another inane effort to adapt the legal theory of a corporate person to a law originally intended for the original. The corporation has largely usurped the patent system... Insofar as the big corporation and the hired inventor, one receiving the patents and the other wages or salary, has replaced the independent inventor, the 'promotion of the progress of science and the useful arts by securing for limited times to inventors, the exclusive rights to their respective discoveries' has ceased.

However, such contracts are probably constitutionally valid⁴⁵² and, if drafted with due care, do not fall within the range of contracts which public policy will not enforce.⁴⁵³

Discussion of the vices and virtues of the shop right is now of little practical significance because, without a blow being struck by any single legislature or judicial ruling, the right has become obsolescent and a thing of the past. Its demise has coincided almost exactly with the growth of the proportion of inventive persons who happen to be employed. Over the forty or so years to 1971, the number of patent applications by employee inventors rose to 70% from less than half that number;⁴⁵⁴ by 1973 the figure was estimated to be 80%.⁴⁵⁵ In 1910 the pre-assignment contract was still a novelty;⁴⁵⁶ but by 1973, five out of six articles discussing the employed inventor in a recent APLA feature on the subject carried only two references to the shop right: one was en passant,⁴⁵⁷ the other discussed the consequences of a 'return' to the shop right if pre-assignment contracts were abolished.⁴⁵⁸

The demise of the shop right in the employment relations was a gradual one. The right was still very much alive in Chicago in 1946,⁴⁵⁹ but by 1950 Nathan J. Cornfeld⁴⁶⁰ complained that the

shop right was being interpreted too strongly in the employers' favour, especially in cases like Drew & Co. v. Reinhard,⁴⁶¹ where the connection between employer's contribution and the actual invention was rather tenuous. In 1955 the Practising Law Institute⁴⁶² found in a survey that 56% of employers surveyed required some form of pre-assignment contract, 36% demanding all inventions; and a 'survey of surveys' in 1959⁴⁶³ revealed that of 809 companies, 145 required pre-assignments from inventors alone, a further 95 for technical and salaried staff only, and a further 165 required that all employees pre-assign their rights. As this practice became more prevalent the judicial view of the shop right kept pace with this change by adopting, as Hefter⁴⁶⁴ points out, the 'employee must not bite the hand that feeds him' approach advocated by Judge Taft in his Gemco⁴⁶⁵ dissent. By the 1960s there grew an awareness of the gradual evaporation of inventors' rights which both commentators⁴⁶⁶ and legislators⁴⁶⁷ sought to redress, and the American Bar Association⁴⁶⁸ even suggested 'educating the employer into returning to his employees any inventions for which he would have no use on a commercial scale. It may be true that, as has been suggested,⁴⁶⁹ the delicate balance of employer- and employee-rights in patents is too complex a question to be reduced to the formula of a legislative solution, but the reform proposals suggested and discussed in chapter 18, inf. would not indicate that this is so; yet no reform has yet been achieved.

10.7 The Shop Right in the United Kingdom

There have been in the United Kingdom several attempts to

establish a tertium quid between the ownership of all patent rights by either the employer or the employee to the exclusion of the other. There exist two situations where such a solution has been advocated, the one where it is impossible to prove that either the employer or the employee was the true and first inventor, but where it must have been the one or the other of them; the second, where the inventor is identified as the employee and where it would not in all fairness be just for either he or his employer to have total rights in the resulting patent.⁴⁷⁰

The solution to the first problem was found without recourse to a shop right, in re Russell's Patent,⁴⁷¹ by making the parties joint patentees with each a trustee to look after his own interests. This is a simple solution which reflects both the traditions of the criminal law where one of two parties must have committed an offence but it is impossible to say which,⁴⁷² and the French law in respect of all inventions to which both employer and employee could justly claim some benefit.⁴⁷³ Re Russell has rarely been applied because its facts have not been often repeated,⁴⁷⁴ but the case is founded upon good sense and, by its simple and arbitrary resolution, does not encourage speculative litigation.

As to the second problem, British Courts have always viewed patents as 'bundles of rights' but, taking to heart the lesson of the old Maccabee,⁴⁷⁵ have been slow to split that bundle between employer and employee. This was not through any want of initiative on the part of counsel. In Siddell v. Vickers,⁴⁷⁶ the plaintiff patentee sat by and watched the defendant employer

put his patent to sue, under his superintendence; then he left his employ and sued for infringement. The defence alleged that the patentee was estopped from bringing such an action, which contention Kekewich J. rejected. Since estoppel at that time only applied in respect of misrepresentations of existing fact⁴⁷⁷ it is difficult to see how the defence could have succeeded; moreover, since the defendant had expended no money in exploiting the patent, and had not changed his position in reliance upon any promise made by the patentee, he may not even have succeeded today in that defence. Under such circumstances the court held that even if the patent is used with the full knowledge and consent of the employee, but with no conditions as to the user, the employer is an infringer. The question of implied licence was not raised.

By the twentieth century the notion of the shop right in the United States must have come, to some extent, within the scrutiny of the English legal scholars. Moulton,⁴⁷⁸ in a comment on Edisonia,⁴⁷⁹ said:

These rights are, however, purely contractual and depend upon special circumstances. It may be, however, that where an employee, occupying such a position that it is his duty to direct how work is to be carried out, makes an invention, he is bound, since it is his duty to do his best for his employer, to use such an invention and let his subordinates use it while he remains in his employer's service.

Moulton cited no authority for this curious proposition which was never approved by the Courts. It may well, though, have been inspired by the concept of the shop right, the employer enjoying the right to use the invention but the employee enjoying the patent right itself.

A more recent attempt to implant the shop right in English

law was made by Tookey, K.C. in Barnet Instruments Ltd. v. Overton,⁴⁸⁰ where he submitted three viae mediae between total employer- or employee-ownership: (i) that the employee holds the patent subject to an exclusive limited licence in the employer, (ii) if no patent is taken out - that no party have any exclusive rights in the invention, and (iii) that joint ownership along French lines be instituted. Since there was no prior caselaw directly refuting any of these three novel arguments they were by no means unacceptable, but Romer J. did not feel he could accept them. Instead he held⁴⁸¹ that the facts of the instant case fell within the classical Lind-Adamson rule,⁴⁸² even though there were technically correct grounds for suggesting that that line of cases be distinguished. Thus the shop right never found its way into the common law of England.

In analysing the reasons why the Courts did not accept the doctrine in England as they had in America, it should be remembered that the birth of the doctrine in that land was an accident and a by-produce of a general rule that where A uses an invention before B patents it, he will be permitted to use it afterwards too.⁴⁸³ From this humble beginning grow forth the implied licence, estoppel and benefit/burden principles now accepted in the United States as the basis of the shop right. The English law had no such accident of birth, and the estoppel theory was advanced ahead of its time, being consequently rejected. Why the implied licence theory was not argued, is not clear, but the following three hypotheses are advanced: (i) because the requirement that licence of a patent be in writing⁴⁸⁴ may have inhibited counsel from making such a suggestion, (ii) by an analogy with copyright law,⁴⁸⁶ and (iii)

because there was a tendency originally to view the relation of inventor and user as one of patentee and infringer, not as of servant to master; the claims of a master upon his servant being greater than those of a user upon a patentee.

10.8 Current Industrial Practice

The position of the employee inventor in the United States has been analysed and described at great length by Dr Frederik Neumeyer⁴⁸⁷ and for this reason the author will confine himself largely to industrial practice in the United Kingdom. The author has not found any evidence that American practice has changed since the time of writing of Dr Neumeyer's study. Examination of the current British practice falls into three convenient categories or spheres of interest: the activities of private industry, those of the Government and its agencies, and those of academic institutions. This division can be justified in terms of the differing needs of employers in each category, since private industry depends for its survival upon the production of profits in free competition in a market where a patent grant can secure a monopoly. The Government is not a competitive institution; it is responsive to the needs and demands of the electorate, not to investors and shareholders. Finally the university is not usually a profit-making institution in its own right, but often research is undertaken at the public expense and with the hope that the public will derive some ultimate benefit from it; this benefit may be enhanced or repressed by employment invention policies.

10.8.1 Private Industry

The author received data from nine firms representing small (1), medium-sized (3), and large (5) concerns operating in the United Kingdom.⁴⁸⁸ All but one firm expressly required assignment of patent rights, and the exception may be no more than an inadvertency in the drafting:

The rights to any invention... arising during your employment... may be held to belong solely to (the employer) or the client (of the employer), depending on the circumstances.

In four instances not all employees were required to assign, hourly-paid workers, 'menials' or delivery drivers being allowed to keep their patent rights. In seven instances all inventions were the subject of the requirement of assignment, but in two of these the contract of employment specified that the employee could have back inventions for which the employer had no use; but one of the two required that the fortunate employee exploit his newly-returned rights only in 'non-competitive' fields. The two firms which did not require assignment of all inventions - both of which were medium-sized - expressed their willingness to purchase patented inventions made even by research employees if it was not part of the employee's duty to make them, but such an occurrence was described as being rare.

Only one of the nine companies promised any compensation other than the payment of salary. Four others operated an ex gratia award scheme and one claimed a policy of salary increases but was unable to give any examples. Two companies were prepared to grant an inventive employee consideration for promotion, but one other explicitly refused to do so, arguing that

promotion is the best way of removing an employee from a job he can do to a job that he cannot.

On the whole, employers seem to prefer retention - initially at any rate - of all rights so that the exercise of discretion as to whether the invention should, and could, be used would rest in that same party which also made the decisions as to the quantum and to the area of future investment. One employer did say that while the shop right solution was a fair one it should come about through the evolution of the common law. Two other employers articulated their dislike of the shop right, both as a means of securing justice and as an end in itself, fearing the uncertainty and the likelihood of increased complexity of industrial relations if employers were forced to negotiate for rights which they already enjoy by means of the pre-assignment contract.

10.8.2 The Government and Public Corporations^{488a}

The public sector in British industry consists of a number of public corporations which control the utilities, essential public services and certain basic industries. Outside of the industrial sector lies the central government system, and an infrastructure of local governments. The public corporations are nominally independent of the central government; but the Ministries and Departments which comprise the civil service and the armed forces are not. However, the Government has not shown any great interest in monitoring closely the patent policies of either.

The central government manifests its research and development through the operation of Ministries (of which the Ministry of Defence is the largest and most important) and Departments (such as the Department of Education and Science). While all Ministries and Departments are free to form their own patent policies, they do not, because (i) they are all bound by the uniform Civil Service Estacode agreements of the Civil Service National Whitley Council, which represents the industry-wide interests of government, staff and trades unions, and (ii) they are all strongly influenced by the practices of the Ministry of Defence, which conducts most of the Government's research.⁴⁸⁹

In 1949 the Ministry of Defence made an agreement with all the relevant trade unions which was the basis for the British Industrial Regulations governing terms and conditions of Ministry of Defence employment. Under Regulation 16c6,

All inventions made by persons employed under the Ministry of Defence are to be deemed to belong to and to be held in trust for Her Majesty's Government until such time as the Ministry of Defence determine the condition under which each invention and any patent rights in respect thereof shall be dealt with;

and under 16c7 employees may not without Ministry or Establishment permission employ a patent agent, nor may a completed patent specification be filed without such permission. Moreover the inventor must sign a form on filing the complete specification whereby he promises to assign to the Ministry whatever rights it requires. These regulations stem originally from a report of the Civil Service National Whitley Council as long ago as 1930,⁴⁹⁰ and are generally followed through the Civil Service. Two further refinements are that (i) if the Ministry takes the patent

the inventor may seek an ex gratia award for its use as well as payment if it is exploited for profit, and (ii) that the Ministry only pays the costs of applying for the patent if it keeps the invention; in all other cases - even where the Government enjoys a shop right - the employee must bear the cost.⁴⁹¹ Ex gratia payments are made under an extensive scheme⁴⁹² both for assigned inventions and for non-patentable inventions. The awards are generally small except in cases of exceptional brilliance, but 'administrative promotions' are made in order to give the inventor more money or to facilitate his application for future research funds.

The Civil Service patent policy has been criticised in the past⁴⁹³ as being unfair to employees in that (i) any compensation the employee may receive is purely at the discretion of the Department, and may thus bear no relation either to the worth of the invention or the worthiness of the inventor; there is no way to compel compensation to which the inventor may be morally entitled. There exists a means of appeal against a Departmental award to an interdepartmental Central Committee on Awards, which strives to standardise the practices of the individual Departments and thus to reduce the likelihood of anomalous awards being made, but this too is of an highly discretionary nature, and that (ii) there exists a practice of waiving the Ministry's right to an assignment in consideration of a licence in the Government's favour to make and use the invention in any part of the world for the purposes of the British Government and of such other Governments as she seeks to aid. This broad, free licence may make it very

difficult for the employee commercially to exploit his patent. There is also a third objection, that awards which are made are none too generous.⁴⁹⁴ However, in all respects the government employee would seem to be no worse off than his colleague in private industry.

As for local government practice, it may be fairest to say that there is none. Most local authorities do not engage in scientific research activities, and there would seem to be little in the way of available data on these practices. In June 1975⁴⁹⁵ the Bristol City Council announced that it was about to take out a patent, for the first time ever, on an invention made by one Gareth Evans of the Environmental Health Department;

The facts were given to the city's public protection committee and they agreed to make a strong recommendation to the resources committee to give Mr. Evans and his colleagues some financial recognition for their efforts.

Public corporations, on the other hand, are very active in research and development; bodies such as the Post Office, the National Coal Board and the British Steel Corporation are forced to innovate in order to meet the demands made upon them by the consuming public and by industry. Each corporation is autonomous but, considering that many of them have been sloughed away from the Civil Service or welded together out of private industry, it is not surprising that their policies do not radically differ from either the Civil Service, or from each other.

The Post Office⁴⁹⁶ insists upon taking all patent rights from inventions made by the employee during his employment, but does

not in practice enforce this contractual right any further than had it been a shop right; forced assignment is merely used as a bargaining weight for getting the employee to settle any question of compensation on the terms suggested by the Post Office.⁴⁹⁷

Small⁴⁹⁸ ex gratia awards are made for inventions which have worked successfully for a year, and awards are assessed at first instance, on a departmental basis, and at second instance by the Patent Award Committee of the Post Office. The Post Office favours the end achieved by the shop right and is not afraid of being held to ransom by unreasonable employees, partly because of its own size and quasi-monopolistic position, and partly because it can rely upon the compulsory licence provisions of the Patents Act.⁴⁹⁹

The National Coal Board does not require all employees to assign their inventions, but those who work in any research capacity will certainly be required to agree to pre-assignment terms. Since the bulk of inventions made by Coal Board employees which are of some use to the Board are likely to be connected with the employment duties of those employees, and since the Board is, like the Post Office, in a strong monopolistic position, the Board can probably rely more upon the current common law, and less upon contract, than can most firms competing in an open and diverse market.

When the invention has not been promised in advance to the Board, "any employee of the Board at any level who has a device can enter it in the awards scheme..." and the Board will pay for its development, the award being made by an independent assessment

panel; alternatively, the creative employee

can invent something and he can take out his own patent. Having taken out his own patent, then obviously the Board cannot accept responsibility for spending money and then buying that commodity and paying a royalty to the patentee.⁵⁰⁰

Allegations have been made that the National Coal Board has taken advantage of its monopoly situation in putting unfair pressure upon patentees to yield their inventions for nothing.⁵⁰¹ These allegations have been firmly rejected by the Board but, on a subjective assessment, one is bound to wonder whether there may not be a small degree of truth in the matter.

10.8.3 Universities and Research Bodies

Preceding any discussion upon this subject it should be pointed out that the university employee may find himself inventing in one of two situations; the first is where he is performing research in the course of his ordinary teaching or research duties, and the second is where he invents while engaged in research sponsored by a government research-financing body.⁵⁰² Where academic staff perform routine teaching or research functions they usually enjoy full rights in any intellectual property monopoly accruing to them, especially since most British universities do not require the assignment of employee inventions and do not exploit them commercially themselves.⁵⁰³ The University of Warwick,⁵⁰⁴ for example, has never required an employee to assign a patent; nor does the University of Kent at Canterbury.⁵⁰⁵ Most universities follow this line except that they may require⁵⁰⁶ - as a matter of contractual etiquette if nothing else - that the

employee-patentee inform the university of any rights he may acquire from inventions made during the time of his employment.

In the United States there is a practice of creating or utilising an holding company to which university patents are assigned, voluntarily or compulsorily; such a company administers the patents thus obtained commercially, granting industrial licences and channelling the income back into university research coffers while giving the employee a royalty too.⁵⁰⁷ Although a large number of universities cited in Palmer⁵⁰⁸ as well as four of Dr Neumeyer's seven case histories⁵⁰⁹ adopted this practice, Dr Neumeyer has recently asserted that "there is no fairly widespread American practice of pooling patents in the hands of holding companies".⁵¹⁰ With respect, it is submitted that this is not so, especially among the major universities. Professor John Stedman, writing in Neumeyer,⁵¹¹ says that "such compensation in the form of royalties is... common in two areas", one of which is in the field of university practice; and Dr Neumeyer himself writes that the Research Corporation of New York provides services to some 200 non-profit organisations, mostly universities and colleges.⁵¹² In fact, Research Corporation has been growing rapidly in importance; since 1965, when it serviced 181 institutions, its membership grew to 189 (1966), 195 (1967), 206 (1968), 215 (1969), 219 (1970), 238 (1971), and 251 (1972); its current clientele⁵¹³ includes Harvard - which traditionally disparages employee-exploitation of a possible public benefit, Yale, Rutgers, Princeton, Johns Hopkins, New York, Temple, Lehigh, Washington, Southern California, Tulane, McGill,

Duke, Northwestern and Stanford Universities. Moreover some 304 institutions benefited from its grants and distributions of revenue, of which 170 were not participants in the 'assign and invest' scheme; in these ranks were M.I.T., Berkeley, Brandeis, Brown, CalTech, Columbia and UCLA. Clearly the importance of such patent arrangements should not be underestimated. In Britain, however, such schemes have not been established, although individual uses of such schemes are not unknown.⁵¹⁴

There has been almost no litigation involving academic employees in the United Kingdom,⁵¹⁵ presumably because (i) such employees tend to have perhaps a greater regard for the theoretical than the practical aspects of their inventions than do scientists in industry, and (ii) where research is directed towards more practical goals it will generally be funded from outside the university by private industry or (more frequently) through a state intermediary which requires assignment of any patents as a condition of the funding grant. Where such government funding takes place and patents are generated, the National Research Development Corporation (NRDC) will exploit their commercial aspects; NRDC is a public corporation set up in 1949⁵¹⁶ to handle commercial 'spin-off' from the Government's military research, and though it can grant money to universities itself it usually does not do so, seeking chiefly to support meritorious inventions which through want of capital cannot be put to the best use in the public interest, or which are unlikely to secure patent protection (e.g. braille devices, medicines, computer services and peripherals.⁵¹⁷) More often, universities will derive their

research funds from the Science Research Council (SRC), the Medical Research Council, the Department of Education and Science or the Social Science Research Council - autonomous bodies wherein the distribution of funds in each area of research endeavour is allocated to specialist committees of distinguished academics and experts; these committees evaluate potential research projects and accord them priority.

From the point of view of patent law the most important of these autonomous bodies is the SRC. Its policy is simple; where an academic seeks research funding, "It is the Council's policy that any potentially valuable results... should be exploited for the benefit of the public, the investigator and his employing institution".⁵¹⁸ Where a student seeks a research grant the formula is repeated, except that the words 'the investigator and his employing institution' are omitted in favour of 'the institution, the student and his supervisor'.⁵¹⁹ In practice this means that the SRC requires a six-month option to seek assignment of a patentable invention from the date it is informed of it;⁵²⁰ students are prohibited from entering into any contract which might jeopardise the SRC's rights to an assignment,⁵²¹ but staff are not, presumably on the assumption that either they or their employing university will enjoy the rights in their inventions. Though the SRC has the power - through the laws of contract and the threat of withholding future funds - to interfere, in the allocation of patent rights between employer and employee, it would not seem that this is done. Once the SRC acquires the

right, it is exploited by the NRDC which, interestingly, regards the inventions of university employers as belonging prima facie to the university.⁵²² The importance of the university as a source of inventions to the NRDC should not be underestimated since, in 1973, it provided the NRDC with 374 of the 1,325 inventions submitted to it.⁵²³

FOOTNOTES

Chapter X

1. See Wyndham Hulme, "The History of the Patent System under the Prerogative and at Common Law" (1896) 12 L.Q.R. 141; Fox, Monopolies and Patents (1947).
2. See Seabourne Davis, "Acontius: Champion of Toleration and of the Patent System" (1936-7) Econ. Hist. Rev. (1st. series), 63.
3. ibidem.
4. See Wyndham Hulme, op.cit. n.1, sup., at (1900) 16 L.Q.R. 44; also Holdsworth, "The Commons Debates, 1621" (1936) 52 L.Q.R. 481.
5. Co. Inst. 3. ch. 85, at 184.
6. See Darcy v. Allein, (1602) Noy 173; also Davenant v. Hurdis (1597) Moo. 576, 672, and Wagner, "The Common Law and Free Enterprise: an Early Case of Monopoly", (1936-7) Econ. Hist. Rev. (1st series) 217-220.
7. 21 Jac.1 c.3.
8. ibid., section II.

9. *ibid.*, section VI
10. Edgebury v. Stephens, (1691) 1 W.P.C. 35; the word 'invent' comes from the Lat. *invenire*, lit. 'find', 'happen on', 'come across'.
11. Patents Act, 1949, section 1.
12. *ibid.*, section 32.
13. See, e.g., Patent Law Reform - a Consultative Document (1975).
14. see n. 12, *sup.*
15. *ibidem.*
16. This has happened almost since time immemorial. See, e.g., Dollond's Case, (1766) 1 W.P.C. 23; Hands on Patents (1808) p. 7.
17. The 'contract' theory has strong judicial support: see, e.g. R. v. Wheeler, (1819) 2B & Ald. 345, Harmar v. Playne, (1807) 14 Ves. 130, Walton v. Potter, (1841) 1 W.P.C. 585, 592, Evart Mfg. Co. v. Baldwin Chain Cycle Co., 9 F. 262, 265 (1898), and the following commentators: Hindmarch (1846), p. 22, Coryton (1855), p. 41-2, Hamilton (1841) p. 58, Haddan (1898), p. 1., 13-4. It is the disclosure, not the labour involved in inventing, which is the consideration: Patterson v. General Light & Coke Co., (1875) 2 Ch.D. 812.
18. Terrell on Patents (1st ed. 1884), II, p. 10, explaining Bloxam, 38a *inf.*

19. See Househill Coal & Iron Co. v. Neilson, (1843) 9 Cl. & Fin. 788, 808.
20. Kurtz v. Spence, (1888), 5 R.P.C. 161, 181.
21. Patents Act, 1949, section 4.
22. Craig & Macfarlane's Patent, Prac. Mech. Jour., vol. 4, 3rd series, p. 366, John Pat. Man. (6th ed.).
23. e.g. Maley and Taunton's Application, (1932) 49 R.P.C. 47.
24. article 1, section 8. cl. 8.
25. See Curtis on Patents (1973) §§ 119-122, Phillips on Patents (1837) pp. 63-5, where English cases are cited and discussed.
26. 1 Stat. 109 granted patents to "any person... setting forth that he... hath... invented or discovered any useful art... not before known or used..." (section 1).
27. 1 Stat. 318, c. 11.
28. *ibid.*, section 3.
29. *ibid.*, section 1, substantially re-enacted in 5 Stat. 117 c. 357, section 6, 16 Stat. 198 c. 230, sections 2, 4, 26.
30. Ti. 35 U.S.C. §101 et seq.
31. Pirrie v. York Street Flax Spinning Co. (1894) 11 R.P.C. 429, 447.
32. See Riber v. Marsden-Smith (1949) 49 R.P.C. 230, 232; and

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33. Jackson's Patent (1905) 22 R.P.C. 384; Elias v. Grovesend Tinsplate Co., (1890) 7 R.P.C. 455, Collar Co. v. Van Dusen, 90 U.S. 530 (1874),
34. (1891) 8 R.P.C. 61.
35. *ibid.*, at 65; and see Norwood's Patents (1895) 12 R.P.C. 214, 226.
36. Minter v. Wells and Hart, (1834) 1 W.P.C. 127, 132; Barker and Harris v. Shaw, (1823) 1 W.P.C. 126n, sub nom. Barber v. Harris, Holr. 60, Barber v. Walduck, 1 Car. & P. 567; Warner v. Goodyear, MS (App. Cas.) Crouch C.J. 1846; Goodyear v. Day, MS, Dickinson J., N.J., 1852; Wellman v. Blood, 29 Fed. Cas. 628, 631 (1 MacArth. Pat. Cas. 432); in re Lowe's Patent (1856) 25 L.J.Ch. 454, 456, Lord Cranworth, L.C. felt that the fact of employment was irrelevant to the real issues of inventorship and obtaining.
37. e.g. Jupe v. Pratt, (1836) 1 W.P.C. 144, Sparkman & Kelsey v. Higgins and Co., (1846) 1 Blatchf. 205, 209, Blandy v. Griffith, (1869) 3 Fish. Pat. Cas. 609.
38. Sirdar Rubber Co. v. Wallington, Weston & Co., (1905) 22 R.P.C. 257, 267.
- 39a. Bloxam v. Elsee, (1825) 1 Car. & P. 558, following Hill v. Thompson (1818) 8 Taunt. 375; Huebel v. Bernard, C.D. 223,
39. My emphasis.

40. David & Woodley's Application, (1884) Griff. P.C. 26.
41. N. 40. sup.
42. (1845) 1 C.B. 551, followed in W.R. Smith's Patent (1904) 22 R.P.C. 57 where it was read with David & Woodley, n. 40., sup., and Marshall and Naylor's Application (1900) 17 R.P.C. 553; see Johnson's Patent Manual (1884), p. 30; also Curtis (1873) 122, p. 137, Agawam Woolen Co. v. Jordan, 74 U.S. 583, 602 (1869).
43. Ergo non-patentable?
44. n. 42, sup., at 573.
- 44a. *ibid.*, at 575.
45. Smith's Patent, n. 42, sup., at 58; Pardy v. J.D. Hooker Co., 148 F. 631 (1906).
46. Re Russell's Patent, (1858) 2 De G. & J. 130, 132.
47. Miller v. Kelley, (1901) 18 App. D.C. 163.
48. Stuart's Application, (1892) 9 R.P.C. 452.
49. Edmunds' Patent, (1886) Griff. P.C. 281.
50. Perrett's Application, (1932) 49 R.P.C. 452.
51. n. 46. sup.
52. *ibid.*, at 133.

53. Lord Cranworth approved his decision in Mathers v. Green, (1865), L.R. 1 Ch. 29, 34, but did not feel he could follow it, and in Homan's Patent, (1889) 6 R.P.C. 104 the Comptroller-General may have followed it, but his findings of fact were in any event overturned on appeal.
54. e.g. Miller, n. 47, sup.
55. Hart v. Wiig, 258 F. 978, 979 (1919).
56. Larson v. Crowther, 1 F.2d 761, 767 (1924).
57. *ibidem*.
58. Patents Act, 1949 section 1(1); also section 2(2): "If the application... is made by virtue of an assignment of the right to apply for a patent for the invention...", the true and first inventor must give his written consent.
59. Loewy Engineering Co. Ltd.'s Application to the Comptroller-General, (1951) 69 R.P.C. 3,7.
60. My emphasis.
61. *ibid.*, at 9.
62. *ibidem*.
63. See n. 58, sup.
64. Patents Act, 1949, section 1 (1).
65. Brandts v. Dunlop Rubber Co., [1905] A.C. 454, 461-3: an equitable assignment need not take the appearance of a legal one.

66. Forte v. Martinez, (1947) 64 R.P.C. 26.
67. See 10.2, inf.
68. Marshall & Naylor's Patent, (1900) 17 R.P.C. 553.
69. See Mellor v. Wm. Beardmore & Co. Ltd., (1927) 44 R.P.C. 175; also Patents Act, 1949, section 17.
70. See Cranleigh Precision Engineering Ltd. v. Bryant, 1964 3 All E.R. 289.
71. Patents Act, 1949, section 14 (1); cf. re Carter's Patents, (1932) 49 R.P.c. 403.
72. Patents Act, 1949, section 32; cf. 1907 Act, section 25(3).
73. Killen v. MacMillan, (1931) 48 R.P.C. 380, 381.
74. Patents Act, 1949, section 16.
75. *ibid.*, section 16(1).
76. Conversation with M. Waggett, Patent Manager, Pye of Cambridge Ltd., March, 1975.
77. Ti. 35 U.S.C. §101.
78. 853 O.G. 1 (1969); and see Horwitz, Patent Office Rules and Practice, 1975 revision, rules 41, 47(b).
79. Ti.35 U.S.C. §102(f); but misjoinder of joint inventors will not invalidate a patent (§256).
80. *ibid.*, §§111, 115.

81. *ibid.*, §152.
82. *ibid.*, §131.
83. *ibid.*, §282(2).
84. Patents Act, 1949, section 1(1).
85. See Loewy's case, n. 59, sup.
86. Patents Act, 1949, section 16.
87. Loewy's case, n. 59, sup.
88. Patents Act, 1949, section 17(3).
89. Milton v. Kingsley, C.D. 420, 75 O.G. 2193 (1896), Miller v. Kelley, 18 App. D.C. 163 (1901), Jackson v. Summerfield, C.D. 403, 112 O.G. 1212 (1904); cf. Huebel v. Bernard, C.D. 223, 90 O.G. 751 (1900).
90. e.g., Miller, n. 89, sup. at 170.
91. e.g., Milton, n. 89, sup. at 426.
92. "Inventing by Proxy" (1937) J.P.O.S. 439.
93. Collier, An Essay on the Law of Patents for New Inventions (1803); treatises of Hands (1808), Holroyd (1830), Godson (1822), Carpmael (1832), Coryton (1855), Fessenden (1822), Hindmarch (1846) and Davies' casebook (1816).
94. See, e.g., McClurg v. Kingsland, 1 How. 202 (1843), Pennock v. Dialogue, 2 Pet. 1 (1829).

95. (1814) 4 Taunt. 770.
96. Treatises, Phillips (1837), p. 63; Lund (1851), p. 85-6.
97. n. 95, sup., at 171.
98. *ibidem*.
99. *ibidem*.
100. In Macfie, Copyright and Patents for Inventions... (1883) at 301, 304.
101. Evidence of Gen. J.H. Lefroy (War Office), the Ordnance Select Committee Report, and Charles Clode (solicitor to the War Office).
102. Macfie, n. 100, sup., at 377.
103. Patterson v. Gas Light & Coke Co., (1875) 2 Ch.D. 812.
104. Macfie, n. 100, sup., at 268-9, 301.
105. *ibid.*, at 377.
106. (1888) 5 R.P.C. 81.
107. (1888) 5 R.P.C. 161.
108. *ibid.*, at 181.
109. Terrell (2nd ed., 1889) and Frost (1891) do not discuss Kurtz v. Spence in terms of employer-employee relations, which indicates that they may have regarded the decision as a matter of old law.

110. The proposition of Bloxam, n. 38a, sup., and David & Woodley's Application, (1884) Griff. P.C. 26.
111. Law and Practice under the Patents. Designs and Trade Marks Acts... (1898), p. 44; cf. Moulton's Treatise (1913) at 74 where Kurtz is described as "A very doubtful case; patent held bad on other grounds".
112. (1891) 8 R.P.C. 429.
113. *ibid.*, at 430; and see Wireless Specialty Apparatus Co. v. Mica Condenser Co., 239 Mass. 158, 162 (1921).
114. (1900) 17 R.P.C. 553, 555.
115. (1903) 20 R.P.C. 41.
116. /1893/ 1 Ch. 218.
117. /1895/ 2 Q.B. 315.
118. Frost on Patents (1891), p. 21.
119. Terrell on Patents (1906), p. 29.
120. n. 115, sup., at 49.
121. 254 F. 308 (1918).
122. (1905) 22 R.P.C. 25.
123. n. 116, sup.
124. (1908) 25 R.P.C. 546.
125. n. 112, sup.; approved in the form stated by Farwell J. in Marshall & Naylor's Case, n. 114, sup.

126. 3rd. ed., repeated in 4th. ed. (1912) at 21.
127. n. 124, sup., at 549.
128. *ibid.*, at 551-2.
129. My emphasis.
130. *ibid.*, at 552.
131. n. 112, sup.
132. See 10.2.3, *inf.*; also Morris, "Patent Rights in an Employee's Invention: the American Shop Right Rule and the English View" (1959) 75 L.Q.R. 483.
133. *op. cit.*, n. 111, sup., at 74.
134. My emphasis.
135. Forse was, at one time, a manager.
136. Moulton cites no authority for this latter assertion.
137. See Ralston's Patent, (1909) 26 R.P.C. 313.
138. (1908) 25 R.P.C. 733.
139. *op.cit.*, n. 126, sup., 4th ed. at 21.
140. *ibidem*, at 20; see also Ball, The Law Affecting Engineers (1909) at 37.
141. see Baker, "The Modern Profession of Inventint" (1910) Am. Mach. p. 467-9.
142. n. 124, sup.

143. See Report and Recommendations of the U.S. Attorney General, Investigation of Government Patent Practices and Policies (1947) at 86.
144. As early as 1883 an invention awards scheme was operated by Messrs. Denny of Dumbarton, but its details are not known; see Macfie, *op.cit.* n. 100, *sup.*, preface, xvi.
145. (1917) 34 R.P.C. 101
146. See Copyright Act, 1911, section 5.
147. n. 145, *sup.*, at 109.
148. See Marriott v. Oxford District Co-operative Society Ltd. (No. 2), [1970] 1 Q.B. 186, 190-1, and Chitty on Contracts, 3rd. ed. (1968) §1238.
149. n. 145 *sup.*, at 109 (having previously quoted from Frost's Treatise, as approved by Edisonia and Marshall and Naylor).
150. (1931) 49 R.P.C. 57.
151. *ibid.*, at 62.
152. *ibid.*, at 66.
153. n. 124, *sup.*, at 552. This ground was discredited by Lord Ormidale in Mellor v. Wm. Bearmore & Co., (1927) 44 R.P.C. 175 and by the Court of Appeal in Vokes Ltd. v. Heather, (1949) 62 R.P.C. 135.
154. n. 150, *sup.*, at 68.

155. *ibid.*, at 69.
156. *ibidem.*
157. See n. 153, *sup.*
- 158, n. 112, *sup.*
159. Mellor, n. 153, *sup.*, at 191, per Lord Ormidale.
160. e.g., Vokes, n. 153, *sup.*, Barnet Instruments Ltd. v. Overton, (1949) 66 R.P.C. 315, Reid & Sigrist Ltd. v. Moss & Mechanism Ltd., (1932) 49 R.P.C. 461.
161. n. 153, *sup.*, at first instance: p. 47.
162. *ibid.*, at 60.
163. *ibid.*, at 136.
164. (1938) 55 R.P.C. 21, 28.
165. Vokes, n. 153, *sup.*, at 142.
166. n. 153, *sup.*, at 61.
167. Reid, n. 160, *sup.*, at 461 (headnote).
168. Healey's Application, (1872) John. Pat. Man. (6th.) 165.
169. Electric Transmission Ltd. v. Dannenberg, (1949) 66 R.P.C. 183,186.
170. *ibid.*, at 188.
171. Triplex, n. 164, *sup.*, at 217.

172. Hivac Ltd. v. Park Royal Scientific Instruments Ltd.,
/1946/ Ch. 169.
173. Even by 1975 the peak membership of the Institute of
Patentees and Inventors (founded in 1919) was only in
the region of 2,000.
174. Board of Trade Report of the Departmental Committee on the
Patents and Designs Acts and the Practice of the Patent
Office (1931), Cmnd. 3829.
175. Board of Trade, 1st., 2nd, and Final Reports of the
Departmental Committee on the Patents and Designs Acts,
(1945-7), Cmnds. 6618, 6789, 7206.
176. Cmnd. 6789, sup.
178. n. 175, sup., Cmnd. 7206, §25. In the above quotation the
word 'invention' is not synonymous with 'patent'; but the
two words are often treated as such. See also re
Russell's Patent, n. 46, sup., Pashley v. Linotype Co. Ltd.,
(1905) 22 R.P.C. 633 (where the parties had agreed to
unspecific profit-sharing).
179. Cmnd. 7206, sup., §27.
180. ibid., §17.
181. Patents Act, 1949, section 1.
182. Patent Law Reform (1975), Cmnd. 6000.

183. 466 H.C. Deb. 5s. cols. 1408-30.
184. *ibid.*, col. 1414.
185. *ibid.*, col. 1424.
186. But see 162 H.L. Deb. 5s. cols. 699-700.
187. See appendix for full text.
188. /1955/ A.C. 534.
189. One consequence of the decision is that, to 1970, the 'section 56' procedure has been invoked by 35 times; five-sevenths of these were actions by employers against recalcitrant employees. See The British Patent System (1970), Cmd. 4407, §446.
190. n. 179, *sup.*, at §25.
191. "Employee Inventions: Apportionment of Rights": evidence to the Banks Committee from the Association of British Chambers of Commerce, 10th. Dec. 1968.
192. See Pashley, n. 178, *sup.*, a case with unusual facts which have not been repeated.
193. n. 179, *sup.*, at p. 64.
194. Patents Act, 1949, section 56.
195. n. 179, *sup.*, at §27; the tribunal must make an order "in such a manner as it may deem just".
196. "Patent Rights in an Employee's Invention (1959) 75 L.Q.R. 77, 83.

197. e.g. Lees, Patent Protection (1965), A. Barrister, "The Ownership of Employees' Inventions" (1956) *The Listener*, Nov. 15th., 796, Harding Boulton, "The employee and his Inventions" (1965) *Eng. Mat. & Des.* 345, Terrell on Patents 9th ed. (1951), p. 34.
198. n. 188, sup.
199. *ibid.*, at 545.
200. As surely as it does here.
201. n. 188, sup., at 546.
202. (1954) 71 R.P.C. 158.
203. n. 115, sup.
204. n. 150, sup., et seq.
205. n. 202, sup., at 161-2.
206. n. 202, sup., at 166.
207. (1954) 71 R.P.C. 253, 257.
208. /1942/ 1 All E.R. 378.
209. n. 188, sup.
210. (1955) 72 R.P.C. 50, 57; Lord Reid concurring at 58. Viscount Simonds' approach in this case may be the philosophical base of his judgment in Lister v. Romford Ice and Cold Storage Ltd., /19 _/ A.C.
211. /1956/ R.P.C. 27, 28.

212. /1956/ R.P.C. 225.
213. *ibid.*, at 231.
214. *ibidem.*
215. Even this is questionable; since the plaintiff had not even asked the defendant's advice, can it claim that any loss had flowed from the alleged breach of contract?
216. Under American law the patent will remain with the employee even if he were under a duty to perform inventive experiments: Clark v. Fernoline Chemical Co., 23 N.Y.S. Rptr. 964 (1889).
217. cf. Megarry, noting the case at (1956) 72 L.Q.R. 482, argues that not even an oblique reference to the Homewood decision can be gleaned from prior case law.
218. /1957/ R.P.C. 167.
219. Bill 16., 18th. Jun. 1965; see appendix for relevant parts. See also Harding Boulton, 'The Employee's Inventions - a Postscript', (1965) Eng. Mat. & Des. 950, 'Employees' Inventions' (1966) P.L.I. 3, A. Chartered Patent Agent, 'Rewards for Inventors' (1965) Engr., 3rd Dec., Editorial: 'The Patents (Employees' Inventions) Bill' (1965) Chem. Brit. 241.
220. n. 188, sup.

221. Conversation with A.L. Cotterell, Institute of Patentees and Inventors, July, 1975.
222. On 'course of employment', see 13.3.4, inf.
223. See Clause 1(2) of the Bill.
224. 267 H.L.Deb. 5s. col. 188-193.
225. Then Parliamentary Secretary, Board of Trade.
226. Then Minister of State, Board of Trade.
227. 716 H.C. Deb. 5s. col. 2229.
228. *ibid.*, at cols. 2230-3.
229. See n. 189, sup. (The 'Banks Report').
230. *ibidem.*
231. *ibid.*, at §§440-445.
232. *ibid.*, at §§446-7.
233. *ibid.*, at §§459-460.
234. *ibid.*, at §461.
235. Now the Department of Employment.
236. Banks, *op.cit.*, at §465.
237. TUC Conference Report (1971), p. 231.
238. Patent Law Reform, n. 182, sup.,; and 'Patent Law Reform - A Consultative Document' (1975) Green Paper, April 1975.

239. Patent Law Reform, n. 238, sup., at §37.
240. Submission to Patent Office SAC/P109, 7th. Nov., 1975.
241. Submission to Patent Office SAC/P101.
242. Submission to Patent Office by N.J. Flower, 13th Oct., 1975.
243. Submission to Patent Office SAC/P103, Sept., 1975.
244. Submission to Patent Office SAC/P99.
245. See 8.4, (Award Schemes), and 18.1.2, inf. (Reform Proposals).
246. See treatises of Willard Phillips (1837), Fessenden (2nd ed., 1822), Curtis (2nd ed., 1854).
247. 1 How 202, 4 Brod. P.C. 382 (1843).
248. Following Pennock v. Dialogue, 2 Pet. 1 (1829), 1 Stat. 38 c. 11 (1793)
249. 5 Stat. 353, c. 88.
250. n. 247, Brod. P.C. , at 390.
251. In Deane v. Hodge, 35 Minn. 146, 148 (1886) it was decided that the 'shop right', though a defence to an infringement action, would not prevent the inventor seeking compensation through an implied contract that a reasonable licence fee would be paid; cf. Pashley, n. 178, sup., on the English law.
252. 119 U.S. 226 (1886).

253. *ibid.*, at 233; the 'express contract' requirement was affirmed by Gray J, in Dalzell v. Dueber Watchcase Co., 149 U.S. 315, 320 (1893).
254. See 10.2.1, *sup.* (discussion of the Edisonia case).
255. See 10.2.2., 10.2.3, *sup.*
256. n. 251, *sup.*, at 233.
257. *i.e.* resulting trusts arising from the employer's expenditure on the employee's invention.
258. 137 U.S. 342 (1890).
259. *ibid.*, at 346. There is nothing to suggest that the words "cannot... plead title as against his employer" mean "must assign to his employer" rather than "can subject everyone else to his patent right, but not his employer".
260. The Fixed Law of Patents, (1909) §366.
261. 68 F. 500 (1895).
262. See, e.g., Schatz, "The Exhaustion of Patent Rights in the Common Market" (1971) IIC 1.
263. 160 U.S. 426, 230 (1896).
264. This is in accord with the English doctrine of estoppel; see Tool Metal Manufacturing Co. Ltd. v. Tungsten Electric Co. Ltd., [1955] 2 All E.R. 28 .
265. Emphasis added.
266. See n. 263, *sup.*, at 430.

267. See n. 253, sup.; also American Circular Loom Co. v. Wilson, 198 Mass. 182, 201-3 (1908).
268. Cf. Lamb. v. Evans, [1893] 1 Ch. 218 (a copyright case applied in English patent decisions).
269. See Baker, op.cit., n. 141, sup.
270. 65 F. 864 (1895), approved in Mississippi Glass Co. v. Franzen, 143 F. 501, 507 (1906).
271. Bonsack, n. 270, sup., at 867.
272. Printing and Numerical Registering Co. v. Sampson, (1875) L.R. 19 Eq. 462.
273. 264 U.S. 52, 58 (1923).
274. n. 253, sup.
275. (1930) 30 Col. L. Rev. 1172, 1176.
276. Citing Air Reduction Co. v. Walker, 195 N.Y. Supp. 120, 121 (1922).
277. It was, however, followed in Houghton v. United States, 23 F.2d 386 (1928), discussed later in this chapter.
278. 255 Mass. 194, 198 (1926).
279. (1908) 25 R.P.C. 546.
280. (1917) 34 R.P.C. 101.
- 281 n. 267, sup.

282. 5 F. Supp. 273, 276 (1932); the effect of the following holding is that once the employee proves that he, not the employer, is the true and first inventor, the onus lies upon the latter to prove that he and not the employee is the owner of the invention.
283. Emphasis added.
284. 59 F.2d 797, 799-801 (1932).
285. cf. Marshall v. Colgate-Palmolive-Peet Co., 175 F.2d 215, 217 (1949), distinguishing 'custom' of assignment from mere past practice.
286. n. 284, sup., at 801.
287. n. 300, inf.
288. *ibid.*, at 188.
289. See, e.g., Cheever, "The Rights of Employer and Employee to Inventions made by Either during the Relationship" (1903) 1 Mich. L. Rev. 384; notes on Peck, (1922-3) 36 Harv. L.R. 468, (1923) 23 Col. L. Rev. 311, (1930) 30 Col. L. Rev. 1172.
290. See, e.g. Koenig, "The Shop Right - Time for Limitation" (1967) J.P.O.S. 658.
291. See n. 277, sup.
292. See 10.2.1, sup. (discussion of Edisonia).
293. 51 F.2d 868 (1931).
294. See Stedman in Neumeyer, "The employed Inventor in the

United States" (1971) ch. 2; also "The Employed Inventor, the Public Interest, and Horse and Buggy Law in the Space Age" (1970) 45 N.Y.U. Law Rev. 1.

295. This formula is loosely-based upon contemporary (1923-8) caselaw.
296. 31 F.2d 463 (1929).
297. *ibid.*, at 466.
298. n. 293, *sup.*
299. *ibid.*, at 870; the Court would have assigned the patent to the employer, if necessary.
300. 289 U.S. 178 (1933).
301. *ibid.*, at 187.
302. *ibid.*, at 213-4.
303. Citing Peck, n. 273, *sup.*
304. Citing Hapgood and Dalzell, n. 253, *sup.*
305. n. 300, *sup.*, at 188.
306. *ibid.*, at 188-9, followed in Ushakoff v. U.S., 140 USPQ 341 (1964).
307. 'Facilities' do not include vocational training courses, 'intellectual atmosphere' or mechanical skill resulting from having worked for the employer; cf. National Development Corporation v. Gray, 316 Mass. 240, 246 (1944).

- Taft J. (Dissenting) in Gemco, n. 314, inf., at p. 534, would have rephrased the equity in wider terms, that the Courts will not allow the employee to bite the hand that feeds him.
308. The invention must embody the property; thus in Dovel, n. 310, inf., the inventor had embodied none of his master's property where he used his own paper, pencils, etc. in working it out. See also 10.5, inf.
309. n. 300, sup., at 215-6.
310. 139 F.2d 36 (1943).
311. *ibid.*, at 38.
312. emphasis added.
313. n. 310, sup., at 38.
314. 80 USPQ 529 (1949).
315. *ibid.*, at 532.
316. Citing Pressed Steel Car Co. v. Hansen, 137 F. 403, 415-6 (1905), White Heat Products Co. v. Thomas, 266 Pa 551 (1920).
317. 'The Corporate Patent Department: Its Organisation - Administration - Functions', (1963), p. 65.
318. Zabel, The Patent Royalty Contract, (1933) lists 198 shop right cases involving employment, independent contractorship, receivership, partnership and other relationships; the 1936 supplement listed a further 150 or so such cases.

319. Gladding (B.F.) & Co. Inc. v. Scientific Anglers Inc.,
115 USPQ 109 (1957).
320. Flannery v. Flannery Bolt Co., 86 F.2d 43 (1936).
321. Dubilier, n. 300, sup., at 192; but see the dissenting
judgment of Stone J., at 217-8.
322. *ibid.*, at 208-9.
323. For a strong argument that this should not be so, see Kreeger,
"The Control of Patent Rights Resulting from Federal
Research", (1947) L.C.P. 714.
324. n. 300, sup.
326. 23 F.2d 386 (1928), at 391.
327. See Monograph on the Principles of Law Applicable to the
Interest of the United States in Inventions Made by its
Employees and Contractors, n. 328, inf., vol. III, pp.
129-161; independent contractors could find themselves more
closely tied by contracts than were employees.
328. "Investigation of Government Patent Practices and Policies":
Report and Recommendation of the Attorney-General, U.S
Department of Justice (1947).
329. *ibid.*, vol. I, p. 2.
330. n. 323, sup.; Kreeger was also the editor of the Attorney-
General's Report, n. 328, sup.
331. A possible defect of the 'Kennedy Memorandum' (Memorandum

- and Statement of Government Patent Policy, October 10th, 1963, F.R.), now modified by the 'Nixon Memorandum' of Aug. 23rd. 1971, 36 F.R. 16889.
332. Dienner, "Government Policies Relating to Research and Patents" (1948) L.C.P. 320.
333. Shoemaker, "Patenting of Government Inventions", (1922) J.P.O.S 491.
334. n. 329, sup.
335. *ibid.*, p. 3.
336. Executive Order 10096, Jan. 23rd. , 1950, 15 F.R. 389; the order is probably unconstitutional unless enacted by virtue of the President's power as head of the Armed Forces: see Gerber, "Patents - Innovations made by Federal Employees and Contractors" (1953) J.P.O.S. 426.
337. Foreman, "The Government Patents Board - Determination of Patent Rights in Inventions made by Government Employees", (1953) J.P.O.S. 95.
338. The Employed Inventor in the United States, (1971), ch.4.
339. See Gerber, *op.cit.* n. 366, sup.
340. 238 F.2d 952 (1956).
341. *ibid.*, at 954.
342. re Hobbs, 136 USPQ 489 (1963); for an interesting sequel, see Hobbs v. U.S. Atomic Energy Commission, 171 USPQ 713 (1971)

343. See 'Kennedy Memorandum', n. 331, sup.
344. Hobbs, n. 342, sup., at 496.
345. ibid., at 497.
346. Johnson, "Encouraging Inventions by Government Employees" (1950) 13 M.L.R. 428, asserts that the U.S. approach to the possession of employee patents, while less direct than the British, is no less efficient.
347. See Article 1, section 8, clause 8, U.S. Const.
348. Marzall v. Fox, 180 F.2d 45 (1950); likewise inventions made before employment commences: Page v. Holmes Burglar Alarm Telegraph Co., 1 F. 325, (1880).
349. Its demise was effected by a revision of Patent Office fees; however, its constitutional significance is not apparently diminished: see Kaplan v. Johnson, 269 PTCJ A-2, A-3 (1976).
350. Ti. 33 U.S.C. §725.
351. Ti. 42 U.S.C. §2182.
352. Ti. 16 U.S.C. §831.
353. Ti. 30 U.S.C. §666.
354. Ti. 42 U.S.C. §1959.
355. For a more complete list, see Neumeyer, op. cit. n. 338, sup., ch. 2.
356. Even if the invention is made in the employee's spare time: Moore v. United States, 249 U.S. 487 (1919).

357. e.g. British Reinforced Concrete Ltd. v. Lind, (1917)
34 R.P.C. 101.
358. But remuneration may be available under different heads;
see chapter 18, inf.
359. The Institute of Patentees and Inventors has had occasion
to advise its members of this: conversation with A.L.
Cotterell (Secretary), July, 1975.
360. Patents Act, 1949, Section 38.
361. Hivac Ltd. v. Park Royal Scientific Instruments Ltd., /1946/
Ch. 169.
362. Sanders v. Parry, /1967/ 1 W.L.R. 753.
363. For a discussion of this duty, see 9.1, sup.
364. Patents Act, 1949, section 39; see also Willoughby v.
Taylor, (1893) 11 R.P.C. 45.
365. See also Patents Act, 1949, section 24 (extension for war-
loss).
366. e.g. its abstruse technicality: Carpenter's Patent, (1946)
69 R.P.C. 179, 186.
367. re Saxby's Patent, (1870), L.R.3P.C. 292.
368. e.g. the 'natural conservatism' of would-be users: Mitchell's
Patent, (1919) 36 R.P.C. 223.

- 369a. Johnson's Patent, (1908) 25 R.P.C. 684.
369. (1942) 59 R.P.C. 156 (under a similar provision in the 1907 Act).
370. McCulloch's Patent (1908), 25 R.P.C. 684.
371. Trantom's Patent, (1916) 34 R.P.C. 28.
372. Wilson's Patent, (1936) 53 R.P.C. 1
373. Under Patents Act, 1949, section 102, the patentee is "the person or persons for the time being entered on the register of patents as grantee or proprietor of the patent", whoever that may be.
374. See, e.g., McCulloch, n. 370, sup.
375. Hopkinson's Patent, (1897) 14 R.P.C. 5.
376. See, e.g., Worthington, n. 115 sup.
377. British Celanese Ltd. v. Moncrieff, /1948/ Ch. 564.
378. /1938/ Ch. 211,
379. See 10.4.1, sup.
380. The Law of Master and Servant in Relation to Industrial and Intellectual Property (1950), p. 21.
381. n. 153, sup.
382. /1909/ A.C. 118.
383. British Celanese, n. 377, sup., at 569 (Romer J.) and 577-8 Lord Green, M.R.).

384. 86 F 122 (1898)
385. e.g. Triplex, n. 378, sup.
386. Barrington Products (Leicester) Ltd. v. King, /1958/ R.P.C. 212.
387. Westinghouse Electric Mfg. Co. v. Formica Insulator Co., 260 U.S. 342 (1924).
388. Wantoch and Wray's Patent, /1968/ R.P.C. 394. English cases have been concerned to estop the licensee rather than the licensor from asserting invalidity; see Crossley v. Dixon, (1863) 10 H.L.C. 294, Franklin Hocking & Co. v. Hocking, (1887) 4 R.P.C. 255.
389. Loewy's Application, (1951) 69 R.P.C. 3, Cogar v. Schuyler, 173 USPQ 389 (1972).
390. Patents Act, 1949, sections 14, 32.
392. Initial Services Ltd. v. Putterill, /1968/ 1 Q.B. 396.
393. Barrington, n. 386, sup., at 214.
394. This in fact is what happened in Barrington, n. 386, sup.
395. Under Title 35 an 'interference' proceeding gives an applicant or patentee the opportunity to prove prior invention against a later applicant.
396. Cogar v. Schuyler, n. 389, sup.

397. On the grounds laid down in Ti. 35 U.S.C. 102-3.
398. Cogar, n. 389, sup., at 391.
399. Ti. 35 U.S.C. §282 (2), (3).
400. Ti. 28 U.S.C. §2201
401. See e.g., Zachs v. Aronson, 57 U.S.P.Q. 5 (1943).
402. Ti. 35 U.S.C. §282.
403. Zachs, n. 401, sup.
404. Patents Act, 1949, section 14(1).
405. *ibid.*, sections 32, 33.
406. Badische Anilin A.G.'s Application, /1963/ R.P.C. 19.
407. Thwaite's Application, (1892) 9 R.P.C. 515.
408. R.v. Comptroller General, e.p. Tomlinson, (1899) 16 R.P.C. 233, Stewart's Application, (1896) 17 R.P.C. 627, 628.
409. Merron's Application, (1943) 61 R.P.C. 91, 93; cf. Siemens Schuckertwerke's Application (1938) 55 R.P.C. 153, 155.
410. See Hivac, n. 361, sup.
411. Standard Motor Co. Patent, /1957/ R.P.C. 326; in any event, employers appear to be more readily believed than employees; see Healey's Application, (1872) John. Pat. Man. (6th) 165.

412. Reading v. A-G, /1951/ A.C. 507, Hovenden v. Millhoff, (1900) 83 L.T. 41.
413. Reading, n. 412, sup., per Jowitt, L.C. and Lords Porter and Normand.
414. ibid., per Lord Oaksey.
415. This may be implied through the 'officious bystander' test of Shirlaw v. Southern Foundries Ltd., /1939/ 2 K.B. 206, 227.
416. Cranleigh Precision Engineering Ltd. v. Bryant, /1964/ 3 All E.R. 289
417. Renard v. Levinstein, (1865) 2 H & M 628.
418. Rowell v. Rowell, 122 Wis. 1 (1904).
419. Magorn v. North East Glass Co., 16 Fed. Cas. 483 (1877).
420. General Paint Corporation v. Kramer, 68 F.2d 40 (1933).
421. Wilson v. J.G. Wilson Corp., 241 F. 494 (1917).
422. Boston v. Allen, 91 F. 248 (1898).
423. Pratt v. Wilcox Mfg. Co., 64 F.592 (1893).
424. Amdur, Patent Fundamentals (1948) at 284-6.
425. Consolidated Vultee Aircraft Corp. v. Maurice A. Garbell, Inc., 204 F. 2d 946, 949 (1953).
426. Wiegand v. Dover Mfg. Co., 292 F.255, 262 (1923).
427. Davis Harvester Co. v. Long Mfg. Co., 252 F. Supp. 989, 1012 (1966).

428. "Originality, Ownership and Shop Rights" (1921) J.P.O.S. 262, 276.
429. Law of Inventing in Employment (1953), ch.2.
430. op.cit. n. 132, sup.
431. Op. cit., n. 380, sup.
432. "Employer, Employees, and Inventions" (1957) 31 So. Cal. L. Rev. 38, 44.
433. Op.cit. n. 289, sup. In pointing out that the shop right could apply in respect of both specific and general duties Cheever came close to formulating a neat theory based upon that dichotomy, that the shop right stems from estoppel where the employee's duties are specific, but from implied contract where those duties are general. This attractive theory has found no place in case law.
434. Rights of Employers in Inventions made by Employees (1926).
435. "Inventions - Inventor's or Employer's?" (1963) P.T.C.J.R.E. 380.
436. op.cit. n. 397, sup.
437. "Patent Law for the Executive and Engineer" (1948), "Ownership of Patents" (1940) P.E. 271.
438. Patent Notes for Engineers (1956), at 158.
439. Toulmin, op. cit. n. 437, at 83-5.

440. *ibid.*, at 81.
441. Stedman, *op. cit.* n. 294, *sup.* (N.Y.U.L. Rev.), part A.
442. Stedman, *op.cit.*, n. 294, *sup.* ('Neumeyer').
443. Costa, *op.cit.*, n. 429, Conclusion.
444. Bowes, "Corporate Invention Award Plans" (1973) APLA Quart. Jour. 118; Tyrell, *ibid.*, at 124.
445. Baker, *op.cit.*, n. 141, *sup.*
446. See National Development Corp. v. Gray, 316 Mass. 240, 246 (1944).
447. Koenig, *op.cit.*, n. 290, *sup.*, at 663.
448. See Morris, *op.cit.*, n. 132, *sup.*; Leonard, "The Protected Rights of the Employee Inventor in his Invention" (1967) J.P.O.S. 357.
449. See n. 419, *sup.*
450. U.S. Const., art. 1, section 8, clause 8.
451. The United States Patent System (1956), at 288.
452. Orkin, "The Legal Rights of the Employed Inventor: New Approaches to Old Problems" (1974) J.P.O.S. 723-6.
453. Knoth, "Assignment of Future Inventions" (1949) J.P.O.S. 532.
454. Neumeyer, *op.cit.* n. 294, *sup.*
455. Kuntz, "The Inventor's Incentive to Disclose in the Corporate Enterprise system" (1973) APLA Quart. Jour. 84,

89. Stedman, "The Employed Inventor: Issues but no Answers", *ibid.*, at 143.
456. Baker, *op.cit.*, n. 141, *sup.*
457. Stedman, *op.cit.*, n. 455, at 147.
458. Hamann, "Invention in the Corporate Environment", *ibid.*, 102 at 115.
459. Mertz, "To Whom does the Grant of Industrial Property belong in the Case of an Invention by an Employee?" (1946) *J.P.O.S.* 783.
460. "The Employer/Employee Relation in Patent Law" (1950) *J.P.O.S.* 345.
461. 170 F.2d 679 (1948).
462. Lutz, "The Contract to Assign Inventions" (1955) *P.L. Inst.*
- 463, Foreman, "Inventors and their Relations with Others" in Ball (ed.) Dynamics of the Patent System (1960) at 188.
464. n. 435, *sup.*
465. n. 314, *sup.*, at 534.
466. Koenig, *op. cit.* n. 290, *sup.*; Rines, "A Plea for a Proper Balance of Proprietar Rights" (1970) *I.E.E.E. Spectrum* 43.
467. H.R. 15512, 91st. Cong., 1st sess., H.R. 1483, 92nd. Cong.,

1st. sess. (Moss Bill); H.R. 4932, 88th. Cong., 1st. sess., H.R. 5918, 89th Cong., 1st sess. (Brown Bill); S. 1321, H.R. 7111, 93rd. Cong., 1st sess. (Hart and Owens Bills).

468. A.B.A. Committee 106 on Patents, Trademarks and Copyright (1971), p. 5.
469. Miller, "The Rights of the Salaried Inventor" (1930) J.P.O.S. 403.
470. For examples see Swan, op. cit. n. 196, sup.
471. (1858) 2 Dè G. & J. 130.
472. See Macklin and Murphy's Case, (1838) 2 Lewin C.C. 225.
473. See, e.g., "Basic French Rules Governing an Employee's Inventions" (1966) 234 C.C.T. 30.
474. See 10.1.1, sup.
475. i.e. that a bundle of sticks is far more difficult to break than is a single stick.
476. (1888) 5 R.P.C. 81.
477. Jorden v. Money, (1854) 5 H.L.C. 185.
478. Present Law and Practice Relating to Letters Patent for Inventions, (1913), 74n.
479. (1908) 25 R.P.C. 546.

480. (1949) 66 R.P.C. 315; since this case is virtually indistinguishable from Gemco, n. 314, sup., there is now little prospect of a shop right being belatedly developed; see Morris, op. cit., n. 132.
481. Barnet, n. 480, sup., at 322-3.
482. See 10.2.2, sup.
483. See 10.3.1, sup.
484. See Terrell on Patents, 12th ed. (1971), §§610-1.
485. e.g. Shepherd v. Conquest, (1856) 17 C.B. 427, Eaton v. Lake, (1888) 20 Q.B.D. 378.
486. Copyright Act, 1848, section 15 (see appendix for text).
487. Op. cit. n. 294, sup.
488. A number of co-operating companies did not wish to be named in the thesis text, and I have acceded to their wishes. A full list of all persons real and legal who have supplied data upon which this thesis has drawn is supplied as an appendix to the thesis. Data of an incomplete nature was also received from two large textile-based conglomerates, one of which required assignment of patents from senior staff only; the other purported to rely in general upon the adequate protection of the common law.
- 488a. The history of the current government practice, which is highly interesting but not strictly relevant to the instant chapter, is appended to the end of this thesis.

489. Two-thirds of government scientists work under that Ministry, which drew up the contractual terms used by the other Departments: interview with Ms G. Perugini and Mr. Killeen, Civil Service Department, April, 1975.
490. Treasure Circular 24/30, 5th. Dec., 1930.
491. Regulation 10c6.
492. Discussed in detail, at 8.2.1, sup.
493. See, e.g., W.L. White, correspondence with Institute of Patentees and Inventors, 1974.
494. D.R. Dobing, letter to 'State Service', Feb. 1974, complaining that he had received only £28 for 5 valuable and lucrative inventions.
495. Bristol Evening Post, 12th. June, 1975.
496. Clause 8, standard form Terms and Conditions.
497. Interview with Mr H.D. Bickley, Post Office Patent Dept., Aug. 1974.
498. e.g., 3 awards of £25 for automatic testers for switching systems, to technical officers at the P.O. Telecommunications Laboratory in Alpertton; Evening News, 22nd Aug., 1972.
499. Sections 37-40, 46. The Post Office retained all the former privileges of a government department under the Post Office Act, 1969, sections 16(2) (L), in relation to patent rights.

500. Select Committee on Nationalised Industries (subcommittee A), Minutes of Evidence, Thu. 17th. July 1969, per Lord Robens.
501. *ibid.*, per Mr Ridley; also H.C. Deb. on Coal Industry Bill, 3rd. Dec. 1970, cols. 1533-8 at 1535, Doncaster Evening Post, 9th. Aug. 1973, (the Whinfrey case), Manchester Evening News, March, 1967 (the Evett case).
- 502.
502. The multitude of bodies official, semi-official and governmental and charitable which sponsor R & D in Britain is bewildering to the foreigner from the East, who is used to a more streamlined system; see Lontai, "Research Contracts in the East and the West" (1972) A.J.S.H. 105.
503. Also the practice in South Africa (letter from South Africa Inventions Development Corporation, April 1975).
504. Letter from M. Shattock, Academic Registrar, Aug. 1975.
505. Terms and Conditions of Employment 1974.
506. e.g. University of Manchester, Conditions of Employment, 1975.
507. See Neumeyer, *op.cit.* n. 294, *sup.*, at Ch. 6; Palmer, "University Research and Patent Policies, Practices and Procedures" (1962), and "Patents and University Research" (1947) L.C.P. 680.
508. *ibidem.*
509. n. 507., *sup.*

510. Neumeyer, "Comments to J. Phillips, 'The Protection of Employed Inventors' Rights by Means of Statutory Award Schemes in Great Britain'", August 1975, p.5.
511. Op. cit. n. 294, sup., at 66.
512. *ibid.*, at 426.
513. Annual Report, 1972, p. 38 et seq.
514. See Lord Cohen, "Awards to Inventors" (1960) on the practice of Birmingham University during the Second World War.
515. But see the undignified case of Florey's Patent, /1962/ R.P.C. 186.
516. Currently governed by the Development of Inventions Act, 1967 (delimiting its role and powers) and the Industrial Expansion Act, 1968 (controlling its borrowing powers).
517. See NRDC, Twentieth-fifth Annual Report, 1974.
518. SRC Research Grants (1972), §8.
519. SRC Studentships and Fellowships, 1973 §§3,17.
520. *ibidem.*
521. *ibidem.*
522. Letter of Mr H.W. Grace, Patents Controller, NRDC, 2nd. May, 1975.
523. n. 517, sup.

C H A P T E R X I

RIGHTS IN INVENTIONS WHICH ARE PROTECTED BY CONFIDENCE

11.0 Introduction: source of 'confidence' rights

Not all inventions are patented. Many are not capable of being so, for reasons of public policy as expressed in the law;¹ others may be of a patentable nature but of greater value to their owners if they are not disclosed as would be, for example, an ingenious means of synthesizing chemical compounds which, if patented, would be within the public domain after a maximum of fourteen years but which it might take another trade rival some twenty years to invent independently; others still may be so early in their evolution that it is not yet known whether they will work or not as inventions, or whether they will even be patentable. In all such cases the Courts will recognise the existence of proprietary remedies if the unpatented or unpatentable invention of A is used by B in circumstances which the law will not tolerate. Where these remedies lie, it is necessary to establish whether they lie at the instigation of the originator of the invention, or of one who claims a better right than he through the employment relation that exists between them. It is the intended function of this chapter that it should examine both the nature of the rights which exist in inventions not protected by patents, and to seek to establish who may enjoy those rights. Little

distinction will be made between the English law and that of the United States, which have mainly similar characteristics in this area.²

As between employer and employee, there may be found rights and duties governing their relation to non-patented inventions which stem from the following principal sources: (i) the existence of legislation which pertains to the disclosure and use of certain types of information in which a certain party has a right or interest, (ii) the laws of contract, which give effect to the intentions of the parties to a binding agreement, (iii) the law of tort, which compensates one party for the loss caused to a right in which he has a proprietary interest, and (iv) the rules of equity, where the conduct, or threatened conduct of master and servant are measured against a Court-imposed set of principles and general morality. In common law legal systems there is no general or residual right to the protection of unpatented inventions outside of these categories.³

11.0.1 Statutory Restrictions upon the Use of Confidential Information

Confidential information receives little statutory protection either in the United Kingdom or in America, and such protection as does exist is usually in the form of criminal sanctions against the person who does not safeguard a confidence, rather than pecuniary or injunctive remedies to compensate the proprietor of the information no longer held in confidence by another. Thus, for example, the Official Secrets Act, 1911,⁴ section 2 makes it

an offence (inter alia) for a person

having in his possession or control... any sketch, plan, model, article, note, document, or information ... which has been entrusted in confidence to him by any person holding office under His Majesty or which he has obtained... as a person who is or has been employed under a person who holds... such an office...

to communicate it to unauthorised persons, use it for purposes prejudicial to the state, retain it contrary to his duties or fail to take reasonable care of it; this provision also applies to employees of independent contractors working under the Crown. The provision of section 2 has been felt by some to be unduly restrictive of information, but the Act has only infrequently been invoked. Reform of this provision is anticipated.⁵

The Official Secrets Act has not been permitted to save patents from invalidity through prior use, where (i) the prior use has taken place by one who falls within the provision of section 2 but where (ii) that use has not formed a part of the official service functions of that person. Thus in Fomento v. Mentmore Manufacturing Co.⁶ the plaintiff alleged that the prior use of his invention took place where he gave the invention - a pen - to an officer of the Royal Air Force, and that that gift was virtute officii and so covered by the Official Secrets Act; this argument was rejected by the Master of the Rolls without discussion.

On the civil side, the Law Commission⁷ has recently proposed the establishment of a statutory tort of breach of confidence, in anticipation of any possible evolution of such a tort at common law.⁸ The legislature has not yet acted upon this proposal, the

contents of which are discussed later, in chapter 18.

In the United States, Congress and the state legislatures must tread warily, since the First Amendment of the Constitution states that Congress shall make no law abridging the freedom of speech.⁹ However, the wording of the Espionage Act of 1918 is rather wider than that of its English counterpart, stating (in part) that "any employee or official of the United States Government who commits any disloyal act or utters any unpatriotic or disloyal language... shall be at once dismissed from the service".¹⁰ The leaking of secrets and of information protected by confidence must certainly be capable of regard as a 'disloyal act'; it is in any case a breach of contract as against the employer, so to that extent the Espionage Act is declaratory only.

Several states¹¹ have passed criminal laws designed to inhibit industrial espionage but which are also wide enough to catch the employee who passes information on unpatented secrets. For example, the New York Penal Code¹² makes it an offence to 'steal or unlawfully obtain' a trade secret, which is defined as including intangible property which is not, and is not intended to be, available to anyone other than the owner thereof or selected persons having access thereto for limited purposes with his consent... The employee who obtains such material for purposes wider than those expressly or implicitly limited by his employer must be taken to have 'unlawfully obtained' it. If he lawfully obtains it but then appropriates it, he will have 'stolen' it.

As a matter of policy it is arguable whether statute law should protect (i) only secrets which are completely unknown to

anyone other than their 'proprietor', his employees, and those to whom it has been entrusted, (ii) secrets unknown to others but capable of being ascertained by reference to the public domain, or (iii) 'secrets' which are in fact in the public domain? All three categories may contain information of commercial worth or of some pertinence to national security and the Government's interest, yet the second and third categories impinge more heavily upon notions of free speech and freedom of information - the right to be informed. Where the interests of the Government are at stake it is likely that protection will be construed widely and, in the United Kingdom at any rate, it is not impossible that the state will be given much the same facility to decide what it regards as 'secret' as it has been given to decide what is in the 'national interest'.¹³

11.0.2 Contract law

So long as there exists a valid and binding agreement between two or more persons of contractual capacity, the Courts will give legal effect to the expressed intentions of those persons. This means that a duty not to disclose a particular invention or secret, or of any fact, can be imposed upon a party whether that information sought to be restricted is not of a type whose suppression is contrary to the interest of the public in preserving its health, welfare and safety,¹⁴ and is not of a type in respect of which the Courts can compel disclosure.¹⁵ The Courts will hasten to infer the existence of an implied term prohibiting disclosure even if the parties have not so agreed, where it is necessary to give

full effect to the intentions of both parties; prior to 1949 this was the usual ground upon which confidential information was protected.¹⁶ The value of implied contract remedies stems also from the fact that they may be granted even when the expressed contract is unenforceable, as in restraint of trade.¹⁷

Under a contractual obligation any information, whether confidential or in the public domain, can be protected from further disclosure; however, a chance comment of Justice Harlan of the U.S. Supreme Court that "Federal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent",¹⁸ encouraged the misapprehension that, under the federal pre-emption doctrine then current,¹⁹ since Congress had not expressly protected trade secrets and non-patented (or non-patentable) inventions, the Courts could not give protection which would amount to a de facto monopoly in the same;²⁰ but in 1974²¹ the Supreme Court clarified its position and reaffirmed what had always been assumed before, that confidential information may be protected by contractual implication or by express terms.

In addition to these express and implied terms which stem from the objective examination of the intention of the parties, terms may also be implied from the very status-relationship of those parties, in the United Kingdom at any rate. These terms stem from the 'duty of fidelity' or the 'duty of good faith',²² of which Lord Greene, M.R. once said: "... the obligation of fidelity, which is an implied term of the contract, may extend much further in the case of one class of employee than it does in others".²³

In other words, it is a variable duty, the effect of which may only be examined under the particular circumstances of each case. Thus the duty owed by an highly-paid and responsible employee will be very steep,²⁴ and will certainly prohibit that employee from acting to the detriment of his employer, but where the employee earns a lowly wage in a menial job, has a criminal record and is not informed that the information with which he is dealing is confidential, his duty of fidelity will be of so low a standard that it will not protect his master's secrets.²⁵

Under the law of contract the employer may enjoy the remedies of specific enforcement of a negative covenant not to disclose information, so long as that would not effectively compel the employee to remain in the lifetime employment of the employer or be unemployed.²⁶ There also exists the possibility of recovering damages for breach of the non-disclosure duty, but this will be of little value where the information is of great value, for the employee will not have funds to pay the award. Thus the best remedy, on the assumption that prevention is better than cure, will be the injunction against disclosure.

11.0.3 Tort

The employer may be able to bring an action in tort against the employee who discloses information, on the theory that such an action is a conversion of the employer's property;²⁷ the author is not aware of any instance where such an action has been brought. A more important tort remedy lies against a future recipient of the information wrongfully disclosed by the employee - usually a

subsequent employer - for the inducement to breach his contract of employment.²⁸

Inducement to breach is a very useful action for the wronged employer because it has the distinct tendency to preserve that employer's workforce as well as his secrets; the Court will grant a quia timet injunction even before any damage has been done,²⁹ even if there is no certainty that a confidence will be breached.³⁰ No remedy will issue where the 'inducing' employer has acted entirely in good faith³¹ in hiring an employee possessed of a secret since, even if he later enjoys the benefit of that secret, he has not procured a breach of his employee's prior contract obligation. On a practical basis, the current employer would be more likely to have the money to pay any award of damages made against it than would the employee, and special damage need not be proven by the old employer,³² unless the remedy sought is for conspiracy to effect a procurement of a breach of contract;³³ it should also be noted that in such a conspiracy action, the release of the ex-employee from the suit will be a bar to an action against the new employer.³⁴

11.0.4 "Breach of Confidence" action

"Breach of confidence" has evolved over the last 170 years from an implied contractual remedy at common law³⁵ based on the 'improper use' of information as between contractually-related parties, into an innominate and perhaps anomalous remedy as between strangers,³⁶ based on 'property' thus not dependent upon the intention of the parties, and finally into an 'equitable tort'

where damages - the juridical basis for which was questioned as late as 1957³⁷ - were awarded by analogy with the law of conversion,³⁸ without regard to the intention of the tortfeasor.

It is submitted that the better view of breach of confidence is that it is founded upon principles of good faith, not 'property' or 'contract';³⁹ 'property' is nonetheless a convenient way of describing that which can be identified, sold and stolen, licensed, insured or monopolised, and 'contract' happens to be present in a very high proportion of litigated cases, even if its terms fail to deal with the ground of dispute. In the context of the contract of employment there will almost always be some notion of 'good faith' owed by the employee to his master.

11.1 Theory and Practice of Contractual Protection

Having demanded all the sources of protection of confidential or secret information it is proper to point out that the two most important, as between employer and employee or independent contractor, are the law of contract and the provision of equitable remedies for breach of confidence. It is proposed to examine both of these sources more fully.

Subject to the rules of restraint of trade⁴⁰ an employer can prevent his employee from passing any information, no matter how trivial, to any other party. The fact that, in practice, such prohibition has often been the rule and not the exception has led to a chain of consequences; since contracts were restrictive of employees' activities under terms laid down by employers, the Courts interpreted them contra proferentem in the employees'

favour, and this in turn led to the imposition of stricter and more tightly drafted contractual terms. This now encourages the Courts to adopt the attitude that anything not expressly included in the list of duties owed by employees is intentionally omitted. That contracts are interpreted contra proferentem there can be little doubt.⁴¹ For example, a confidence clause could be viewed as applying to trade secrets and formulae alone, thus not preventing the employee from enjoying the fruits of experience accumulated over years of working with that information; in such instances no term could be implied in the employer's favour,⁴² especially where the employer had not made the employee aware of the 'secrecy' of the information itself.

Not just care, but a good deal of ingenuity, has been spent on the drafting of water-tight contract of employment clauses in the United States, to give to the employer the maximum protection consonant with the law. Some of the clauses used for this purpose are described in a recent article by Arnold and McGuire;⁴³ they include (i) 'reasonable non-competition with the employer', where the information sought to be protected is incapable of adequate description, (ii) 'total non-competition', where a rival employer would reasonably expect a betrayal of the obligation of confidence, (iii) 'continuing confidence', a duty of non-disclosure of identifiable secrets which continues for long after the contract of employment is terminated, (iv) a duty of 'consultancy', whereby for a small consideration the employer reserves the right to consult the ex-employee and/or to utilise his services in the

training of future staff, for a period of years after the employment proper, (v) 'diversion of trade' - an obligation not to persuade a new employer to become interested in a market or enterprise involved in the old employer's field of business, (vi) a 'dissociation clause', whereby a departing employee may not work in the same place as more than two other ex-employees of the same firm for a term of years, and (vii) a 'non-solicitation' duty, that the departing employee will not solicit, recruit or entice other employees to join him at his new place of employment. Some of these clauses may fall foul of the laws of individual states, and are to be drafted very specifically lest they be found unenforceable through uncertainty.

None of the nine firms interviewed by the author went nearly so far as does the above paragraph as regards the protection of secrets and of the employees who hold them; moreover, only one firm operated a 'debriefing' scheme, whereby departing employees are extensively interviewed by senior colleagues and/or patent agents in order to find out exactly how much they do or do not know.⁴⁴ The ratio behind these debriefing sessions is that where an employee is less than candid in answering the questions put him, and then invents something closely connected with his former employment duties, the ex-employer may either seek to safeguard secrets in which it has a proprietary interest, or may stake a claim in any patent resulting from that invention. Curiously enough, the one firm which did operate such a scheme stated that its value was primarily in terrorem, and that it has never 'followed up' any of its departing employees; one other firm, which has no such scheme, did pursue a policy of 'hounding' former employees, as

a salutary lesson to its current staff.

In the light of the contractual devices mentioned above, it is scarcely surprising that the Courts interpret employment contract terms narrowly, and will not hasten to find as implicit terms which one might expect to find expressed (whether such a clause would be valid or not).⁴⁵ Subject to this, it should be remembered that the contract of employment may not be the sole common law ground upon which a breach of the contract of employment may be remedied. For example, where the secret information is physically appropriated⁴⁶ the law of conversion, trespass or detinue might succeed even where the contract could not grant a remedy.

11.2 Requirements of the "Breach of Confidence" Action

Where the contract is silent and no appropriate implication of an implied term or of the duty of fidelity can be made, the obligation of employee to employer is judged by the same standards adopted by the 'breach of confidence' action mentioned at 11.0.4, sup. This is also true of the employer-independent contractor relationship. On the whole it is less easy to succeed in 'breach of confidence' alone than it is in contract, for in the latter instance all one need show is the existence of a duty which has been broken. In the former case one must show, in general, that that for which protection is sought is (i) confidential, (ii) 'information' of a kind protected by law, and (iii) that it came into the defendant's hands in circumstances in which he would reasonably have been expected to know or realize that it was confidential, and (iv) that the defendant was doing something with

that information which was incompatible with his equitable obligation to the owner or discloser of that information. A brief examination of each requirement is necessary.

(i) Confidentiality of the information: if an invention once secret is published to others, no longer is it secret and thus prima facie confidential,⁴⁷ and will remain so for as long as it is available to the public from sources other than its proprietor,⁴⁸ or for as long as its confidential exposure has covered all the competitors in a particular industry.⁴⁹ Disclosure of a secret invention to an employee is not a publication thereof for as long as the latter is bound to keep the confidence of the employer;⁵⁰ this is also true of disclosure to an expert with a view to receiving advice of a scientific⁵¹ or legal⁵² nature. An invention is not published when the inventor discusses the fact of the invention, but not its content.⁵³ Once an invention is patented or a patent is applied for all secrecy remedies are lost,⁵⁴ but by way of compensation there is of course a legal monopoly upon the subject of the patent application.

One question as yet unanswered is whether secret information communicated in confidence by an employer to his employee will remain the subject of breach of confidence remedies once the employer has unlawfully terminated the employment contract. Such termination releases the employee from contractually imposed burdens such as non-competition covenants,⁵⁵ but will not release him from an obligation to hold patents in trust for the master.⁵⁶ If the Courts do not construe the possession of the master's confidential information as the subject of a trust arising independently from the servant's duties,⁵⁷ they could still utilise the Triplex

decision⁵⁸ and hold that even if an express repudiation⁵⁹ - assuming such a duty to have existed in the first place - there may exist an implied contractual term to the effect that the employee holds the information received in confidence as a trustee irrespective of the duties imposed by the contract of employment.

Information is treated by the Courts as being confidential even when it is subsequently jettisoned into the public domain but where the party to whom it was imparted takes an advantage from the fact that he has knowledge before the public in order to seize a market lead; this is the 'springboard' doctrine enunciated by Roxburgh, J. in Terrapin Ltd. v. Builders' Supply Co. (Hayes) Ltd.:⁶⁰

... a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by any member of the public.

This doctrine would seem to be of application only where the information exists in the public domain in fragmented form or where the 'public domain consists of a product and the 'confidence' consisted of its means of assembly; in such instances the unscrupulous recipient of the information could otherwise, on receipt of the information, show how it could be pieced together from a 'mosaic' of elements in the public domain, and thus use it as though it were not confidential.⁶¹ If widely construed the 'springboard' doctrine could inhibit firms from employing the ex-employees of firms with whom confidential business had previously been conducted.

(ii) Protectability of the information: some things by their very nature may not be the subject of confidential protection by the Courts, for example that which is of a fraudulent tendency,⁶² or which is such a quality as cannot but be absorbed into the developing practical skills and experiences of the professional employee. Into this latter category fall such items as the best way of using a particular machine or of handling a device - items usually termed as 'know-how', which is not protected in the absence of special contract and under specific circumstances on the ground that to separate a man from his 'know-how' is, prima facie, to deprive him of his skill and experience and thus render him less apt for subsequent employment in his chosen profession.⁶³ 'Know-how' is given a greater degree of protection where it is licensed between independently contracting firms enjoying equal bargaining power than as between employer and employee, but this greater protection is based almost always upon the laws of implied contract and the presumed intention of the parties.⁶⁴

Within the limitations described above, almost anything capable of being treated as confidential - inventions or formulae,⁶⁵ news items known in one region but not another,⁶⁶ betting systems⁶⁷ or even facts such as the knowledge that a particular patent existed⁶⁸ - may be protected by a breach of confidence remedy.

(iii) Communication in breach of confidence: the recipient or possessor of the information must know, or should realize upon reasonable grounds,⁶⁹ that the information communicated to him or placed within his possession is confidential. The act of

entrusting information in an employee will not be regarded as a communication in confidence⁷⁰ unless (a) there is an express or implied term of the agreement to that effect, (b) there exists a duty of fidelity implied from the status of employer to employee, or (c) the employer tells the employee, or makes it clear to the latter by his conduct, that the information is, or is to be treated as, secret and confidential. It is no great strain upon the construction of factual reality to slot almost all communications from master to servant into one of these three categories.

(iv) Breach of the obligation of confidence: no action arises unless the recipient of a confidence does, or threatens to do, with it that which is incompatible with his obligation to the discloser of that information. The most common breaches of this duty are (a) the divulging of the confidence to a third party,⁷¹ and (b) the exploitation of the information entrusted, for one's own benefit, when the information has been imparted for the benefit of the discloser.⁷² Mere possession of confidential secrets will not normally be construed as a breach of confidence when the contract of employment is at an end (and the recipient has no further lawful reason for possessing the subject of such confidences) unless (a) the possession takes a tangible form,⁷³ or (b) the employee leaves for a firm which will employ him in a role wherein it would be practicably impossible for him to refrain from divulging confidential information, as where his own personal 'know-how' and expertise are inextricably bound up in the secrets themselves.⁷⁴

11.3 Remedies for "Breach of Confidence"

A plaintiff may seek any of the following remedies when a

breach of confidence has occurred, or is about to: (i) an injunction, (ii) damages or an account of profits, (iii) a declaration of trust, (iv) delivery up or destruction of the information in its tangible form, (v) a declaration of invalidity of any patent embodying the appropriated confidence, (vi) assignment of such a patent, and (vii) termination of the contract of employment, where the defendant is an employee.

(i) An injunction will generally be granted in interlocutory proceedings if so required by the 'balance of convenience' to the two parties before the trial;⁷⁵ it will not, however, be issued where damages, not an injunction, would be a more appropriate remedy or where the damage done to the plaintiff is small but the harm caused by an injunction would do irreparable damage to the defendant.⁷⁶

A permanent injunction will be granted subject to the considerations mentioned in the next paragraph. It will bind even third parties who are at all material times aware of its existence and who seek to aid and abet the activities of the party enjoined;⁷⁷ this presumably means that employees will be bound by injunctions upon their masters. The injunction may not go any wider than the actual secret information to which the employee is exposed, when his employer has secured that remedy, otherwise it would hamper that employee from being of value to subsequent employers.⁷⁸ An injunction will not be granted when the act which it is sought to prohibit has already been done;⁷⁹ nor will it be granted where its effect would be to discontinue a course of medical treatment, to

the detriment of a patient.⁸⁰

Before 1967, a permanent injunction would be granted as the principal remedy for a breach of confidence;⁸¹ but Lord Denning, M.R. in Seager v. Copydex,⁸² adopted a new approach. Instead of looking strictly at the issues of duty, breach and remedy, the Court formed the more general notion that one may not take 'unfair advantage'⁸³ of the possession of confidential information and, that if such use occurred, the plaintiff was entitled not so much to seek prevention of that use, but to 'reasonable compensation'⁸⁴ for such use. The overall effect of this was that, where there had been no use, an injunction was still the principal remedy, but that where the use had been made, the defendant would be under a continuing liberty to use the invention, subject only to the payment of a sum by way of reasonable compensation. This new approach was followed in Coco v. A.N. Clark (Engineers) Ltd.⁸⁵ by Megarry J. subject to the qualification that, on the facts of a particular case, the Court could still impose upon the defendant a duty not to use the invention without the plaintiff's consent. It is possible that this distinction may form the basis for a different yardstick whereby employees and independent contractors are measured; for while the employee will be in almost every case under a duty not to use without the employer's consent, the independent contractor who, say, manufactures under licence and then carries on manufacturing once the licence has expired, will more likely be under the duty only to pay a reasonable sum by way of compensation. It is not known what effect, if any, this may have upon the 'springboard' doctrine (11.2, sup.) which

aids the proprietor of confidential information against one who seizes an unfair market advantage from his position, but it may be doubted that one who may effectively rob another manufacturer of his intended market by means of a breach of confidence would be subject only to a liberty to continue using the invention with a duty to pay reasonable compensation.

(ii) Damages and an account of profits may not be awarded concurrently, for the former is a repudiation of the breach of a duty, whereas the latter is a condonation of the same.

Damages are awarded as a common law remedy; breach of confidence is an 'equitable' tort, yet damages may be awarded in respect of a breach of a duty of confidence. The nexus between the two prongs of this jurisdictional anomaly is probably the power to award damages in lieu of, or as well as, an injunction under Lord Cairns' Act of 1858.⁸⁶ As late as 1957⁸⁷ the ground upon which breach of confidence damages were awarded was still in doubt, but now the Courts have adopted the notion that they are awarded by analogy with the common law tort of conversion,⁸⁸ being assessed as the "market value of the confidential information wrongly taken..., as between a willing buyer and a willing seller".⁸⁹ If the secret appropriated was akin to professional advice or expertise, damages would be a reasonable fee, but if it was more closely akin to the appropriation of an invention, damages would represent the capitalised value of the assumed royalty on that invention. Damages are rarely sought against ex-employees, which category has frequently insufficient funds to meet an award made;

thus it is more profitable, where possible, to sue the new employer of an offending employee.

An account of profits simply requires that the defendant hand over any profit he has made in exploiting the confidential information for his own use. It is a little cumbersome as a remedy in that it involves the keeping of records in some detail, and it is not commonly invoked by an employer against a former employee.

(iii) A declaration of trust is most commonly sought where the defendant employee has previously agreed that any inventions or ideas stemming from his particular contractual duties would belong to his employer,⁹⁰ but the declaration should be equally applicable where a clearly identifiable piece of confidential information belonging to the employer has been claimed by the employee as his own. Once such a declaration is made, the defendant becomes liable to account to the plaintiff for any profits made through the use of that intellectual property,⁹¹ even if there is no privity between them, as where an employee uses information owned not by his employer but the latter's client, who seeks a declaration of trust.⁹²

(iv) Delivery up or destruction of the information is only an apt remedy where the information exists in some tangible embodiment, for example a book, plan or reel of tape. It would probably not apply where the information has been memorized, for the Court-ordered destruction of able-bodied ex-employees would be against public policy. The juridical basis of this remedy is not, as it is in copyright law,⁹³ statutory, but is derived from the relationship

of trust: the physical embodiment of the information is simply regarded as trust property.⁹⁴

(v) Opposition to a patent application,⁹⁵ or revocation of a patent grant,⁹⁶ is permissible upon the ground that the invention described in the specification was wholly or partly obtained from the plaintiff. It has been suggested that the comptroller of patents will not consider the rights of master and servant under sections 14, 32 or 33 of the Patents Act, 1949, but only under section 56 of the same Act;⁹⁷ there is, however, nothing in that Act to suggest that this is so, and indeed the fact that the comptroller can under section 56 decline to deal with matters which might be more properly determined by the Courts,⁹⁸ would suggest that this is not so.

Neither opposition nor revocation of a patent is a remedy commonly sought by an employer against his employee who embodies a trade secret in a patent, for the following reasons: (a) the employer who wishes to exploit the patent himself at a later date can gain no advantage from destroying it, (b) opposition proceedings carry an heavy burden of proof upon the opponent, because although a patent should not be granted in respect of an invalid application a patent once granted can always be revoked, but a patent rejected cannot be revived,⁹⁹ and (c) there is a substantial burden of proof required to overcome the presumption of validity accorded to a patent once granted,¹⁰⁰ which means that (d) the employer who does not want to exploit a patent monopoly in a grant embodying his confidential information, but who does want to carry on using the benefits of that information itself without

infringing the patent is better advised to seek a declaration that the patent applicant holds the application or the patent in trust for him. Another possible solution to the employer's problem may be to join the employee as a joint patentee;¹⁰¹ this would be most appropriate where the employee has added his own inventive elements to those of the employer.

(vi) The owner of confidential information embodied in a patent application of an employee may, even in the absence of special contract, seek the assignment of that patent.¹⁰²

(vii) The employer may terminate the employment contract of the employee who has breached the confidence of the former, at least where it is a condition of the continued employment that the employer's confidence be preserved. As Bowen L.J. said in Boston Deep Sea Fishing & Ice Co. v. Ansell:¹⁰³ "There may be cases where the breach of confidence and good faith towards the master would not arise from a single isolated act, but would be founded on the accumulation of repetition of such acts...", which indicates that the question as to whether the employee has so acted as to permit determination of his contract will be resolved by reference to the standard of duty as well as its existence. The employer, it would seem, might not be justified in dismissing the employee for breaches of duty in respect of which an action for breach of confidence would not lie; for Bowen L.J., in the above case, said: "... it is perfectly proper to consider whether on the whole the conduct of the servant has been such as to amount to a breach of confidence, and if it has not, then the master will not be justified in the dismissal".

11.4 Special features of the "Breach of Confidence" Action

It is important to remember that if an equitable remedy is sought for a breach of confidence, the plaintiff must come to Court with 'clean hands'; that is, his own conduct must not be so unfair as to bar the principles of equity from acting in his favour. It was arguable, till 1967, that the fact that an employer offers his employees poor or unsatisfactory terms of employment could be a bar to that employer enjoying the protection of equity,¹⁰⁴ but in that year Ungood-Thomas J. in Argyll v. Argyll¹⁰⁵ invented the doctrine of the 'relatively clean hand': "A person coming to Equity for relief... must come with clean hands; but the cleanliness required is to be judged in relation to the relief that is sought."¹⁰⁶ Though this case concerned a domestic confidence - a marital relationship - and has not been applied to an industrial case, it is submitted that its effect would be to take account of the plaintiff's want of good conduct only where there is some relation between that want of good conduct and the remedy sought, or possibly where that want of conduct was causally connected with the employee's breach of duty. The effect of this might be that bad pay, or poor conditions of employment, would not in general be considered as 'dirty hands', whereas specific actions such as accrediting the invention of employee A to employee B, or telling an employee that his invention was the subject of a prior patent when it was not, in order to avoid a payment of rewards, might well be 'dirty hands' in relation to the relief sought. Quaere, whether the fact that the confidential information which employer A seeks to protect from disclosure by employee B has in fact been obtained unlawfully from firm C will act so as to bar A from seeking an injunctive remedy.

Another problem inherent in the very nature of the breach of confidence action - and which is a great deterrent to bringing an action in many cases - is the fact that the plaintiff must divulge his secret information to the Court and to the party he seeks to enjoin from using it, before he can succeed in his action; if he succeeds, his property will be assured as against the defendant only, and if he fails he will have divulged his secret in vain. In fact, the Courts have tried to protect both the plaintiff and defendant (who may in all innocence have developed his own secret invention which is similar to, but different from, that of the plaintiff) by agreeing that in interlocutory proceedings, in chambers, only enough of the secret information to establish a prima facie case need be divulged.¹⁰⁷ This will often encourage litigants to settle out of Court after interlocutory proceedings; but if it does not, evidence may still be given in secret at the trial.¹⁰⁸ The defendant, too, is protected in that if he denies the allegations made by the plaintiff, it is for the latter to carry the burden of proof that the defendant is in breach of a duty owed toward him, and the plaintiff cannot compel the defendant to give further particulars of his simple denial of the plaintiff's charges, at least where the defendant claims to have come across the plaintiff's invention by an independent process.¹⁰⁹

Finally, it should be noted that the existence of a duty of confidence owed by A to B does not imply any reciprocal duty owed by B to A. In Fraser v. Evans¹¹⁰ the plaintiff, a public relations consultant for the Greek government, was under a duty

never to reveal any information about his work. The Greek government let slip an English translation of the plaintiff's work, which fell into the hands of an English Sunday newspaper, which sought to publish it; the plaintiff sought to stop that publication. An ex parte injunction granted by Crichton J. was dissolved by the Court of Appeal, which pointed out that although the plaintiff owed an high duty to the Greek government in respect of the work he did for it, that government owed no duty to him, and since he had no rights in the work he performed, he had no locus standi to bring an action for breach of confidence.

11.5 Practical Aspects of the Protection of Confidence

Of the nine companies which discussed with the author the protection of confidential information, only two had any positive policy for protection of secrets and inventions made by the employee or owned by the employer. One iterated that while general ideas and techniques were part of the employee's stock-in-trade, the concrete realisation of such an idea was 'property' and would be regarded as confidential; such information was to be treated as secret at all times, unless the company itself instructed the employee to divulge it. Another company had not only an express rule that all documents stamped 'confidential' be treated as such, but compelled any employee receiving such documents to sign for them - a practice also known in the Civil Service in respect of classified documents.

Three other firms took more general measures to protect their confidential information; two tried to encourage an air of secrecy or confidentiality at their workplaces, to teach employees

to value and practice loyalty to the firm without expressly writing what was viewed as a moral obligation into the contract of employment, and the third wrote into its contracts the very general notion that the company had 'complete freedom' in deciding what to do with any innovation or idea that the employee may produce.

FOOTNOTES

Chapter XI

1. Patents Act, 1949, sections 10, 14, 32; Ti. 35 U.S.C. §§102, 103.
2. There are also important differences: see Turner, Law of Trade Secrets (1962), but these do not shed any great light upon the nature of the subject as regards the employment situation.
3. See Havighurst, "The Right to Compensation for an Idea" (1954) 49 Nw U.L. Rev. 295, 297-8.
4. As amended by the Official Secrets Act, 1920, sections 9, 10 Sch. 1 [1956] R.P.C. 87.
5. See Departmental Committee on Section 2 of the Official Secrets Act, 1911 (Franks Committee Report), Cmnd. S 104, 1972.
6. [1956] R.P.C. 87.
7. Working Paper 58, "Breach of Confidence" (1974).
8. *ibid.*, §§54-6, and see North, "Breach of Confidence: Is there a New Tort?" (1972) J.S.P.T.L. 149-170.
9. See also Parker v. Columbia Broadcasting Systems Inc., 146 USPQ 422 (1965).
10. Section 1.

11. e.g. New York, New Jersey, Georgia; see Sutton, "Trade Secrets Legislation", (1965) IDEA 587.
12. 1296.
13. See Chandler v. Director of Public Prosecutions, [1964/ A.C. 763, 810-1.
14. Hubbard v. Vosper, [1972/ 2 Q.B. 84, 96 as explained in Church of Scientology of California v. Kaufman, [1973/ R.P.C. 627, Beloff v. Pressdram Ltd., [1973/ 1 All E.R. 241.
15. e.g. Butler v. Board of Trade, [1970/ 3 W.L.R. 822, where a solicitor was forced to yield correspondence with his client by way of evidence in a criminal trial.
16. See Working Paper 58, n. 7, sup., at 58; also Morison v. Moat, (1851) 20 L.J.Ch. (N.S.) 513.
17. Triplex Safety Glass Co. v. Scorah, [1938/ Ch. 211.
18. Lear, Inc. v. Adkins, 395 U.S. 653, 668 (1969).
19. See Sears, Roebuck & Co. v. Stiffel, Co., 376 U.S. 225 (1964), Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964); cf. Goldstein v. California, 412 U.S. 546 (1973).
20. Kewanee Oil Corp. v. Bicron Corp., 478 F 2d, 1074, 1086 (1973).
21. 94 Sup. Ct. 1879 (1974).
22. Hivac Ltd. v. Park Royal Scientific Instruments Ltd., [1946/ Ch. 169.

23. *ibid.*, at 174.
24. e.g. Sanders v. Parry, [1967] 1 W.L.R. 753.
25. Bjorlow (Great Britain) Ltd. v. Minter, (1954) 71 R.P.C. 321
26. Kirchner v. Gruban, [1909] 1 Ch. 413.
27. See Clerk and Lindsell on Torts, 13th ed. (1969), §1077 et seq. on the law of trespass, conversion and detinue.
28. See North, *op. cit.* n. 8, *sup.*
29. Scophony Ltd. v. Traub, [1937] 4 All E.R. 279.
30. Hivac, n. 22, *sup.*
31. British Imperial Plastics Ltd. v. Ferguson, (1940) 58 R.P.C.1
32. *ibid.*, at 2 (headnote of House of Lords report).
33. Morris v. Gilman (B.S.T.) Ltd., (1943) 60 R.P.C. 20.
34. *ibid.*, at 26.
35. Smith v. Dickenson, (1804) 3 Bos & Pul 630, Saltman Engineering Co. Ltd. v. Campbell Engineering Co. Ltd., (1948) 65 R.P.C. 203.
36. Prince Albert v. Strange, (1849) 1 Mac & G 25.
37. Nichrotherm Electrical Co. Ltd. v. Percy, [1957] R.P.C. 207, 213-4.
38. Seager v. Copydex Ltd. (No. 2) [1969] 1 W.L.R. 809.

39. See, e.g. Jones, "Restitution of Benefits Obtained in Breach of Another's Confidence", (1970) 86 L.Q.R. 463; E.I. du Pont Nemours Powder Co. v. Masland, 244 U.S. 100, 102 (1917).
40. See ch. 9, sup.
41. See, e.g, MacTiernan, "Employees and Trade Secrets", (1959) J.P.O.S. 820.
42. e.g., United Indigo Chemical Co. Ltd. v. Robinson, (1932) 49 R.P.C. 178; cf. Amber Size Co. v. Menzel, [1913] 2 Ch. 239.
43. "The Law and Practice of Corporate Information Security", (1975) J.P.O.S. 237.
44. *ibid.*, Part 1, p. 169, 172-7.
45. See Printers and Finishers Ltd. v. Holloway, [1965] 1 W.L.R.1
46. e.g. Alperston Rubber Co. v. Manning, [1917] 86 L.J. Ch. 377.
47. e.g. Blank v. Footman, Pretty & Co., (1888) 5 R.P.C. 653, 657-8.
48. e.g. public libraries: Harris v. Rothwell, (1887) 4 R.P.C. 225, cf. Tecalemit Ltd.'s Application, [1967] F.S.R. 387. See also Exchange Telegraph, n. 65, *inf.*
49. Young's Patents, (1943) 60 R.P.C. 51.
50. Gallay's Application, [1959] R.P.C. 141, 144, cf. Humpherson v. Syer, (1887) 4 R.P.C. 407, 413-4.

51. Pilkington v. Yeakley Vacuum Hammer Co., (1901) 18 R.P.C. 459, 463, Hudson, Scott & Sons v. Barringer, (1906) 23 R.P.C. 79, 87.
52. Moseley v. Victoria Rubber Co., (1886) 3 R.P.C. 351.
53. Ticklepenny v. Army & Navy Co-operative Society Ltd., (1888) 5 R.P.C. 405.
54. Mustad (O) & Sons v. Dosen, /1963/ R.P.C. 41; but see Patents Act, 1949, section 18 (relating to secret applications).
55. General Billposting Co. v. Atkinson, /1909/ A.C. 118.
56. See 10.2.2., sup.
57. *ibidem*.
58. Triplex, n. 17, sup.
59. If the duty is unenforceable through invalidity of the contract, not repudiation by the employer, equity will not intervene: Blunden and Hester v. Barker, (1720) 1 P. Wms 634, 639-40.
60. /1960/ R.P.C. 128, 130.
61. The Courts will also prevent a party from taking advantage of information received under an expired licence (Peter Pan Mfg. Corp. v. Corsets Silhouette Ltd., /1963/ R.P.C. 45) or through acts of fraud (Paul Ltd. v. Southern Instruments Ltd., /1964/ R.P.C. 118), even if that information is in the public domain or in the possession of that party via an alternative source.

62. Gartside v. Outram, (1858) 26 L.J.Ch. 113, Bile Beans Mfg. Co. v. Davidson, (1908) 23 R.P.C. 725. An allegation of fraud must be instanced by particulars: Church of Scientology of California v. Kaufman, /1973/ R.P.C. 635.
63. Printers & Finishers, n. 45, sup.; cf. Forster & Son Ltd. v. Suggett, (1918) 35 T.L.R. 87, where experience in glass-making was held to be part of a 'trade secret', and Wexler v. Greenberg, 399 Pa 569 (1960), where 'secret' information was held part of the employee's 'know-how'.
64. Torrington v. Smith & Sons, /1966/ R.P.C. 285; National Broach & Machine Co. v. Churchill Gear Machines Ltd., /1967/ R.P.C. 99; Regina Glass Fibre Ltd. v. Schuller, /1972/ F.S.R. 141.
65. e.g. James v. James, (1871) L.R. 13 Eq. 421.
66. Exchange Telegraph Co. Ltd. v. Central News Ltd., /1897/ 2 Ch. 48.
67. McNicol v. Sportsman's Book Stores, /1930/ MacG. Cop. Cas. 116.
68. Cranleigh Precision Engineering Ltd. v. Bryant, /1964/ 3 All E.R. 289.
69. See Bjorlow, n. 25, sup., read subject to Coco v. A.N. Clark (Engineers) Ltd., /1969/ R.P.C. 41, 48.
70. See, e.g., Saxby v. Gloucester Wagon Co., (1883) Griff. P.C.54.

71. e.g. Merryweather v. Moore, [1892/ 2 Ch. 518.
72. e.g. Alperton, n. 46, sup., Canham v. Jones, (1813) 2 V & B 218.
73. Printers & Finishers, n. 45, sup.
74. Goodrich (R.F.) Co. v. Wohlgemuth, 117 Ohio App. 493 (1964) where, on the facts, the employee was allowed to work for the employer's competitor..
75. See American Cyanamid Co. v. Ethicon Ltd., [1975/ 2 W.L.R. 316.
76. Bostitch Inc. v. McGarry & Cole Ltd., [1964/ R.P.C. 173, 177.
77. Electronic Applications (Commercial) Ltd. v. Toubkin, [1962/ R.P.C. 225.
78. Clark v. Electronic Applications Ltd., [1963/ R.P.C. 234.
79. Williams v. Williams, (1817) 2 Mer. 157.
80. Yovatt v. Winyard, (1820) 1 J & W 394.
81. Working Paper 58, n. 7, sup.
82. [1967/ 1 W.L.R. 923.
83. *ibid.*, at 931.
84. *ibid.*, at 931-2; this bears some analogy to the American law of unfair competition where damages are awarded if use without compensation has taken place: International

Industries Inc. v. Warren Petroleum Corp., 91 USPQ 198
(1951).

85. n. 69, sup.

86. 21 & 22 Vict. c 27, section 2.

87. See Nichrotherm, n. 37, sup.

88. n. 38, sup., at 813.

89. *ibid.*, at 814; this is also the mode of compensation for patents used by the Crown without consent.

90. Amplaudio Ltd. v. Snell, (1938) 55 R.P.C. 237; Reid & Sigrist Ltd. v. Moss and Mechanism Ltd., (1932) 49 R.P.C. 46.

91. See Phipps v. Boardman, [1967] 2 A.C. 46 (at 102-3, per Lord Cohen).

92. See Pre-Cam Exploration & Development Ltd. v. MaTavish, (1966) 57 D.L.R. (2d) 557.

93. Copyright Act, 1956, section 18.

94. Industrial Furnaces Ltd. v. Reaves, [1970] R.P.C. 605, 627.

95. Patents Act, 1949, section 14(1) (a).

96. *ibid.*, sections 32 (b), (c), 33.

97. 24 Hal. Stat. (3d) 567n, 589n, and see 10.2.3, sup.

98. Patents Act, 1949, section 56(1), proviso.

99. 24 Hal. Stat. (3d) 567n.
100. See Terrell on Patents, 12th ed. (1971), § 925.
101. See Ashton & Knowles' Application, (1910) 27 R.P.C. 181, 184.
102. Reid, n. 90, sup.
103. (1888) 39 Ch.D 339, 363.
104. See Bjorlow, n. 25, sup.
105. /1967/ Ch. 302.
106. Emphasis added.
107. Underwater Welders and Repairers Ltd. v. Street and Longthorne, /1968/ R.P.C. 498, 506-7; Diamond Stylus Co. Ltd. v. Bauden Precision Diamonds Ltd., /1973/ R.P.C. 675, 677.
108. Thomas (P.A.) & Co. v. Mould, /1968/ 2 Q.B. 913.
109. Proctor Industries Ltd. v. Norris Bros. Ltd., /1964/ R.P.C. 179.
110. /1969/ 1 Q.B. 349.

CHAPTER XII

RIGHTS IN INFORMATION WHICH HAS NOT BEEN INVENTED

12.0 Rights in Information which has not been Invented

Although the primary concern of the previous chapter was the discussion of inventions or ideas which are not patented, for whatever reason, in the ordinary course of industrial activity, many of the cases therein cited dealt with information of a different sort: that which has not been 'created' by the employee as a result of his pursuit of a contractual commitment, but which exists instead as a form of proprietary information in which the employer has numerous rights as against the employee. The most common form taken by this information is that of customer lists,¹ knowledge of the likes and dislikes of particular customers,² or practical knowledge concerning the efficient running of a business.³ Such information often evolves in a workplace through a process of accretion of facts over a period of years, through the convenience of the shop concerned, and it is not usually 'invented' or 'created' by an employee as an intellectual task or endeavour; as such, it falls outside the scope of this thesis, which deals only with rights in intellectual property.

Nonetheless, non-invented information is treated in much the same way as the information which was the subject of the previous chapter, not because the two are regarded as enjoying the same qualities or juridical status, but because the remedies sought by employers for the protection of each are usually similar.

FOOTNOTES

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1. e.g. Coral Index Ltd. v. Regent Index Ltd., /1970/ R.P.C. 147.
2. e.g. Sanders v. Parry, /1967/ 1 W.L.R. 753.
3. e.g. Baker v. Gibbons, /1972/ 2 All E.R. 759.

C H A P T E R X I I I

COPYRIGHT

13.0 Introduction

Copyright is the liberty to publish, reproduce, perform, sell or broadcast a work of any kind protected by statute, coupled with a claim that for a term of years no other person may exercise that liberty, save as provided by agreement or by operation of law. Copyright must be distinguished from the right to possess a copyright manuscript, which latter is a personal property right.¹

Rights in published and unpublished works vest prima facie in the author, both in England and in the United States, but where work is composed or written pursuant to a contract of employment it is usually the employer and not the author who will enjoy the benefit of the copyright in that work. This may be because the copyright vests automatically in the employer by virtue of a contractual assignment or of statutory provision, or because the employer is deemed the 'author' or because it would be inequitable for the author to hold the copyright as against and to the detriment of the entity at whose expense or initiative the work was created. Such considerations will be discussed in this chapter together with several closely-related matters: the manner in which the Courts

treat the employer-employee relationship, the area of overlap between copyright and industrial relations law, and the practical consequences following from particular legal rules. The moral or non-pecuniary rights of authors - the right to claim authorship, to insist upon the integrity of the work, the right to retract it from the market and several others - are discussed separately in 16.1, infra.

13.1 Authorship and Ownership of Copyright

Under the Copyright Act 1956, section 4(1), "... the author² of a work shall be entitled to any copyright subsisting in the work..." subject to the provisos described below at 13.3. However, copyright is infringed by "... any person who, not being the owner² of the copyright, and without the licence of the owner² thereof, does or authorises another person to do..."³ any of the acts covered by copyright protection. The author and the owner need not be the same person, but the owner must always be the author or one who has derived title from him. The author may, however, be entitled to rights to which the copyright owner has no claim, the rights conveniently but imperfectly described as droits morales⁴, which are recognized by international law⁵ and by many civil codes⁶ although they have succeeded in making but little impact in the common law countries.⁷ These rights are discussed below at 16.1, and they may be of some pecuniary value to their holder. Sometimes a work is created by more than one person and thus may be subject to many separate claims of authorship and ownership, not to mention the difficult problems which often attend the identification of separate contributions to a composite work.

For these reasons it is important to be able to ascertain exactly who the author may be.

The first clear pronouncement upon authorship in the early cases may be found in the American decision in Atwill v. Ferrett,⁸ where the plaintiff had claimed as his own work the alterations and improvements made by others at his request and procurement in respect of a musical composition.⁹ Betts J. explained that the English cases cited by the plaintiff (Mawman v. Tegg,¹⁰ Cary v. Longman,¹¹ Nicol v. Stockdale,¹² and Tonson v. Waller¹³) rested upon principles of ownership, not authorship;

They recognize the right of authorship, although the materials of the composition were procured by another, and also an equitable title in one person to the labours of another, when the relations of the parties are such that the former is entitled to an assignment of the production. But to constitute one an author, he must, by his own intellectual labour applied to the materials of the composition, produce an arrangement or composition new in itself.¹⁴

Four requirements must be fulfilled before authorship of a particular work may lead to copyright protection under Anglo-American law. First, the author must be of a kind recognised by the law; then the work created must be of a type to which protection is capable of being granted; thirdly, there must be a causal connection between the act of authorship and the existence of the work in a protectable form, and finally that existence must not be the direct or indirect result of an act of copying of a work which is already protected by the laws of copyright, or of a work which lies in the public domain.

13.1.1 Legal Recognition of the Author

Under English law, when the work is unpublished, copyright subsists in every original work of which the author was a qualified person at the time when the work was made,¹⁵ once the work is published copyright subsists only if the author was a qualified person when the work was first published, or if he had died before publication but was a qualified person immediately before his death.¹⁶ A 'qualified person' is any British subject, protected person, Irish citizen, resident or domiciliary of (inter alia) the United Kingdom, or any body incorporated under the laws of the United Kingdom or any country to which the Copyright Act extends.¹⁷ Under the Berne¹⁸ and Universal Copyright¹⁹ Conventions signatory states protect the works of nationals and residents of other states on a reciprocal basis; thus if a work published in a foreign country is protected by copyright under the laws of that country, it will be protected in England by the provisions of English law,²⁰ and a work published in England by a national of that foreign state will be protected even though he is not a 'qualified person' under the Copyright Act.

Under American law any person²¹ or corporation²² complying with the formalities²³ of Title 17 of the United States Code may enjoy copyright protection, but under section 9 the author or proprietor of a work shall have copyright only if, being a citizen or subject of a foreign state and not being domiciled in the United States, that foreign state is signatory to the Universal Copyright Convention²⁴ or has secured reciprocal protection for American citizens in its domestic law.²⁵ The word 'author' is

defined²⁶ as including an employer in the case of works made for hire; this provision is discussed in detail below at 13.2; its significance here is that if the creator of the work were not already entitled to copyright protection it would appear that an employer for hire might secure copyright as the 'author' of that which he did not write.²⁷

If the employer for hire may be treated as 'author', will a work fail to secure protection if the employer for hire does not fall within the provisions of section 9 mentioned above? In such an instance it is arguable that, since the concept of 'author' is taken to include the employer the words of section 26 do not exclude the employee, and since section 9 requires that the author or proprietor may seek protection, the employee can secure protection notwithstanding his employer's inability to do so,²⁸ holding it in trust for his employer or assigning it to him, if so required.²⁹ It is the practice of the Copyright Office to leave to the copyright applicant the decision as to whether or not a work is 'for hire' rather than itself make an administrative finding;³⁰ but it appears that, on an application for a preliminary injunction against piracy the test of employment will be that of American law³¹ even if the alleged employment contract is concluded in a foreign state and between a national of that state and an American employee.

13.1.2 Protectability of the work

Under English law copyright only exists by virtue of statute³² and can thus vest only in such works as the statute recognises.

The basic categories of work are literary, dramatic, musical and artistic³³ works, including compilations, translations, abstracts, revisions and collations.³⁴ A work may be protected even if it is an infringement of another work.³⁵

A work is protected in its concrete embodiment and not in an abstract or ideal form;³⁶ if one man conceives of an idea which would be protected by copyright if it were executed it is nonetheless incapable of protection.³⁷

Under American law the Federal provisions concern themselves largely with published works, leaving it to individual states to protect such works in such ways as they desire (the so-called 'common law copyright'³⁸). The individual states may indeed give protection to types of works not covered by federal law,³⁹ which differs from English law largely in its greater range of works covered, e.g. characters,⁴⁰ plots,⁴¹ and sometimes 'disparate facts'.⁴²

13.1.3 Causal relationship between author and the existence of the work in its protectable form

It is not sufficient for a copyright claimant to show the existence of a new work which has not hitherto been exposed to the public; it is also necessary to prove that he was its originator, its fons et origo, at least as concerns the form in which copyright protection is claimed.⁴³ In England the criterion of originality is fulfilled in literary works by merely showing them not to have been copied directly or indirectly from other literary works;

thus if a man take down verbatim an impromptu speech, he has created an original work.⁴⁴ Though this is currently an accurate statement of law it is submitted that it is an erroneous conclusion; for when the Earl of Halsbury, L.C. held in Walter v. Lane⁴⁵ that 'author' implied no more originality than did 'inventor' (lit. 'one who finds') under the Patents Acts⁴⁶ the word 'original' did not appear in the copyright statute, but the subsequent Act of 1911 introduced the requirement of originality. This subtle change may not have been grasped by Peterson J. when he applied Lord Halsbury's test in London University Press, Ltd. v. University Tutorial Press, Ltd.⁴⁷. Under American law the work in respect of which copyright is claimed must owe its existence to a conscious or even involuntary originating act,⁴⁸ however small that originating act may be.⁴⁹

A difficult problem faced by this third requirement has been that of deciding which of two or more persons has the better claim to authorship of a work to which both or all have contributed by insight and creative thinking or by manual skill and dexterity. Under 7 Geo. III, c. 2 lithographers were granted protection for works which they had caused or procured to be designed. The person who has the first idea for its design but not the person who carries it out would fall within this provision by an express analogy with patent law;⁵⁰ but now that this provision has been repealed and replaced by section 3 of the Copyright Act, 1956 it is advisable for the progenitor of the idea to draw himself some rough sketch.⁵¹ In respect of ordinary works of art copyright vests in the person who makes a graphic representation to appear by actually drawing it;⁵² that

person is the author. Where photographs are concerned the rule on both sides of the Atlantic has been set out by Sir William Brett, M.R. who said

(an author) is the person who effectually is as near as he can be, the cause of the picture which is produced, that is, the person who has superintended the arrangement, who has actually formed the picture by putting persons in position and arranging the place where people are to be...⁵³

The decision in that case also indicated that it is the person who superintends de facto rather than he who has the power to do so, who will be deemed the author. As to three-dimensional architectural works, it has in the past been suggested⁵⁴ that the builder, not the architect, is the 'author' of a building; the converse has been more correctly contended by Uthwatt J. in Meikle v. Maufe,⁵⁵ but it is perhaps truest to say that the architect is author except where the building is executed without plans; there the builder is author qua architect, not qua builder.

13.1.4 Lack of direct or indirect copying from a protected work or from a work in the public domain

This requirement is self-evident and has so been recognised in both England and the United States by the doctrine of originality discussed above; it is so even if the work copied is a non-infringing copy of a protected work⁵⁶ and may be true even though copying from the original has been subconscious or unintentional.⁵⁷

13.1.5 Sound Recordings

Under English law⁵⁸ there exists a copyright in sound

recordings; this right vests not in the author or creator of the sounds recorded but in the person who does the recording. The 'maker' (as he is termed) is thus rather different in concept from the 'author', Copyright in sound recordings has a shorter duration than copyright in the 'life plus 50 years' formula accorded to literary, artistic, dramatic and musical works,⁵⁹ and the act of recording, though creating a new protectable property, may itself be an infringement of the author's right in the work recorded.⁶⁰ A similar provision exists in American law⁶¹ but no distinction is made between 'author' and 'maker' as in England, presumably for constitutional reasons.⁶²

13.1.6 Cinematograph films

Up till 1956 there was no separate English copyright in films; script, music, scenario, photography and dramatisation all had their own protection and thus all would be most likely to fall into the public domain at different times. This was felt to be tiresome and inconvenient,⁶³ and section 13(1) of the Copyright Act, 1956 provides for the subsistence of copyright in the 'maker' of a film for fifty years from the year of first publication.⁶⁴ The 'maker' is defined⁶⁵ as he 'by whom arrangements necessary for the making of the film are undertaken', which will usually be an employer in some form or another. In the United States copyright has existed in films separately since 1909.⁶⁶

13.2 Ownership of Copyright as between Employer and Employee: The United Kingdom

13.2.1 Introduction

At common law the rules of copyright ownership developed through a gradual evolution until 1842 when they were partially supplemented by statute;⁶⁷ by 1911 the old rules had been largely displaced by statute⁶⁸ and retain little other than historical relevance today. They may yet be applicable in respect of registered designs,⁶⁹ where authorship⁷⁰ is in dispute or where protection is claimed outside the scope of the 1956 Act.⁷¹

As historical documents the early cases reveal chiefly that (i) little or no distinction was made between the contract of employment and the contract for services before the late nineteenth century,⁷² (ii) an high proportion of litigated cases turned upon technical problems rather than matters of principle⁷³ and (iii) that there has been in the past a far stronger affirmation of the rights of authors than the Courts of today are prepared to affirm.⁷⁴ The following sections will attempt to illustrate these points while describing the evolution of the common law rules.

13.2.2 Developments up till 1842

Queen Anne's Act⁷⁵ did not refer specifically to terms of employment or disposition of rights between master and servant; copyright (a phrase not yet coined) vested in authors or their assignee or assigns⁷⁶ who enjoyed that right as the proprietor or proprietors⁷⁷ thereof. It may indeed be surmised that in the early eighteenth century the ownership of copyright - unlike that of patents for inventions - was seldom in dispute.

Standards of literacy were low, and even the more creative souls quite capable of inventing must often have been unable to read or write fluently.⁷⁸ The newspaper industry was ill-developed and the economic value of writings of employed persons must have been fairly small.

Curiously enough (for 8 Ann. c. 19 was passed with bookwrights and publishers in mind⁷⁹) the early testing ground of copyright litigation was greatly concerned with maps, designs and engravings;⁸⁰ although Queen Anne's Act was liberally and widely interpreted⁸¹ even though a monopoly⁸² it was found to be necessary to pass three consecutive Acts⁸³ before the turn of the century in order to discourage increasingly profitable infringement.

When copyright law came before the Courts, lawyers turned to the law of letters patent for inventions for their arguments and forensic material. Patent law was not unsuited to the drawing of analogies with copyright since both laws dealt with the concepts of monopoly,⁸⁴ with infringement, with creativity and with the encouragement of education and the arts.⁸⁵ A patent grant would be void if the patentee had 'obtained' his invention from another,⁸⁶ so, reasoned counsel of the day, would not the same be true where someone other than the author or designer stakes his claim to copyright protection? This view was accepted by Lord Hardwicke in Jefferys v. Baldwin,⁸⁷ where the plaintiff had procured from an artist a 'drawing or design' copied without licence by the defendant. His Lordship denied the relief sought, an injunction, as being on these facts "not within the statute, which was made for encouragement of genius and art; if it was," he continued, "any person who employs a

printer or engraver would be so (protected) too. This statute is in that respect like statute of new inventions, from whence it was taken."⁸⁸ It is not recorded whether the artist was employed or not, though the facts might suggest that one had been commissioned, and the plaintiff would have succeeded had he taken an assignment in writing from the author as proprietor.⁸⁹

In two cases in 1785 there were opportunities to raise the question of whether an employer took any title from a commissioned work in the absence of an assignment in writing, but on neither occasion was the matter discussed. In Nicol v. Stockdale⁹⁰ the plaintiff claimed title to an account of Captain Cooke's Pacific voyages by purported assignment from the Admiralty, which in turn had taken title from a government official whom it had instructed to write the account. Since the plaintiff's assignment turned out to be a mere licence he had no locus standi in an infringement suit, so whether the Admiralty had good title became a dead issue; and in Sayre v. Moore⁹¹ both plaintiff and defendant cartographers had availed themselves of the engraving services of skilled geographers. It has not been suggested that this work be an authority for the proposition that a master enjoys copyright ownership in his servant's literary productions⁹², and the comments of Lord Mansfield C.J. indicate that this would not be so upon the facts before him.⁹³ Furthermore, in Storace v. Longman⁹⁴ Lord Kenyon rejected the contention that the custom or rules of the Italian Opera House could vest in that body copyright in compositions composed for and sung by its employees.

The first suggestion of an employer's right in an employee's work comes obiter from Lord Kenyon in Cary v. Longman,⁹⁵ commenting that

... the Plaintiff, Mr. Cary, has been employed by those concerned in the management of the post-office, to make an actual survey of the roads; which has actually been made at a considerable expence. The public has paid that money, if I may use the expression, to acquire that copyright in the survey which was to be made at their expense.

It appears from the headnote⁹⁶ that in consideration of Cary's services the post office were to pay a small sum per mile surveyed and Cary was to enjoy "all the benefits from the sale of the book" which was actually published. From this it could be inferred that the post office would have a beneficial interest in Cary's book were it not for the intantion of both parties to create a resulting trust back in Cary's favour.

This dictum may have been in the mind of Lord Ellenborough in Cary v. Kearsley⁹⁷ some two years later. In that case another infringer of Cary's work claimed that since the survey was at post office expense Cary could maintain no action in respect of it. Rejecting this contention his Lordship emphasized that such an argument, if valid, was appropriate for the Courts of equity, not the common law, saying: "... the first publisher, even though he has abused his trust, by procuring the copy, has a right to it,"⁹⁸ and "It may be a ground in equity, as between the person entitled, and the person who first published it; but it does not destroy the right of the latter to sue a person pirating that work."⁹⁹ Thus the Cary cases could be described as the beginning of the 'employment for hire' doctrine familiar to common lawyers on both sides of the Atlantic.¹⁰⁰

It was not until 1824 that the vexed question of collections or compilations of the works of others was first discussed in Barfield v. Nicholson;¹⁰¹ there the plaintiff sought an injunction against Nicholson, an architect who had previously contributed an article to Barfield's own publication, and also against one Kelly who had solicited from Nicholson a similar article for his compendious Practical Builder. Nicholson had covenanted not to write any work in derogation of his grant to Barfield, but Kelly was under no covenant. The plaintiff argued inter alia that Kelly had no copyright in contributions to his compilation, that such copyright vests in each author alone, and that since Nicholson acted as Kelly's agent in fulfilling his commission by supplying the article, the latter would be bound by the covenant even in the absence of piracy. Leach V-C rejected this complex contention¹⁰² but agreed that copyright could vest both in the matter of the work and in its arrangement; each contributor to the assembled work could be considered "... at the utmost, only as the author of the one page contributed by him;" if copyright in the compilation as such vested in each contributor, "That would be an inconvenient mode indeed of construing a legislative provision; for it would be extremely difficult, in such a case, for any party to claim protection."¹⁰³ And there the matter rested until the Act of 1842; the employer's equity had been hinted at, but the author still enjoyed his copyright as against everyone else; and the commercial problems which beset the modern industry of letters had not yet materialised.

13.2.3 Statutory development and the common law: 1842-1911

By 1842 Parliament had become aware of the need to regulate and clarify the law relating to copyright ownership;¹⁰⁴ the press had become more powerful, copyright more valuable.¹⁰⁵ However, none of the debates in either House discussed the specific topic of the employed writer; the most controversial aspect of the Bill was whether copyright should be extended and, if so, to what extent would Parliament tolerate it?¹⁰⁶ The other provisions, supposedly, were to contain only clarification and restatement of what had gone before.¹⁰⁷ Section 18 of that Act¹⁰⁸ passed without discussion. That section was to become an object of regular litigation, and the basis of all subsequent statutory provisions; it is set out in full in the Appendix.

The basis of the new law was that while copyright still vested in the author or his assigns,¹⁰⁹ and it was for the proprietor to register his claim¹¹⁰ where

"... any Person (a) shall... project... or be the Proprietor of any Work... or any Book whatsoever, and (b) shall... employ any Person to compose the same... for Publication in or as Part of the Same, and (c) such Work... be composed under such Employment on the Terms that (d) the Copyright therein shall belong to such Proprietor,... and (be) (e) paid for (f) by such Proprietor,"

he shall "enjoy the same Rights as if he were the actual Author thereof...";¹¹¹ moreover, if the work were written for and published in a periodical form, the right of publishing the work in separate form reverted to the original author after twenty-eight years, and even before the expiry of that twenty-eight years the proprietor could not publish the commissioned work separately without the author's consent.

The requirements of this section were strictly construed in the employee's favour, since they operated to deprive him of his author's rights. Payment had to be proven¹¹² as a condition precedent¹¹³ to the vesting of copyright in the proprietor (though he need not plead it expressly as against third parties¹¹⁴); the burden of proof weighed upon the employer to show that the work had been prepared upon the term that it would vest in him,¹¹⁵ though where the author was not a party to proceedings such burden might be discharged on proof of the facts of employment and payment.¹¹⁶ Payment had to be made by the proprietor - or by one of them if there were more than one¹¹⁷ - and by no-one else,¹¹⁸ though the agency of another employee or agent may be acceptable;¹¹⁹ such payment had to be made before a party relying upon proprietorship could bring an action.¹²⁰

The function of section 18 was effectually to give a licence to the proprietor of a periodical to publish the author's work as a part of the whole while still giving effect to the intention - though largely the presumed intention - of the parties;¹²¹ presumably full title vested so as (i) to enable the proprietor to sue for infringement of selections of the whole work without the need to join as parties all of the contributors, and (ii) to prevent the author from derogating from his grant of a licence by using the work himself to the detriment of the periodical or collection in which it was first published.¹²² Although the words of the text are wide enough to refer to all forms of commissioned literary work, it was not always clear whether it was supposed to cover all such works¹²³ or only those

of a periodical or collective nature. It is, however, clear that musical,¹²⁴ dramatic¹²⁵ and artistic¹²⁶ works were outside its ambit; they were covered by separate legislation which had no equivalent provision. In respect of such works, as well as those which fail to satisfy the provisions of section 18¹²⁷ the pre-1842 common law rules continued to be applicable.

Did section 18 fulfil its functions described above? The answer must be an affirmative one; however, the interpretation rendered by some Courts had the effect of depriving the author of his copyright in situations which Parliament may have neither foreseen nor intended.¹²⁸ Thus in Sweet v. Benning¹²⁹ the plaintiff publisher of The Jurist sued for infringement of reported cases and headnotes composed by barristers whose verbal contracts were silent as to the vesting of copyright. The Court interpreted the statutory requirement of "Employment on the Terms that the Copyright therein shall belong to such Proprietor" as meaning "employment expressly for the purpose of publication".¹³⁰ Being unable to justify this in terms of the plain meaning of the words Jervis C.J. explained that "

... where the proprietors... employ a gentleman to write a given article... expressly for the purpose of publication therein, of necessity it is that the copyright of the articles so expressly written... shall be the property of such proprietors and publishers; otherwise, it might be that the author might the day after his article has been published by the persons for whom he contracted to write it, republish it in a separate form, and there would be no correspondent benefit to the original publishers for the payment they had made.¹³¹

The defects in this argument are two: one, that the employer is already protected against such action by the employee's duty of

good faith toward the commissioner of the work,¹³² and the other is that the ownership of copyright is viewed as a matter of entireties¹³³ - between the proposition that the author take all, and that that the publisher take all, there lie a number of alternatives such as the author's enjoyment of copyright subject to the publisher's licence (exclusive, conditional or in whatever form the Court would seek to imply), or the author's agreement expressly not to act in derogation of his licence. Perhaps it is unfortunate that this case concerned two publishers but no authors (being an infringement action) and that the writers concerned were barristers rather than journalists or men who sought their livelihood more directly from the pen.

In Lamb v. Evans¹³⁴ a rather different solution was reached. There the plaintiff sought to prevent a rival publisher, who had enticed the plaintiff's employees into his own service, from publishing advertisements in its trade directory, and also from publishing the advertising headings and cumulative arrangement of advertisements; the plaintiff was suing the employees themselves, for they had gone out on the plaintiff's behalf and behest to canvass the advertisements, and application of the Sweet rule would suggest that the individual adverts, their compilation or arrangement, and their headings would all vest in the plaintiff. Chitty, J.¹³⁵ held that the plaintiff had property in headings alone, to which the Court of Appeal¹³⁶ added the compiled form of the adverts. Neither Court felt that plaintiffs could claim any entitlement to the original copies of the adverts which the employees had prepared; these works were

distinguished from the headings on the apparent ground that it would not be fair if the plaintiff could prevent its advertising customers from using the adverts against themselves,¹³⁷ but no mention was made as to the respective claims of the plaintiff and the advertisers. It is worthy of note also that this apparent ground of distinction would seem to be of no relevance to section 18, which purports to resolve matters of ownership between employer and employee. Perhaps a better solution would be this: the Court of Appeal does say that although the burden of proof is upon the plaintiff to show that the works were composed upon the term that copyright vests in him, such a burden can be discharged by the drawing of an inference from (i) the fact of employment and (ii) the fact of payment¹³⁸ that the work was so composed. Though the Court does not so expressly hold, one may reason that it drew such an inference upon the basis of a causal connection between the employment and the payment. Here, there is a clear connection between the writing of headings, or the amassing of advertisements, and the employees' employment, but this would not be true of the solicitation and composition of individual advertisements for which remuneration is made on a commission basis, the plaintiffs being concerned in the existence of the advertisements rather than their form. No connection can be inferred between composition by the author and payment by the plaintiff from which the requirements of section 18 could be inferred because the correct factual conclusion must be that the advertisements were composed for the advertising clients.¹³⁹

¹⁴⁰The House of Lords in Lawrence and Bullen Ltd. v. Aflalo

did not go back to the original words of section 18, but instead synthesized Sweet v. Benning and Lamb v. Evans into a new rule for which, it is submitted, there is little authority and little justification. In that case one Aflalo contracted with a firm of publishers to edit an encyclopaedia of sport, and also to write a contributory article. Aflalo hired Cooke, a well-known columnist, to write a contribution also; both were paid under the terms of a written contract which did not mention copyright at all. Aflalo was paid in a lump sum for all his editorial and literary services, Cooke was paid per thousand words. Four years after publication of the encyclopaedia the publishers substantially republished their works in a new book and the authors sued for infringement. Joyce J.¹⁴¹ and a majority of the Court of Appeal¹⁴² (Romer and Stirling, LJJ) held that the plaintiffs could recover thus, either because Sweet v. Benning was decided upon an inference from the special facts of that case or because it was not consonant with the express statutory requirements of section 18 (i.e. that the publisher prove employment on the terms that copyright was to vest in the publisher, and payment); to infer the existence of terms vesting copyright in the employer through the mere existence of payment and employment would be tantamount to hauling oneself up by one's judicial bootlaces. Nor would it be reasonable to place upon the publisher the burden of showing only employment and payment, leaving to the employee, the author for whose benefit copyright was introduced - to shift the weighty burden of disproving that the terms of the contract required a transfer of copyright, as

appeared from Walter v. Howe¹⁴³ and Johnson v. Newnes (G.) Ltd.¹⁴⁴

Vaughan-Williams L.J., in a strong dissent, asserted that the words of Jervis C.J. in Sweet v. Benning should be preferred to those of the legislature in section 18;¹⁴⁵ with this contention the House of Lords agreed.¹⁴⁶ It was not at any time suggested that the problem before the Court - where author sued publisher - was in any way distinguishable from Sweet v. Benning, where, the author silent, one publisher sought to undermine the title of another, and both Vaughan-Williams, L.J. and the House of Lords maintained that that case was further supported in Lamb v. Evans, though no attempt was made to discuss that case in relation to its facts, its ratio decidendi and its applicability to the Aflalo case. Once more the argument was raised that the publisher's objects might be "defeated the very next day by the very person to whom he had paid the money".¹⁴⁷ Thus, wherever notions of business efficacy are circumstantial to the contract between author and publisher the inference that the latter is the copyright proprietor "may be fairly drawn"¹⁴⁸ from the material facts of employment and payment alone.

One further word should be said of section 18. If its terms are complied with, every composition, "volume, parts, essays, articles or portions thereof" will vest in the publisher as proprietor; however, in the case of essays, articles or portions only, first published in periodical form, title reverts to the author after twenty-eight years. Moreover, the publisher

can only publish these reversionary works in periodical form for the period during which he enjoys protection, unless he has the author's consent.¹⁴⁹ Thus, the publisher could publish his periodical paper or magazine without any fear of direct market competition from his circulatory rivals, but could not himself publish the work 'separately or singly' without prior permission. To all intents and purposes the last proviso was a success, for its provisions were never conspicuously litigated, yet it could not resist the pressures of the twentieth-century employment contract for greater divestment of the author's right to his employer. Now that a work could be the subject of a motion picture, somehow the right to publish it 'separately or singly' seemed less important. The provisions which replaced section 18 were clear, concise and far more beneficial to the employer for hire (see 13.2.4, infra).

Unlike section 18 of the 1842 Act, section 1 of the Fine Arts Copyright Act of 1862¹⁵⁰ vested copyright in the person for whom or upon whose behalf a painting, drawing or photographic negative was executed for good or valuable consideration, unless the author expressly reserved his copyright by agreement in writing and signed by the vendee or assignee of the work. This provision reflected the tradition and custom that the patron of the arts receives all the benefits of the work of his sponsored protege, yet it was not strictly construed against the artist.

Where a photographer was paid to take the plaintiff's picture, but used the negative himself for commercial Christmas cards, the plaintiff might easily find that she could not sue because she had

not registered her copyright claim¹⁵¹ and could thus not assert copyright as a cause of action. However, where there is a contractual relation between the two parties it is difficult to think of a situation in which the photographer will not be in breach of at least an implied term of the contract of hire, and there may be a remedy for breach of confidence too.¹⁵² As for the requirement of "good or valuable consideration", anything which accrues to the benefit of the artist or photographer - even a bare permission to sell copies of the work, in the absence of a cash payment - will be sufficient.¹⁵³ But a picture is not made or taken "for and behalf of" the sitter or commissioner if the parties intend that the photographer keep the negative.¹⁵⁴ Here, unlike section 18 of the 1842 Act, payment to the artist is not a condition precedent to the vesting of copyright in the commissioning party, and the only remedy which an artist has if he is not paid is recourse to the law of contract.¹⁵⁵ If an artist makes a work gratuitously for himself, and it is subsequently purchased, copyright does not pass to the purchaser in the absence of special agreement because the work was not executed for and on his behalf.¹⁵⁶

Where no statutory provisions were applicable, the publisher or commissioning party still might avail himself of a claim to an author's copyright via the old common law (see 13.2.2, supra.). By 1842 it had gone little further than recognising an equity in he who had paid for the composition by another of a work¹⁵⁷ and conferring title¹⁵⁸ upon the compiler of a collective work in respect of that work but not its component parts. In all other

respects assignment was prerequisite if the would-be proprietor intended to embark upon legal action.¹⁵⁹

In the difficult case of Cox v. Cox¹⁶⁰ Wood, V-C was asked to prevent the publication of a work written by the plaintiff barrister in pursuit of a series of vague and imprecise contractual arrangements with the defendant publisher who had commissioned him; the plaintiff complained that he had not received his payment, and wished to do so. Said Wood, V-C:

It was also suggested, that the defendant was not entitled to make any use of the legal matter contributed by the plaintiff, inasmuch as he had not paid for it; that no property in that portion of the work had passed to the defendant; and that the plaintiff had a right in the nature of a lien,¹⁶¹

in his copyright, but this ingenious argument was rejected. Equity would not intervene because the plaintiff's right to his money was a contractual right which he might exert at law, not equity, whether or not an injunction were granted. The lien argument would in any case be bound to fail unless the plaintiff could show that he had 'possession' of that to which the defendant was entitled.¹⁶² Though section 18 was not discussed or even mentioned it is submitted that the concept of prepayment as a condition of vesting copyright contained therein was the basic moral premise of the plaintiff's case.

The ownership of copyright in dramatic and musical works was established through an astonishing tetralogy of cases - Shepherd v. Conquest,¹⁶³ Hatton v. Kean,¹⁶⁴ Wallerstein v. Herbert,¹⁶⁵ and Eaton v. Lake,¹⁶⁶ in which the author's rights were affirmed, evaded, all-but-destroyed, and then finally restored.

The plaintiff in Shepherd v. Conquest paid to the defendant a weekly salary and travel expenses in return for the composition of dramatic pieces. There was no written contract, no assignment nor copyright registration, but merely a 'verbal understanding' that the plaintiff would have the sole right to perform the works in London. For the plaintiff Serjeant Byles argued that Sweet v. Benning¹⁶⁷ covered these facts, and that in any case since the defendant was expressly employed for the purpose of writing plays, the plaintiff was entitled to those works by analogy with patent law.¹⁶⁸ Jervis C.J., who had of course presided over Sweet's case, held¹⁶⁹ that this case could not fall within the section 18 by virtue of its being a dramatic work (even though the defendant could defeat the plaintiff's purpose by utilising "the very next day" a work for which the latter had paid); nor could his Lordship accept the patent analogy as apt for application to copyright.¹⁷⁰ Since at common law the plaintiff could acquire no right save by assignment,¹⁷¹ and there had been no assignment, the plaintiff had no right upon which to sue at law. The Court did, however, express some doubt as to whether circumstances might exist where copyright could vest ab initio in someone other than the author, æ perhaps where the employee makes an intellectual contribution to the work of the employing party.

This doubt was resolved in Hatton v. Kean,¹⁷² where the plaintiff had been hired by the defendant in much the same circumstances as those in Shepherd, to supply a song for the defendant's production of Much Ado About Nothing. To his chagrin the song was utilised in other Shakespearian productions of the

defendant, and the author sued for infringement; to his further chagrin he discovered that he was not the author. Rather than argue, as he might have done, that the composer was estopped from bringing the action,¹⁷³ that no loss had stemmed from this infringement because he himself owned the sole beneficial interest,¹⁷⁴ Kean boldly maintained that the disputed work had been written as a 'mere accessory' to the play, composed "on the terms, that, in consideration of such reward (i.e. wages), the said composition should become part of such dramatic piece..."; in other words, that the defendant was to all intents and purposes the author of an integral whole, of which the plaintiff's work had become, by some mysterious process of accretion or commixtio, a part.¹⁷⁵ This argument fell upon the sympathetic ears of Serjeant Byles, who had now become Byles J., and that judge would have been quite prepared to accept the patent law analogy which Shepherd had rejected¹⁷⁶ had there not been a better ground upon which to base the decision; for here, had not the defendant playwright expended much time, effort and original creativity in the arrangement of (Shakespeare's) play, and was he not the intellectual driving force behind its creation? As such, under patent law he could be the work's 'inventor'. This being so, should the law not treat him as 'author' also?

The best thing that could have happened to this thoroughly questionable application of legal principle would have been its confinement to the strict facts; what subsequently happened was very nearly a disaster for the hired man, for the ratio of Hatton's case was woefully misunderstood by that most eminent among judges, Chief Justice Cockburn in Wallerstein v. Herbert¹⁷⁷

where the incidental music to Lady Audley's Secret was held to vest in the employer on facts quite unlike those of Hatton's case; the defendant Herbert had not written the play himself, nor had he any hand in any aspect of the intellectual germination or fruition of any work at all - he was a theatre manager; the plaintiff was employed not to write music but to provide and perform it, which duty could be, and often was, executed by the performance of the works of others; moreover, the plaintiff kept the copies of the music in his possession, granting to the defendant a copy and a licence to perform on a provincial tour.

The Court in Hatton v. Kean took the wise precaution of approving Shepherd v. Conquest before distinguishing it upon the facts;¹⁷⁸ the Court in Wallerstein simply applied the result of Hatton to the facts of Shepherd. This drew some strong and cogent criticism of Wallerstein by legal scholars on both sides of the Atlantic.¹⁷⁹ More criticism is deserved by a Chief Justice who (i) held that copyright in the work did not vest in the author but refused to make any finding at all as to who in fact did own it, (ii) then held that the plaintiff could not sue for infringement (which would either follow from the above proposition or from an overwide application of equitable estoppel by a common law Court) but that the defendant - who did not own the copyright - had an unlimited right to use the work (which would suggest that the music had fallen into the public domain), and (iii) held that the music had become an inseparable part of the original work, which the defendant did not write or have anything to do with.

Troubled pens and furrowed brows were eased by the subsequent case of Eaton v. Lake,¹⁸⁰ when Lord Esher M.R. expressly stated that, on Shepherd v. Conquest-type facts, that case and not Hatton's was good law,¹⁸¹ and that the effect of 3 & 4 Wm. IV c. 15 was to grant to the author, or to the composer, the sole right to perform, or licence others to perform, his work.¹⁸² At first instance Grantham J. directed the jury as to whether the work was a "substantial, independent, musical composition" of the author; neither this direction or the finding therefrom was challenged.¹⁸³ Since the jury will be satisfied in almost every case that the man who sits down and writes something is its author, the decision in Wallerstein, depending as it does upon a finding that the employer is in truth nearer to being the author than is the employee, loses all of its importance.

One question which had vexed lawyers of that period was laid to rest in Eaton - that of whether the employer, having paid good and valuable consideration for the use of the work, could raise as against the copyright owner the defence of estoppel, especially where the former had invested, trained or advertised in reliance upon his supposed right or licence. Fry L.J.¹⁸⁴ and Lord Esher, M.R. rejected pleas of estoppel concerning representations (i) that a licence had been granted to the employer, and (ii) that the work was insubstantial and part of the finished whole, respectively.

Before moving on to the reforms of the twentieth century, regard should be had to three odd cases which did not fit into the mainstream of Victorian copyright jurisprudence. In Howard

v. Gunn¹⁸⁵ Sir John Romilly, M.R. held that equity would not restrain an employer or principal from publishing without the consent of an employee any letter - whether actually solicited or having the appearance of so being - which has been written for or on its behalf, on the ground that 'property' vests in the employer or agent. The word 'property' has variously meant 'copyright', 'copyright in unpublished works',¹⁸⁶ and in this case almost any of those meanings would make good sense. It is submitted that at the back of the Court's mind was the notion - as yet ill-formed - that there could be no concealment of iniquity¹⁸⁹ and also that it was permissible to publish that which one might not otherwise publish in order to protect one's own reputation.¹⁹⁰ In Caird v. Sime¹⁹¹ a Glaswegian professor sought to restrain eager students from publishing his lectures, and succeeded, no query as to the professor's title as against the University of Glasgow (which employed him) being raised; a similar occurrence took place in Levi v. Champion & Co. Ltd.¹⁹² where the work in question was an advertisement for mustard.

13.2.4 1911 onwards

The Report of the 1878 Royal Commission on Copyright¹⁹³ was highly critical of the existing body of copyright law as such; for it was complex, anomalous and often unintelligible, spread over a large number of statutes, and inadequate to deal with the sophisticated problems of copyright owners and users;¹⁹⁴ by the time the 1911 Bill was drafted, gramophone records and motion pictures were commercial dreams and lawyers' nightmares, and the wireless radio was not long in coming. The new Bill sought

certainty and clarity as its guiding principles, and section 18 of the 1842 Act, section 1 of the 1862 Act and a plethora of judicial excrescences were moulded into one provision to govern literary, artistic, musical, dramatic works, photographs, engravings, sculptures and almost everything, in fact, short of patents and registered designs. This new provision was section 5(1) of the Copyright Act, 1911;¹⁹⁵ other parts of the section had aroused the attention of Parliament, but this provision slipped quietly out of Westminster almost unnoticed.¹⁹⁶

So far as is relevant section 5(1) vests copyright in the author, subject to the provision of subsection (a) that in the case of an engraving, photograph or portrait 'ordered by some other person' and 'for valuable consideration in pursuance of that order', in the absence of any contrary agreement¹⁹⁷ the person who so orders the work will be the initial owner of the copyright;¹⁹⁸ moreover subsection (b) provides that "where the author was in the employment of some other person under a contract of service or apprenticeship,¹⁹⁹ and the work was made in the course of employment by that person", that person shall- assuming no agreement to the contrary - be the first owner, but in the case of any newspaper, magazine or periodical contribution or article the author is taken prima facie to have reserved the right to restrain publication otherwise than as part of that periodical or paper.

This new provision differs from section 18 in that (i) it applies to a far wider range of copyright works, (ii) it contains no provision for the reversion of title after a term of years and

(iii) it introduces a new concept into the determination of ownership: 'under a contract of service' and 'in the course of employment', phrases which may well have been borrowed from the common law relating to ownership of patent rights.²⁰⁰ This concept, discussed in detail infra at 13.3.1-7, marked the first legal distinction between works which had been commissioned from an independent contractor and those which were produced by an employee under a contract of service; however, as a counterbalance to the statutory weakening of the employee's position the employer was prohibited by the new law not merely from publishing contributions 'singly and separately', but from exploiting any rights other than that of first publication and republication in the periodical form.

Once again the Courts construed the statutory provisions liberally and for the benefit of authors, for whose protection copyright laws were enacted. In Byrne v. Statist Co.²⁰¹ the plaintiff, an editorial employee who had taken on a piece of Portuguese translation in his own time and for extra remuneration was held to be the owner of that translation, notwithstanding the fact that he had been asked by his employer to perform that function; and in Leah v. Two Worlds Publishing Co.²⁰² the artist's client was held not to have 'ordered for valuable consideration' work which had been offered to and accepted by the client after it had already been made, even though the artist had made the work as an 'experiment' at his client's request.²⁰³ Leah raised two problems as well: (i) what degree of particularity is required in the order before a work is taken to be 'ordered for

valuable consideration'? If a man goes to an artist and says "paint me a picture", he has clearly ordered a picture, but has he ordered the picture? If the answer to that question is "no", then would the degree of particularity required be that sufficient for identification of the painting?²⁰⁴ and (ii) is a work so ordered if it is solicited subject to the client's approval of the end product? Subsequent statutory amendments removed the latter, but not the former problem.²⁰⁵

It should be noted that in respect of litigation where the author was not involved, scant attention would be paid to the issue of the author's rights. Thus, in Nicol v. Barranger²⁰⁶ the Court presumed that the work of an artist was owned by his employer, a ladies' magazine who was suing for infringement.

There were few developments in the common law after 1911 for its scope had been largely pre-empted by the new Act; that statute was, oddly enough, silent as to the disposition of rights between the composer and commissioner of literary and musical works outside of the contract of employment. In Tate v. Thomas²⁰⁷ the plaintiff commissioned the composition and libretto for Lads of the Village, on the terms that he would pay a weekly £10 performance royalty and would also accredit the various composers; he himself originated the name of the play, its characters, scenic effects and catchlines but was held to possess no protectible interest in the work, either as author²⁰⁸ or as an equitable assignee.

In 1956²⁰⁹ the statutory provisions of the 1911 Act were

altered. There is no reason to suppose that Parliament had intended to alter the effect of the old section 5(1)²¹⁰ especially since it had accumulated some judicial gloss; there was a move to bring freelance journalists within the new law, but that was strongly opposed²¹¹ and later dropped, and there is little indication that the new provision, section 4,²¹² was supposed to accomplish anything more novel than removal of the clumsy 'proviso within a proviso' of the old section 5(b). Section 4 is discussed in detail infra, at 13.3, along with the main case upon it, Beloff v. Pressdram, Ltd.²¹³

The 1956 Act made some further minor adjustments to the old law touching upon the employment relationship. One was to treat sound recordings like photographs, paintings and engravings²¹⁴ and vest them ab initio in he who commissions them, in the absence of any agreement to the contrary.²¹⁵ Another was the innovatory provision²¹⁶ whereby copyright in a cinematograph film vested in its 'maker' rather than in the diverse contributions of each of its component parts. 'Maker' is defined as 'the person by whom the arrangements necessary for the making of the film are undertaken'.²¹⁷ This, it is submitted, will usually be the producer;²¹⁹ this is because the vesting provisions of section 4 apply to literary, dramatic, musical and artistic works alone,²²⁰ so the company financing the venture will have no more than an equity in the film unless they secure assignment or a promise of same from the producer under the terms of Part VI of the Act.²²¹

No statutory or common law distinction is or has been made between employees of government organisations and those of private enterprise.

13.3 Copyright and the Contract of Employment

This section purports to deal with the following problems: what is an employer, what an employee, and what indeed is a contract of employment? When is a work written in the course of employment and under a contract of service? What, if any, duties arise from the implied terms of the contract or from the status-relation of employer to employee, and what rights may those parties assert? All these are conceptual or definitional issues which must be overcome before the terms of section 4 of the Copyright Act, 1956 can be applied to a given set of facts with any degree of conviction as to the likelihood of establishing the copyright proprietor.

13.3.1 Who is an Employee?

In general the answer to this question depends upon the purpose for which it is asked. For example, where (i) X seeks to make Y liable for the acts of servant Z,²²² (ii) Z seeks compensatory payments from Y which arise from Z's status as an employee,²²³ (iii) Y owes an high or non-delegable duty to servant Z,²²⁴ (iv) plaintiff X seeks to bind Y to agreements made in his name by Z,²²⁵ (v) where X exerts an influence upon servant Z which results in a loss to Y,²²⁶ or (vi) where Y claims as his own produce the intellectual fruits of Z, employed by him - in each case Z must be identified as an 'employee', and in each body of caselaw, whether tort, contract, agency, criminal law or intellectual property law, that act of identification is bounded by the parameters of each

body of laws. Thus, in construing penal or taxation provisions such as section 3(b)²²⁷ of the National Insurance Act, 1965, one takes a narrow line so as to impinge to the smallest extent compatible with statutory intention upon the right of the individual to the enjoyment of his own property;²²⁸ but in tort cases where liability may fall upon either the moneyed (or insured) employer rather than the poor (or uninsured) employee.²²⁹ Under the Workmans Compensation Act, 1906²³⁰ a plethora of tests sprung up to expedite identification of the 'employee', the test used fitting the justice of each case²³¹ and eventually the Courts recognised a case-by-case approach²³² until the well-known Scottish House of Lords decision in Short v. J. & W. Henderson²³³ established the 'four indicia' of employment (which were neither necessary nor sufficient individually).

Intra-employment disputes as to the ownership of copyright are essentially disputes as to who owns rights to property. Although the presence or absence of duties and obligations between master and servant may be a matter of policy - as in Lister v. Romford Ice Co.²³⁴ - the ownership of property is not; it is a matter of personal property law, as was recognised as long ago as 1856 by Jervis C.J. when he maintained that no extraneous analogies, not even those imported from patent law, should come between the Court and the copyright statute.²³⁵

In determining who is an employee, the Courts in intellectual property cases have been careful to examine precedents involving creators of such property; thus re Beeton,²³⁶ Ashley v. Smith,

Ltd.,²³⁷ where redundant journalists claimed to be preferential creditors under the Companies (Consolidation) Act, 1908, and Waites v. Franco-British Exhibition,²³⁸ where a lecturer was blown up by a leaking airship, are still occasionally noted in cases determining the ownership of copyright, however inapposite they may be. Waites was decided on the ground that a lecturer was not a 'workman' under the 1906 Act,²³⁹ re Beeton on the ground that a freelance writer could not be a 'clerk or servant' under the 1908 Act, supra, and Ashley on the ground that the claimant journalists, not being under the defendant publisher's control, could not be said to be employed. The requirement of 'control' has subsequently been given a place of importance by the judiciary in copyright cases (see below, discussion of Beloff's case, and 13.3.4).

Though these cases may not shed much valuable light upon the meaning of 'employee', they do fill in some of the details about him. In re Beeton it appears that there is no bar to a director being a 'servant', if he or she performs functions for which a servant's remuneration is made.²⁴⁰ This is probably so even though it has since been held that a managing director is not an employee within section 4(4) of the Copyright Act.²⁴¹ With this proviso there would seem to be no further restriction upon the meaning of 'employee', which category can most easily be ascertained (at least for Copyright Act purposes²⁴²) by using the test of Cooke J. in Market Investigations Ltd. v. Ministry of Social Security:²⁴³ (i) is the person in business on his or her own account, and if not, (ii) is the extent and degree of the employer's control consistent with a contract of service?

13.3.2 Who is an Employer?

Ex hypothesi an employer is one who engages the services of an employee. Up till the late nineteenth century the word 'employer' was used equally of one who enjoyed the general service of another (the 'master' of a 'servant') and one who sought performance of a specific piece of labour from another (an 'hirer' or 'commissioner' of an 'independent contractor'); the distinction between employee and independent contractor was developed largely in the law of tort,²⁴⁴ spread into the law of contract - where it had no real place in the old common law²⁴⁵ - and then found recognition in statute. Today the word employer is usually used only to describe a party to a contract of employment.

Copyright law has not resolved the problem of who is the employer where A lends to B a writer C, to be paid by A yet perform services for B. It appears probable from the wording of the statute²⁴⁶ that A and not B will enjoy the copyright, which vests in "that other person" who "shall be entitled" to it, if Cooke J's control test (13.3.2, sup.) is widely applied.

13.3.3 What is a Contract of Employment?

A contract of employment is a binding agreement between an employer and employee whereby the latter, in consideration of wages or other payment, undertakes to perform either general or specific tasks for the former for the duration agreed by the parties. Such a contract need not be in writing²⁴⁷ though there is a statutory

requirement that a written notice of certain terms be supplied to certain employees within thirteen weeks of having commenced employment;²³⁸ such terms do not include terms as to the ownership of intellectual property rights, which are often secured to the employer by future assignment under section 37 of the Copyright Act, 1956. Whether a contract is one of employment is inferred from all the circumstances of that contract, as a matter of law, and it is thus irrelevant that a contract is described by the parties as a 'contract for services' if it is not an employment contract.²⁴⁹ General rights and duties arising from the employment contract in relation to copyright will be discussed later in this chapter.

13.3.4 The Course of Employment under a Contract of Service

Copyright, generally speaking, will vest automatically in the employer where an employee has created a work 'in the course of employment under a contract of service'.²⁵⁰ These two separate requirements have been so treated by the Courts that discussion of each by itself is difficult, especially now that section 4(4) of the 1956 Act has been treated as synonymous with the old section 5(1)(b) while some significant but latent differences may exist.

The 1911 Act in effect provided three criteria to be fulfilled before the employer could enjoy copyright ab initio: (i) the author had to be in his employment; (ii) that employment had to be under a contract of service, and (iii) the work had to be made in the course of the author's employment. The first require-

ment was temporal - if the author was no longer employed the section could not apply;²⁵¹ the second was a status requirement: did the author stand in relation to the other contracting party as being an employee?²⁵² The third was that there was to be a causation: the creation of the work had to be generated by the performance of a duty owed by the author to the employer;²⁵³ and that causative link had to stem from duties owed by author to employer qua employer, and to no other contract.²⁵⁴ Thus a staff journalist separately commissioned to perform work outside of his contractual duties as an employee,²⁵⁵ and a professor not being a member of staff but setting examination papers for a fee²⁵⁶ did not fall within the provisions of section 5(i) (b); but where an employee of a business consultancy sought to publish assignments he had produced for clients in fulfilment of his contractual obligations to his employers, copyright therein vested with the employers.²⁵⁷ In the same case²⁵⁸ that employee sought to publish lectures written and delivered by him at his employers' request; Sir Raymond Evershed upheld the employee's title on the peculiar ground that it was 'just and common sense' that it should be so. Strictly speaking the copyright should have vested in the employers - an horrendous result in a case where the man was employed to do one thing and through happy versatility could do another too, but an inevitable result if the law takes the duties of the employee, not the agreement between the parties through which the duties existed, as an index by which to measure rights in property. One argument Sir Raymond could have taken was that since the employee

was not hired to deliver lectures he would not be in breach of his contract for not doing so; accordingly he was performing a duty outside the strict ambit of his employment and for which there was no consideration; this line is stronger than that of Vaisey.J. in Leah²⁵⁹ implying from silent facts an 'agreement to the contrary', that the work should vest in the author and not the employer. The basis of Vaisey J.'s curious implication may be implicit too in Sir Raymond's; since the employer was not in the business of publishing staff lectures, and instructed the employee to impart information of a particular sort to the audience, leaving it to him to choose his own form and mode of so doing, the employer must be taken to have agreed not to be interested in the copyright in such a work, the content being more important than the form (which latter alone is copyrightable).

The wording of section 4(4) of the 1956 Act is different from that of the 1911 Act; only two requirements must be satisfied before the work vests in the employer: (i) that the work be made in the course of the author's employment, and (ii) that such employment be under a contract of service (or apprenticeship). Thus the first of the 1911 requirements has been omitted, the second and third inverted. Since Parliament evinced no intention to change the effect of the old section 5 it may be inferred that (i) the first 1911 requirement, i.e. that the author be in the employ of his paymaster, was already contained in the 'course of employment' concept, and (ii) the judicial glosses of Byrne,²⁶⁰ University of London²⁶¹ and Stevenson²⁶² were acceptable to the legislature, which assumed that they would be followed by the Courts in subsequent cases. In fact the only case in which the

above principles were discussed, Beloff v. Pressdram Ltd.,²⁶³ probably failed to give effect to the legislative intent.

Beloff, it is submitted is unreliable for the following reasons: Byrne²⁶⁴ was neither referred to nor cited; University of London²⁶⁵ was cited to the Court but it was not applied and Stevenson,²⁶⁶ which was referred to in judgment, was misapplied by Ungood-Thomas J. when he failed to uphold the requirement of a causative link between the employee's duties and the creation of the work.

The facts of Beloff, simply, were as follows: the plaintiff was employed by a newspaper as a journalist. She wrote an internal memorandum to the editor and certain other staff members, and this fell into the hands of a magazine which published it. The plaintiff was unable to succeed in her action for infringement of copyright because the copyright vested in the newspaper, which had failed to effect a proper assignment to her. It should be noted that the plaintiff's case was based partly upon the fact that the copyright was not hers but had been re-vested in her; the defendants' case was that the copyright was not hers and had not been re-vested in her.

The learned judge correctly asserted that Ms Beloff's work had to be made 'under a contract of service', and 'in the course of employment'; he even adopted the correct test for the former (see 13.3.3,3). However, he gave the latter requirement little other than a temporal requirement; it could scarcely be said that there was any causative link between Ms Beloff's duties and the creation of the internal memorandum. To paraphrase the test used in Stevenson²⁶⁷ at first instance: did that memorandum fall

within that which "... formed part of the service which to (Beloff's) knowledge the (newspaper was) requiring (her) to discharge in the performance of (her) duty as a (journalist) in the (newspaper's) organisation"? The memorandum was unsolicited; it was gratuitous. Ms Beloff could just as well have telephoned the contents of her message as commit them to paper. She had not produced the memorandum in response to a duty to do so, and even if she had, it could well be argued that such materials would not fall within section 4(4) because it was not the intention of either party that the note should be published and there would be no commercial reason for depriving the author of the copyright.²⁶⁸ But counsel for the plaintiff conceded that the work was within the 'course of employment', so the Court did discuss it. The effect of this decision is that if any employed person writes something while pursuing any of the duties laid down by his employer, even though he is not employed to write and the employer has no interest in publication, copyright will vest in the employer. This is patently not the purpose evinced by over 250 years of careful legal evolution.

An interesting footnote to the 'course of employment/contract of service' issue may be found in a recent American case²⁶⁹ dealing with ownership of inventions. That Court held that

...an invention made or conceived in performing or as a result of performing, the work required by contract²⁷⁰ is made or conceived 'in the course of' that contract ...An invention is made or conceived 'under' a contract when it is made or conceived during the life of the contract²⁷¹ and the invention is, in whole or in part, specifically provided for by that contract.

13.3.5 Rights and Duties arising out of the Contract of Employment but outside of the Copyright Act.

(a) Where an employee is specifically engaged to write, he is under a duty to do so;²⁷² but like all duties involving positive performance of service contracts, the Courts will not compel specific performance.²⁷³ Damages, though, are recoverable for loss through (i) expenditure on printing materials in anticipation of publication - though this will usually be mitigated, and (ii) failure to reap the expected profit;²⁷⁴ damages may also be recovered under Lord Cairns' Act²⁷⁵ as a substitute for specific performance.

(b) There is no duty upon the employee not to work for or solicit the custom of rival employers either during or after²⁷⁶ employment unless such a duty can be implied from all the circumstances of the individual contract²⁷⁷ or is expressly stated.²⁷⁸ Such a duty will usually be implied though where the author-employee deals with confidential materials and trade secrets.²⁷⁹

(c) There is a duty not to infringe an employer's copyright,^{279a} even if the employee is also the author. There will be concurrently an infringement remedy²⁸⁰ and a contractual breach of a duty of good faith owed ipso statu by employee to employer.²⁸¹ The employer can recover damages against his employee²⁸² but not against innocent third parties into whose hands infringing copies fall and who have reasonable grounds for believing that the copies are not infringements.²⁸³

(d) Employers are under an obligation to pay for the labour, materials and services expended by their employees in the course of their employment;²⁸⁴ this obligation is unenforceable if the work to which the employee is assigned is of an immoral,²⁸⁵ libellous,²⁸⁶ blasphemous²⁸⁷ or substantially misleading²⁸⁸ nature.²⁸⁹ Non-payment of wages under the 1911 and 1956 Acts does not result in the copyright failing to vest in the employer.²⁹⁰

(e) Neither employer²⁹¹ nor employee²⁹² is entitled to assign the performance of his duties to another party because the contract between author and publisher - and by implication, between author and employer - is of a personal nature (i.e. who performs the duties is as important as the performance of the duties themselves). This does not mean that the benefits of such a contract cannot be assigned.²⁹³

(f) No duty exists either under the Copyright Act or at common law²⁹⁴ whereby the employee-author can compel the employer to publish the work of the employee, even if the employee may not write for anyone other than the employer. This in effect gives the employer a form of 'droit moral' (see 16.1, inf.) in that he alone decides when a work submitted to him shall be published.

(g) When an employing company goes bankrupt the employee may seek to be treated as a preferential creditor in respect of outstanding salary.²⁹⁵ Formerly²⁹⁶ the author could not recover royalties on sales of a work when the copyright was vested in the employer, because it fell into the hands of the Trustee in Bankruptcy and was utilised in paying off commercial creditors, but now section 60 of the Bankruptcy Act, 1914 may be

read widely so as to protect the author's contractual right to remuneration.²⁹⁷

13.3.6 Proof and Construction of the Contract

Any party seeking to rely upon a legal interest in literary property must prove that interest or else join the legal owners in the action and demonstrate an equitable interest instead.²⁹⁸ Under section 19 of the Copyright Act an exclusive licensee can bring an action under certain circumstances without having to join the legal owner. However, if the only remedy sought is an interlocutory injunction the person seeking it need only prove an equitable interest,²⁹⁹ which can be done by affidavit claiming a protectable interest through the terms of the contract of employment.³⁰⁰

The existence of a contract, and of its terms, is drawn by inference from the facts, and is itself a finding of fact; whether or not the contract is one of employment or for services depends entirely upon the facts, and it is irrelevant that the parties call it a 'contract of employment' where it is not.³⁰¹ The meaning given to the terms of a contract is a matter of law for the Court,³⁰² which means that whether the copyright vests in employer or employee is a matter of law. If there is no term that copyright will vest in the employer, it will still vest under the Copyright Act, section 4, if the facts of employment and payment are demonstrated and the employer is a publisher of sorts.³⁰³

13.3.7 Express Contract and Implied Licence

Where the author of a work is hired as an independent contractor, or his employment contract reserves him the copyright, the Courts may be disposed to adopt a more flexible approach to allocation of rights than the all-or-nothing approach described above in 13.2. Whether this new doctrine is derived from interpretation of the standard form contracts of the Royal Institute of British Architects³⁰⁴ or upon some broader theory of law, it is too early to tell.

The new, flexible approach is Australian in origin; Lord Denning, M.R., in Blair v. Osborne & Tomkins,³⁰⁵ cited with approval the statement of Jacobs J., of the New South Wales Supreme Court that

the payment for sketch plans includes a permission or consent to use those sketch plans for the purpose for which they were brought into existence, namely, for the purpose of building a building in substantial accordance with them and for the purpose of preparing any necessary drawings as part of the task of building the building.³⁰⁶

In other words, the architect keeps the copyright in the work he was hired to design, but the client is licensed to use it for the purposes for which it was commissioned. Widgery L.J. took a rather broader view, citing the rule in its wide form as expressed also by Jacobs J.:

it seems to me that the principle involved is this; that the engagement for reward of a person to produce material of a nature which is capable of being the subject of copyright implies a permission, or consent, or licence in the person giving the engagement to use the material in the manner and for the purpose in which and for which it was contemplated between the parties that it would be used at the time of the engagement.³⁰⁷

It is worthy of note that the Court of Appeal did not consider there to be any appropriate authority on the point;³⁰⁸ for cases such as Cox v. Cox,³⁰⁹ Cary v. Kearsley,³¹⁰ Lamb v. Evans,³¹¹ and Lawrence & Bullen v. Aflalo³¹² were not cited to the Court. If Blair is indicative of a new judicial attitude it should be welcomed, for by leaving copyright with one party while giving the other a licence in it the Court leaves the possibility that both will be able to derive further benefit from the work, while leaving it open to architect and client to negotiate should either party seek an exclusive right; however, this doctrine may be more appropriate to the building industry than to the news media where the monopoly may be more valuable - if even for only a short time³¹³ - than the right to publish per se. The Blair rule might demand a right of first publication as well as a licence to use the work of freelance reporters.

A recent application of the Blair case came in Stovin-Bradford v. Volpoint Proprietors Ltd.,³¹⁴ where it was distinguished on its facts. The Court of Appeal refused to imply a licence to copy or to build where the architect charged only a nominal fee stipulated to be solely for services rendered, and then withdrew from the building project.

13.4 American law

Under the United States Constitution³¹⁵ Congress has the power "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors³¹⁶ and Inventors the exclusive Right to their respective Writings and Discoveries".

Congress exercised this power on three main occasions prior to the 1909 Act,³¹⁷ each time vesting the sole right and liberty of copyright in the author and his legal assignee; there was no mention of employment or employers' rights in authors' works, and any protection which employers enjoyed originated from the common law alone. It was not till this century that statute intervened in the employment relation, with effects which may still not be fully recognised (see 13.4.2, inf.).

13.4.1 American law to 1909

In many respects English and American law were the same, or similar: American legal doctrine did not accept the idea that copyright could be conveyed along with the manuscript in the absence of any agreement or understanding;³¹⁸ nor would it permit an artist to prevent his employer distributing engravings made from the former's sketches,³¹⁹ Judge Ingersoll deciding the issue not in terms of employment contract law but on the equities, pointing out that it would be unfair for the Court to prohibit the Court from doing that to which the plaintiff artist had already expressly assented.³²⁰ And at the same time as English Courts grappled with the problem of the creative theatrical employee³²¹ the Federal Courts were sorting out the 'Octoroon'; that was the name of a successful play which generated much litigation, for its author Boucicault had written it while employed by one Steward, a theatre proprietor. Boucicault's distant assigns sought to assert their property right against infringers who alleged that the copyright vested in Stewart by virtue of the employment. Holding for the assigns, Judge

Sprague pointed out that not only was there no evidence that Boucicault was employed as an author, but there was evidence that he had agreed 'to write a play representing life on the Mississippi, and that it should be performed at Stewart's theatre so long as it should continue to draw good performances.'³²² Stewart thus acquired 'no right or interest in the play to be written, except the privilege of having it performed at his theatre'.³²³ Thus, authors' rights were given good protection against the sort of erosion of rights which had been taking place in England, at least until 1870 when the Supreme Court held that assignment of a copyright 'forever' acted so as to assign renewal rights as well.³²⁴ But this was only a small, and fairly general encroachment upon authors' rights.

Much of nineteenth century litigation was fought over the right to publish law reports. The status of employed officials was pronounced upon by Blatchford J. - himself a law reporter, as well as the author of the judgment in Paige v. Banks³²⁵ - in Banks v. Manchester³²⁶ and Callaghan v. Myers.³²⁷ Justice Blatchford held in Banks v. Manchester that judges, employed to perform judicial functions, could not claim copyright in their judgments since as a matter of public policy copyright could not vest in judgments,³²⁸ even though as literary works they would seem to fall within the scope of copyright protection. It follows from this that the employer of the judge - whether state or federal government - could claim no privilege of monopoly either. In Callaghan, by way of contrast, official law reporters employed by the states were held entitled to enjoy the fruit of their own literary creation (e.g. headnotes, synopses of cases)

in the absence of express terms to the contrary or of state laws³²⁹ prohibiting them from seeking copyright registration; the reporters could enjoy copyright themselves because the payment of salary was a reward for the exertion of labour in making the reports, not for the appropriation of copyright.³³⁰ This same idea was strongly rooted in patent law at this time, see 10.3, sup.

Another 'borrowing' from patent law³³¹ and from English law³³² was that of the employer's rights - legal and equitable - in works created for him and at his request by one paid for that purpose and under an employment duty to do so. In Collier Engineer v. United Correspondence Schools Co.,³³³ on a motion for a preliminary injunction, Judge Lowell held that a salaried employee's literary produce, being the result of compilations made in the course of his employment, are the employer's to the extent that the author has no more right than a stranger to copy or reproduce that work.³³⁴ The same result was reached by the same judge in the unsatisfactory case of Dielman v. White;³³⁵ there an artist accepted a commission from the U.S. Senate to 'paint, furnish, and put in place, complete' a mosaic picture, nothing being said about copyright at all. The Court, however, held that "taken by itself, the contract seems to me to be plainly inconsistent with any reservation of copyright on the part of the artist",³³⁶ and suggested that the delivery of a mosaic already copyrighted would be a failure to carry out the artist's contractual obligations. This was the first time that it had been suggested that it was for the artist to show that he had reserved his rights, rather than for the non-artist to show

that he had acquired it, and may have been influenced by (i) English cases under section 18 of 5 & 6 Vict. c. 45 and section 1 of 25 & 26 Vict. c. 68 (which created a statutory presumption in the employer's favour) and (ii) a recent infringement decision, Belford, Clarke Co. v. Scribner,³³⁷ where the defendant publishers sought to undermine the plaintiff by claiming that copyright vested in the author. Blatchford J. held that the Court would presume from the payment of royalties to the author, the act of publication by the plaintiff and the long-standing acquiescence of the author, that some legal conveyance of copyright had taken place.³³⁸ American, like British law, may not have been careful to distinguish between the situation where (i) employer A sues employee B for infringement, and (ii) third party C seeks to stop publisher A from suing him by raising the supposed title of author B.

Judge Lowell in Dielman described the case before him as being "without considerable authority"³³⁹ and denied the artist any right by analogy with the patent law 'shop right'.³⁴⁰ Banks³⁴¹ and Callaghan³⁴² were distinguished as being applicable to the relationship of Courts and state officers only; Atwill v. Ferrett³⁴³ was not cited and in its absence the Court would appear to have made the rationale for vesting copyright in the employer the fact that the creation of the work is commissioned (whether by employer or by anyone else), while leaving copyright in the author where the work is already in existence when it is sought. There was already some ground for making this distinction,³⁴⁴ which later attained the support of the Supreme Court in Bleistein v. Donaldson Lithographing Co.³⁴⁵ (a

'commission of an uncreated work' case) and Mifflin v. White Co.³⁴⁶ (a 'work pre-existing the contract' case).

13.4.2 The Statute of 1909

In 1909 there took place the third major revision of copyright law and for the first time there were provisions relating to the employment relation. Section 23³⁴⁷ dealt with the duration, renewal and extension of copyright, and stated that

...Copyright... shall endure for twenty-eight years from the date of first publication, whether the copyrighted work bears the author's true name or is published anonymously or under an assumed name: Provided, that in the case of... any work copyrighted by a corporate body (otherwise than as assignee or licensee...) or by an employer for whom such a work is made for hire, the proprietor of such copyright shall be entitled to a renewal...

Section 62,³⁴⁸ bearing the marginal note 'Construction of "date of publication"', reads in full:

That in the interpretation and construction of this Act "the date of publication" shall in the case of a work of which copies are reproduced for sale or distribution be held to be the earliest date when copies of the first authorized edition were placed on sale, sold or publicly distributed by the proprietor of the copyright or under his authority, and the word "author" shall include an employer in the case of works made for hire.

Finally, by section 2,

Nothing in this Act shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication or use of such unpublished work without his consent, and to obtain damages therefor.

Other than the inference from section 2 that the 1909 Act is intended to apply to published and not unpublished works,³⁴⁹ and

that the common law and state law must thus govern the ownership of such unpublished works, there is little guidance as to whether the 1909 Act so much as intended to change the common law of copyright ownership. However, the following possible interpretations of the above provisions would all have different consequences:

A) Section 23 refers entirely to the duration and renewal of copyright by the person entitled at common law to do so. Interpreting section 62 as a gloss on the words 'date of publication' alone -as well we might, for that section bears a marginal note, 'Construction of "date of publication"' - we may assume that section 62 is to be read with the one section which contains the words "date of publication"; this is section 23, whereunder copyright endures for twenty-eight years from the date of first³⁵⁰ publication whether the work bears the author's (i.e. author's or employer's, in the case of a work made for hire) name or whether it is published under some other name, or anonymously.

This interpretation does not upset the Constitution³⁵¹ and does not rely upon any artificial use of words but, to the author's knowledge, it has not before been propounded. It has two further virtues, viz., that it gives the word "include" an inclusive meaning and not an exclusive one, which many of the cases (discussed below) would give it, and it fulfils the function of clarifying section 18;³⁵² that section requires that for a valid copyright notice the name of the proprietor must appear on the work, and since section 23 vests copyright whether the work bear the author's true name, pseudonym or anonym some confusion might result where the work bears the name of the

employer but for the existence of section 62. This, of course, would indicate that Congress had evinced no intention to interfere with the (previously successful) common law ownership rules.³⁵³

B) The word "author" as construed in section 62 could be taken to bear its special meaning right through the Act. This would push the word wider than the marginal note would justify, and it would depend upon the words 'In the interpretation and construction of this Act' being synonymous with 'wherever the word "author" is found',³⁵⁴ regardless of whether good sense or statutory intention be violated in the process.

Such an approach would cause a serious conundrum in respect of section 2; for if in that section the word "author" includes the employer the rights of the author in his unpublished works would be annulled or limited! Yet the 1909 Act is concerned only with published works; this problem can be avoided by interpreting section 62 in the light of section 2, which would probably produce the result articulated in A), above.

C) Section 62 could be construed as referring in general to section 23 and in particular to its renewal provisions: thus either employer or author (the 'inclusive' interpretation) may renew the copyright in a work made for hire. This 'inclusive' approach must be wrong since it makes no sense of that section, whereby the author renews copyright qua author, but strangers renew qua proprietor. As to an 'exclusive' interpretation, in view of section 23 mentioning specifically the employer's right

to renew works made for hire, such an interpretation would be at best declaratory, at worst tautologous.

D) Finally, the 'for hire' clause of section 62 could be regarded as a general principle of law, that the employer of the creator of a work should be construed as its author. This would not be in accord with the words 'in the interpretation and construction of this Act', which Act protects only published works;³⁵⁵ the general principle whereby an employer previously secured an interest in his employee's work applied to both published and unpublished works. Also - though less importantly - such an interpretation would offend article 6 of the Berne Convention,³⁵⁶ and there is some indication that it would in any case be unconstitutional.³⁵⁷

13.4.3 1909-1947: Validity of Copyright and the Contract of Employment

Before the codification and minor amendment of the copyright laws in 1947 a number of cases were decided on the issue of whether a copyright is valid where one or other party to the contract of employment has taken it out. For the purpose of securing copyright, section 8³⁵⁸ requires that the 'author or proprietor..., or his executors, administrators or assigns' may apply for or enforce the right, and either author or proprietor may be named on the application³⁵⁹ as a matter of choice, the author not being barred by force of his employee status.³⁶⁰ The author may hold the right in trust for his employer, or vice versa,³⁶¹ the question of validity is distinct from that of ownership (which is determinable by reference to contract and to

the intention of the parties³⁶²). By 1937, however, no distinction seems to have remained between the right to copyright and the right to own that which is copyrighted - both being described as determinable by reference to the intention of the parties and, ceteris paribus, with the employer enjoying copyright where the contract is silent.³⁶³

13.4.4 1909-1947: Ownership cases

Prior to 1938 there was no suggestion that section 62 had acted so as to change or affect the old common law on the ownership of the original copyright.³⁶⁴ In Altman v. New Haven Union Co.³⁶⁵ the plaintiff photographer was hired to take an high-school class' picture on the terms that he was to receive so much per sale; the defendant suggested that this would vest copyright in the school but Judge Thomas held that

This would be true, provided the committee of the high-school and the plaintiff had entered into a contract whereby the high-school committee was to pay the photographer a fixed price for his services.³⁶⁶

It was nowhere suggested that section 62 made this an employer's work 'for hire'. This rationale was adopted also by Judge Campbell in Hoague-Sprague Corp. v. Frank C. Meyer Co. Inc.³⁶⁷ In Sherrill v. Grieves,³⁶⁸ where an instructor of military topography wrote a book on that subject in his spare time, in United States Ozone Co. v. United States Ozone Co. of America,³⁶⁹ Uproar Co. v. National Broadcasting Co.,³⁷⁰ Brown v. Mollé Co.³⁷¹ and Yardley v. Houghton Mifflin Co.³⁷² the ownership rights in the copyrighted work were assumed to be resolvable in terms of common law alone, and old common law cases exclusively were cited in support of the judgments.

13.4.5 1909-1947: the 'section 62' cases

It is instructive to examine the cases wherein section 62 was judicially noted or construed. In National Cloak and Suit Co. v. Kaufman³⁷³ the defendant contended that the copyright registration was invalid because it was secured by a corporation and not by the author. Judge Witmer rejected this, reciting the then section 8 to the effect that 'author or proprietor' could enjoy copyright protection, and then recited the text of section 62 - without comment³⁷⁴ - before pointing out that

Under the old law which did not recognize or contemplate in its provisions our modern conditions, as the present law, corporations were ever regarded as proper persons to secure copyright.³⁷⁵

Either the Court was intimating that section 62 should be read together with section 8 - which does not make bad sense but adds little since the 'employer in the case of works made for hire' is also the 'proprietor' - or it was merely read out as an instance of how a corporation could enjoy copyright ab initio, without being an authority for the proposition that the employer had full and exclusive rights in the produce of his employee.³⁷⁶

Subsequently, in Yale University Press v. Row, Peterson & Co.³⁷⁷ where the Court sought to raise jurisdiction on a motion for a preliminary injunction, Judge Woolsey simply read 62 to satisfy himself that the plaintiffs had sufficient interest in a compiled work to come to court.³⁷⁸ Once again there was no discussion of the section in relation to the Act to which it was supposed to give effect.

13.4.6 1909-1947: Section 62 and the Renewal cases

The problem of renewal inter partes was not brought up, surprisingly, until 1938 (twenty-nine years after the passage of the Act, or just after the first works protected thereunder would be coming up for renewal), in Tobani v. Carl Fischer, Inc.,³⁷⁹ where children of the deceased composer sought to enforce renewal copyright over the employer who had not renewed within the specified time. The 2nd. Circuit Court of Appeals, Judge Manton (Judges Swan and Augustus N. Hand concurring) held that section 62 was to be read with the now-defunct section 24 (relating to transitional provisions) and with section 23 (now section 24).

There are some grounds for doubting that section 62 was intended to grant to employers a 'bonus' by giving them an extension of copyright in works copyrighted under the old 1870 Act and for which employers had paid, and authors received, valuable consideration on the assumption that the copyright period was not going to be extended. There is even a precedent for the author enjoying any extra rights accruing once he had parted with his work; for that was what happened in the very first copyright Act in 1709.³⁸⁰

In fact, the Tobani Court held that section 62 was applicable throughout the 1909 Act,³⁸¹ rejecting the contention that legislative intent could be inferred from the fact that, while section 23 specifically mentioned employment for hire, section 24 did not. So far as Judge Manton was concerned, "In the face of this clear provision, it cannot be argued that an employer for hire is an author under some provisions of the act

while not under others."³⁸² With great respect, this statement cannot be so; the employee for hire is always the author, but sometimes the word 'author' includes the employer. 'Author' does not include the employer, for example, where in section 23 the rights of heirs and executors are provided for,³⁸³ since the internal logic of the section requires the employer to renew as proprietor, the author as author; nor may we assume that the employee may not take out the copyright renewal and hold it in trust for the employer, an act which was always permissible under the common law in respect of the original period of copyright,³⁸⁴ and which would go against the sentiment, if not the word, of Judge Manton's theorem.

In Shapiro, Bernstein & Co. v. Bryan³⁸⁵ a differently-composed Tobani Court (Judges L. and Augustus N. Hand, and Clark) rather suggested that the Tobani decision was of application only to section 24. Judge L. Hand, in fact, was outspoken in his criticism of the notion that section 62 should be applied throughout the Act:

The defendants seem to suppose that the definition of 'author' in §62... has some importance in construing §23... Certainly it can have none in the first proviso because the word does not appear in it. If we suppose that it defines 'author' in the second proviso, it adds nothing to what had already been provided for in the fourth class of the first proviso...³⁸⁶

The Court went on to explain the meaning of a 'work made for hire', and affirmed that it meant more than just works made ancillary to the employer's protectable works (as the defendant had hopefully contended). Once again, there was no intimation that anything other than the common law 'commission' test of ownership should be applied.

This case and Tobani were both cited along with U.S. Ozone³⁸⁷ and section 62 as authorities for the proposition that 'whether or not (the employee) was the author of a part or all the words, the plaintiff alone as his employer for hire was entitled to the copyright and to the renewal thereof'.³⁸⁸ Since section 62 has no relevance to the renewal of works for hire under section 23 (per Bryan's case,sup.), and since the learned judge omitted to recite the section, it is not inconceivable that he meant 'section 23' when he said 'section 62' - there would appear to be no other plausible explanation for his statement.³⁸⁹

13.4.7 The Codification of 1947

By an Act of 30 Jul., 1947,³⁹⁰ another revision of the 1909 Act took place. Section 23, substantially re-enacted, became section 24; section 62 became section 26. Supposedly, re-enacting that section without change,³⁹¹ the legislature made three subtle alterations. The first was to bring the section up from the rear end of the Act, giving it a close proximity with the new section 24; secondly, the word 'Act' was subverted by 'Title', and thirdly the marginal comment 'Construction of "date of publication"' was removed and replaced by a sectional headnote, 'Terms defined'. Each change, very slight in itself, may have acted cumulatively so as (i) to bring the new section 26 more fully to the attention of lawyers and litigants and (ii) to obscure the initial meaning of that section as no more than an aid to construction of the word 'author' in the first part of the new section 24.

13.4.8 The post-1947 section 26 cases

The post war period brought no further discussion of section 26 till 1966, when Judge Kaufman sparked off a fierce controversy in Brattleborough Publishing Co. v. Winmill Publishing Co.³⁹² by holding that which the old common law had always accepted,³⁹³ that there is a presumption that the initial period of copyright in a work created by one person - whether employee or independent contractor - at the instance and expense of another would vest in that latter.³⁹⁴ Unfortunately the Court chose to rest its decision not so much upon the prior caselaw but upon the ground that section 26 created, or at any rate reflected, that presumption.³⁹⁵ Tobani³⁹⁶ was cited in favour of this proposition, but Bryan's case³⁹⁷ - which rejects the Tobani approach - is not mentioned. Nor was any attempt made to discuss section 26 or to explain how it creates or reflects this presumption. It is interesting to note that in a separate concurring judgment Judge Lombard did not mention section 26 at all, relying instead solely upon Altman's case.³⁹⁸

It was not long before it occurred to lawyers that, if section 26 created a presumption that independent contractors as well as employees would lose their copyright to employers for the initial term, and if renewal rights under section 24 vested in the employer in the case of works made for hire (essentially the same formula as that of section 26), then why should not the renewal rights in the works of independent contractors also vest in the employer? Even without section 26, a strong case for employer renewal rights in such works could be constructed from

the old common law cases where no employee-independent contractor distinction was made;³⁹⁹ it was accepted, however, that the intention of the renewal provision was to protect such contractors who had parted with initial copyright for nominal sums when the work was of a greater value,⁴⁰⁰ but both cases which asserted that are capable of distinction: one concerned a 'publishing' contract where the work was already in existence when it was sold⁴⁰¹ and was thus not brought into being at the request and expense of the hiring party; and the other⁴⁰² concerned a general agreement whereby one party agreed to publish whatever the other party provides for him. Thus there was still room for a decision concerning works falling within the 'for hire' provisions of the Act.⁴⁰³

It was not till the case of Scherr v. Universal Match Corp.,⁴⁰⁴ sixty years after the passage of the Act, that any serious judicial analysis of the wording of section 26 occurred. In Scherr two men, serving in the armed forces, made a statue of a charging infantryman which subsequently adorned the defendant's matchbox tops. The plaintiffs asserted their copyright to be infringed; the defence was that any copyright lay with the plaintiffs' military employers.

A majority of the Court held that section 26 created a rebuttable presumption⁴⁰⁵ of copyright ownership in the employer; but Judge Friendly, dissenting, pointed out that the section was being construed in a way which Congress in 1909 would not have imagined,⁴⁰⁶ especially since the word 'include' was being used in such a way as to 'exclude' the employee. Judge Friendly also

pointed out that whether or not the copyright vested in the employer was entirely a matter of construction of the contract of employment,⁴⁰⁷ giving effect to consensual intent: in this case the employer was not a commercial enterprise but the army, which wanted the statue, clearly, so that people could look at it, but there was no evidence and no reason to suspect that either party had so much as thought about the question of copyright ownership until it was raised by a third party as a defence in an action for piracy. The currently accepted interpretation of the law is that of the Scherr majority,⁴⁰⁸ but it is submitted that Judge Friendly's dissent makes better sense and better law; it is consistent with the most likely, though least accepted, interpretation of the Act (see 13.4.2, sup.), and does not deprive the employer of anything to which he would be entitled at common law; nor does it make distinctions between works made for hire by employees and independent contractors.

13.4.9 The Commentators

Although the writings of the jurists do not occupy under the common law the same high status as of jurists of the civil law, it is interesting to view the commentators upon section 62/26 for the historical perspective cast upon the evolution of this troublesome legal doctrine. Writing in 1917, A.W. Weil could write:

... the mere fact that the relation of employer and employee exists is not sufficient to vest title to copyrightable works in the employer, in the absence of an express agreement to that end, or unless the employee is employed for the express purpose of producing such, or similar works.⁴⁰⁹

This would suggest that Weil imagined section 62 to be no more than declaratory of the common law, and that it would have no presumptive or other explanatory function. Leo Amdur, in 1936, was no more specific:

The significance of designating an employer in the case of works made for hire as an "author" rather than a "proprietor" is that the right of renewal is primarily conferred upon the author.⁴¹⁰

This clearly fails to take into account the fact that the employer is already granted renewal by the former section 23; the comments of Weil and Amdur might suggest that section 62 was a troublesomely ambiguous little provision, which is, of course, what it proved to be.

Ball, in 1944, explained that the purpose of the section was twofold; first, it enabled employers to copyright a composite work in which the contributors would renew copyright in the separate articles⁴¹¹ - a proposition which supposes that what is made for hire is the sum of the contributions rather than each individual work, and also that ownership of the copyright in each contribution would be a necessary requisite to owning copyright in a compilation as such. Ball then asserts⁴¹² that section 26 works so as to vest copyright initially in the employer, citing Yale⁴¹³ a case in which the section was read out but was not actually applied to the facts of an employer-employee ownership dispute. This latter assertion is supported by Howell,⁴¹⁴ with the proviso that 'for hire' means 'pursuant to a contract of employment for hire'.⁴¹⁵ This proviso may be doubted, since Congress elected for the words 'for hire' in preference to the possibly narrower 'for salary'.⁴¹⁶

Professor Nimmer⁴¹⁷ takes the view that section 26 generally enables employers to take out copyrights, which presumably they would not do otherwise. In favour of this it may be said that since, before the 1909 Act, employers could hold a legal interest in copyrights only as assignees of the original employee-author, the words of section 26 would be adding something new and useful to that which was already in the law while not causing any disposition of property rights whereby employees would be deprived of their old equitable rights. On the other hand, that result was already achieved in the provision of section 9 which entitles 'author or proprietor' to take out and to enjoy the copyright.

13.4.10 Meaning of the words "for hire"

However one views section 26 in relation to the old common law and to the rest of the copyright statute, one must still give meaning to the words which comprise it. The meaning of 'employer' in relation to 'employee' or 'independent contractor', and of 'author', has already been discussed above (13.4.8, 13.1, sup.); but what of "for hire"?

Where a person is employed under a contract of employment with duties to create a literary work for an employer who customarily engages in the output of such material (e.g. newspaper publishers, radio stations⁴¹⁸) the employer will be presumed to be the owner of a work made "for hire"⁴¹⁹ if the employment relation is subsisting at the time the work is made.⁴²⁰ It is, however, irrelevant for renewal purposes that the author's

employment is no longer subsisting.⁴²¹

If there is no contract of employment as such, there exists a presumption that the employer will enjoy the copyright in the work of an independent contractor if the work is done at the employer's instance and expense,⁴²² or if it is understood by both parties that the copyright will vest in the employer.⁴²³ A contract for services will be treated as a contract of employment where the author is under a specific duty to create the work⁴²⁴ or where he does so under the actual or potential control and supervision of the employer.⁴²⁵

The renewal period of copyright is regarded and treated as a separate grant of copyright and not as a continuation of the first grant; and where the author is employed "for hire", section 23 will vest the renewal period in the employer. It was formerly thought that an author who was an independent contractor would not be treated for renewal purposes as an employee for hire,⁴²⁶ but the contrary now seems to be the case,⁴²⁷ especially where the employer has supplied an underlying work from which a derivative work is made,⁴²⁸ if he has exercised control or potential control over the creation of the work,⁴²⁹ or if the author has assigned (expressly or impliedly) all his rights including renewal rights to the employer.⁴³⁰

13.4.11 Works made by Government employees

Special considerations are involved when the employment relationship is also that of Government agency to author, for it is provided by Ti. 17 U.S.C. §8⁴³¹ that "No copyright shall

subsist in... any publication of the United States Government". This provision has been held to cover not just official reports and works but also poems and illustrations attached to them⁴³² and to maps executed incidentally to the performance of duties by an highway commissioner.⁴³³ Copyright protection depends not upon whether or not the Government would be entitled to claim ownership through either authorship or proprietorship of the work, but upon whether the work is (i) published and (ii) owned by the Government.⁴³⁴ This would suggest that the Government can still enjoy common law copyright protection of unpublished works.⁴³⁵

The Courts are anxious to balance three significant policy factors when faced with section 8; the first is that authors should not be deprived of their copyright,⁴³⁶ the second, that the public should not be deprived of the enjoyment of work which they have notionally paid for through their taxes,⁴³⁷ and the third that the dissemination of public information should not be hampered where the national interest requires that the public be well-informed.⁴³⁸ Questions of confidentiality and governmental secrecy are handled by separate provisions⁴³⁹ and need not be discussed here.

It would appear that the test of whether a published work has been made for hire by an employee of the Government is no different from that outlined supra, at 13.4.7-8; there is a difference, though, in the application of facts to the law: the Courts will construe the duties of high officials very widely if there is any suggestion that they may be profiting unfairly from

their office,⁴⁴⁰ but the duties of lower-status employees are construed narrowly so that whatever falls outside of their strict duties will be theirs to enjoy.⁴⁴¹ As Aland⁴⁴² puts it, high officials may well lose the copyright if their works are made 'in connection with' - as well as 'as part of' - their duties.

Another commentator, Gunnels,⁴⁴³ discusses three intra-employment questions: (i) should the employee of a Government agency be able to capitalize upon his position and his personal experiences as an officer of that agency? (ii) should the employer gain an interest in the copyright if Government staff, photocopy and stationery facilities are used in preparation of the work?, and (iii) should not the law discourage Government employees from spending their work time engaging in idle literary pursuits? These matters became topical in the Rickover case⁴⁴⁴ where the plaintiff Vice-Admiral wrote speeches in his own time which dealt with (inter alia) matters pertaining to his work, these speeches being prepared with Government facilities and being delivered at or near places where he had duties of supervision or inspection.

The Court did not consider specifically whether it was advisable for Government officials to be able to sell their exploits or experiences in literary form, but shortly after the Rickover case the then President of the United States, John F. Kennedy, ordered all administrative officials to donate to charity the proceeds from their speeches, books and articles, and the Defense Department was cautioned to enforce the frequently-

waived rule prohibiting officers from selling stories of their service experiences.⁴⁴⁵

As to the second point, both the Rickover Court, Aland and Gunnels agree that the use of time and facilities - though significant in patent law in creating an employer's 'shop right',⁴⁴⁶ - are irrelevant to disposition of rights in copyright law, though Gunnels points out⁴⁴⁷ that the Government could seek reparation for the use of its time and materials, either by suing on the contract of employment or by the use of internal regulations prescribing such use.

On the third point the Court of first instance⁴⁴⁸ felt that "it is in the public interest for the Government to encourage intellectual development of its officers and employees, and to look with favour upon their making literary and scientific contributions", suggesting that this was also the practice followed by private industry. This, of course, begs the question whether private enterprise, guided as it is by the profit motive and with the flexibility to turn organisational 'slack' into money-making activities, should be an appropriate subject for analogy with the Government, which is constricted by vires and by its accountability to the taxpaying public for each penny spent. On the other hand, it seems perfectly reasonable that provisions designed to encourage learning and knowledge among men, such as the Copyright Title provides, should not be given the greatest opportunity to achieve their constitutional aims.

13.5 A brief comparison of American with English law

It may be concluded from the description of the two legal

systems that, in practice, any given case will be very likely decided with the same result on both sides of the Atlantic. Perhaps the main areas of difference between the jurisdictions lie in (i) the way in which the "for hire" notion differs from the detail of section 4 of the English Copyright Act, and (ii) the force of the 'indivisibility of rights' doctrine in America.

13.5.1 Contracts 'for hire' and 'of employment'

The provisions of the English law⁴⁴⁹ vest copyright initially in the author except where either traditional practice or modern commercial efficacy dictated; thus, since the commissioned artist, like Horace, would cede his work to his patron, the latter could be expected to enjoy full rights in it, and since the newspaper editor was preoccupied with the issue at hand and not with copyright for years to come, the author could expect to enjoy the distant fruits of his work. Both these customs were reflected in section 4; but it was for other sections⁴⁵⁰ to ensure that the 'maker' of a film was its proprietor for the purpose of copyright vestment, and to settle other problems of the twentieth century such as recordings and broadcasts. The legislative intent has been clear, though the Courts have not been free from interpretational difficulties (see 13.3., sup.), and the interests of certainty are provided in that all contracts which fall within the concise range of section 4 will be treated by that section, all others falling to be subject to the common law.

This emphasis upon certainty and detail in draughtsmanship has had one beneficial side-effect: from 1911, when the current

law took shape, to 1975, there have been only eleven cases reported which turned upon the meaning of a contract of employment or commission in relation to copyright ownership. In the United States there have been some thirty-five; the figure is slightly misleading though, since in twenty-four of these American cases the contract for hire was examined in relation to the renewal provisions peculiar to that country.

The American legislation is less complex than the British, reflecting the traditional reliance of that country upon disposition of rights by means of agreement between the parties, not government intervention; however, the simplicity of this approach has been marred in practice by the continuing uncertainty as to whether section 62 applies to all contracts for hire, or only contracts of employment for hire. The narrower view,⁴⁵¹ more consonant with the British law, has recently been dropped in favour of the wider,⁴⁵² which is consonant with the old American common law and which, it is submitted, is the better view of the law; not surprisingly, this change has met with some stiff criticism,⁴⁵³ especially for its handling of recent precedents.

One interesting point of contact between the two systems is that in each the Courts have given less weight to the intention of the parties as evidenced by the content of their agreement, but more weight to the form which the agreement takes (i.e. not 'what do the parties want?' but 'what is the consequence of their having entered this particular type of contract?'). This tendency reached its nadir in Beloff v. Pressdram Ltd.⁴⁵⁴ and Scherr v. Universal Match Corp.,⁴⁵⁵ cases in which the employer

was not concerned in publishing the type of work produced by an employee (in the one case an internal memorandum, in the other a statue made for exhibition by the Army) but the intention of the two parties to the contract of employment was not considered whereas the employment contract was given great weight and the author in each case was prevented from succeeding in an infringement action against a third party. These cases may be profitably compared with the common law copyright case of Williams v. Weisser,⁴⁵⁶ where the intentions and presumed intentions of a professor and his University were given a greater degree of consideration than the fact of the contract of employment.

13.5.2 Indivisibility of Rights

It is provided in section 4(2) of the English Act that in the case of literary, dramatic or artistic work made by an author in the course of his employment by a newspaper, magazine or periodical proprietor, that proprietor will not take the whole of the copyright, but only the copyright for the purposes of publication and republication in his journal; this is not just a licence to use the work - it is a monopoly right which entitles the proprietor ipso facto to license others to use the work for those narrowly-defined purposes, and to sue those who do not seek his licence. Another provision of the 1956 Act⁴⁵⁷ enables an exclusive licensee of the copyright owner to bring an action in his own name, without joining the copyright proprietor, if he wishes to protect his rights at law or in equity.

It can be seen from these provisions that the English law has no objections to the ownership of that 'bundle of rights' that is copyright being farmed out over any number of people each of whom 'own' their particular right. If I infringe the literary copyright in a short story, though, I am not taken as infringing the rights held by those who exploit, say, the exclusive right to make a motion picture, screenplay or a dramatic production out of that story; I infringe only the rights of he who holds the literary rights to the work.

This was not always so, for the common law,⁴⁵⁸ and current American doctrine⁴⁵⁹ does not accept that copyright is a 'bundle of rights' which can be split up from the initial grant of one right; the 'bundle' is indivisible in that one either owns the copyright or does not; one cannot be only partially a copyright owner any more than one can be half pregnant. The rationale of this indivisibility doctrine is founded on the sensible notion that one wrongful act ought not to be the basis of a multiplicity of actions.

However, the rigours of multiple action can be cured by legislation of the type now employed in the United Kingdom. As an example of the working of section 4(2), let us take the case of an artist A, who is employed by newspaper B to draw a weekly cartoon serial. If magazine C then copies the serial, B as proprietor will be able to sue, and A will not. However, if publisher D brings out an anthology of A's work, A and not B will be able to sue. If film company E brings out a celluloid version, B cannot sue, but A can, as can his exclusive licensee

under section 18, whose position is likened to that of an assignee, and who will sue in A's place.

Some suggestions have been made to the effect that the United States should remove this common law presumption of indivisibility, either by splitting 'for hire' rights in much the same way as the English statute does, or by vesting a totality of rights on a temporal basis, for a short while in the exploiting concern followed by a reversion to the author for the remnant of the copyright period, in the case of works made for hire.⁴⁶⁰ However, the pressures for reform are not strong when, for example, the film industry through its Writers' Guild Theatrical and Television Film Basic Agreement⁴⁶¹ has succeeded in persuading employers to accept limited but exclusive rights only, as has been the practice since the mid-1950s.⁴⁶²

13.6 Current British Practice and Problems

To all appearances neither authors nor their employers seem to find objectionable the working of section 4 of the 1956 Act and its allied investing provisions. This content can be explained in terms of three factors: (i) an ignorance of the workings of the law itself, (ii) a general lack of cases in which either party has suffered any individual hardship and (iii) a resourceful capacity to solve problems which do arise by means of contractual provisions.

13.6.1 Lack of knowledge of the Law

This factor appears in two guises, (i) as a want of knowledge

that the law is even applicable to a particular set of facts, and (ii) as a miscomprehension of the terms of the substantive law.

As to the first of these, it may be doubted whether any employees outside of the newspaper, media and entertainment industries ever stop to think about copyright law, for it very rarely affects them; they very often accept the notion that whatever they do for their employer or in their employer's time will automatically belong to that party, and both outside and inside the media industries this view is reinforced by employers who share that view. At the other end of the scale there are small local newspapers who have little idea that copyright is anything concerning the employment relationship. As one small-town newspaper proprietor puts it: "We don't think of ourselves as acquiring copyright so much as having a licence (from staff reporters)." ⁴⁶³

As to miscomprehension of actual legal provisions, there is much evidence, for even the decision in Beloff's case ⁴⁶⁴ cannot be regarded as definitive. One teaching union complains that it has received contradictory advice from counsel, ⁴⁶⁵ and now asserts that

Most of our policies have been based on the belief that there could be implied in most contracts of service a term which said that by reason of long-standing custom and practice, copyright in original work would belong to the university teacher irrespective of whether it was performed as part of his normal duties or not.

Unfortunately, the Courts have not given any support to such a theory in the past, for it has not been raised, and the custom

which is relied on is by no means universal;⁴⁶⁶ moreover, if such a principle is to be established, it must be through litigation, which is more costly and less predictable than the collective bargaining upon which most trade unions seek to rely.

Another example of iuris ignorantia may be cited from the same source as previously reflected local newspaper practice; the General Editor of Kent County Newspapers Ltd. affirmed his belief that the facts of Byrne v. Statist Co.⁴⁶⁷ would today be covered by the decision in Beloff;⁴⁶⁸ this is most likely not so, and it is a little disquieting when journalists are instructed and contracts signed every day upon the basis of legal misapprehensions.

13.6.2 The lack of hard or unfairly-decided cases

Those who advocate reform have been consistently unable to point to the law-books and show that authors and artists have been mistreated; this may be because there are no such cases, because there are but they are not reported, or because they are settled or stifled before litigation takes place.

Though the Institute of Practitioners in Advertising have apparently received a large number of enquiries from member employees wishing to change their jobs but uncertain what they can take with them, no other organisation would seem unduly oppressed by copyright ownership laws. The Royal Institute of British Architects states that "... our membership has not noticeably complained, in recent years, of exploitation of their work in relation to copyright."⁴⁶⁹ The Society of Authors,⁴⁷⁰

the Writers' Guild of Great Britain⁴⁷¹ and the Association of Scientific, Technical and Managerial Staffs⁴⁷² all concur in this opinion. In recent years only Nora Beloff could consider herself to be hard-done-by, and she was not the figure to evoke a maximum of public sympathy.

It is surprising that there have been no litigated cases involving universities and the ownership of teaching materials, a matter which has been given some serious attention both in the United States⁴⁷³ and France.⁴⁷⁴ Academics enjoy high mobility of employment, and it would not be unexpected if one day a disgruntled professor tries to stop his former university using his teaching materials after his departure, or if an university sought compensation for the continuing use by an ex-employee of materials prepared by him with his employer's time and money. In such a case the Courts would probably be forced to choose between the 'all-or-nothing' approach of Aflalo⁴⁷⁵ and Sweet v. Benning⁴⁷⁶ and the 'implied licence' approach of the R.I.B.A. cases.⁴⁷⁷

13.6.3 Contractual resourcefulness and collective bargaining

It has long been the practice of disgruntled employees to form together for the purpose of collective bargaining, and this has been done by several unions in the copyright industries, to protect the necessary interests of their members. Most active has been the Musicians' Union⁴⁷⁸ in respect of the creeping encroachment of recorded entertainment upon their members' employment prospects;⁴⁷⁹ the Association of Cinemato-

graphic, Television and Allied Technicians (ACTT),⁴⁸⁰ like the Musicians' Union, does not seek to take the ownership of copyright away from the employer, and also worries that the unfettered use of recorded materials will deprive members of further employment; however, ACTT is not able to restrict the broadcasting of recorded works, so its policy is to seek a residual interest in each repeat performance of a work made by its members.

The National Union of Journalists⁴⁸¹ faces a problem of a different sort, since it seeks to protect its freelance members (who earn higher commission than their salaried colleagues) from being treated like employees by the press industry. This protection has been given largely by collective bargains and by a Code of Practice whereby protection is also given against second use, and syndication, of journalists' work without compensation.

FOOTNOTES

Chapter XIII

1. See, e.g., First Trust Co. of St. Paul v. Minnesota Historical Soc., 146 F. Supp. 652 (1956), affirmed sub. nom. United States v. First Trust Co. of St. Paul, 251 F2d. 686 (1958); Leicester County Council v. M. Faraday & Sons Ltd., [1941] 2K.B. 205, Gibbon v. Pease, [1905] 1 K.B. 810
2. My emphasis.
3. Copyright Act, 1956, section 1(2).
4. lit. 'moral' rights though their significance is largely legal.
5. See 16.1, inf.
6. The best-known is the French law of 1957.
7. e.g. Copyright Act, 1956, section 43.
8. (1859) 2 Blatchf. 39, Fed. Cas. 640.
9. See 4 U.S. Statutes at Large, 436, §1.
10. (1826) 2 Russ. 385.
11. (1801) 3 Esp. 273.
12. (1785) 3 Swanst. 687.

13. (175) 3 Swanst. 672.
14. Citing there Gray v. Russell, (1839) 1 Story 11.
15. Copyright Act, 1956, section 2(1).
16. *ibid.*, section 2(2).
17. *ibid.*, section 2(5)(a) and (b).
18. Berne Convention (Paris Text, July 24th, 1971), article 5(1).
19. U.C.C. (Paris Text, July 24th, 1971), article II.1.
20. See also Nimmer, "Who is the Copyright Owner When Laws Conflict?", I.I.C. (1974) at 62, discussing Bodley Head Ltd. v. Flegon /1972/ R.P.C. 587.
21. 17 U.S.C. §1.
22. Vitaphone Corp. v. Hutchinson Amusement Co., 28 F. Supp. 526 (1939).
23. 17 U.S.C. §10. 13, 16, 22.
24. U.C.C. art. 111(1); 17 U.S.C. §9(c).
25. 17 U.S.C. §9(a).
26. *ibid.*, §26.
27. Olympia Press v. Lancer Books, Inc., 267 F. Supp. 920 (1967); cf. Bong v. Alfred J. Campbell Art Co., 214 U.S. 236 (1909).
28. See Nimmer on Copyright §§65.4 and 65.5.

29. Carte v. Evans, 27 F. 861 (1886), a case decided before the passage of 17 U.S.C. §26.
30. Olympia, n. 27 sup., at 925.
31. ibid., at 924.
32. Copyright Act, 1956, section 1(1).
33. ibid., section 2,3.
34. See Copinger and Skone James on Copyright, 11th. ed. (1971), ch. 4, 5.
35. Warwick Film Productions, Ltd. v. Eisinger, /1969/ Ch. 508.
36. Jefferys v. Boosey (1855) 4 H.L.C. 815, per Earle, J.
37. Kenrick & Co. v. Lawrence & Co., (1890) 25 Q.B.D. 99.
38. See Nimmer on Copyright §111.
39. See 17 U.S.C. §4-8.
40. Walt Disney Productions v. The Air Pirates, 345 F. Supp. 108 (1972).
41. Sheldon v. Metro-Goldwyn Pictures Corp., 81 F 2d. 49 (1936).
42. Toksvig v. Bruce Pub. Co., 181 F 2d. 664 (1950), Huie v. National Broadcasting Co., 184 F. Supp. 198 (1960); cf. Triangle Publishers Inc. v. The New England Newspaper Pub. Co., 46 F. Supp. 198 (1942).

43. Copyright Act, 1956 section 2(1), (2); in the U.S. the requirement is implied in the word 'author': Burrow-Giles Lithographic Co. v. Sarony, 111 U.S. 53, 57-8 (1884).
44. Walter v. Lane, [1900] A.C. 539; University of London Press Ltd. v. University Tutorial Press, Ltd. [1916] 2 Ch. 601; cf. Nicols v. Pitman, (1884) 26 Ch.D. 374. Also de Witt v. Brooks, (1861) MS, Neilson J., New York, Donoghue v. Allied Newspapers Ltd., 1958 Ch. 106 (concerning 'ghost writing').
45. See n. 44, sup.
46. *ibid.*, at 548-9; see also 9.0, 9.1, sup. cf. Alfred Bell & Co. v. Catalda Fine Arts, 191 F 2d. 99, 103 (1951).
47. N. 38, sup., at 609.
48. Bell, n. 46, sup., at 105.
49. Bleistein v. Donaldson Lithographic Co., 188 U.S. 239, 241 (1903): "Personality always contains something unique. It ...has in it something irreducible, which is one man's alone. That something he may copyright unless there is a restriction in the words of the act." However, the adaptation of a work from one medium to another does not constitute authorship: Siebert's Case, 70p. A.G. 656 (1856).
50. Stannard v. Harrison, (1871) 19 W.R. 811 at 813, per Bacon, V-C.
51. See Pearson v. Morris Wilkinson & Co., (1906) 23 R.P.C. 738.
52. Kenrick, n. 37, sup.

53. Nottage v. Jackson, (1883) 11 Q.B.D. 627 at 632; approved in Bleistein, sup., n. 49.
54. Jackson v. Jones, (1934), unreported, Copinger and Skone James 10th ed., §721, p. 273, 26.
55. /1941/ 3 All E.R. 144.
56. Hanfstaengel v. Empire Palace, /1894/ 3 Ch. 109, Trade Auxiliary Co. Ltd. v. Jackson, (1887) 4T.L.R. 130; cf. Bradbury, Agnew & Co. v. Day, /1916/ W.N. 114 (effect of 1 & 2 Geo. V. c. 46 section 1, explained by Lord Coleridge J.)
57. See the interesting case of Seager v. Copydex, /1967/ 1 W.L.R. 923.
58. Copyright Act, 1956, section 12(1).
59. ibid., sections 2(3), 12(3), 13(3).
60. Copyright Act, 1956, section 2(5).
61. 17 U.S.C. §5(n).
62. 17 U.S.C. §4; Congress has power to protect the 'writings' of 'authors', so films are 'writings', their makers 'authors'.
63. In practice though use of contracts has sought to avoid any resultant problems: see 13.2, inf.
64. For full provision see section 13(3).
65. Section 13(10).
66. 17 U.S.C. 5(b), (m).

67. 5 & 6 Vict. c. 42, section 15.
68. Copyright Act, 1911, section 5.
69. See ch. 14, inf.
70. See 13.1, sup.
71. e.g. moral rights (not strictly speaking 'copyright'), ch. 16, inf.
72. See 13.3, inf.
73. See, e.g., 13.2.3, cases discussing 5 & 6 Vict. 42, section 15.
74. See especially the common law cases at 13.2.3.
75. 8 Ann. c. 19 (1709).
76. *ibid.*, section.1.
77. *ibidem*.
78. For Parliamentary recognition of the narrow boundaries of literacy see 61 H.C. Deb. 3s., cols. 1349-50 (1842).
79. See Whalo, Copyright, 1971, ch. 1: "Theory and History", *Recht, Le Droit d'Auteur, une nouvelle forme de propriété*, 1969, ch. 1.
80. e.g. Jefferys v. Baldwin, n. 87, inf.; Sayre v. Moore, n. 91, inf.; Blackwell v. Harper, (1740) 2 Atk. 92.

81. See Bach v. Longman, (1777) 2 Cowp. 623.
82. i.e., should be narrowly construed: Blackwell, n. 80, sup., at 93.
83. 8 Geo. 11 c. 13, (1735), 7 Geo. 111 c. 38, (1766), 17 Geo. 111 c.57, (1777).
84. Under the doctrine of originality anyone can enjoy copyright in any famous work, should they write it independently of the original.
85. e.g., 'inventors' protected in 8 Geo. 11 c.13.
86. Such would not be a 'true and first' inventor under the Statute of Monopolies, 21 Jac. 1 c. 3, (1624).
87. (1753) Amb. 164.
88. *ibid.*, at 165; this case was decided under 8 Geo. 11 c. 13.
89. As such he could bring an action under section 1 of the Act.
90. (1785) 3 Swanst. 687.
91. (1785) 1 East 361n.
92. See Cary v. Longman, (1801) 1 East 358.
93. His Lordship said: "... We must take care to guard against two extremes equally prejudicial; the one, that men of ability, who have employed their time for the service of the community, may not be deprived of their just merits, and the reward of their ingenuity and labour; the other,

that the world may not be deprived of improvements, nor the progress of the arts be retarded. The act that secures copyright to authors guards against the piracy of the words and sentiments..."

94. (1788) 2 Camp. 27n (reported in 1809).
95. (1801) 3 Esp. 273 at 274; the report at 1 East 358 is markedly different and does not contain this quotation.
96. Cary, *ibid.*, at 273.
97. (1803) 4 Esp. 168.
98. *ibid.*, at 169.
99. *ibidem.*
100. See 13.3, *inf.*; also Sweet v. Shaw, (1839) 3 Jac. 217 at 219 (per Shadwell V-C), Bishop of Hereford v. Griffin, (1848) 16 Sim. 190 and Hazlitt v. Templeman, (1866) 13 L.T.N.S. 593, where the embryonic doctrine is applied but not developed.
101. (1824) 2 L.J.Ch. (O.S.) 90; confusingly similar but different litigation between the same parties can be found at 2 Sim. & St. 1 and 1 Sim. 494.
102. *ibid.*, at 101.
103. *ibid.*, at 101-2.
104. See 63 H.L.Deb. 3s. cols. 792-3.
105. The sixty years following Sweet v. Shaw, n. 100, *sup.*, were

a period of intensive copyright litigation without parallel before or since over questions of ownership and authorship.

106. 61 H.L. Deb. 3s. cols. 1345-1403.
107. *ibid.*, at 1347-9.
108. 5 & 6 Vict. c. 45.
109. *ibid.*, section 3.
110. *ibid.*, section 11.
111. My parenthetical partitions, for more easy analysis.
112. Brown v. Cooke, (1840) 16 L.J.Ch. 140, Walter v. Howe, (1881) 17 Ch.D. 708, Trade Auxiliary Co. Ltd. v. Jackson, (1887) 6 T.L.R. 130, Collingridge v. Emmott, (1888) 57 L.T.N.S. 864.
113. Richardson v. Gilbert, (1851), 1 Sim. (N.S.) 336.
114. *ibid.*, at 337-8.
115. Lamb v. Evans, 1893 1 Ch. 218 at 225; Delf v. Delamotte, (1857) 3 Jur. (N.S.) 933 at 934.
116. *ibidem*; also Sweet v. Benning, (1855) 16 C.B. 459 at 480.
117. Trade Auxiliary Co. Ltd. v. Middlesborough Tradesmen's Protection Association, (1889) 40 Ch.D. 425 at 430.
118. Brown, n. 112, *sup.*, at 144.
119. Stubbs Ltd. v. Howard, (1895) 11 T.L.R. 507.
120. n. 117, *sup.*

121. Smith v. Johnson, (1863) 4 Giff. 63, per Stuart, V-C.
122. cf. Barfield v. Nicholson, n. 101, sup.
123. Grace v. Newman, (1875) L.R. 19 Eq. 623; Delf, n. 115 sup., per Hall V-C, cf. submissions of counsel, ibidem.
124. 15 Geo. 111 c. 53.
125. Dramatic Copyright Act, 1833, 3 & 4 Will. 4 c. 15.
126. 25 & 26 Vict. c. 68, section 1.
127. Cox v. Cox, (1853) 11 Hare 118, Howard v. Gunn, (1863) 32 Beav. 462.
128. The only reference to Parliamentary intention as to section 18 can be found at 63 H.L. Deb. 3 s. cols. 792-3 and this is not supported by subsequent developments.
129. n. 116, sup.
130. ibid., at 480.
131. ibidem.
132. See Lamb v. Evans, n. 115, sup.; Robb v. Green, /1895/ 2 Q.B. 315.
133. It has been pointed out that the same development occurred in patent law: see Morris, "Patent Rights in an Employee's Invention: the American Shop Right Rule and the English View", (1959) 75 L.Q.R. 483.

134. n. 115, sup.
135. *ibid.*, at 220.
136. *ibid.*, at 222.
137. *ibidem.* This same argument was not accepted by Bailhache J. in Byrne v. Statist Co., [1914] 1 K.B. 622.
138. *ibid.*, at 225.
139. See, e.g., Bowen L.J. at 227-8.
140. [1904] A.C. 17.
141. [1902] 1 Ch. 264.
142. [1903] 1 Ch. 318.
143. n. 112, sup.
144. [1894] 3 Ch. 663.
145. n. 142, *sup.*, at 326-7.
146. Walter v. Howe, n. 113, *sup.*, was discredited because Sweet had not been cited to that Court, and Johnson v. Newnes, n. 144, *sup.*, was ignored.
147. n. 140, *sup.*, at 21-2 (per Lord Halsbury L.C.) and see at n. 131.
148. *ibid.*, at 17 (headnote); cf. Frowde v. Parrish, (1896) 27 Ont. Rep. 526.
149. Curiously enough this is not a 'copyright', so the author

- can seek his remedy without registration: Mayhew v. Maxwell, (1860) 1 J. & H. 312.
150. 25 & 26 Vict. c. 68 (see Appendix for full text).
151. Pollard v. Photographic Co., (1889) 40 Ch.D. 345.
152. *ibid.*, at 353.
153. Melville v. Mirror of Life Co., /1895/ 2 Ch. 531.
154. *ibid.*, at 536.
155. Boucas v. Cooke, /1903/ 2 K.B. 227; also Ellis v. Marshall (H.) & Son, (1895) 64 L.J.Q.B. 757.
156. Boucas, n. 155, *sup.*, at 235-6.
157. n. 97, *sup.*
158. n. 101, *sup.*
159. n. 75, 83, *sup.*
160. n. 127, *sup.*
161. *ibid.*, at 122.
162. In any event it would assume that copyright was vested in the employer subject to a limited right of retainer in the author.
163. (1856) 17 C.B. 427.
164. (1859) 7 C.B.N.S. 268.
165. (1867) 16 L.T. 453.

166. (1888) 20 Q.B.D. 378.
167. n. 116, sup.
168. mis-citing Bloxam v. Elsee, (1825) 1 Car. & P. 558, Whitehouse's Patent, (1838) 1 W.P.C. 473 and Allen v. Rawson, (1845) 1 C.B. 551; ch. 10, sup.
169. AT 445.
170. n. 163, sup., at 444.
171. 3 & 4 Will. IV c. 15.
172. n. 164, sup.
173. The doctrine of estoppel was not so well developed in the mid-nineteenth century; see, e.g. Jorden v. Money, (1854) 5 H.L.C. 185, where estoppel applied only to misrepresentations of existing fact.
174. See Cary v. Kearsley, n. 97, sup.
175. cf. Barfield v. Nicholson, n. 101, sup.; but if the employer makes trifling alterations to an otherwise independent work he does not become the author, nor even 'co-author': Levy v. Rutley, (1871) L.R.6 C.P. 523.
176. n. 168, sup.
177. n. 165, sup.
- 178, *ibid.*, at 281.
179. See Drone, Treatise on the Law of Property in Intellectual Productions... (1879) at 251-4, Copinger on Copyright,

2nd ed. (1881) at 129.

180. n. 166, sup.
181. *ibid.*, at 383.
182. *ibid.*, at 384.
183. *ibid.*, at 383.
184. *ibid.*, at 382.
185. n. 127, sup.
186. Gee v. Pritchard, (1818) 2 Swanst. 402.
187. Or real property; orig. from 'proprius' - 'one's own'.
188. Exchange Telegraph Co. Ltd. v. Gregory & Co. [1896] 1 Q.B. 147.
189. Gartside v. Outram, (1858) 26 L.J. Ch. 113.
190. Gee, n. 186, sup.
191. (1887) App. Cas. 326.
192. (1887) 3 T.L.T. 286.
193. The Commission was concerned to a great extent with international law, which does not concern this work.
194. Drone, *op.cit.* n. 179, Preface at v-vi; Scrutton, The Law of Copyright, 4th ed. (1903), Preface, at vi.
195. See Appendix for full text.

196. 29 H.C. Deb. 5s. col. 2133 et seq.
197. Such agreement need be written, nor even certain:
Leah v. Two Worlds Publishing Co., /1951/ Ch. 393.
198. Geographia Ltd. v. Bacon & Co. Ltd. /1914/ MacG. Cop. Cas. 179, Massie & Renwick, Ltd. v. Underwriters Survey Bureau Ltd. /1940/ S.C.R. 218.
199. Common law would probably have arrived at the same conclusion: see re Marryat, /1948/ Ch. 298.
200. See, e.g. David and Woodley's Application, (1884) Griff. P.C.26.
201. n. 137, sup., at 626-7, approved in Stevenson, Jordan & Harrison Ltd. v. MacDonald & Evans, /1951/ 1 T.L.R. 101.
202. n. 197, sup.
203. ibid., at 399.
204. See, e.g., Savory (E.W.) Ltd. v. World of Golf, Ltd. /1914/ 2 Ch. 516.
205. Copyright Act, 1956, section 4(3).
206. /1921/ MacG. Cop. Cas. 219.
207. /1921/ 1 Ch. 503.
208. cf. Hatton v. Kean, n. 164, sup.
209. n. 205, sup.

210. 553 H.C.Deb. 5s. col. 715: "This is a large and complex Measure. Its first purpose is to restate the law...", per Mr. P. Thorneycroft, President of the Board of Trade. See also Leaper, Copyright and Performing Rights (1957) at 145, where a Select Committee and the House of Lords expressed some uncertainty over section 4.
211. See 558 H.C. Deb. 5s. cols. 725, 735, 737, 745, 747, 756, 768, 774, 777-9, 782, 787, 792-3 and 810.
212. See Appendix for full text.
213. /1973/ 1 All E.R. 241.
214. Section 4(3) of the 1956 Act is equivalent to section 5(1) (a).
215. Section 12(4).
216. Section 13(1).
217. Section 13(10).
218. Whale, Copyright (1970) at 96; the 'maker' will usually be a body corporate.
219. See Nottage v. Jackson, (1883) 11 Q.B.D. 627 at 632.
220. Section 4(1).
221. Section 37(1).
222. e.g. Warren v. Henlys/1948/ 2 All E.R. 935, Limpus v. London

General Omnibus Company, (1862) 1 H & C 526.

223. e.g., Waites v. Franco-British Exhibition, (1909) 25 T.L.R. 441, Simmons v. Heath Laundry Co., /1910/ 1 K.B. 543, Short v. J. & W. Henderson Ltd., (1946) 39 B.W.C.C. 62.
224. e.g., Wilson & Clyde Coal Co. v. English, /1938/ A.C. 57.
225. e.g. Powell v. Lee, (1908) 99 L.T. 283.
226. e.g. Ready-Mixed Concrete (London) Ltd. v. Cox, /1971/ 10 K.I.R. 273.
227. See e.g. Ready-Mixed Concrete (South-East) Ltd. v. Ministry Pensions and National Insurance, /1968/ 2 Q.B. 497.
228. See J. Willis, "Statutory Interpretation in a Nutshell", (1938) 16 Can. Bar Rev. 1 at 20-6.
229. See e.g. the dissenting judgment of Denning L.J. in Lister v. Romford Ice & Cold Storage Co. Ltd. /1956/ 2 Q.B. 180,186.
230. Consolidating and repealing Acts of 1897 and 1900; some statutes have special definitions of 'employee', e.g. Industrial Relations Act, 1971, section 167, Trade Union and Labour Relations Act, 1974, section 30; such special definitions have not been applied where ownership of intellectual property has been in dispute.
231. See, e.g. Waites, Simmons, n. 223, sup.; also re Winter German Opera Ltd., /1907/ 23 T.L.R. 662.

232. Ashley v. Smith Ltd., /1918/ 2 Ch. 378, Walker v. Crystal Palace F.C., /1910/ 1 K.B. 87.
233. n. 223, sup.
234. Lister v. Romford Ice Co., /1957/ A.C. 555.
235. Shepherd v. Conquest, n. 163, sup., at 144.
236. /1913/ 2 Ch. 279.
237. n. 232, sup.
238. n. 223, sup.
239. see n. 230, sup.
240. *ibid.*, at 285; cf. Burke v. Spicers Dress Designs, /1936/ Ch. 400.
241. Antocks Lairn Ltd. v. Bloohn Ltd. /1972/ R.P.C. 219.
242. See Beloff v. Pressdram Ltd., /1973/ 1 All E.R. 241 at 250.
243. /1968/ 3 All E.R. 732.
244. Bowstead on Agency (1968), p. 8.
245. The word 'employer' was customarily used to denote any contract relation where one party did something at the request or command of another: Jefferys v. Baldwin, (1753) 1 Amb. 164, Sayre v. Moore, (1785) 1 East 361n, Levy v. Rutley, (1871) 17 L.R. 6 C.P. 523, Tuck & Sons v. Priester, (1887) 19 Q.B.D. 629, Kenrick & Co. v. Lawrence & Co., (1890) 25 Q.B.D. 99.

246. Copyright Act, 1956, Section 4(4).
247. Sweet v. Benning, (1855) 16 C.B. 459.
248. Contracts of Employment Act, 1972, section 4.
249. Ready-Mixed Concrete, n. 227, sup., at 512-3.
250. n. 246, sup.; substantially the same formula as Copyright Act, 1911, section 5(1)(b).
251. Stevenson, Jordan and Harrison v. MacDonald and Evans Ltd., (1951) 68 R.P.C. 190 at 194 (per Lloyd-Jacob J.), /1952/ 1 T.L.R. 101 at 105 (per Sir Raymond Evershed, M.R.).
252. University of London Press Ltd. v. University Tutorial Press Ltd., /1916/ 2 Ch. 601 at 612; Stevenson, n. 251, sup. at 194; Byrne v. Statist Ltd., /1914/ 1 K.B. 622 at 627.
253. Stevenson, n. 251, sup., at 194; Byrne, n. 252, sup., at 627.
254. Byrne, ibidem.
255. ibidem.
256. University of London, n. 252, sup.
257. Stevenson, n. 251, sup.
258. /1952/ 1 T.L.R. 101 at 106.
259. n. 197, sup. It is not apparent to the writer which facts formed the basis of this implication.

260. n. 252, sup.
261. *ibidem*.
262. n. 251, sup.
263. n. 242, sup.
264. n.252, sup.
265. *ibidem*.
266. n. 251, sup.
267. *ibid.*, at 104.
268. See Lawrence & Bullen Ltd. v. Aflalo, [1904] A.C. 17, 21-2 (per Earl of Halsbury L.C.), Sweet v. Benning, n. 247, sup., at 480 (per Jervis C.J.).
269. Fitch v. Atomic Energy Commission, 491 F.2d 1392 at 1395.
270. My emphasis.
271. My emphasis.
272. Gale v. Leckie, (1817) 2 Star. 107.
273. Rigby v. Connol, (1880) 14 Ch. 482 at 487.
274. Gale, n. 272, sup., at 110.
275. 21 & 22 Vict. c. 27.
278. See chapter 9, sup. (Restrictive covenants).

279. See generally chapter 11, inf.
- 279a. Litholite Ltd. v. Thomas Travis and Insulators Ltd., (1913)
30 R.P.C. 266.
280. Murray v. Heath, (1831) 1 B & Ad. 804; Copyright Act, 1956,
section 17.
281. Floyd v. Cheney, [1970] 1 All E.R. 446 (applying Robb v.
Green, [1895] 2 Q.B. 315.
282. Tuck & Sons v. Priester, n. 245, sup.
283. Copyright Act, 1956, section 18(2); cf. Mansell v. Valley
Printing Co., [1908] 2 Ch. 441.
284. Marshall v. Broadhurst, (1831) 1 Cr. & J. 404.
285. Poplett v. Stockdale, (1825) 1 Ry & M. 337.
286. Hime v. Dale, (1803) 2 Camp. 27n.
287. Lawrence v. Smith, (1822) Jac. 471.
288. Wright v. Tallis, (1845) 1 C.B. 893.
289. For a full discussion of this area of law, see Phillips,
"Copyright in Obscene Works: some British and American
Problems" (1976), to be published in the Anglo-American
Law Review.
290. cf. 5 & 6 Vict. c. 45, section 18, discussed sup., at 13.2.
291. Stevens v. Benning, (1855) 1 K & J 168, approved in
Griffith v. Tower Publishing Co., [1897] 1 Ch. 21; Hole

- v. Bradbury, (1879) 12 Ch.D 886.
292. Gibson v. Carruthers, (1842) 8 M & W 321 at 343.
293. Booth v. Richards, /1910/ MacG. Cop. Cas. 284.
294. Instone v. A. Schroeder Music Publishing Co., /1974/ 1 W.L. W.L.R. 1308.
295. Companies Act, 1948, section 319(b).
296. re Grant Richards, e.p. Deeping, /1907/ 2 K.B. 33; cf. 29 H.C. Deb. 5s. col. 2136 (1911).
297. Henham v. Alston Rivers, Ltd., /1917/ MacG. Cop. Cas. 330.
298. Performing Rights Society Ltd. v. London Theatre of Varieties Ltd., /1924/ A.C. 1; cf. Copyright Act, 1956, section 37.
299. Performing Rights case, *ibid.*
300. Reading Collingridge v. Emmott, (1888) 57 L.T. (N.S.) 864 with Ware v. Anglo-Italian Agency Ltd., /1922/ MacG. Cop. Cas. 346; but see Merchant Adventurers Ltd. v. M. Grew & Co. Ltd., /1971/ F.S.R. 233 (held, the affidavit need only state the author to be 'employed' and need not specify a contract of service).
301. See Ready-Mixed Concrete, n. 227, *sup.*, at 512-3.
302. O'Brien v. Northern Fire Alarms, /1968/ 1 W.L.R. 1916 at 1923.

303. Taking Aflalo's case, n. 268, and Lamb, n. 277, sup. with Beloff, n. 242, sup.
304. RIBA Conditions of Engagements and Scale of Professional Fees, 1962, 1966.
305. /1971/ 2 W.L.R. 503.
306. Beck v. Montana Construction Proprietary Ltd., (1964-5) N.S.W.R. 229 at 235; cited in Blair, n. 305, sup., at 507.
307. Beck, *ibid.*, at 235; Blair, *ibid.*, at 509.
308. per Denning M.R. at 507, Widgery L.J. at 509.
309. (1853) 11 Hare 118.
310. (1803) 4 Esp. 168.
311. n. 277, sup.
312. n. 268, sup.
313. e.g. Exchange Telegraph Co. Ltd. v. Central News Ltd., /1897/ 2 Ch. 48.
314. (1971) 115 Sol. Jo. 568.
315. Article 1, section 8, clause 8.
316. For the meaning of 'author' see 13.1, sup.
317. 1 Stat. 124 (1790), 4 Stat. 436 (1831), 16 Stat. 198 (1870).
318. See 13.2, sup.; also re Dickens, /1935/ Ch. 267, Pulte v. Derby, (1852) 5 McLean 328 at 331.

319. Heine v. Appleton, (1857) 11 Fed. Cas. 1031.
320. *ibid.*, at 1033.
321. Shepherd, Hatton and Wallerstein, at 13.2.
322. Roberts v. Myers, (1860) 20 Fed. Cas. 898 at 899.
323. *ibid.*,; followed in Boucicault v. Fox, (1862) 3 Fed. Cas. 977.
324. (1870) 13 Wall. 603; cf. Ti. 17 U.S.C. §24.
325. *ibidem*.
326. 128 U.S. 244 (1888).
327. 128 U.S. 617 (1888).
328. See Wheaton v. Peters, (1834) 8 Pet. 591, Little v. Gould, (1951) 2 Blatchf. 165.
329. Callaghan, n. 327, *sup.*, at 647.
330. cf. National Development Corporation v. Gray, 316 Mass 240, 246 (1944).
331. See Gill v. United States, 160 U.S. 426, 455 (1896), Solomons v. United States, 137 U.S. 342 (1890).
332. Grace v. Newman, (1875) L.R. 19 Eq. 623, cited in Yuengling v. Schile, 12 F. 97, 105-6 (1882).
333. 94 F. 152 (1899).
334. On the effect of reservation see Werckmeister v. Springer Lithographic Co., 63 F. 808 (1894).

335. 102 F. 892 (1899).
336. *ibid.*, at 984.
337. 144 U.S. 388 (1892).
338. *ibid.*, at 504; these facts would be as consistent with a licence as with an assignment, see Rundell v. Murray, (1821) Jac. 311.
339. n. 336, *sup.*
340. n. 331, *sup.*
341. n. 326, *sup.*
342. n. 327, *sup.*
343. See 13.1; (1859) 2 Blatchf. 39.
344. e.g. Atwill, n. 343, *sup.*; cf. Pulte, n. 318, *sup.*
345. 188 U.S. 239, 248-9 (1903).
346. 190 U.S. 263 (1903).
347. Now Ti. 17 U.S.C. §24; for full text, see appendix.
348. Now Ti. 17 U.S.C. §26.
349. But see Ti. 17 U.S.C. §12.
350. The words 'date of publication' do not in fact appear in the Act; but 'date of first publication' does, in section 23.
351. See Nimmer on Copyright (1973) §6.3.

352. Now Ti. 17 U.S.C. §19.
353. See Bleistein, n. 345, sup.; Mifflin, n. 346, sup.
354. e.g. §§2,4,9,12,22,24 (main clause and proviso).
355. Section 1 grants the right to 'print, reprint, publish, copy, and vent the copyrighted work'; but since it is not copyrighted until it is published, ipso facto the right to publish is not protected. See also section 9 (now section 10).
356. The United States is not signatory to this Convention, but a large number of countries are.
357. See Nimmer, op.cit., n. 351, sup., at §6.3 and cases therein cited.
358. Now Ti. 17 U.S.C. §9.
359. No-Leak-O Piston Ring Co. v. Norris, 277 F. 951 (1921).
360. *ibid.*, at 954.
361. W.H. Anderson Co. v. Baldwin Law Pub. Co., 27 F.2d 82,88 (1928).
362. *ibidem*.
363. Cohan v. Richmond, 19 F. Supp. 771, 773, (1937), following Anderson, n. 361, sup. In neither case was 62 mentioned.
364. Tobani v. Carl Fischer, Inc., 98 F. 2d 57 (1938).
365. 254 F. 113 (1918).

366. *ibid.*, at 118, citing the old cases of Moore v. Rugg, 44 Minn. 28 (1890), Press Publishing Co. v. Falk, 59 F. 324 (1894).
367. 31 F.2d 583 at 586.
368. 57 Wash. L. Rep. 286, 290 (1929).
369. 62 F. 2d 881, 887 (1932).
370. 81 F. 2d 373, 375-6, 377 (1936).
371. 20 F. Supp. 135, 136 (1937).
372. 108 F.2d 28, 31 (1939).
373. 189 F. 215 (1911).
374. *ibid.*, 217.
375. *ibidem.* In this case the corporation in fact claimed to be "author" of such parts of the work as were attributable to the exercise of its own skill, and "proprietor" of such parts as were produced for it by employees: *ibid.*, at 216, 217.
376. But see n. 413, *inf.*
377. 40 F.2d 290 (1930).
378. *ibid.*, 291.
379. n. 364, *sup.*
380. 7 & 8 Ann. c. 19 (1709).

381. n. 364, sup., at 60.
382. *ibidem*.
383. n. 385, inf., at 699, per Learned Hand, Circuit Judge.
384. No-Leak-O, n. 359, sup.
385. 123 F.2d 697.
386. *ibid.*, at 699.
387. n. 369, sup.
388. Von Tilzer v. Jerry Vogel Music Co., 53 F. Supp. 191, 194 (1943).
389. This decision was affirmed sub nom. Gumm v. Jerry Vogel Music Co., 158 F.2d 516 (1946) but there was no further analysis of this point.
390. 61 Stat. 652.
391. 17 U.S.C.A. §26, at 137 (historical note).
392. 369 F. 2d 565 (1966).
393. See e.g., Altman, n. 365, Hoague-Sprague, n. 367, Bleistein, n. 345, sup.
394. n. 392, sup., at 567.
395. Brattleborough, as interpreted by Judge Lasker in Irving J. Dorfman Co. v. Borlan Industry Inc., 309 F. Supp. 21, 23 (196).

396. n. 364, sup.
397. n. 385, sup.
398. n. 365, sup., at 118.
399. See Yardley, n. 372, Hoague-Sprague, n. 367, Altman, n. 365, Bleistein, n. 345, and U.S. Ozone, n. 369, sup.
- 400.= Fred Fischer Music Co. v. M. Witmark & Sons, 318 U.S. 643, 656 (1943), Shapiro, Bernstein v. Bryan, n. 385, sup., at 699.
401. Fisher, n. 400, sup.
402. Shapiro, n. 385, sup.
403. See Picture Music Inc. v. Bourne, 457 F.2d 1213 (1972).
404. 417 F.2d 497 (1969); a similar decision was reached in Kinelow Publishing Co. v. Photography in Business Inc., 270, F. Supp. 851 (1967).
405. *ibid.*, at 500.
406. *ibid.*, at 502.
407. *ibid.*, at 502-3.
408. Picture Music, n. 403, sup.
409. American Copyright Law (1917), §1637, citing Roberts v. Myers, n. 322, sup.

410. Copyright Law and Practice (1936), p. 564, §4.
411. Law of Copyright and Literary Property (1944), p. 197.
412. *ibid.*, at 206.
413. n. 377, *sup.*
414. Howell's Copyright Law (1962), 4th ed., p. 52.
415. *cf.* Bricker, "Ownership of Copyrights" (1962), 9 Bull.Cr. Soc. 451, 452.
416. See Varmer, "Works made for Hire and on Commission" (1958), Copyright Law Revision Studies, No. 13, p. 128.
417. 'Nimmer on Copyright' (1973) §6.3.
418. *cf.* Industries which consume, rather than output, literary or similar works, e.g. universities, where there must be a special duty to create, or an understanding that the university will possess copyright, or it will not: see Williams v. Weisser, 78 Cal. Rptr. 542, 545 (1969), Manasa v. University of Miami, (175) PTCJ 10-30-75, A4.
419. Storer Broadcasting Co. v. Jack the Bellboy Ltd., 107 F. Supp. 988 (1952); Autry v. Republic Reproductions Inc., 104 F. Supp. 918 (1952).
420. Enoch Prod. Co. v. Killiam Shows Inc., 187 USPQ 270, 276 (1975).

421. Rohauer v. Friedman, 306 F. 2d 933, 936 (1962).
422. LinBrook Builders Hardware v. Gertler, 352 F. 2d 298, 300 (1965), following Tumey v. Little, 186 N.Y.S. 2d 94 (1959).
423. Gustave v. Zuppiger, (1975) 253 PCTJ A5; Autry, n. 419, sup.
424. Shapiro, Bernstein & Co. Inc. v. Jerry Vogel Music Co. Inc., 115 F. Supp. 754 (1953).
425. Donaldson Pub. Co. v. Bregman, Vocco & Conn, Inc., 375 F. 2d 639 (1967); Jerry de Nicola, Inc. v. Genesco, Patula & Co., 188 USPQ 304, 305 (1976).
426. Shapiro v. Vogel, n. 424, sup.
427. Picture Music v. Bourne, n. 403, sup.
428. 'Nimmer' op.cit., n. 417, at §114.4.
429. Donaldson, n. 425, sup.
430. Siegel v. National Periodical Publications Inc., 364 F. Supp. 1032, 1037 (1973); but such an assignment may be enforceable under State, not Federal law, unless the interpretation of the copyright statute is at stake: Royalty Control Corp. v. Sanco, Inc., 175 USPQ 641 (1972).
431. Formerly section 7.
432. Eggers v. Sun Sales Corp., 263 F. 373 (1920).

433. Sawyer v. Crowell Pub. Co., 142 F.2d 497 (1944). As a matter of policy the Courts have restricted the ambit of section 8 to 'printed' works only, and not, e.g. statutes: see Scherr, n. 404, sup., at first inst., 297 F. Supp. 107, discussed in 'Nimmer', op.cit., at §66, p. 266.2.
434. 'Nimmer', *ibid.*,
435. *ibidem.*
436. Sherrill v. Grieves, 57 Wash. L. Rep. 286, 290 (1929), Rickover, n. 444, *inf.*, at 604.
437. R. Aland, "Copyright Protection Afforded Officials and Employees of the Federal Government" (1962) 15 Ala. L. Rev. 120, 121.
438. See n. 433, sup.
439. See W. Landry, "Governmental Action Affecting the Rights of Authors and Inventors" (1958) 32 Tul. L. Rev. 724, 725.
440. e.g. Sawyer, n. 433, sup.
441. Sherrill, n. 436, sup.; cf. Scherr, n. 404, sup.
442. n. 437, sup., at 128-130.
443. "Copyright Protection for Writers Employed by Federal Government" (1960) W.U.L.Q. 182.
444. Public Affairs Associates Inc. v. Rickover, 117 F. Supp. 601 (1959), 284, F.2d 262 (1960), 269 U.S. 111 (1962), vacated for lack of record.

445. N.Y. Times, 7th March, 1961, p. 27, col. 8.
446. See 10.3, sup.
447. n. 443, sup., at 187.
448. n. 444, sup., at 604-5.
449. Copyright Act, 1956, section 4: see Appendix for full text.
450. See Copyright Act, 1956, Part II.
451. e.g. Yardley v. Houghton Mifflin Co. Inc., 108 F. 2d 28 (1939).
452. Picture Music, n. 403, sup.
453. 'Nimmer', op.cit., at §114.4.
454. n. 263, sup.,; cf. comments of Tomlin J. in Black (A & C) Ltd. v. Claude Stacey Ltd., (1928) 44 T.L.R. 347, 348, on the inefficiency of letting artificial and often insignificant distinctions become the author of copyright ownership.
455. 417 F.2d 497 (1969).
456. n. 418, sup.
457. section 19(2), (9).
458. Jefferys v. Boosey, (1855) 4 H.J.C. 815.
459. See 'Nimmer', op.cit., §118, A. Kaminstein, Divisibility of Copyrights, Copyright Office Study No. 11.

460. See Varmer, n. 416, sup., at 141 et seq.; cf. comments of Prof. Nimmer, *ibid.*, at 154.
461. 1970, clause 16, amended 1973.
462. See Nimmer, n. 460, sup.
463. Interview with Mr. Hews (General Editor), Kent County Newspapers Ltd., May, 1975.
464. n. 263, sup.
465. Letter from Association of University Teachers, April, 1974.
466. See, e.g., the Open University, discussed in H. Bloom, "The Teacher's Right in his Teaching Materials", (1973) *J.S.P.T.L.* 333, 345-7.
467. n. 252, sup.
468. n. 263, sup.
469. Letter of Mr G. Rimmer, Assistant Information Officer, April 1974.
470. Letter of May, 1974.
471. Telephone Conversation, April, 1974.
472. Interview with Mr. B. Sherman, Publicity Officer, June, 1974.
473. See Williams v. Weisser, n. 418, sup.; also Manasa, *ibidem*.
474. See G. Lyon-Caen, "La Publication des Cours des Professeurs du Faculté" (1965) *RIDA* 136, M. Gautreau, "Un Principe

conteste; le Droit pecuniaire de l'Auteur salarie ou fonctionnaire" (1975) RIDA 129.

475. n. 140, sup.

476. n. 116, sup.

477. See 13.3.7, sup.

478. See 16.3, inf.

479. See Denis Thomas, Copyright and the Creative Artist (1967) quoting Peter Wilsher, Sunday Times of 29th September, 1963 to the effect that in 1923 only 2,000 of the union's 28,000 members were in full-time employment.

480. Letter of April, 1974.

481. Letter of April, 1974.

C H A P T E R X I V

INDUSTRIAL DESIGNS

14.0 Introduction

The concept of 'design copyright', 'registered design' or 'industrial design' was first formally conceived in 1842¹ as a synthesis of pre-existing legislation² protecting the patterns of certain cloths and the shapes of certain models. The protection granted by this innovation was effectively a monopoly over the sale, manufacture and use of a shape, pattern or configuration as applied to a class or to several classes of manufactured objects where such shape or pattern was not dictated solely by the function of the object to which it was applied.³ Clearly such a design is the product of intellectual activity, and since the form which a design takes could be identified and copied, it was thus an appropriate subject for legal protection. Moreover, in 1842 it was quite incapable of

enjoying protection under the patent law, since it was not a 'new manner of manufacture' within the Statute of Monopolies, and it was equally incapable of protection under the then copyright law,⁴ shapes and patterns not being works of fine art; thus came about design copyright.

When the Patent Office was established in 1883⁵ it seemed natural to Parliament that designs of industrial application, and trademarks, be registered at that Office as well as patents. Copyrights were not included, for (i) they were of literary or aesthetic, rather than industrial interest, and (ii) already enjoyed satisfactory registration at the Company of Stationers. Thus took place a 'divorce' of design and copyright, as the law relating to the former drifted away from copyright and towards the law of patents; and whereas copyright vests (usually) for life and fifty years after the author's death, or for fifty years in toto,⁶ designs enjoy no more than a twice-renewable five-year monopoly duration,⁷ a total of fifteen years, one less than for a patent.⁸

Special provision for industrial designs was first introduced into American law in 1842⁹ too; the current law is contained in the Patent Code,¹⁰ and requires an higher standard of 'inventiveness' than does the English law, §171 stating that "Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor..."¹¹ The law of both countries is such that a substantial overlap exists between design patent and copyright law; the effect of

this will be discussed below, at 14.2 and 14.3.

14.1 Authorship, Inventorship and Proprietorship

Under American law it may be assumed - though there are no cases to the point - that the same test is used to determine who is the 'inventor' of a new design (under §171) as determines who is the true and first inventor of a patentable invention. It may also be assumed that the common law ownership rules¹² would apply to designs as well as inventions, which would make it possible for a Court to grant to an employer a shop right (a free and non-exclusive licence to use and sell the design) in the patent on any configuration or shape made by the inventor where there is a substantial connection between the creation of the design and the employment situation.

Under English law, design copyright is rather more complex. Protection vests in the 'proprietor' of the design;¹³ under the statute,¹⁴

... the author of a design shall be treated for the purposes of this Act as the proprietor of a design; Provided that where the design is executed by the author for another person for good consideration that other person shall be treated... as the proprietor.¹⁵

In other words, authorship¹⁶ is prima facie proof of proprietorship, and any one seeking to show better title must rebut this presumption by proving a stronger claim or by proving proprietorship as employer.¹⁷

As between employer and employee the former is the 'author' only where he can be said to have given the employee such

explicit instructions that the latter can exercise no independent creative skill of his own in pursuing those instructions;¹⁸ thus, if he instructs his employee, "Make me a design consisting of the following specifications in the following manner", and this is done, then the employer will also be the author, the employee a mere amanuensis, but where he says only "Make a table with three flaps", the person executing that instruction will be the author.¹⁹

As between employer and employee the former will be construed as the 'proprietor' "by virtue of the relations that exist between them",²⁰ if there is evidence that the employee has been so employed; but where the employer sues not his employee but an infringing third party in respect of a design made by a servant, he must prove conclusively that he is the proprietor²¹ - a requirement which does not exist in patent²² or copyright²³ law. An exclusive licensee is not a proprietor.²⁴

To this day there has been no leading case on the ownership of designs as between a master and a servant, but the commentators have not been silent. Turner²⁵ claimed that

Lord Hardwick said in Jefferys' case,²⁶ that the proprietor was not included, because the intent of the act²⁷ was to award genius and encourage art; like the law of inventions, that it was made for the artist,

but added that "It would hardly increase the man's wages, to hamper the right of the master to the work". It would not appear to have occurred to Turner that the servant might be free to exploit the design himself, or sell it to his master, or license it accordingly. Nor did he think it worthwhile to examine any of the copyright cases after Jefferys, in which the notion of

the trust was discussed.²⁸ Knox and Hind in 1899²⁹ went further:

Although there appears to be no case upon the point, it seems obvious that it is only where the servant is employed by the master for the purpose of designing,³⁰ and the design is applicable to the articles manufactured by the employer, that the inventions of such servant belong to the master; and that, where the servant is not employed as a designer, or where, though he is employed as a designer, the design is applicable only to some article of a totally different kind from that manufactured by the employer, then in such cases the design would remain the property of the servant and would not become the property of the master.

It is submitted that, while there are strong policy grounds for looking to the purpose for which the employment was entered into, or for examining the degree to which the design is appropriate to the manufactures of the employer, this cannot be justified by the words of the statute, which look to one test alone: has the design - whether made by employee or by an independent contractor³¹ - been executed for good and valuable consideration? In other words, was consideration given for the act of executing the design in question? If the employee is under no duty to execute the work the employer can claim no right in it, which means that third parties cannot claim that communication of the design by the former to the latter is confidential or otherwise anything other than a 'prior publication'.³² And if the employee is under a duty to execute a design, there must be consideration not just for the expenditure of labour but also for the transfer of intellectual property rights,³³ otherwise they will remain with the author; but it is probable that the Courts will regard salary as covering both labour and monopoly rights in the absence of evidence to the contrary.

The proprietorship of a design may evolve from a simple relationship of designer to hirer, or from a more complex arrangement, as where A submits a design to B, who has it modified by employee C then sends it back to A for his approval; in such a case, B is the proprietor as against both A and C,³⁴ though every case depends upon its individual circumstances. There would also appear to be no objection to the registration of the design by another person, in the proprietor's name.³⁵ Where the design provided does not fully correspond with that which the acquiring party requested, that party and not the author is the right person to claim proprietorship of the design;³⁶ presumably any adjustment of rights and grievances will take place through the operation of the law of contract.

14.2 Design Protection and Copyright Law: the United Kingdom

The form of a design suitable for industrial application may be embodied in the thing manufactured, or it may be sketched out in an independent form. Thus, while a floral patterned cup and saucer, or a statuesque lampstand may not fall within the protection of the conventional copyright law, a drawing or photograph of the same thing may do so; for example, section 3 of the Copyright Act, 1956, vests copyright in any 'artistic work' - irrespective of its quality - and also in any 'work of artistic craftsmanship'. Since works covered by section 3 may be reproduced by representation in a three-dimensional form if they are two-dimensional (and vice versa)³⁷ it follows that if artistic copyright is claimed in the floral tea-service by

drawing a picture of it, a near monopoly for the rest of the author's life and fifty years thereafter may be secured, instead of the meagre fifteen-year maximum monopoly under the registered designs legislation. Whether a design is protected under the designs legislation or the copyright law is of no small importance, for if it is registered, the ownership laws described in 14.1, sup. will apply instead of the rules affecting copyrights (see 13.2,3, sup.).

Under the Copyright Act of 1911³⁸ designs capable of registration under the Patents, Designs and Trade Marks Act, 1883, and which were intended for use, or were actually used, as a model or pattern, were excluded from copyright protection; this was in keeping with the legislative intention summed up thus by a commentator: "It had generally been considered that it was not within the proper field of artistic copyright to protect purely industrial designs."³⁹ This rule, well-founded in theory, must have been felt to work harshly in practice,⁴⁰ for in 1949 its rigour was mitigated; section 1 of the Registered Designs Act permitted the registration of works which had previously enjoyed the protection of artistic copyright, where, at a later date, manufacturing use was contemplated; thus the either-or approach of 1911 became the one-at-a-time approach.

The Copyright Act, 1956,⁴¹ provided that (i) where an artistic work was also registered under the 1949 Act, the copyright protection would be abated during registration, and also after, where that protection overlapped with the protection accorded by registration, and that (ii) where an artistic work

was not registered, but was applied industrially, it would be treated for copyright infringement purposes as though it had been registered. This was regarded as a rather complex provision, and was the subject of some remarkable litigation.⁴² At any rate, the Johnston Committee in 1962⁴³ recommended simplifying the subject by treating industrial designs as a branch of copyright alone, substituting a deposit system for that of registration; nothing came of this Report, but the situation was so unclear that in 1968 a Private Member's Bill piloted by Ms Jill Knight, M.P. became law, under the name, the Design Copyright Act, 1968. That Act granted full copyright without restriction to any artistic work subsequently used as an industrial design, whether registered or not. The Courts have 'reacted' against this by imposing an highly restrictive interpretation of the word 'artistic' in the Copyright Act,⁴⁴ which might well indicate that the scope of overlap between industrial designs and copyright law protection is not as great as had been anticipated; nonetheless, there remains the anomaly that the same work can be protected in different ways and each with different laws of ownership operating between employer and employee. In practice, however, few problems occur; only one of the nine firms from which the author collected data required assignment of rights in industrial designs, and the manager of that firm could recall no instance upon which such assignment had been required.

14.3 Design Protection and Copyright Law: the United States

In America as in the United Kingdom, there is an overlap between design patent and copyright protection, the former being of a maximum fourteen years' duration,⁴⁵ the latter 56 years.⁴⁶ A design may be registered under §5(g) of Ti. 17, which protects 'works of art; models or designs for works of art', or under 5(h) protecting 'reproductions of a work of art', and the fact that such a design is subsequently commercially exploited will not invalidate copyright protection.⁴⁷ In the light of the fact that the patentability of such designs does not bar copyright thereof as an art work,⁴⁸ the employer may be especially attracted towards copyright and not design patent protection, despite its less wide protection, for it offers him wider rights in works created by employees and does not require any degree of 'inventive' creativity.

FOOTNOTES

Chapter XIV

1. 5 & 6 Vict. c. 100; see also Russell-Clarke, Copyright in Industrial Design (1968), introduction.
2. 27 Geo. 3 c. 38 (1787), 29 Geo. 3 c. 19 (1789), 34 Geo. 3 c. 23 (1794), 2 & 3 Vict. c. 13 (1839), 38 Geo. 3 c. 71 (1798), 54 Geo. 3 c. 56 (1814).
3. For the most recent definition of 'design', see Registered Designs Act, 1949, section 1(3).
4. 5 & 6 Vict. c. 45 (1842).
5. Patents, Designs and Trade Marks Act, 1883, section 82.
6. Copyright Act, 1956, sections 2(3), 3(4), 12(3), 13(3), 14(3); cf. section 15.
7. Registered Designs Act, 1949, section 8.
8. Patents Act, 1949, section 22.
9. For a detailed account of the history of U.S. design patent legislation see Deller's Walker on Patents, 2nd. ed. (1964), vol. 2.
10. Ti. 35 U.S.C. §171-3.

11. 'Inventiveness' need not have been required had designs been viewed as 'writings', not 'discoveries' under the U.S. Const., art. 1, sec. 8.
12. See 10.3.1, 10.3.2.
13. Registered Designs Act, 1949, section 1(1).
14. *ibid.*, section 2.
15. This has been, in substance, the law since 1842; see e.g., 46 & 47 Vict. c. 57 (1883), section 61.
16. For a discussion of 'authorship' in copyright law, see 13.1, *sup.*
17. Hothersall v. Moore, (1892) 9 R.P.C. 27.
18. Pressler & Co. Ltd. v. Gartside & Co., (1933) 50 R.P.C. 240.
19. Knox and Hind, The Law of Copyright in Designs (1899), p. 43; also Pearson v. Morris Wilkinson & Co., (1906) 23 R.P.C. 738.
20. Lazarus v. Charles, (1873) L.R. 16 Eq. 117, 119.
21. *ibid.*, at 120; and Ware v. Anglo-Italian Commercial Agency Ltd. (No. 1) /1922/ MacG. Cop. Cas. 346.
22. e.g. Bloxam v. Elsee, (1825) 1 Car. & P. 558.
23. e.g. Sweet v. Benning, (1855) 16 C.B. 459.
24. Woolley v. Broad, (1892) 9 R.P.C. 208.
25. On Copyright in Design and Art in Manufactures (1849), p. 34.

26. Jefferys v. Baldwin, (1753) Amb. 164.
27. 8.Geo. c. 13.
28. See 13.2.2, sup.
29. n. 19, sup., at 45.
30. Emphasis added.
31. But this view was opposed by counsel in re Heinrich's Registered Design, (1892) 9 R.P.C. 73.
32. Winfield & Son v. Snow Bros., (1891) 8 R.P.C. 15. On 'prior publication' see also the unusual case of re Vredenburg's Registered Design, (1935) 52 R.P.C. 7.
33. n. 19, sup., at 44.
34. Nevill v. Bennett, (1898) 15 R.P.C. 412.
35. Jewitt v. Eckhardt, (1878) 8 Ch.D 404, 407; and see Grocott's Design, (1900) 17 R.P.C. 139.
36. Hildesheimer and Faulkner v. Dunn & Co., (1891) 64 L.T. 452, 454.
37. Copyright Act, 1956, section 48(1).
38. Section 22.
39. Copinger and Skone James on Copyright (1971), 180 etc., and see the judgment of Lord Simon of Glaisdale in Hensher (George) Ltd. v. Restawile Upholstery (Lanes) Ltd., /1974/

2 W.L.R. 700, 714-5.

40. See, e.g., Con Planck Ltd. v. Kolynos Inc., [1925] 2 K.B. 804.
41. Section 10(2), (3).
42. See Dorling v. Honnor Marine [1965] Ch. 1, and Cornish, "Cumulative Protection for Industrial Designs" (1973) 8 U.B.C.L. Rev., 219, 223-233.
43. Report of the Departmental Committee on Industrial Designs (1962), Cmnd. 1808, §4.
44. Hensher, n. 39, sup.
45. Ti. 35 U.S.C. §173.
46. Ti. 17 U.S.C. §24.
47. Mazer v. Stein, 347 U.S. 201 (1954); and see also Derenberg, "Copyright No-Man's Land: Fringe Rights in Literary and Artistic Property" (1953) J.P.O.S. 627, 690, 770.
48. Mazer, n. 47, sup., at 217.

C H A P T E R X V

TRADEMARKS AND THE EMPLOYMENT RELATIONSHIP

15.0 Trademarks: Introduction

Trademarks, strictly speaking, are not 'intellectual property' because they are not enjoyed by virtue of the act of creation; rather, they are enjoyed by virtue of an act of use - or projected use - of a shape, design, word or group of words, get-up or identifiable appearance which is applied to goods and which denotes some sort of 'trade connection' between the use of the mark and the goods upon which it is used. Thus, if I import, manufacture or retail a particular commodity I can put a mark upon it to show my connection with it; but if I have no such or similar connection with the goods, I cannot. Merely creating a mark will give the creator no trademark rights at all, although the mark so made may qualify for protection under the law of copyright as an artistic¹ or literary² work, or as an industrial design.³ However, since there is no criterion of originality or creativity required of a trademark, a word, sequence of words, or shape may be accorded satisfactory protection as a trademark even if it could not have been protected under the laws of copyright.

The value of the trademark is great since (i) when the public holds it as familiar it is an enhancement of commerce, and (ii) it does not necessarily expire, unlike patents, copyright and registered designs.^{3a}

15.1 User of trademarks

Common law trademark protection stemmed largely from the fact of user of the mark, and when this field of law was finally resolved by statute,⁴ user or intention to use was still a prerequisite to the enforcement of rights in a registered trademark. Where A is employed by B to sell goods marked with a C, the sale of products marked with a C is certainly a user; but is A or B the person who has effected such an use? In re Roger's Trade Mark,⁵ North J. held that 'user' must be the employer's under such a situation, at least where the dispute before the Court was between employer and employee. The ground for the decision was that the employee could not be said to be 'using the mark as against his employer while he is employed. This left open the question whether the employee could enjoy any rights in the trademark through user while in the employment of another, as against third parties. The issue was resolved by Eve J. in Casson's Trade Mark,⁶ holding that the mere act of registration of the mark used by his employer was inconsistent with the obligation of good faith owed by him to his employer; thus it would seem that the employee has no rights in a trademark unless he is its proprietor, and he cannot hold it in trust for his employment by virtue of the fact of employment alone.

15.2 Ownership of trademarks connected with the employee's property

In 15.1, sup., the trademarks were applicable to goods owned and marketed by the employer through the agency of his employee; a different situation occurred in Walker & Sons Ltd. v. Kego (No.1),⁷ where the defendant Kego devised, in the course of his managerial duties with the plaintiff company, some 'recipes' for drug manufacture. To the products of such manufacture Kego gave names, and registered them as trademarks without his employer's knowledge. The employment contract specified that, in the event of Kego's departure he should be able to take with him any 'recipes' which might be his, but there was - not surprisingly - no term as to the ownership or the user of the trademarks which he had registered. Lord Blackburn in the Court of Session held that though the recipes were Kego's, the trademarks belonged to the employer, who had marketed the drugs under the names Kego had given them. The ratio of the decision was that:

... if it was part of the Defender's duties as Manager of the Pursuer's business to devise new preparations for them, and to do his best to encourage the sale of such preparations to the public, then apart from any special agreement between him and his employers all right and interest in the preparations prepared by him while in their service⁸ would be vested in his employers and not in himself;

thus even though Kego could take his recipes with him, the contract of employment served only to reserve in him that one right which would otherwise have vested in his employer.

15.3 The United States Law

The above statement of law as regards the ownership of trademarks is presumed to be similar to that of the United States; in the only case which appears to have been decided upon the issue of trademark ownership as between employer and employee, Scranton Plastic Laminating Inc. v. Mason,⁹ the Trademark Trial and Appeal Board held that there was a presumption that the activities of an agent or employee are for the purposes of furthering the employer's business,¹⁰ and that "the mere suggestion by a sales agent or an employee during or before entering employment that the employer market a product under a particular designation cannot bestow any proprietary right in said trademark upon the employee."¹¹

FOOTNOTES

Chapter XV

1. See Copyright Act, 1956, section 3.
2. *ibid.*, section 2.
3. Registered Designs Act, 1949, section 1.
- 3a. There is nothing unconscionable about the notion that a trademark may be eternal, because that mark describes the personal nature of the relationship of the goods to their marketer, etc. There is no element of monopoly since (i) anyone else can sell the same goods under another mark, and (ii) a mark will 'self-destruct' if it is so well-known that it becomes synonymous with the goods themselves.
4. For an interesting exposition of the early history of trademarks, see Blanco White, Kerly's Law of Trade Marks and Trade Names, 9th ed. (1966).
5. (1895) 12 R.P.C. 149.
6. (1910) 27 R.P.C. 65.
7. (1921) 38 R.P.C. 25.
8. *ibid.*, at 28, citing Worthington Pumping Co. v. Moore, (1903) 20 R.P.C. 41, Edisonia Ltd. v. Forse, (1908) 25 R.P.C. 546, and Casson, n. 6, *sup.*

9. 187 USPQ 335 (1975).
10. *ibid.*, at 342.
11. *ibid.*, at 343.

C H A P T E R X V I

GENERAL AUTHORS' AND INVENTORS' RIGHTS

16.0 Introduction

In addition to specific and easily-identifiable rights enjoyed by the creators of intellectual property, such as the right to exploit a patent, copyright or industrial design, or the right to prevent others from so doing, there exist a number of amorphous and general rights, some of which are recognised by statute, common law or contractual practice, or by the Courts of equity, and some of which may not be recognised at all, except by continental jurists. Of these general rights the most important are (1) moral rights,¹ the so-called 'droits morals' - usually rights incapable of positive commercial exploitation, such as the right to be named as creator of a work, the right not to have one's work changed or mutilated or the right not to be accredited as the author of someone else's work. These rights owe their juridical origin to the writings of civilists, especially in France, which have received judicial and legislative recognition.² Common law has been slow to recognise moral

rights as such, but has often granted moral remedies by way of defamation, passing off, or (in America) publicity and privacy actions; (2) the right of privacy - which may take one of two forms, the right to protection against the invasion of one's own privacy, and the right to prevent the dissemination of information about oneself.³ This right is more fully developed in the United States (both under the common law and state laws) than in the United Kingdom; (3) the right of publicity - another American right, which covers the exploitation for gain or profit of one's name, appearance or reputation,⁴ and finally (4) performers' rights - the protection given to the interpreters and performers of creative works in respect of their original but non-copyrightable contribution.⁵ Like all other rights, those grouped above may be remediable by employer or employee in a creative employment situation; this chapter will examine those rights with a view to their potential allocation, and to any practical points or problems which may arise therefrom.

16.1 Moral Rights

This chapter will set out the principal moral rights and examine in brief the extent to which they are protected under statute and common law in England and America; then the ramifications - if any - of the contract of employment. But first it is necessary to explain why we need at all to study rights of so doubtful or inchoate a nature.

Moral rights are recognized by the laws of most civil law countries and have a firm niche in international law. The Universal Declaration of Human Rights, which is not legally binding upon municipal Courts in the absence of legislative ratification, states that "Everyone has the right to the protection of the moral and material rights resulting from any scientific, literary or artistic production of which he is author."⁶ Further, the Berne Convention for the Protection of Literary and Artistic Works (to which the United Kingdom is signatory) states:

Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation, or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.⁷

Similar provisions exist in the Paris Convention on Industrial Property,⁸ to which both Great Britain and the United States are signatory. In view of both the current legal commitments of the two major common law jurisdictions and of the likelihood of the United States eventually joining the Berne Union, it is worth examining the extent to which moral rights are already protected under the common law. Each of the principal rights will be described in turn, and comments pertinent to the employment relation will be added where appropriate.

16.1.1 The Right of Retraction (droit de repentir)

This right falls within the broad wording of the U.D.H.R. but not the more specific provisions of the Berne Convention; its

basis is that the author or creator of a work, having agreed to its publication and having passed the copyright to another, can change his mind and 'retract' the work⁹ before - or even after - it is published, so long as the new copyright holder is recouped his loss thereby. As such this right has not been recognized by the common law, though there have been three attempts to establish in a transmuted form.

First, there was Richard Godson's suggestion¹⁰ that it might be possible to enjoin publication of a work which is immoral or obscene in its content if the author repents of such publication. This argument is derived from Southey v. Sherwood,¹¹ a case which does not in fact support him; in that case a noted conservative sought to restrain publication of a poem written twenty-two years earlier while he was a radical idealist, and of which he undoubtedly repented. Lord Eldon found himself unable to grant the remedy sought, an injunction, and indeed the remedy suggested by Godson could not be said to derive from copyright law since obscene, immoral and libellous works do not enjoy copyright protection.¹²

Next, there was the case of Harris v. Warren and Phillips¹³ where the plaintiff sought to restrain republication of a song advertised by the assignee's successor in title as being new but which was in fact some twenty years old. Eve J. denied the plaintiff's passing off remedy on the ground that she had not alleged any qualitative difference between her old and new songs; arguably, even had she satisfied this requirement she would have failed to prevent republication, having no locus standi to bring

the action (being neither a trade rival nor one having an interest in the commodity passed off).

Thirdly, there was Chaplin v. Leslie Frewin (Publishers) Ltd.,¹⁴ where the infant plaintiff argued that the licence to publish which he had granted was revocable as a matter of infants' relief,¹⁵ unless the licence were a contract made for the plaintiff's benefit and would be thus enforceable.¹⁶ A majority of the Court of Appeal, however, held that even though the plaintiff's work was badly-written and factually erroneous even to the point of libel, publication was for his benefit because it was lucrative; they also held that although a contract for the disposition of property could be set aside on the ground of infants' relief, the disposition itself, once made, could not be so treated.¹⁷ Lord Denning, M.R. recorded a passionate dissent, the force of which might indicate that the matter is not wholly closed.

The right of retraction does not appear to have secured any juridical base in the United States.

It is obvious that the right of retraction can have a disruptive effect upon the rights and interests of others, especially if the work retracted is part of an whole (e.g. the music for a film) or where it is created pursuant to a contract of employment. According to Sarraute¹⁸ the practical significance of this right is negligible, though that commentator does not say why. The reason may be that the obligation imposed by the French code,¹⁹ that of compensating the assignee, is too great a deterrent to its exercise. Certainly it would be

interesting to see how much compensation would be awarded in respect of newspaper or magazine contributions withdrawn at the last moment by staff writers or contributors exercising their right. Moral rights under French law are not capable of assignment,²⁰ which would suggest that if, say, a news agency as assignee of its London correspondent licenses a Parisian paper to print an article which that agency then decides it does not want published, there will be no right for it to exercise. However, the only decision on the subject²¹ held that the employer could enjoy the commissioned writer's legal and moral rights by a fiction that the latter is an 'agent' of the former; this reasoning is weak, and Xavier Desjeux²² suggests that it is open to doubt.

16.1.2 The Right to be accredited Author or Inventor

Recognized by the U.D.H.R., the Berne Convention and the Paris Convention, this right has been defended by the common law on both sides of the Atlantic even where author and publisher have a contractual relationship, and it is enjoyed under statute²³ by inventors, whose names must appear on the patent application regardless of who is applying for protection. The copyright statutes offer no comparable provision: under United States law²⁴ the author or proprietor may seek registration of a copyright claim, and it is the proprietor's name which must appear on the original copyright notice, irrespective whether or not he was the author.

The right to be named as author of a work did not exist per

se at common law; in Crookes v. Petter²⁵ a journal editor sought to restrain its proprietor from omitting the editor's name from the title page, and the sole ground upon which he might be entitled to succeed was that there existed a contractual provision that the title of the journal should not be altered without mutual consent; the Court holding that the editor's name was not part of the 'title', the action not surprisingly failed. In Miller v. Cecil Film Co.²⁶ the defendant purchased the plaintiff's song lyric, which was credited in the finished motion picture as having been composed by a third party. Holding there to be an implied term that the film company would not credit anyone other than the plaintiff, Bennett J. awarded damages of £25 by way of "ample compensation".²⁷ An editorial note upon that case²⁸ points out that Miller is not an authority for there being an implied term that the author will receive screen credit - all that is implicit is that someone else will not.

This curious conclusion is in accordance with the Copyright Act, 1956,²⁹ which makes it civilly actionable knowingly to make a false attribution of authorship in certain circumstances (see 16.1.4, inf.). This provision does not make for lucrative litigation, as the plaintiff discovered in Blair v. Osborne & Tomkins.³⁰ The plaintiff architect sued a contractor who had been hired by his client to build a construction which the plaintiff had designed, because the contractor - seeking permission of the local council before erecting the building - had absorbed the plaintiff's plan into its own, more detailed, plan, to effect that purpose; the plans as submitted were in the

contractor's name and the plaintiff was not credited. Awarding nominal damages of 40/-, the Court of Appeal was influenced by the fact that the end product contained much original work by the contractor, that the local authority had not been influenced by the presence or absence of names, and that there was already an implied licence on the part of the architect to let the construction be built.³¹ Just how relevant these facts may be is questionable, and it is worthy of note that section 43 of the Copyright Act was not mentioned in judgment.

In the United States it has been left largely to the law of implied and express contract as to whether an author can claim credit for his work. The sheer diversity of possible interpretations of a contract has in fact led to a degree of uncertainty in the American law which has not yet been resolved.³²

Where the contract is quite silent as to credit and the publisher of the work has total control of the editing and of copyright exploitation, no injunction will issue against that publisher for omission to credit the author, in the absence of concrete evidence of a custom to the contrary;³³ but where the defendant newspaper agreed to pay the plaintiff \$200 for the sale of a manuscript of a murder story, both parties intending it to be published but neither stipulating under what conditions such publication should take place, the Court in Clemens v. Press Publishing Co.³⁴ was split three ways as to publication without credit. Gavegan J. felt that once the manuscript was passed there was nothing that the plaintiff could do to prevent or to

compel publication with or without his name on the piece; Seabury J. took notice of the fact that authors, like actors, depend upon a current reputation on which to build their future earning capacity, and that under the circumstances before him, where both the manuscript and the defendant's galley proofs bore the plaintiff's name, both parties must have intended publication with credit. Lehman J. dissented on other grounds and added nothing to this point.

The last word on the right to credit at common law came from Judge Major in Vargas v. Esquire, Inc.,³⁵ where the plaintiff artist had drawn for the defendant publisher a large number of sketches of ladies, under a series of express contracts over a number of years. Vargas' right to credit had been specified in earlier contracts but not in the contract under litigation. Denying the existence of 'moral rights', Judge Major went on to say that "The parties had been dealing with each other for a number of years, and the fact that no reservation was contained in the contract strongly indicates that it was intentionally omitted."³⁶

In the film industry the right to credit, not to mention the shape, style, size and timing thereof, is written into all contracts based upon the Writers' Guild of America's basic agreement.³⁷ Under this, an arbitrary format of credits is adhered to, and employers signatory to the agreement send a draft of their proposed credits to the WGA which vets it and ensures that the rights of its members are taken into account.

This process may seem a little clumsy, but it is mutually advantageous since (i) it frees film makers from the threat of injunctions and costly litigation in respect of the most prized credits, (ii) it gives authors a contractual right to the credit needed to further their careers, and (iii) it gives the WGA some notion of whom to canvass for membership, when they see the names of non-Guild writers on the credit drafts submitted.

Where credit has been handled by contract, the Courts have been vexed by the problem of matching up an entitlement to be credited with the diverse contributions to a work which may or may not be sufficient for 'authorship' in any of its guises. For example, in Harris v. Twentieth Century Fox Film Corp.³⁸ the plaintiff conceived the idea of a story about Brigham Young and the early Mormons, and gave Fox an option to purchase it. Fox liked the idea, hired the plaintiff to write 'material based upon the original story', and hired one B to collaborate with her. B was given the 'screenplay' credit, but the plaintiff received only the credit for 'story research'. Dismissing the plaintiff's action for damages for defamation and fraud upon the public,³⁹ Judge Goddard held that since Fox had purchased all copyright in the plaintiff's work, "including the moral rights of authors",⁴⁰ that corporation could treat the work as it liked; and since it was not libellous per se to call a 'writer' a 'story researcher', the defamation action failed. This case would suggest that the right to be accredited as author, if it ever exists, would be capable of assignment.

A variant of the Harris problem occurred in Poe v. Michael Todd Co.,⁴¹ where the plaintiff was denied credit for writing

part of Around the World in 80 Days, which had been subsequently revised by S.J. Perelman. Both Poe and Perelman were employed for the purpose of writing, but the defendant had studiously avoided using the Writers' Guild standard contract; the plaintiff relied upon terms of an oral contract, and the major facts were all in dispute; additionally, the film was already on display, which led Judge Weinfeld to deny, without prejudice to the plaintiff, the temporary injunction sought. However, it seemed that the Court was prepared to accept the line taken by Seabury J. in Clemens,⁴² that the intention of the parties as to whether Poe was to enjoy credit must be assessed in the light of the fact that "A writer's reputation, which would be greatly enhanced by public credit for authorship of an outstanding picture, is his stock in trade"; the Court went on: "it is clear that irreparable injury would follow the failure to give him screen credit if in fact he is entitled to it".⁴³ No indication was given as to the quantum of authorship-contribution required before a clause granting credit could safely be implied - and if Perelman had revised Poe's contribution beyond all recognition there would clearly be little 'credit' to give - but it is probable that Poe would have to show that his extant work was 'substantial'.⁴⁴

The purely contractual nature of a moral right to credit can be illustrated by reference to RKO Radio Pictures, Inc. v. Jarrico;⁴⁵ there the author of the screenplay of The Las Vegas Story refused to answer questions about his political allegiances put to him by the House Committee on Un-American activities during the MacCarthy era. By so refusing - which is specifically

allowed by the Fifth Amendment privilege against self-incrimination - Jarrico was held to be in breach of a term of his contract of employment which expressly stated his good reputation to be part of the consideration of his employment. Judge Doran denied Jarrice's suit for credit, holding that a contract of this nature was not contra public policy and not void, even though it effectively punished him for exercising a constitutional liberty; it was nowhere suggested that Jarrice's right to be named as author of the screenplay existed outside of the contractual obligation.

On the question of damages for loss of credit, it is assumed that the normal rules for assessing contractual damages will be employed even though, per Judge Weinfeld, "Not only would money damages be difficult to establish, but at best they would hardly compensate for the real injury done".⁴⁶ In the one case in which damages have been awarded, way back in 1937,⁴⁷ the sum was \$7,500; but a more recent case⁴⁸ suggests that even if the plaintiff is entitled to credit he will get no damages where the film is such a failure that any credit would be purely detrimental in its effect upon the author's career.⁴⁹

As a matter of practice, the British press, in the absence of specific contract, will usually handle credit for staff articles on a discretionary basis, leaving it to the duty sub-editors to decide whether an article is (i) sufficiently meritorious or (ii) the product of much diligent work on the part of the reporter, before a credit by-line is given.⁵⁰ The employee gets very little say in the matter; in fact, one

employer has expressed its willingness to dismiss employees who press for credit in their work.^{50a}

In Britain as in the United States the Writers' Guild offers standard form contracts for its members, which make provision for the awarding of credit, and the British Broadcasting Corporation is prepared to grant credit in accordance with its own contracts and with trade union policy. One other organisation which has done much to see that its members are identified with their works is the Royal Institute of British Architects.⁵¹ It had often happened in the past that credit for the design of a new building project would go to the distinguished chief officer of a firm rather than to one of its unknown employees. The Royal Institute has adopted a policy of 'actively encouraging' credit for the author of the design, both in private industry and in local government projects.

16.1.3 The Right not to be named Author of one's own work

Under ordinary circumstances it would be difficult to conclude that either the U.D.H.R. or the Berne Convention would suggest a right to compel the disassociation of an author's name from his work, especially once it has been published. There may, however, be occasions when disassociation may be justifiable, as when the work has been distorted, mutilated (see 16.1.6, inf.) or put in an unintended context,⁵² or where association with an unpublished work is an invasion of one's privacy.⁵³

The right of disassociation has recently been litigated in

respect of a patent application which the inventor refused to sign;⁵⁴ there was no dispute as to ownership of the invention, which would vest in the employer. The problem was that the inventor regarded the invention as obvious and as already anticipated by prior art. Said Judge Christensen,

That appellant is an outstanding inventor must be conceded, and it was and is to be assumed that if a patent issues the applicant will become publicly known as the inventor and by reason of the publication of his name will suffer injury to his personal reputation. Factually it seems problematical that any substantial damage would be suffered in view of the disclosure in the files of the Patent Office of appellant's protests...; ...judicial notice may be taken that various patents issued to inventors whose fame still survives have been determined upon court test to be invalid in whole or in part.⁵⁵

It would thus seem likely that as between employer and employee, it is for the employer to decide what is capable of being patented.

16.1.4 The Right not to be named Author of the Work of Another

This right is entrenched in section 43 of the English Copyright Act, 1956, which makes it actionable on the part of the author or his personal representatives⁵⁶ for anyone knowingly to affix the author's name to the work of others, to adaptations by others of the author's work, or even to reproductions of the author's work; it is likewise actionable to publish, sell, or let for hire such a work. Curiously, these wrongs (except the affixation of the author's name upon a reproduction, and distribution of such copies⁵⁷) cease to be actionable for the last thirty years that the work is protected by copyright.⁵⁸ Parallel with this statutory tort is the action for passing off, defamation,

and the criminal offence of forgery.⁵⁹

The English cases have long recognized this right, even at common law. In 1816 Lord Byron complained that the poems of others were being sold under his august name,⁶⁰ and Lord Eldon granted him an injunction - though it is not clear what was the ground for the decision, defamation, copyright or fraud upon either the public or the author. In 1832, however, the distinguished criminal lawyer Archbold relied solely upon defamation when the copyright assignees of his second edition of the treatise produced a revised version which contained a large number of errors.⁶¹ Damages of £5 were awarded, it not being proved that anyone was misled by the erroneous revision of the work. Archbold and Byron were both cited to Kekewich J. in Lee v. Gibbings⁶² in support of the proposition that an action would lie in respect of injury to the reputation of the author irrespective of defamation, but the Court rejected that contention, holding that 'libel or nothing'⁶³ was the appropriate remedy, making no reference to Byron's case at all.

The ambit of false attribution remedies was strengthened in 1913, when in Ridge v. "English Illustrated Magazine", Ltd.⁶⁴ Darling J. agreed that an action for passing off would be appropriate where the defendant, albeit innocently, affixed the plaintiff's name to an article undoubtedly unworthy of his talents. Damages of £150 were awarded (but for defamation), upon which the Court commented that the sum awarded seemed a 'very liberal'⁶⁵ one.

In England, defamation damages are very much higher than those awarded under section 43 of the 1956 Act for false attribution of authorship. In Moore v. News of the World, Ltd.,⁶⁶ the authorship of a biographical article in a notorious and sensational newspaper was attributed to its subject. The jury awarded damages of £14,300 for the defamatory inference that the plaintiff was an unprincipled saleswoman of the details of her private life, but only £100 for the false attribution of authorship. The defence contention that only nominal damages could be awarded where the plaintiff was not herself a writer was wisely rejected, presumably on the ground that it is open to everybody to become an author, and in real terms the potential author can be as badly harmed by false attribution as can the established literary figure.

It is submitted that the statutory provisions are preferable to reliance solely on the rules of defamation and passing off, both of which require at least some element of damage or potential damage to reputation before they are actionable. If it is falsely alleged that I have written Darkness at Noon or Finnegan's Wake, my reputation will be enhanced in the eyes of all literary cogniscenti, and I would be hard-pressed to bring a profitable action against my false accusers, irrespective of my own opinions as to the merits of those works. In such a situation I can rely upon section 43 as a unique remedy.

In the United States the defamation principle has been accepted,⁶⁷ and there is no reason to assume that a passing off action might not also be apt. The quantum of damages has not usually been high - only \$250 was awarded in Gershwin v. Ethical

Publications Co.⁶⁸ when an article of an advertising nature was falsely attributed to a doctor, contrary to ethical medical practice - but there are signs that litigants are seeking more; in Clevenger v. Baker, Voorhis & Co.⁶⁹ the plaintiff sought compensatory and exemplary damages of \$200,000 for a false attribution of the error-ridden revision of a book which he had proudly edited for fifty years. In the circumstances of each case, the Court would appear to have awarded damages for the reputation lost to the man as a doctor, lawyer or whatever, but not for damage as an author (insofar as the inept style of A causes harm if attributed to B).

As between employer and employee, defamation, being essentially a personal action, must be brought by the person defamed. This does not mean that an employing concern cannot itself bring an action where it is the object of a libel (here, where it is alleged to be the proprietor either of a commissioned work, or of a work written by one who, if employed by that proprietor, would damage its own reputation). Since the action is personal, there is nothing to stop both employer and employee, if defamed, from bringing an action in respect of the same misattribution.

In a passing off action likewise, there is no reason why both parties should not bring an action separately, so long as both can point to loss which has been inflicted, or is likely to be, in respect of it.

It would appear that, under the Copyright Act, 1956, section

43, the employer has no remedy for false attribution of either authorship or proprietorship of a work; Parliament seems to have taken the view that this is a purely moral right which may not be transferred.

16.1.5 The Right not to have one's Work Destroyed

This right derives recognition both from the U.D.H.R. and from the Berne Convention; insofar as authors rely upon public familiarity with their work in order that they may command eventually a greater income, authors have a moral claim that unique objets d'art or work under copyright protection should not be destroyed. On the other hand, it has long been recognized that the owner of property has the right to treat it as he wishes,⁷⁰ and it is probably not defamatory to destroy a work, even though it is defamatory to mutilate it and then attribute it to its original author (see 16.1.4, sup., 16.1.6, inf.).

Once a work enjoys copyright protection, that protection will continue for its lawful duration, even if the work concerned is destroyed. It might seem a metaphysical or unrealistic notion that the right can outlast the work but in truth it is not, for the right of copyright is very different from the rights in the tangible object usually enjoyed by an owner or possessor of the work. Copyright protects the manifestation of intellectual creation from being copied by another; but the law of property is concerned only upon whose mantelpiece the work will sit.

The right that one's work be not destroyed has never been recognized by the common law as an author's - as opposed to an

owner's - right. However, if one possesses a work which is obscene or libellous so as to fall outside the scope of copyright protection, the only damages recoverable are for the loss of the materials of which the work is comprised, but the value of the work as a work.⁷¹ In America the moral right to prevent destruction was expressly rejected in Crimi v. Rutgers Presbyterian Church,⁷² except where it is expressly contained in a contract (and even then it is only enforceable inter partes). If an employee has any such right against his employer it will also have to be express, for it is unlikely to be implied by circumstances or by custom.⁷³ Conversely, an employee has no right to destroy his master's property, whether he created it or not, because, irrespective of the copyright, that property belongs to the employer.

16.1.6 The Right not to have one's Work mutilated or altered

Under English law this has long been recognized as a 'moral' common law right, though it has not always been protected. In 1720, Lord Parker⁷⁴ acknowledged the plaintiff's grievance that an English translation of his Archaeologica Sacra, though not an infringement of copyright, was a mistranslation and should thus be prevented; this factor was taken into the equitable balance, but the ratio under which the injunction was granted was that the book was sacrilegious and thus safer in Latin where fewer people could understand it. In Archbold v. Sweet⁷⁵ the principle was established that harmful alterations were actionable in defamation, when Lord Tenterden C.J. rejected the contention that the owner of the copyright was free to treat it as he wanted, to

the detriment of the author of the book.⁷⁶

In Cox v. Cox⁷⁷ it was agreed that a duty not to alter or mutilate a work could exist by express contract, but that such a duty could not be inferred from the conduct of the parties after entering the contract.⁷⁸ The effect of this was mitigated somewhat in Joseph v. National Magazine Co.,⁷⁹ where Harman J. held that where author and publisher agree that the work be published in the author's name, (i) the publisher - even if there is no specific term - is in breach of contract if he sends the work to another author to be 'touched up', and (ii) such a breach of contract entitles the author holding copyright to withdraw his consent to publication of the work with his name attached.⁸⁰ For the loss of enhancement of reputation in this case, the princely sum of £200 was awarded.

The Fine Arts Copyright Act, 1862,⁸¹ section 7(4) - now repealed - made it a criminal offence for anyone knowingly to sell or publish as an unaltered copy any work which had been altered under the terms laid down by that Act. This provision allowed for the recovery of penalties either through summary criminal proceedings or by an action at law against the party offending. It was first thought⁸² that it was sufficient merely to prove alteration of the work, but this notion was dispelled by Tomlin J. in Priester v. Raphael Tuck Ltd.,⁸³ where a further requirement was announced, that there be a representation express or implied that the work published was the artist's unaltered work; this representation would usually be present in the form of the artist's original signature upon the altered work.⁸⁴ The effect of this was that he who changed

the artist's picture and erased his signature was free from prosecution, whereas he who performed the first but not the last act would be prosecuted! Incidentally, the right to sue under this section was the author's alone.⁸⁵

As a matter of practice, the British press leaves the final form of staff articles to the sub-editor; the demands of compositing and typesetting are such that alterations are often necessary in order to fit an article onto a page crowded with photographs and advertisements. The British Broadcasting Corporation, however, has endeavoured to make it known to both commissioned and other writers whether or not any changes in a work are likely to be made and, if so, what sort of changes there might be, before agreeing to accept a work. This excellent attitude has been penalised by the Courts which have inferred that, since this procedure takes place before the work is accepted, no alterations may be made in a work once it has been accepted.⁸⁶ In practice, though, this right has caused very little industrial concern.⁸⁷

Under American law, the allocation of a right to alter or mutilate a work has only been regarded as a fit subject for the law of contract (subject to 16.1.4, sup.).⁸⁸ In Curwood v. Affiliated Distributors Inc.⁸⁹ Judge Knox held that where a publisher reserved the right to 'elaborate' he was not so entitled by that arrangement "...to utterly disregard the same and yet use its name, and Curwood's authorship thereof, in connection with a wholly different story and picturisation".⁹⁰ In the absence of contractual terms, only defamation is an appropriate remedy;⁹¹ there may also be a remedy for the

breach of an implied term where the defendant agrees to publish the plaintiff's work under the byeline 'Presented by (Plaintiff)', but then makes changes, which have the effect of falsifying the byeline; this is so even if no damage is shown to have been caused.⁹²

An interesting problem which has confronted recent Courts has been whether the interruption of a film by the insertion of commercial advertisements constitutes a mutilation of the work, and whether a contractual term might be implied which prohibits this. In Preminger v. Columbia Pictures Corporation⁹³ an unsatisfactory majority judgment found, against the apparent weight of contractual evidence, that there was no reservation to the maker of the thriller, Anatomy of a Murder, of any exclusive right to make, or to prohibit others from making alterations by inserting advertisements; but Judge Rabin in a strong dissent criticized the majority for giving emphasis to the custom and practice of the industry where it was contrary to the express terms of the contract, arguing that such evidence should only be given weight in the absence of express terms.⁹⁴ Preminger was distinguished in Stevens v. National Broadcasting Co.,⁹⁵ where Judge Nutter, in an extempore judgment, granted preliminary injunctive relief in reliance upon the fact that there were no explicit contractual terms before him, but no evidence had been offered as to a custom that the broadcaster could insert advertisements; he quoted from Judge Frank in Granz v. Harris⁹⁶ that "Those courts...have granted an injunctive relief in these circumstances: an artist sells one of his works to the defendant who substantially changes it and then represents the altered matter to the public as that artist's product", and so

adopted the line that the defendant's action is in effect a passing off of the plaintiff's work. It would seem, though, that both Preminger and Stevens appear to accept the proposition that the insertion of advertisements can be regarded as an actionable mutilation.

To the extent that the right not to have one's work mutilated is protectable by contract, it may be protected by an express term of the contract of employment. Damages, it is submitted, would not differ from damages for breach of contract where a work is falsely attributed to be the author's.⁹⁷ Where no attribution of authorship is made, it will be more difficult to assess the loss flowing from the mutilatory breach.

16.1.7 The Right not to be Parodied, Ridiculed or Criticized

If the author's feelings are hurt by alteration or false attribution of a work, and these wrongs have been, at least to some extent, recognized by the law, how much more morally entitled must the author feel himself to be, in respect of parodies, satires and similar treatment of his intellectual produce! Such a right may be implied from the wording of the Berne Convention though not from the U.D.H.R. Civil law has taken a more sympathetic approach towards the author here than has the common law, granting (in France) a right to reply to criticisms;⁹⁸ but a work may be parodied or ridiculed without fear of detriment to the droit moral.

Under English law, "One writer, in exposing the follies and errors of another, may make use of ridicule, however poignant",⁹⁹

even though as the result of such ridicule the author is unable to sell any further work. Nor is parody an infringement, unless there is substantial copying of the parodied work,¹⁰⁰ and even then such a parody will not be actionable if it is obscene or immoral;¹⁰¹ in such an instance, the author may bring an action for an obscene libel, presumably of either the work itself,¹⁰² or of the author. As to criticism, it is only actionable where it is defamatory and is motivated by actual malice, so as to rebut the presumption that the criticism is a fair literary comment.¹⁰³ American law is basically similar, save that there is a greater willingness of the Courts to find that a parody is an infringement of the victim work.¹⁰⁴

As between employer and employee it would seem that the contract of employment does not imply any term that entitles the former to abuse the latter any more or less than if the two parties had been at arm's length; no such implied term was argued in Ervin v. Record Publishing Co.,¹⁰⁵ where the employer newspaper suggested in an humorous article that one of its lady reporters was having an affair with a Chinese champion pugilist.

One final note: it would seem clear that the common practice of using the formula, "The opinions expressed in this article are those of the author and do not necessarily represent those of the newspaper" would not be regarded, even in France, as an implicit infringement of any droit moral.

16.1.8 Minor Rights

The Right to Reproduce one's own Work

Once the author has parted with the copyright in a work, the new proprietor may exclude him as though he were a stranger from making any copies of that work.¹⁰⁶ However, in the context of a contract of employment it is usually reasonable and necessary to imply a contractual licence to the author-employee to make such copies as might reasonably be necessary for the fulfilment of his contractual duties or for the purposes of the employing enterprise. Thus the copying of office memoranda, or the duplicating of specially-prepared teaching materials will not be regarded as an infringement of the employer's copyright.

The Right to Publish

Since it is the act of publication which secures (in England) the extent and (in America) the existence of statutory copyright protection, can it be assumed that the author enjoys the right to say when his work is finished and ready for publication, and that he can prevent its publication before he deems it to be complete? Under the Copyright Act, 1956, sections 1(2), 2(1) and 2(2)(a), it would appear that the owner of the copyright has the right of first publication to the exclusion of the author; if this is so, then it would seem that, from the very moment the salaried employee produces something so developed as to be capable of attracting copyright, his employer may seek to have it published.¹⁰⁷

In the United States the situation appears somewhat different;

for Ti. 17 U.S.C. §10 requires publication as a prerequisite to protection under Federal law, leaving it (in theory) for contractual provisions, the common law and state regulations to decide who shall have the right to claim copyright in the unpublished work and to publish it. This is probably so in practice also, unless Ti.17 U.S.C. 26 is construed as having some application to unpublished works.¹⁰⁸

The Right not to Create

Under English law no man can be compelled to write that which he has contracted to write,¹⁰⁹ because the equitable remedy of specific performance will not in general compel a servant to perform services of a personal nature.¹¹⁰ The employer will, of course, be able to collect damages for breach of contract.¹¹¹ This is true also of American law.

Conversely, the law of contract will not enforce an obligation not to create intellectual property if it deprives a man of his right to work in the skilled medium of his training,¹¹² if such a restriction is excessive and unreasonable¹¹³ or if that obligation is the only consideration moving from the promisor - in which case it is void as against public policy,¹¹⁴ unless that obligation be severable from the rest of the contract.¹¹⁵

16.2 The Right of Privacy

An author or inventor may find that his grievance is not that someone else is infringing his monopoly rights, but that he

is being disturbed in the act of creation by surveillance which may tend toward an act of publication of his written work or a loss of secrecy in his invention; he may also find that information concerning his work has in fact been made public or has been used by others. These grievances form the basis of the 'right of privacy'.¹¹⁶ This right is partially recognized by United States laws,¹¹⁷ but is not yet viable in England as a separate head of action.¹¹⁸ The right has relatively little application to the employment of creative employees, except as concerns the action for 'breach of confidence' discussed in some detail in 11, sup.

It is likely that as between employer and employee, the latter has no right to the undisturbed performance of his creative obligations free from surveillance, unless such a right is expressed in a contract. Where the employer owns both the materials worked upon and the patent or copyright therein, he may require their delivery up to him at any time. Privacy would be protectable, arguably, where, for example, an employer searches the desk of an employee and finds plans for a work or an invention, the creation of which would not fall within his contractual duties. In such a case it would be unfair if the employer could claim ownership in the work, or divulge its contents if he had reasonable grounds for believing there to be some element of confidentiality in it.¹¹⁹ As the Law Commission¹²⁰ said:

There are no precedents for a breach of confidence action¹²¹ involving information which a person has not communicated to anyone else. Although it is conceivable that a court would take the view that

the scope of the action is broad enough for it to grant relief in those circumstances, the implications of this view of the law go very far. If this were to find acceptance, it seems fair to say that English law would come very close to recognising the existence of a general right of privacy.

The only other application of privacy rights might be where a company is making a film on location, and seeks to keep reporters and sightseers from interfering or from causing unwanted advance publicity; in such an instance the employer should be able to protect both his and his employees' rights, if not through breach of confidence,¹²² then at any rate by trespass to the location¹²³ (if it is owned). In the United States the balance between privacy and freedom of speech¹²⁴ would decide the merits of the parties' claims; no confident forecast of the result of such a legal action could be undertaken in the absence of detailed specifics of each case.

Where there is an element of invasion of privacy the Courts in England may take it into account when assessing the quantum of damages for infringement of copyright or breach of a tortious duty. Thus in Williams v. Settle¹²⁵ the Court of Appeal upheld an award of £1,000 'vindictive damages' against a photographer who sold copies of a client's wedding photograph to two national newspapers after the plaintiff's father-in-law had been murdered. Power to award such damages is statutory in respect of copyright,¹²⁶ but exists at common law also, even though its scope has been the subject of debate and limitation in recent years.¹²⁷

16.3 The Right of Publicity¹²⁸

As a juridical concept the 'right of publicity' - that is, a claim that no-one use a person's publicized name or character, or publicity value, without the consent of that person - has been recognized by some jurisdictions¹²⁹ and legislatures¹³⁰ of the United States, but not by the British law. However, just as 'privacy' can be broken up into various components which attract a remedy, such as defamation, trespass or breach of confidence, the right of publicity can be treated in like manner; the laws of passing off and (in the United States) unfair competition can also be utilised to grant remedies partially coextensive with the ambit of a would-be right of publicity.

American Courts have granted relief for a breach of publicity on the theory either that the plaintiff has a property right in the fruits of his labour, which includes the manufacture of a merchantable personality,¹³¹ or that the defendant has unwarrantably interfered with the lawful trade potential of the plaintiff,¹³² the right of publicity there being analogous to enjoyment of goodwill in a business. Unlike the right of privacy which is personal and dies with the plaintiff, the right of publicity is transferable¹³³ and survives the deceased, and it would seem from the Lugosi decision that the right passes to the deceased's heirs.

This thesis will attempt to examine some of the rights which a person may have in the fruits of his reputation, character or personal intellect both under English and American law.

16.3.1 The Right to Use One's Own or an Assumed Name

In Landa v. Greenberg,¹³⁴ Eve J. held that the plaintiff was entitled to use her nom de plume 'Aunt Naomi' even after severing her connections with the newspaper which featured her articles. That judge asserted that a pen-name is part of a personal 'stock-in-trade' which remains with the author unless express or implied contractual terms suggest the contrary;¹³⁵ and it may be assumed that if a writer is prima facie entitled to retain his fictitious name he will have at least as strong a claim to the continued use of his own. Even where the contract requires that an employer retain the sole rights to a name, that contract will not be enforced where author and name have become so identified as one by the public that enforcement of the term would be "tyrannous, oppressive and unreasonable",¹³⁶ as against the 'occupant' of the assumed name.

In the United States the right of publicity is applicable; in Price v. Hal Roach Studios, Inc.,¹³⁷ where the comedians Laurel and Hardy sold the right to use their names in 1923 to the defendants for the purpose of publicising their films, and then in 1961 sold to the plaintiffs the right to use their names, likenesses and characters in perpetuity. Holding for the plaintiffs on the facts, Judge Stewart said,

As many courts have recognised, a person has a property right, derived from state law, in the use of his or her name or likeness. This right is a 'right of publicity' which does not terminate on death and which is freely assignable.

Thus it would seem that the Americans tend to adhere more exactly to the principles of pacta sunt servanda than did the Court in Hepworth.¹³⁸

16.3.2 The Claim that No-one Else Use One's Name

Perhaps the oldest of the rights of publicity, it vexed Lord Eldon as early as 1803 in Hogg v. Kirby,¹³⁹ where the plaintiff publisher of the Wonderful Magazine sought to prevent his former editor from publishing the Wonderful Magazine - New Series Improved. The plaintiff sought an injunction on the grounds of (i) copyright infringement, (ii) fraud and (iii) contract, succeeding on the last ground only. Even Lord Eldon seemed less than satisfied with the decision, and arguably the safest way to treat this case is to narrow the ratio to no more than that the status quo should be preserved until the trial, which his lordship prayed would be held with all due speed. However, the tort of passing off and the development of trademark law^{139a} gave future plaintiffs a more secure basis for a remedy than contract alone.

In Sporting Times Co., Ltd. v. Pitcher Enterprises Co., Ltd.,¹⁴⁰ the right to prevent another newspaper from using the pen-names of its current employees was accepted by the Court, and in 1948 this right was extended to prevent the use of confusingly similar names of political cartoonists working for press rivals.¹⁴¹ It has also been felt that a passing-off action based upon the similarity of style of different artists might succeed, although an interlocutory injunction has been refused in such a case on the ground that the characteristics of the plaintiff's style were not susceptible of description in injunctive form.¹⁴²

In the United States there has been long-time acceptance of

of the right to prevent others from using one's name, whether specifically on the theory of passing off,¹⁴³ or otherwise in reliance upon the right of publicity.¹⁴⁴

16.3.3 The Claim not to be Associated by Implication with Another

When The Times newspaper brought an action against The Times Bicycle Co., that newspaper was not concerned that the ignorant public might buy the defendant's product in mistake for their own, or that the name "The Times" should only be used by themselves; what concerned them was that "the defendant has represented the plaintiffs as his principals or partners, or at least, as reasonably connected with his venture...", which, as the judge pointed out, was "the only ground upon which, if at all, they are entitled to succeed..."¹⁴⁵ Passing off was regarded as a tortious representation of goods as coming from another source; whether a venture could be passed off was a novel point. Here the defendant's operation involved considerable imitation of the plaintiff's logo and format, and was operated from the same postal district, and relief was granted.

In other cases, where the format but not the name of an enterprise is similar, no injunction will be granted until the Court has had full opportunity to examine the extent of the similarity;¹⁴⁶ but where the plaintiff's "Eve" column was stylistically imitated by defendant's "Eve in Paradise" and "And Eve said unto Adam" columns, the Court was prepared to grant relief.¹⁴⁷ In both those cases, and in The Times case the Court agreed that there must be something to show that the

defendant's work or enterprise has nothing to do with the plaintiff's. This ensures that the employed author, either through implied contract or through some form of passing-off claim, can sever any trade connection which a past employer may advertise as being still existent.

In the United States, in the absence of any passing off remedy, the right of privacy failed to prevent the appearance of a teetotal football star upon the sports calendar of a well-known brewery;¹⁴⁸ a majority of the Court held, however, that

Nothing in the majority opinion purports to... express an opinion on the matter dealt with in the dissenting opinion, the right of a person to recover on a quantum meruit, for the use of his name for advertising purposes. That was not the case pleaded...¹⁴⁹

In fact, the plaintiff had authorised the distribution of the picture concerned, for publicity purposes, so the defendant was impliedly licensed to use it and no copyright remedy would be appropriate; a defamation claim also failed because the plaintiff could not prove an implicit representation conveyed by the use of the picture, that he drank the defendant's beer.¹⁵⁰ In the absence of a right of publicity, only a quantum meruit for use of the plaintiff's 'services' could succeed.

Since that case the American Courts have been willing to protect celebrities from trade-connecting representations and from the direct use of photographs and names, under the theory of a right of publicity.¹⁵¹

16.3.4 Ownership of Publicity Rights in the United States

Like privacy rights¹⁵² and droits morales¹⁵³ the right of publicity would appear to be purely personal and vested in the character enjoying the publicity-value,¹⁵⁴ unless the right is transferred specifically by contract.¹⁵⁵ This would suggest that even if an employer such as a film company has a considerable interest in the publicity of 'star' employees, any infringement of a publicity right, no matter how damaging to an employer, would only be actionable by the employee. On the other hand it is possible that, even in the absence of a 'morals clause' (see 16.1.2, sup.), an employee may be in breach of an implied term of the contract of employment if he or she does not take steps to defend his right of privacy or publicity, for example where the leading actress in a soon-to-be-released children's film is erroneously - or unfairly - linked with an extremist political faction or an highly avant-garde social group, for which the parents of the would-be audience would have little sympathy, the proceeds of the film suffering thereby. Though damages may not be recoverable for the loss done to the film company (unless it is joined as a party), an injunction, apology or retraction could nonetheless be of some value to the employing concern.

16.4 Protection of Performers as Creators of Intellectual Property

Copyright grants to the author a legal monopoly of his right to prevent others from making copies of the fruit of his intellect, and on both sides of the Atlantic¹⁵⁶ it is agreed that the reason for this is the encouragement of authors to produce

meritorious material; patent grants work in a similar manner. But there exists a form of enterprise based upon the precepts of intellectual innovation: that of the actor, musician, mime or mimic, who utilise their mental resources in harmony with their physical skills in order that copyright works might be rendered that much more palatable by novel interpretation. A million copies of the Brahms Violin Concerto will be exactly alike in their representation of notation and dynamics - but no two performances will ever, in all probability, enjoy more than superficial similarity of interpretation and execution. If a violin concerto may be protected by copyright, should the law act so as to encourage interpretations also, and how could it go about doing so?

Historically there was no reason why a performer's work should be protected by the ponderous monopoly right, since each performance, as the strains of each note or subtle nuance passed away, disappeared into the ether whence it came; there was no means of fixing a delivery of a speech, for example, so that it could be repeated at a later date or copied by admiring imitators. The only copies of the performance existed in the mind of the performer and in imperfect memories of the audience. All this was changed by the advent of film, tape and disc, whereby not only could each performance be permanently embodied, but the possessor of the embodiment could enjoy it even in the absence of the musician or actor, and to his ultimate detriment - for who would hire a musician or an actor to perform what the pressing of a button, or the cranking of an handle, could equally

achieve? Moreover, the captive recording could be commanded to play again and again, at no extra cost, a multitude of times, with no further profit to the artist concerned in excess of the fee commanded for the original performance. The artistes whose very livelihoods were at stake were slow to act in their own defence until the economic potentialities of sight and sound recording were well exploited; but by the 1920s the Musicians' Union in England had started putting up posters urging the public not to attend the 'talkies' which had put so many of their members out of work as accompanying artists to the silent cinematographic industry.¹⁵⁷

On the other hand, it must have seemed unconscionable to grant a monopoly right to a performance or interpretation of a work upon which there rested one monopoly already - the monopoly of copyright; and what would happen in practice where, as in a play, there might be a multitude of separate 'performances' by individual actors, or just one performance owned in common by the entire dramatis personae. And could mere similarity of style between different performing artists be construed as an infringement by the one of the performing monopoly of the other? There was, too, a school of thought prevalent in Italy and France which argued that no right could or should be accorded to any person other than the creator of the original work if it had the effect of interfering with that creator's right to perform the work or to enjoy the copyright therein in any way.¹⁵⁸ These problems, and more besides, formed the basis for discussion between 1928 - when the first international moves were made to secure a

performers' right¹⁵⁹ - and 1961, when the Rome Convention¹⁶⁰ was finally drawn up.

The principle for protecting performers which the Rome Convention finally settled on was that of allowing imitation of one performance by another, but of prescribing duplication of that rendition;¹⁶¹ each artist was guaranteed a legal right to remuneration for the services which he performs, and also an equitable right to remuneration for the unauthorised use or exploitation of the fruits of these services.¹⁶² This equitable right is recognised as pertaining to performances of literary and artistic, musical and dramatic works,¹⁶³ but under article 9 countries can provide protection for a wider segment of the entertainment industry such as, for example, Eugen Ulmer's acrobats, equestrian performers and lion tamers.¹⁶⁴

The criteria of protection are laid down in article 7;¹⁶⁵ under 7(1)(c) reproduction of 'fixed' (i.e. permanently recorded) performances is only permissible with the performer's consent where (i) the original recording was made with his consent or (ii) the reproduction was made for a different purpose from that for which the performer gave his consent, or (iii) the original recording was made for news coverage, scientific research, or under the terms of domestic exceptions to the copyright laws,¹⁶⁶ but is to be reproduced for different purposes. This provision does not, however, apply to performances which were broadcast to the public, or to performances made from previous fixations of a performance. Performers are also protected against broadcasts of their acts to

the public without their consent, and against the fixation of such performances.

The means of granting the protection outlined above is left in the hands of each country signatory to the convention.¹⁶⁷ Most prefer to grant a personal property right in performances, rather than to prohibit 'infringements' by penal sanctions, as happens in England;¹⁶⁸ but in that country, the penal sanction can be used as a de facto property right, by charging a licence fee for the use of the performance without being prosecuted. The British law is discussed at 16.4.1, infra.

For performing artists the Rome Convention has been a mixed blessing; while it provided remuneration where none had existed before, thus off-setting the threat of unemployment leading to a loss of income for the performer, it also acted so as to cause an unequal distribution of remuneration between the relatively small proportion of artists who made recordings and the great bulk of non-recording performers who were being put out of work by their colleagues' recordings but who did not enjoy any performance or recording royalties themselves;¹⁶⁹ in fact, the very act of recording was described as artistic 'suicide'.¹⁷⁰ There have been recent attempts to solve this continuing problem of an international level by revising the convention so as to encourage collective agreements safeguarding artists' financial interests,¹⁷¹ thus putting upon the shoulders of musicians' and entertainers' representatives the responsibility of securing an equitable balance between labour and royalty.

16.4.1 United Kingdom Legislation

In the United Kingdom legislation has existed since 1925¹⁷² to protect the performer's rights by means of the criminal law. In the only reported case spanning fifty years of law, Municipal Performers' Protection Association Ltd. v. British International Pictures, Ltd.,¹⁷³ McCardie J. denied an injunction and declaration to the plaintiff association whose members, employed by the defendants, played music which was recorded for use in a motion picture without the written consent of either the employees or of the plaintiff; the learned judge held that the remedies sought were civil and not appropriate to the criminal law cause of action,¹⁷⁴ and he emphasised that the 'performing right' was not a property right of any sort. Certainly the employees would have been unable to support a civil action against their employer on the facts.¹⁷⁵ In 1956 the law was amended;¹⁷⁶ whereas before it had specified that anyone who knowingly made a sound recording of a performance otherwise than for personal use and without the performer's written consent commits a criminal offence, it was now included to cover cinematograph films, and to specify that no prosecution would result where written consent was obtained from one who reasonably represented himself as authorised to give consent on the performer's behalf.¹⁷⁷ In 1958¹⁷⁸ the law was consolidated and amended; and in 1963¹⁷⁹ more minor amendments were made in compliance with the provisions of the Rome Convention.

Section 1 of the 1958 Act requires the consent (i) in writing, and (ii) of the performers, which must be secured; no

mention is made of the effect of an employer's consent to the recording by a third party of an employee's performance, but the section 7 defence exists on proof

(a) that the record... or broadcast... was made with the consent in writing of a person who, at the time of giving the consent, represented that he was authorised by the performers to give it on their behalf, and (b) that the person making the record ... or broadcast had no reasonable grounds for believing that the person giving the consent was not so authorised.

This defence was designed to protect those who relied upon the written consent of employees' labour representatives and professional organisations, but could apply equally to the obtaining of written consent from the employer of a performer. It is not an offence knowingly to give consent on behalf of an artist without his authority, but the employee whose employer gives such consent without the right to do so (i.e. without the written consent of his employee) will have a civil remedy for breach of an implied term of the contract of employment.

In many cases it may be necessary for the employer to have written into his employment contracts a clause which entitles him to make such use of the performer's skills for broadcasting or recording as may be required by him, but the use of such clauses will in any case be subject to the operation of industrial arrangements such as the 'needle time' agreements between the Musicians Union and the B.B.C. whereby the latter may use the performed and recorded works of the former so long as the total length of time devoted to their broadcasting occupies no more than a fixed maximum proportion of the time devoted to their broadcasting occupies no more than a fixed maximum

proportion of the time devoted to musical broadcasts.¹⁸⁰

The Musicians Union has derived from its concerned interest in its members' problems a fairly militant stance in its negotiations with bodies which 'consume' the output of musicians, such as the Council of Educational Technology,¹⁸¹ which has been seeking the release of recorded materials for use in school and educational broadcasts. For this stance the Union has incurred some criticism, for rejecting not inconsiderable royalties for its permission to use recordings except subject to narrow temporal limitations such as the destruction of recordings after a period of years. This criticism should be viewed in the light of the fact that the payment of such royalties will benefit those who have made the recordings but will not mitigate the loss of prospective employment among musicians who have not been so fortunate.

16.4.2 United States Law

The 'copyright clause'¹⁸³ of the U.S. Constitution provides Congress with the power to promote the progress of science and useful arts by securing for a limited time to authors and inventors the exclusive right to their 'writings and discoveries'. It has been accepted¹⁸⁴ that a particular performance or rendition would be neither a 'writing' nor a 'discovery', and that protection of performers' rights was thus beyond the power of Congress; but the 'commerce clause'¹⁸⁵ of the constitution gives power to that body to regulate commerce with foreign nations, and among the several states, and with the Indian

tribes - which could be construed as covering all commercial broadcasts of performances or their reproductions which cross state borders. This would also give the artist protective scope wherever the performance was in one state, the recording in another; and where both took place within one state, and the broadcast did not go out of that state, the law of each separate state could make provisions for protection of the artist under its domestic law.

In the absence of such legislation, relief may be afforded the performer through one of several legal channels;¹⁸⁶ (a) common law copyright, if the performance was such as could be identified as an independent work of art,¹⁸⁷ (b) the express terms of contracts between performer and hirer, performer and broadcaster, or performer's organisation and broadcaster's organisation,¹⁸⁸ reserving performers' rights,¹⁸⁹ (c) quasi-contractual unjust enrichment, which does not succeed unless the performer has been led to expect some reward for his services,¹⁹⁰ (d) the tort of unfair competition, (e) invasion of privacy or publicity rights,¹⁹¹ (f) passing off, or (g) (possibly) an action for trespass to chattels. Although this is rather piecemeal protection, it does cover categories of performers who are not protected by the Rome Convention; thus footballers, boxers, acrobats and lion tamers can all seek remedies, where appropriate, for the breach of the above rights. These rights would still be available if the United States passed convention-style protection, and would thus form an invaluable double protection for the individual artist.

FOOTNOTES

Chapter XVI

1. See generally, Wicher, The Creative Arts and the Judicial Process (1965), Roeder, "The Doctrine of Moral Right: a Study in the Law of Artists, Authors and Creators", (1940), 53 Harv. L.R. 554.
2. See Sarraute, "Current Theory on the Moral Right of Authors and Artists under French Law", (1968) 16 A.J.C.L. 465.
3. The seminal work on this subject is Warren and Brandeis, "The Right to Privacy", (1890), 4 Harv. L.R. 193. More up-to-date works include Westin, "Privacy and Freedom" (1970) and the Report of the Committee on Privacy (the "Younger Report"), 1972.
4. See Nimmer, "The Right of Publicity" (1954) 19 L.C.P. 203.
5. See Homburg, Legal Rights of Performing Artists (1934) - now out of date, but still informative; for an illustration of the wide protection which can be enjoyed by artistes, see Plaisant, "Performers' Rights in France", (1974) E.B.U. 43.
6. U.D.H.R. article 27, §2.
7. Berne Convention, 1971 text, article 6 bis.

8. International Convention on the Protection of Industrial Property, article §4ter; and see Englert, L'Invention faite par l'Employe dans l'Entreprise Privee (1960), Ch. 1.
9. See Marvin, "The Author's Status in the United Kingdom and France" (1971) 20 I.C.L.Q. 675, 691-3.
10. A Practical Treatise on the Law of Patents for Inventions... (1823), p. 214.
11. (1817) 2 Mer. 435.
12. See Phillips, "Copyright in Obscene Works: Some British and American Problems" (1976), to be published in the Anglo-American; also, anonymous article in the Quart. Rev., April, 1822, at 123.
13. /1918/ W.N. 173.
14. /1966/ Ch. 71, noted at (1966) 82 L.Q.R. 471, by John Mummery, and (1966) 24 C.L.J. 17, by D.E.C. Yale.
15. See Infants Relief Act, 1874, section 1.
16. Following Doyle v. White City Stadium, /1935/ 1 K.B. 110.
17. n. 14, sup., at 94.
18. n. 2, sup., at 477.
19. Law of 11th. March, 1957, article 32.
20. *ibid.*, article 1.

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21. Berthoin v. Ste Larouse, (1972) LXXI R.I.D.A. 133.
22. "Le Droit d'Auteur dans la Vie Industrielle" (1975) LXXV R.I.D.A. 125, 148-150.
23. Patents Act, 1949, section 2; Ti. 35 U.S.C. §§112,115, 118; Misani v. Ortho Pharmaceutical Corp., 83 N.J. Super. 1, 15 (1964). This right would seem to be incapable of assignment.
24. Ti. 17 U.S.C. §§10, 19; also Copyright Office Regulations, 202.3 b (3) and (4).
25. (1860) 6 Jur. (N.S.) 1131; digest note, p. 38.
26. /1937/ 2 All E.R. 464.
27. cf. Tolnay v. Criterion Film Productions Ltd., /1936/ 2 All. E.R. 1625, where Goddard J. awarded £100 for 'loss of publicity' when the defendant wrongfully refused to accept a play written by T., who lost his opportunity to become well-known.
28. n. 26, sup.
29. Section 43(2), (3).
30. /1971/ 2 W.L.R. 503.
31. *ibid.*, at 508.
32. But see the 'right of publicity', 16.3, *inf.*
33. Jones v. American Law Book Co., 125 N.Y.A.D. 519, 521,

per Houghton J.

34. 122 N.Y.S. 206 (1910).
35. 164 F. 2d 522 (1947).
36. *ibid.*, at 526.
37. Theatrical and Television Film Basic Agreement (1970), amended 1973, Schedule A; see also Berman and Rosenthal, "Screen Credit and the Law" (1961) 9 U.C.L.A. L. Rev. 156.
38. 43 F. Supp. 119 (1942).
39. An action for unfair competition may also lie: see Prouty v. National Broadcasting Co., 26 F. Supp. 265 (1939).
40. n. 38, *sup.*, at 121. It would not be possible for the author to enjoy any moral rights by way of Ti. 17 U.S.C. 26, since that section refers only to rights granted under that title.
41. 151 F. Supp. 801 (1957).
42. n. 34, *sup.*
43. n. 41, *sup.*, at 803.
44. Mirisch Co. v. Morheim, case no. 739, 120, Cal. Super. Ct. 1960 (settled out of court).
45. 274 P. 2d 928 (1954).
46. Poe, n. 41, *sup.*, at 803.

47. Paramount Productions Inc. v. Smith, 91 F.2d 863.
48. Zorich v. Petroff, 152 Cal.App. 2d 806 (1957).
49. *ibid.*, at 811.
50. Interview with the General Editor, Kent County Newspapers, November 1974.
- 50a. Interview with Deputy Editor, Kentish Gazette, November 1974.
51. Letter from G. Rimmer, Assistant Information Officer, April, 1974.
52. A recent American example was the adoption by the Ku Klux Klan of the song, The South's Gonna Rise Again, against the wishes of the composer; see also Shostakovich v. Twentieth Century Fox Film Corp., 80 N.Y.S. 2d 575 (1948).
53. e.g., Williams v. Weisser, 78 Cal. Rptr. 542, 551 (1969).
54. Cogar v. Schuyler, 173 U.S.P.Q. 389 (1972).
55. *ibid.*, at 391.
56. Section 43 (2), (9); this right may not thus vest in the employer.
57. Section 43(6).
58. Section 43(5).
59. Forgery Act, 1913, section 1 (which is only of limited application).

60. Lord Byron v. Johnston, 2 Mer. 29.
61. Archbold v. Sweet, 5 C & P 219.
62. (1892) 67 L.T. 263.
63. *ibid.*, at 265.
64. 29 T.L.R. 592.
65. *ibid.*, at 593.
66. /1972/ 1 Q.B. 441.
67. Ben-Oliel v. Press Publishing Co., 251 N.Y. 250 (1929),
Gershwin v. Ethical Publishing Co., 166 Misc. 39 (1937),
Clevenger v. Baker Voorhis & Co., 203 N.Y.S. 2d 812 (1960).
68. n. 67, *sup.*, at 40.
69. n. 67, *sup.*
70. Mayor, etc., of Bradford v. Pickles /1895/ A.C. 587.
71. du Bost v. Beresford, (1810) 2 Camp. 511, 512.
72. 194 Misc. 570, 572-3, (1949).
73. Copyright Act, 1956, sections 4 (2), (3), (4); and see
Ebdy v. McGowan, (1870) "Times", Nov. 17th, discussed in
Gibbon v. Pease, /1905/ 1 K.B. 810, on unreasonable custom.
74. Burnett v. Chetwood, 2 Mer. 441n.
75. n. 61, *sup.*

76. *ibid.*, at 223.
77. (1853) 11 Hare 118.
78. *ibid.*, at 122; cf. Clemens, n. 34, *sup.*, per Seabury J.
79. /1959/ Ch. 14.
80. *ibid.*, at 20.
81. 25 & 26 Vict. c. 68.
82. Carlton Illustrators v. Coleman & Co. Ltd., /1911/ 1 K.B. 771.
83. /1926/ Ch. 667.
84. *ibid.*, at 673-4.
85. Carlton, n. 82, *sup.*, at 777.
86. Frisby v. British Broadcasting Corporation, /1967/ 1 Ch. 932.
87. Interviews, nn. 50, 50a, *sup.*
88. See Geisel v. Poynter Products, Inc., 295 F. Supp. 331, 339 (1968).
89. 283 F. 219 (1922).
90. *ibid.*, at 221; following Packard v. Fox Film Corp., 202 N.Y.S. 164 (1923).
91. Meliodon v. Philadelphia School District, 195 A. 905 (1938).
92. Granz v. Harris, 198 F.2d 585 (1952), per Swan, Chief Judge, at 589; cf. Judge Frank speculating about the

'moral right' at 589-90.

93. 148 U.S.P.Q. 398, 149 U.S.P.Q. 872 (1966).
94. *ibid.*, at 873.
95. 148 U.S.P.Q. 755 (1966).
96. *ibid.*, at 756; and see n. 92, *sup.*
97. See 16.1.4, *sup.*
98. See Marvin, *op.cit.*, n.9, *sup.*, at 693; French law of 1957, art. 41.
99. Carr v. Hood, (1808) 1 Camp. 354 (per Lord Ellenborough).
100. Joy Music Ltd. v. Sunday Pictorial Newspapers, [1960] 2 Q.B. 60, following Glyn v. Weston Feature Film Co., [1916] 1 Ch. 261.
101. Glyn, n. 100, *sup.*, at 268.
102. The so-called 'slander of title'; but the classical form of this action may not usually be suitable for 'droit moral' actions.
103. See, e.g., Merivale v. Carson, (1887) 20 Q.B.D. 275.
104. Benny v. Loew's Inc., 239 F 2d. 532 (1956); cf. Columbia Pictures Corp. v. National Broadcasting Co., 137 F. Supp. 348 (1955), Berlin v. E.C. Publications, 329 F 2d. 541 (1964).

105. 154 Cal. 79 (1908).
106. Metzler & Co. (1920) Ltd. v. Curwen (J.) & Sons Ltd.,
/1930/ MacG. Cop. Cas. 127, Grossman v. Seligman, 212 F.
930 (1914); cf. where just the MS is passed:
Werckmeister v. Springer Litho. Co., 63 F. 808 (1894).
107. On the status of unfinished works in general, see
Hensher (George) Upholsterers Ltd. v. Restawhile (Lancs.)
Ltd., /1973/ 1 W.L.R. 700. In any event the employer can
claim possession of the work: Leicestershire County Council
v. M. Faraday & Partners Ltd., /1941/ 2 K.B. 205.
108. See 13.4.2, et seq.
109. Gale v. Leckie, (1817) 2 Star. 107.
110. See 9.3, sup.
111. Gale, n. 109, sup.
112. Kirchner v. Gruban, /1909/ 1 Ch. 413; cf. Forster & Son
Ltd. v. Suggett, (1919) 35 T.L.R. 87.
113. Leng & Co. v. Andrews, /1909/ 1 Ch. 763.
114. Wyatt v. Kreglinger & Fernau, /1933/ 1 K.B. 793; cf.
Bishop v. Kitchen, (1868) L.J.Q.B. 20.
115. Caribonum Co. Ltd. v. Le Couch, (1913) 109 L.T. 385, and
see 9.4.1. sup.
116. A definition of "right of privacy" does not fall within the
scope of this thesis; but see Report of the Committee on
Privacy (the 'Younger Report'), Cmnd. 5012 (1972), ch. 4.;

also Spiegel, "Public Celebrity and Scandal Magazine - the Celebrity's Right to Privacy" (1957) 30 So. Cal. L.R. 280.

117. A constitutional right of privacy has been recognised by the Supreme Court in Griswold v. Connecticut, 381 U.S. 479 (1965), and by the American Law Institute's Restatement of Torts §867, 2d. Restatement of Torts §652D (tentative draft No. 13, 1967).
118. But remedies 'covering' privacy may be granted in the guise of breach of confidence, trespass or defamation; and the Rehabilitation of Offenders Act, 1974 gives much the same relief as the Californian privacy law in Melvin v. Reid, 112 Cal. App. 285 (1931). See also Younger Report, n. 116 sup., Law Commission Working Paper No. 58 on Breach of Confidence, 1974.
119. Applying Bjorlow (Great Britain) Ltd. v. Minter, (1954) 71 R.P.C. 321.
120. See Working Paper, n. 118, sup., at 20.
121. Bjorlow, n. 119, sup., is arguably such a case.
122. See, e.g., Gilbert v. The Star Newspaper Co. Ltd., (1894) T.L.R. 4.
123. Sports & General Press Agency Ltd. v. "Our Dogs" Pub. Co. Ltd., [1916] 2 K.B. 880.

124. Time, Inc. v. Hill, 385 U.S. 374 (1967).
125. /1960/ 1 W.L.R. 1072, noted by G. Dworkin, "Privacy and the Press", (1961) 24 M.L.R. 185.
126. Copyright Act, 1956, section 17(3).
127. See, e.g., Broome v. Cassell, Ltd., /1972/ A.C. 1027, 1167-83.
128. For a general explanation see Nimmer, "The Right of Publicity", (1954) 19 L.C.P. 203.
129. See cases cited in Nimmer, op. cit, sup.; also Uhlaender v. Henricksen, 316 F. Supp. 1277 (1970); cf. Sinatra v. Goodyear Tire & Rubber Co., 435 F. 2d 711 (1970), Lugosi v. Universal Pictures Co., Inc., 172 U.S.P.Q. 541 (1972), Price v. Hal Roach Studios, Inc., Southern District, N.Y., 6/26/75.
130. e.g. California Civil Code, §3344; New York Civil Rights Law, §5951.
131. e.g., Uhlaender, n. 129, sup., at 1282; Rosemont Enterprises Inc. v. Urban Systems Inc., 72 Misc. 788 (1973).
132. Grant v. Esquire, Inc., 367 F. Supp. 876, Lugosi, n. 129, sup.
133. Rosemont, n. 131, sup.; Lugosi, n. 129, sup.
134. (1908) 24 T.L.R. 441.

135. Forbes v. Kemsley Newspapers Ltd., /1951/ 2 T.L.R. 656.
136. Hepworth Mfg. Co. v. Ryott, /1920/ 1 Ch. 1.
137. n. 129, sup.
138. n. 136, sup.
139. 8 Ves. 215.
- 139a. See Blanco White, Kerly's Law of Trade Marks and Trade Names (9th ed. 1966), Introduction.
140. /1912/ MacG. Cop. Cas. 52.
141. Marengo v. Daily Sketch, etc., Ltd., (1948) 65 R.P.C. 242.
142. Gordon Fraser Gallery Ltd. v. Tatt, /1966/ R.P.C. 505.
143. Columbia Broadcasting Systems Inc. v. de Costa, 377 F.2d. 315,318 (1967).
144. e.g., Price, n. 129, sup.
145. Walter v. Ashton, /1902/ 2 Ch. 282, 288.
146. Sporting Times, n. 140, sup.
147. Maitland-Davidson v. The Sphere and Tatler Ltd., /1919/ MacG. Cop. Cas. 128.
148. O'Brien v. Pabst Sales Co., 124 F. 2d 167 (1941).
149. *ibid.*, at 170.
150. cf. Moore, n. 66, sup.; also Tolley v. Fry (J. & S.) Ltd., /1931/ A.C. 333.

151. See, e.g., Haelan Laboratories Inc. v. Topps Chewing Gum, Inc., 202 F. 2d 866, 868 (1953), and the cases cited therein by Judge Frank, and Uhlaender, n.129, sup.
152. See Paramount Pictures Inc. v. Leader Press Inc., 24 F. Supp. 1004 (1938).
153. *ibid.*, at 1008.
154. Lugosi, n. 129, sup.
155. *ibid.*, at 542.
156. U.S. Const., art. 1 8; preamble to 8 Ann. c. 19 (1709).
157. See Homburg, Legal Rights of Performing Artists (1934), which contains a brief, though informative chapter on the then law.
158. Ulmer, "The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations" (1962) 10 Bull. Cr. Soc. 90, 166.
159. de Sanctis, "Copyright in Relation to the Rights of Performing Artists" (1957) 5 Bull. Cr. Soc. 64, 68.
160. Full title: The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations. Only a few countries have ratified it, but the subject is still a matter of vigorous discussion at recent conferences in Brussels (1971), Paris (1972), Nairobi (1973) and Geneva (1974).

161. See Goldstein and Kessler, "The Twilight Zone: Meanderings in the area of Performers' Rights" (1962) 9 U.C.L.A. Law Rev. 819, 823.
162. Ulmer, n. 158, sup., at 93.
163. Rome Convention, article 3 (a), defining "performers".
164. Ulmer, op.cit. n. 158, sup., at 176.
165. See Appendix for full text.
166. Presumably where there would not be an infringement of the copyright in the basic work, as in, e.g., Copyright Act, 1956, section 6.
167. Ulmer, op.cit., n. 158, at 220.
168. H. von Rauscher auf Weeg, "The Rome Convention Rights: A Comparative Review of Legislation and International Legal Development over 12 Years" (1974) 21 Bull. Cr. Soc. 237, 241, 243.
169. See Thompson, "International Protection of Performers' Rights: Some Current Problems" (1973) I.L. Rev., No. 4, p. 303.
170. Couture, "El Derecho intelectual del Interprete" (1947) R.D.J.A. (Montevideo), Feb.
171. See n. 160, sup.; also Model Law Concerning the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, (1974) Cop. 163 (introduction, text and notes).
172. Dramatic and Musical Performers' Protection Act, 1925.

173. (1930) 46 T.L.R. 485.
174. *ibid.*, at 488.
175. *ibid.*, at 487.
176. Copyright Act, 1956, section 45 and Schedule VI, Pt. I.
177. *ibid.*, Sched. VI, Pt..II.
178. Dramatic and Musical Performers' Protection Act, 1958.
179. Performers' Protection Act, 1963; the penalties under these Acts, scarcely more than nominal, were raised in 1972 by the Performers' Protection Act of that year to between 8 and 10 times the previous amounts.
180. See Thomas, "Copyright and the Creative Artist" (1967), Institute of Economic Affairs Research Monograph no. 10.
181. Formerly the National Council for Educational Technology.
182. Conversation with J. Crabbe, C.E.T., March 1974.
183. n. 156, *sup.*
184. Ulmer, *op.cit.* n. 158, at 94.
185. Article 1, section 8, cl. 8.
186. See Goldstein & Kessler, *op. cit.* n. 161.
187. *ibid.*, at 824; also Hemingway v. Random House Inc., 296 N.Y.S. 2d 771 (1969).

188. Chavez v. Hollywood Post No. 43, American Legion, 16 U.S.L. Week 2362 (1948).
189. e.g., Screen Actors Guild Television Agreement (1960).
190. See Matarese v. Moore McCormack Lines, 158 F. 2d 631 (1946) - a patent case, and Peterson v. KMTR Radio Corp., 18 U.S.L. Week 2044 (1949).
191. See, e.g., New York Civil Rights Code, 51; Gautier v. Pro-Football Inc., 304 N.Y. 354 (1952).

C H A P T E R X V I I

CONTRACTUAL, QUASI-CONTRACTUAL AND EQUITABLE REMUNERATION

17.0 Introduction

Where a person creates intellectual property while in the service of another and in the performance of employment duties or otherwise, there exist four potential bases upon which he may claim remuneration for the use of that creation by his employer. The first is agreement between himself and his employer that he will be so rewarded; this agreement may be expressed by words, evidenced by conduct or implied by the Courts. The second is the doctrine of 'quasi-contract' which, as defined by Winfield,¹ is the

"liability, not exclusively referable to any other head of law, imposed upon a particular person to pay money² to another particular person on the ground that non-payment of it would confer on the former an unjust benefit."

The third basis for remuneration lies in the establishment of general equitable devices such as the resulting or the constructive trust, or in such concepts as the notion that he who takes the benefit of a thing must also bear its burden. These rules of equity have not been closely examined in the context of compensation for the transfer of intellectual property rights, yet there is some prospect that equity both in Britain and in the United States will

grant such compensation. The fourth basis for remuneration lies in the area of statute law, and is discussed in detail elsewhere in this thesis.³ It is the province of this chapter to examine the first three bases of compensation.

17.1.1. Contract law: Express contract

Where employer and employee alike contemplate that intellectual property may be created in the duration of the employment relation, the contract between them will very often reflect this contemplation by requiring the assignment of all and any such property to the employer, in consideration of payment of salary, or of continued employment. In the United States it is common to find consideration both for the promise to assign such property rights and for the assignment when it takes place. This latter is usually a nominal sum, \$1 or \$5,⁴ in respect of assignments and licences.⁵ Some companies contract to pay a further, higher sum when a patent application is made, or granted,⁶ as much by way of incentive as of remuneration.

In the interesting case of Pashley v. Linotype Co. Ltd.⁷ the Court of Chancery was faced with the problem of what to do when some promise of remuneration has been made, but where the contract gives no indication as to the quantum of payment. On the facts the defendant company instructed the plaintiff toolmaker to modernise his machinery and to invent some new appliances for use in his shop, which were patented in their joint names under circumstances in which the jury found the existence of an obligation upon the defendant to remunerate the plaintiff for his inventivity as his labour Walton J. asked the jury,

"What is a reasonable and fair thing for the defendants to pay in respect of those (patented inventions)?...giving him whatever you reasonably think he was entitled to, justly and as a matter of right, having been promised that he should get something."⁸

From this direction it would seem that the fact that no sum had been pencilled into the actual agreement need not make it unenforceable through uncertainty, at least where it has been performed on one side.⁹

Where remuneration is covered by an express term to the effect that any award to be paid will be made in accordance with the employer's "suggestion scheme", and that scheme provides that the employer's decision shall be final on the question of the quantum of payment, then the Courts, at least in America,¹⁰ will invoke no equitable or implied contractual doctrines in order to upset that employer's decision.

Where an employee - or indeed any person - reveals to an employer an invention or valuable secret in return for a promise of a percentage of the profits made in exploiting that invention, and that invention is in the public domain or is generally known it has been held that there is insufficient consideration moving from the discloser to warrant enforcement of the promise of remuneration.¹¹ Such a construction is only, however, one of several possibilities, for it postulates that the consideration moving from the discloser of the information is the supply of a valuable invention which is also previously unknown. It is thus open to the Court to find that the consideration is the act of disclosure per se,¹² or that the quality of the information disclosed is a matter which does not go to the root of contractual consideration, but which is a warranty or condition made by the discloser, if the Court so finds.

It should be noted that even where the employer does not immediately promise to remunerate the employee for his invention there may be circumstances in which the latter can succeed in securing compensation under the rule in Lampleigh v. Braithwait.¹³ This rule, as summarised by Winfield,¹⁴ lays down that:

"Where X renders services on Y's request, expecting remuneration for them, and Y subsequently promises remuneration, that promise may be treated by the courts as evidence of a contract, or as a positive bargain which fixes the amount of remuneration, on the faith of which X rendered services."

In such a case the employee will have already received remuneration in the form of his salary, and it is possible that he would need to prove that the services rendered by him in contemplation of such a reward were different from, or in addition to those imposed upon him by the contract of employment proper.

Finally it should be pointed out that even if the employee cannot recover real compensation, he will still be entitled to reimbursement for any expenses necessarily incurred by him in the execution of his master's instructions.¹⁵ Such recovery can only be effected where the employee gives particulars of such expenses.¹⁶

17.1.2 Contract law: implied contract

It is a basic rule of American law that where an employee lets an employer use an invention and informs him that the latter may enjoy royalty-free use for the duration of the former's employment, there is an implied contractual obligation upon the employer to pay a royalty to the employee-inventor once the employment is at an end.¹⁷ This contractual implication works in much the same way as the 'shop right'¹⁸ does to protect the capital outlay of the employer, the continued user being consideration for the payment of the royalty. A not dissimilar term has been implied in a Scottish case - Mellor v. William Beardmore & Co.¹⁹ - where an invention made outside the scope of the plaintiff's employment duties was nonetheless used by the employer with the plaintiff's full knowledge and consent. Since the inventor had not granted a free licence, he sought recompense through an implied contractual obligation to remunerate him (an action for infringement would probably have failed through estoppel, at least up till such time as the employee should give notice that any licence was to be revoked.)

The Courts are, however, unwilling to imply any contractual duty to remunerate an employee who is hired specifically as an inventor or 'ideas man', or who occupies a position of great responsibility with the employing concern. It is perhaps paradoxical to note, in that latter case, that whereas the employee owes rather higher standards of duty towards his employer than might be expected of an ordinary employee, there exists no reciprocal increase of duty owed to him.^{19A}

17.1.3. Contract law: remedies for "labour and materials"

At common law there has long existed an action indebitatus assumpsit for the recovery of the value of labour and materials expended in performing a contractual obligation,²⁰ or for the

value of labour and materials expended by one's servant in fulfilling his obligations to that employer, where the servant had been seduced away by another master.²¹ This was an invaluable action for one who had performed services or who had made something for another who refused to accept it, since there was in such a case no applicable remedy of assumpsit for goods bargained and sold.²²

It is doubtful that this remedy would be of much use to the employee inventor who spends his own time and money in the unsuccessful pursuit of solutions to problems which he was under a duty to solve while at work, in the absence of some evidence that he had been solicited so to act by his employer. Were this otherwise it would be possible for the employee, working at home and in his spare time, to saddle the employer with considerable expense for which the latter had not bargained. On the other hand the current law does nothing to redress the employee's grievance, that if his experiments are successful the employer may claim the exclusive benefit of any patent rights for himself, so long as the employee has acted within the broad scope of his contractual duties; yet if he is unsuccessful, the employer bears no part of his losses.

The doctrine of recovery for labour and materials does have some bearing in the sphere of copyright law, where a work is commissioned and then rejected by the commissioning party on the ground that it is not what he wanted. Clearly if A seeks one thing and B provides another entirely, B cannot recover for work and materials expended, for he had not fulfilled the terms of his contractual obligation.²³ However, if that which is contracted for can only be judged in terms of a subjective appreciation of aesthetic form or content, then it is not for the party commissioning the work - unless he so reserves such a right - to refuse to

accept the finished work. In Ellis v. British Filmcraft Productions Ltd.²⁴ the defendant asked Ellis to write a scenario for 'The Blue Peter' which was rejected on submission as being (i) useless for film production purposes and (ii) not compatible with the defendant's strict instructions. The plaintiff sought £150 for the labour involved in writing the scenario, which sum was awarded him by Rowlatt J. The Court held that the defendant had contracted for 'the exercise of skill and taste of the person employed', rather than for a film worthy script, and then pointed out that the plaintiff's obligation was fulfilled by the writing of the scenario, no matter how few people liked it. As to the vexed question of the author's departure from the defendant's strict instructions the Court would appear to have taken the view that some leeway must be expected in literary contracts, and found as a fact that there were insufficient variations in the work as commissioned to produce a total failure of consideration.

An action for the recovery of even labour or materials will be denied if (i) the work produced is of an illegal or immoral nature,²⁵ or (ii) the contract has been performed in an illegal manner.²⁶

17.1.4. Contract law: "Masters' Necessaries"

In much the same way as a wife could pledge her husband's credit in respect of the purchase of 'necessaries' - the staple commodities needed to combat ill-health, hunger and a degree of discomfort - so the employee is capable of incurring debts at the expense of his employer. The scope of masters' necessaries is, however, very much more limited than that enjoyed by the female

spouse, being confined to the purchase of provisions for a sea-voyage²⁷ and to the repair of ships which have become damaged during such a voyage²⁸, where the credit of the ship-owner has been pledged by his employee, the ship's master. It may be doubted that such a doctrine will be willingly extended by the Courts to cover the pledging of credit to cover expenditure by employees upon inventive activities, especially in the light of the Courts' general reluctance to encourage employees to accrue expense for which their employers are liable see, e.g., 17.1.3, sup.

17.2 Quasi-contract law

It is a general principle of law that if A does something at B's request in return for payment by B, then on A's performance B is under a duty to make his payment; but that where A does something which is not at B's request, B is under no duty to pay, even if he benefits from it, under the law of contract. This is so too where A contracts to supply B with benefits C and D, but also supplies benefits E and F : B is liable for no more than that for which he contracted.²⁹ To this second principle there are a number of exceptions, tied together under the general heading of 'quasi-contractual remedies', because they often operate between contracting parties, and are sometimes co-extensive with ordinary contractual remedies. The juridical nature of these remedies is uncertain,³⁰ and will not be discussed here; but what will be discussed is the application of quasi-contractual principles to the problem of whether an employee can secure compensation for the enjoyment by his employer of intellectual property created by the former.

17.2.1. Remedies under quasi-contract law

Under the law of two State jurisdictions an employee may be entitled to recover compensation in respect of his intellectual contribution to the welfare of his employer. Thus in the Indiana case of Fort Wayne, Cincinnati and Louisville Railway Co. v. Haberkorn³¹ the plaintiff was a master mechanic in charge of all railroad machinery; he had in his own time but at the instigation of his employer made various inventions of application to the defendant's line of business, all of which had been created with his own resources and at his own expense. The defendant used all these inventions with the knowledge and consent of the mechanic, but when the latter left the railroad's employ he sought royalties on the exploitation of his patents. Gavin J. held for him, even there was no contractual right to remuneration, saying:

" Where an act is done, or service rendered, in pursuance of a request, the law will imply a promise to pay what it is worth. This rule does not apply, unless it appears from the nature of the act, from what was said at the time, or by some other sufficient means of proof, that the parties were dealing on the basis of contract, and not of charity, friendship or benevolence.³²"

It can be seen that the line between implied contract and quasi-contract is fine, possible based upon the notion that while the existence of a contract, or of its terms, is a matter of fact, the existence of a quasi-contract is a matter of law. At any rate a fair result can be achieved by giving effect not to the expressed or unexpressed (by silence) intention of contracting parties, but by giving weight to their motives, granted the existence of some form of intention to create legal relations.

To the requirement described above by Gavin J was added some elaboration in the Washington case of Chandler v. Washington Toll Bridge Authority³³ - that the benefit enjoyed by the party from whom remuneration is sought be an unjust one. This requirement of 'injustice', according to the Restatement of Contracts,³⁴ is fulfilled by an inference that the benefit has been given through mistake, through coercion, or in response to a request by the benefitting party. This formulation thus goes somewhat wider than that made by Gavin J. On the facts of the case, however, Chandler could happily have been decided within the scope of the rule in Haberkorn's case above: the defendant authority took over surveys and soundings made by the plaintiff, which had been solicited by that authority's predecessor in title on the terms that payment would only be made if the projected toll-bridge were built. There was no contract between the plaintiff and the authority, but the former had been encouraged by the latter to keep on making his surveys, which were made at his own expense.

17.2.2. Quantum Meruit³⁵

Literally an action to recover 'how much it was worth', quantum meruit can secure a measure of compensation to one party who has performed only part of his duties to another where the second party would enjoy an advantage which it would be unfair for him to possess without paying for it³⁶, and it has also an application where an employee is paid to perform some - but not all - of the duties which have been imposed upon him by his employment.³⁷

An impressive application of the quantum meruit remedy to the field of employee inventor law can be found in the American case

of Matarese v. Moore McCormack Lines:³⁸ the plaintiff, an uneducated part-time stevedore from Italy, devised a model for a device to effect a new system of loading and unloading, for which he was promised by way of a reward one-third of the savings from the introduction of his invention. Matarese asked for his deserts when the system went into operation, but did not receive them, and was eventually dismissed. The defendant company denied his claim for compensation quantum meruit, arguing that the promise to pay the plaintiff was made by one who was not authorized to make it; meanwhile it was still availing itself of the plaintiff's profitable invention. The Circuit Court (2nd. circuit) upheld the claim for quantum meruit, which it described as being founded not upon contractual principles (as the line taken by the defence would appear to have assumed) but upon good conscience:³⁹

"The doctrine is applicable to a situation where...the product of an inventor's brain is knowingly received and used by another to his own great benefit without compensating the inventor."

A different result was reached in the New Jersey case of Kinkade v. New York Ship-building Corp.⁴⁰ where the plaintiff tinsmith conceived a better way of installing bunk beds on troop ships. The actual conception took place in his spare time, but was reduced to practice at work, and at the employer's expense. This was sufficient to give the employer a 'shop right' in the invention,⁴¹ and, in the absence of evidence that the defendant undertook to pay the plaintiff, or that the invention was made with an expectation of reward, the employer was held to owe to the plaintiff nothing at all.

17.3 General Equitable Remedies

Even where there is no agreement, express or implicit, that an employer must reward an inventive employee from whom he has profited, and even in the absence of a quasi-contractual remedy based upon the notion of unjust enrichment or benefit, an employee is still not without hope of remuneration for the use of his intellectual property by his employer, for he may have valuable recourse to that body of equitable rules and maxims which give relief to good moral claims in the absence of a suitable claim at law. These equitable remedies have not usually been examined in the light of the particular problems of employee inventors, and it is indeed true to say that, on the whole, equity has protected the employer and the expender of capital over and against the interests of the inventor (see, e.g., chap.10 sup.) This subchapter will examine four of the sources of equity most likely to be called in aid by the employee author or inventor.

17.3.1 The Doctrine of Benefit and Burden

It is a maxim of equity that, all things being equal, a party who benefits from the promises or actions of another must also bear any burden attendant upon those benefits. A classic example of this maxim may be found in Ives (E.R.) Investment Lts. v. High⁴² where A built upon B's land; B sought the removal of A's building, and the parties finally agreed that the structure could stay (an undoubted benefit to A), so long as B could enjoy a right of way over A's adjacent land (which was a burden upon A.) A's successor in title then sought to destroy B's right of way and, since there had been no prior relations between the parties, neither contract nor quasi-contract could provide B with an apt remedy; nor was

there any covenant running with the land which could protect B. However, since A's successor in title was actively enjoying the benefit of A's arrangement with B, the Court of Appeal held that he had also to bear the burden of it.

Might such a doctrine be applicable where P makes an invention and his employer Q makes use of it? To the extent that P and Q have a subsisting contractual relation, and Q's right to use depends upon either expressor implied contractual terms, it could be argued that P's right to recompense for any outlay in the putting into effect of the invention or in the application for a patent would also be covered by a direct contractual obligation rather more efficiently than the 'benefit-burden' doctrine, which, because of its equitable nature, might be denied the employee inventor who has not acted in good faith and has thus 'dirtied his hands'. In respect of remuneration for the use of an actual invention or idea, the notion of 'benefit-burden' could have been used to good effect in another New Jersey case, Elfenbein v. Luckenbach Terminal Inc.⁴³ There the plaintiff offered to outline for the defendant company a scheme for reducing tax liability; a person who was not authorised to make contracts for and on behalf of the company accepted the plaintiff's offer. The tax advice, though used, was never paid for. Giving judgment for the plaintiff, Wells J. pointed out that the defendant company had taken the benefit of the plaintiff's services, but then went on to decide the case on the ground that the unauthorised contract had been subsequently ratified by the company.⁴⁴

There have been no British cases in which remuneration of an employee inventor has been decided upon the ground of 'benefit-

burden'; but the plaintiff did in fact raise it as a claim in the Scottish case of Mellor v. William Beardmore & Co.⁴⁵ There the Court of Session agreed that equitable payment should be made where the employee's own patent was used by the employing concern with the former's full knowledge and consent, but the assessment of that payment was based upon a quantum meruit.⁴⁶ This is probably in accordance with the unexpressed rule that the benefit-burden' concept applies only in instances where there is no contractual relationship between the parties. At any rate it is still an open question whether a remedy based upon the maxim would be available to a plaintiff for a reasonable remuneration for the use of his patent as compared with the expense of devising and perfecting an invention, the latter being more easily construed as a 'burden' than is the former.

17.3.2 Constructive and Resulting Trusts

A trust may be established by express agreement, by implication through examination of the intention of contracting parties, or by the operation of law. The role of the express and the implied trust has already been dealt with, supra, at 10.2.2. As for trusts which arise from the operation of law, the constructive trust is the one which has the greatest bearing upon the claim of the creative employee for remuneration. It is difficult to define exactly what is meant by a constructive trust, for, as Hanbury⁴⁵ says:

" An account of constructive trusts can do no more than record a number of separate situations in which they have been held to exist."

One can hypothesize, however, that the duty owed by a constructive trustee to his beneficiary is little more than that of rendering

back to another that which rightfully belonged to another. Thus if I get off a train and mistakenly take with me the briefcase of a fellow-traveller, I may be considered the constructive trustee of that case and of its contents. Were I to find money inside it, and to invest that money, my profits would be held for the original owner as beneficiary.

Applying this doctrine to patent law, it could well be that if I, an employer, take and use the patent monopoly of an employee in his invention, in circumstances under which I should not be entitled to do so, it could be argued - though it has not so been in England - that I would have to account to that employee for any revenues collected, or savings incurred, in consequence of my exploitation of that patent. Such an argument has in fact been put forth in the United States, where the constructive trust has been traditionally regarded in a more favourable light as a remedial trust, in the case of Papazian v. American Steel and Wire Co.⁴⁸ There the plaintiff alleged that his employer had fraudulently induced him to assign a patent and that the employer was accordingly a constructive trustee of the patent; the remedy sought was a large sum in damages. The Court held for the employer, though, on the following grounds: (i) that the assignment was induced by a promise of remuneration that at the time of making the promise the defendant did not intend to fulfil it; (ii) that the defendant was in any case entitled to a shop right, and (iii) that the plaintiff was seeking damages - a common law remedy - and not equitable relief, such as rescission of the assignment, or a declaration of trust. The decision in Papazian is not, however, an outright rejection of the constructive trust as a vehicle suitable to redress the grievance of the employee inventor, and it is submitted that, with careful drafting of a statement of claims in the right case, the Court would grant such a remedy.

More complex than the constructive trust, and more colloquially relevant to the needs of the creative employee, is the resulting trust, which may best be explained as follows: where A gives money to B to make a purchase, and B makes that purchase, the subject of that purchase is held by B in trust for A. This is a resulting trust, so called because it results back to the party which advanced the money in the first place. This trust is not established irrebuttably, and it is indeed sometimes presumed to be rebutted when the relation of A to B is a close familial one, e.g. father to son, husband to wife⁴⁹. This rebuttal of the resulting trust is called a 'presumption of advancement', because A is presumed to have advanced his interest to B. Applying this set of rules to patent law for the benefit of the employee inventor is not easy, for even should the employee succeed in establishing that his assignment of patent rights to his employer took place under circumstances in which it would be fair to describe that employer as a resulting trustee, the employee would still have to resist the argument of his employer that there has been a presumption of advancement in favour of that employer. Perhaps fortunately, no Court has had to discuss this matter directly, but the question was briefly raised in Papazian⁵⁰ where the plaintiff alleged (inter alis) that his assignment of a patent to his employer vested in the latter no more than a naked legal title, to be exercised for the benefit of the plaintiff as beneficiary. The Court rejected this claim for the same reason as they rejected the claim that there was a constructive trust (see 17.3.2, supra), but nonetheless did not rule out entirely the possibility of such an argument succeeding in a more suitable case.

17.3.3 Improvement of the Property of Another

The 'improvement' doctrine developed in the law of real property is essentially that if I build upon the land of another, believing it to be my own land, and the owner stands by and says nothing, then he cannot assert his title to that piece of property upon which my building stands; but if I build upon the land of another in the full knowledge that it is not mine, then even the acquiescence of the owner of that land would not debar him from asserting title over that land and from enjoying the benefits of my labour upon it.⁵¹ My belief that the land upon which I toil is my own, or that my interest in it is permanent and not temporary,⁵² must be proven before I can resist the title claim of an acquiescent land owner, for my mere imprudence alone will not protect me,⁵³ If I have built upon land in the mistaken belief that the land is mine forever, whereas I am only a tenant for a term of years, the acquiescent landowner must compensate me for any improvement which I have made upon his land,⁵⁴ and I have a lien upon the premises until my outlay is so recompensed.⁵⁵

The application of this set of rules to the law of intellectual property poses some real problems; even though a patent, copyright, or confidential information may be regarded as 'property' for the purposes of legal convenience⁵⁶ how far does the analogy between the real and the incorporeal carry? One cannot physically build upon intellectual property but one can build upon data of a confidential nature, by working upon it, by testing and proving scientific hypotheses, and one can certainly build upon the copyright work of another, by revising, repunctuating or by turning indirect into direct speech. A patent may result from the reworking of an invention or idea of another, and copyright will subsist in any

derivative literary work to the extent that it is original and different from the underlying work of another. However, insofar as 'building' upon patents and copyright works is concerned, the existence of the new - and its enjoyment - is not incompatible with the continued existence of the old work, and of the rights in them. Thus if the 'improvement' doctrine is to have any application in the field of intellectual property, it must be in the area of trade secrets, where a body of confidential information is reworked into a more advanced, or patentable form, where the enjoyment of that new form by its creator is incompatible with the enjoyment of it in its old form by the underlying owner. In other words, the 'improvement' doctrine could only operate where a trade secret owned by an employee (or employer) was expanded by his employer (or employee) outside the course of the contract of employment and in circumstances where the latter believed himself to be entitled to develop that secret, and where the former has sat back and acquiesced in that development.

Would equity step in and compensate the employee who works upon his master's trade secrets, while not in the course of his employment duties, in the erroneous belief that it is he and not his master who is entitled to enjoy the use of such trade secrets? The employee will not be able to enjoy any resulting patent right,⁵⁷ nor can he in general recover for the labour which he had erroneously expended, except perhaps upon the benefit-burden theory discussed at 17.3.1 supra. But under the 'improvement' theory it is possible that a Court would latlise the same reasoning as did Cooley C.J. in the Michigan case of Isle Royal Mining Co. v. Hertin.⁵⁸ The Chief Justice held that one who works upon the property of another in that case a lumberjack is not entitled to compensation for labour

expended by mistake upon the property of another, when the identity of the original article is not destroyed, nor its value greatly increased; this would leave it open to argument that an 'idea' or 'trade secret', when worked upon, is, if not actually destroyed, then at any rate substantially metamorphosed and that its value as a secret is changed, and that where the employee has by his misdirected efforts increased the value of his labour and time.

Aside from the rules of equity there is an important statutory and case-law provision which impinges upon the problem of A utilising B's secrets. Where the initial information is patentable, and an employee, having modified it, seeks to patent it for himself, the employer can have that patent avoided, or can oppose its grant in that it has been obtained from him;⁵⁹ he can also seek a declaration that any patent so granted to the employee will be held in trust for him.⁶⁰ This gives at least some protection to the rights of the underlying owner, who is also entitled to claim damages where he has communicated his idea to his employee and that latter has effected a breach of that confidence, whether the employee's building upon his employer's confidential information is intentional or subconscious.⁶¹

17.3.4 Equitable liens

A lien is, simply, the holding of a property upon which labour has been expended or a debt raised, in return for a fulfilment of that monetary obligation which is owed by the owner of that property to its possessor. In the absence of contract,

" The general principle is beyond all question, that work or labour done or money expended by one

man to preserve or benefit the property of another do not according to English law create any lien upon the property saved or benefited, not, even if standing alone, create any obligation to repay the benefit. Liabilities are not to be forced upon people behind their backs any more than you can confer a benefit upon a man against his will.⁶²"

Can an employee then hold an invention or a copyright upon which he has expended time and effort, if he has contracted to supply it to his employer, where the latter has not recompensed him for the labour and materials expended for which he has made himself liable? The answer, it would seem, is in the affirmative, if what the employee holds is tangible,⁶³ but negative if he holds only an intangible thing such as a legal right.⁶⁴

1 'Law of Quasi-Contract' /1952/
2 Goff and Jones, 'The Law of Restitution' /1966/, p.12n, see
no reason why the definition should be limited to money, if
3 this remedy is wider than the old indebitatus assumpsit
at 8.3, inf.
4 For examples of such consideration see Rossman, 'Patent
Policies for Employees', /1962/ PCTORE 24, McTiernan,
'Employee-Inventor Compensation Plans' /1964/ JPOS 475
5 as did, e.g. Westinghouse Brake and Signal Co.; see Page,
'Award Schemes for Employee Inventions', Oct. 1975 CIPA
6 /1905/ 22 R.P.C.633. See also Fleming v. Doig /Grimsby/ Ltd.,
/1921/ 38 R.P.C.57; cf. Sterling Engineering Co. v. Patchett,
/1955/ A.C.534, where the Court refused to find an "understand-
7 ing" that P would be paid a royalty even though previous
contracts between the parties had contained a royalty clause
8 /1905/ 22 R.P.C.633.638
9 see British Bank for Foreign Trade v. Novinex Ltd., /1949/
1 K.B. 623; cf. Scammell v. Ouston /1941/ A.C. 251
10 309 F2d. 99 /1962/
Masline v. New Haven and Hartford Railway, 95 Conn. 702
/1921/
12 see Oesney v. Wilder, 299 P2d.257, 264 /1956/
13 /1615/ Hob, 105, as explained by Bowen L.J. in re Casey's
Patents: Stewart v. Casey, /1892/ 9 R.P.C.9
14 op. cit. n.1 sup., at p.59
15 see 17.1.3 inf.
16 Dixson v. Williams, /1602/ Noy. 185
17 Keyes v. Eureka Consolidated Mining Co., 158 U.S. 150 /1895/
18 on the 'shop right' see 10.3, 5. sup.
19 /1927/ 44 R.P.C. 175

19A Belanger v. Alton Box Board Co., 180 F2d. 87 /1950/
20 Grafton v. Armitage, /1845/ 2 C.B.336, Clark v. Mumford,
/1811/ 3 Camp.37
21 Lightly v. Clouston, /1808/ 1 Taunt. 112
22 Atkinson v. Bell, /1828/ 8 B & C 277
23 Ellis v. Hamlen, /1810/ 3 Taunt.52, 53
24 /1928 1 1935/ MacG. Cop. Cas. 51
25 Poplett v. Stockdale, /1825/ 1 Ry & M. 337
26 Bensley v. Bignold, /1822/ 5 B & Ald. 335
27 The "Riga", /1872/ L.R. 3 A & E 516
28 Webster v. Seekamp, /1821/ 4 B. & A 352
29 Forman & Co. Pty. Ltd. v. The "Liddesdale", /1900/ A.C.
190 /J.C./
30 see notes 1 and 2, sup.
31 15 Ind, App. 479 /1896/
32 ibid., at 484-5
33 17 Wash. 2d 591 /1943/
34 A.L.I., 112, p.461
35 For a detailed discussion see Winfield, n.1 sup., at 51 - 60
36 Unless satisfaction is contingent upon full performance only
see Cutter v. Powell, /1795/ 6 T.R. 320
37 Mackenzie v. Baird's Trustees, /1907/ S.C.838, 845
38 158 F2d. 631 /1946/; see also Deane v. Hodge, 35 Minn.
146, 150 /1886/
39 Matarese, n.39 sup., at 634; cf. Hawkes v. Saunders, /1762/
1 Cowp. 289
40 21 N.J. 362 /1956/
41 Wiegand v. Dover Mfg. Co., 292 F. 255 /1923/
42 /1967/ 2 Q.B.379, 394

43 111 N.J.L. 67 /1933/
44 ibid., at 72 - 3
45 n.19 sup.
46 see 17.2.2 inf.
47 'Modern Equity' /1969/, at p.218
48 155 F.Supp. 111 /1957/
49 see Pettitt v. Pettitt, /1970/ A.C. 777 but the presumption
of advancement may be obsolete: p.p. 793, 811, 824
50 n.48, sup.
51 Ramsden v. Dyson, /1865/ 1 H.L. 129
52 Thornton v. Ramsden, /1864/ 4 Giff. 519
53 Pilling v. Armitage, /1805/ 12 Ves. 78, East India Co. v.
Vincent, /1740/ 2 Atk. 83
54 Paterson v. Hickman, cited in the Earl of Oxford's Case,
/1615/ 1 Ch. Rep.1
55 Unity Joint-Stock Banking Association v. King, /1858/ 25
Beav. 72, cf. Falcke v. Scottish Imperial Insurance Ltd.,
/1886/ 34 Ch.D. 234, 248
56 see Jones, /1970/ 86 L.Q.R. 463
57 see notes 59, 60 inf.
58 37 Mich. 332 /1877/
59 Patents Act 1949, sections 32, 14
60 Reid & Sigrist Ltd. v. Moss & Mechanism Ltd., /1932/ 49 R.P.C.
461
61 Seager v. Copydex, /1967/ 1 W.L.R. 923
62 see Falcke, n.55 sup. /a salvage case/
63 Woods v. Russell, /1822/ 5 B & A 942
64 Cox v. Cox, /1853/ 11 Hare 118

C H A P T E R X V I I I

REFORM PROPOSALS

18.1 Patent Ownership

It has often been suggested¹ that there is a strong case for reform of the current laws of patent ownership both in the United Kingdom and in the United States so as to obtain for the inventor-employee a greater degree of control or financial interest in the inventions he makes while employed. The current state of law through the presence or absence of three principal factors: the expressed contractual will of employer and employee, the effect of any relevant statutory provisions, and the common law rules which apply in the absence of the other two factors. Proposals for reform along the lines mentioned above can operate by reference to all or any of these three factors, which of course are interrelated to each other; the substance of reform proposals made thus far, and their effect upon these three categories, will be discussed below.

18.1.1 Reform of the Common Law

Both in America² and in the United Kingdom³ there have been proposals to render unenforceable those contractual terms which secure from the employee rights in any invention which has not yet

come into existence, at least where the employer would have no common law right⁴ to such an invention other than under the terms of the contract of employment. The epitome of such proposals is the Brown Bill⁵ of 1963, which was to have been incorporated into the American Labor Code, and which would provide that

" It shall be unlawful for an employer to require as a condition of employment that any prospective employee of his or any of his employees agree to assign any patent or patentable invention to the employer or to maintain or enforce any agreement with any of his employees to assign any patent or patentable invention to the employer where such agreement was a condition of employment."

It is not improbable that any provision based upon the proposal of the Banks Committee⁶ in England (that such contractual terms be unenforceable) would not differ greatly from the provision described above.

The Brown provision has been criticised by Neal Orkin⁷ as an " one-sided attempt to ensure the employee inventor his rights; not only would it disregard the employer's contribution - possibly creating a great shrinkage in research and development expenditures by industry - but it would throw any employer-employee disputes into the mire the common law. Any rights granted the employee would have to be decided on a case-by-case basis, unreasonably burdening the courts."

If the Brown Bill were proposed as a reform of the English law, Orkin's criticism of it would be substantially justified; for the common law admits of no tertium quid⁸ in between the sole

ownership of a patent by, on the one hand, the employer, and on the other, the employee - except in circumstances so rare as to be almost freakish⁹ - and no account could be taken either of the employer's contribution to the employee's invention or, more importantly, the employee's contribution to the employer's. In the United States, however, this objection is a far less serious one because the operation of the 'shop right' gives to the employer a free and nonexclusive licence to use his employee's invention in circumstances where some substantial contribution has been made to the invention by the former.¹⁰ It is true that the outlay of capital investment funds may be inhibited by the spectre of a loss of patent rights by the employer, but such a loss will only occur where the inventor invents outside the scope of his contractual duties. Thus the employer can safeguard the position he enjoys at present - to at least a major extent - by assigning inventive duties to those of his employees in whom he invests his research capital. Such employment practice may cause the employer an unfortunate loss in the rare circumstances of a case like Dubilier¹¹ - where employee A is assigned to invent Y, and employee B is employed to invent an unrelated Z, but A fortuitously invents Z himself - but by way of compensation there will be no anxiety spent over contractual doctrines of restraint of trade or public policy rendering a comprehensive pre-assignment of inventions clause void and unenforceable.¹² Finally, "the mire" the common law is more settled in the United States than in England, where there has been a dearth of decided cases over the last twenty years, and where many problems still lurk without definitive solution.¹³ So in fact the Brown Bill might be far more successful in the United States (with its relatively advanced common law¹⁴) than in the United Kingdom.

A more sophisticated version of the Brown Bill may be found in the Bills proposed in 1974 jointly by Senator Hart and Congressman Owens,¹⁵ to the effect that

"Subject to other provisions of Federal law, no direct or indirect assignment by an inventor to this employer, or to a person designated thereby, of the subject matter of an application for patent or patents developed in the course of his employment, shall be valid unless the employer agrees to pay the employee, in addition to his regular salary or compensation for services, a minimum of 2 percent of the profit or savings to the employer, attributable to each subject matter. The Commissioner¹⁶ shall by regulation establish procedures for carrying out the provisions of this section. No assignment, or other disposition by the employee of such right to additional payment, shall be valid, unless there is equitable and adequate remuneration therefor."

This Bill would ensure that employees are not deprived of an interest in their inventive contribution to the profit-making activities of their employers, and fixes the minimum degree of compensation for the inventor by reference to the commercial value of his patent. On the other hand, as Orkin points out,¹⁷ 2 percent is an arbitrary figure which is as likely to be too much as it is to be too little in relation to the inventive services of the individual employee, and it is not clear whether an aggrieved inventor who had received no compensation under the Bill would be able to sue for the 2% reward for an appropriated patent, or could seek the patent back instead. It is the submission of this author that since

the Bill deals with the invalidity of assignments of patent rights and not primarily with an employee-inventor's right to compensation, the better view would be that the employee could not sue for his cash, but could enjoy full rights in the patent, since the assignment clause in his contract would have failed, being invalid, to pass any right to the employer. A more important criticism of the Bill is that it would require a high degree of bureaucratic activity on the part of employers to assess profitability and keep records relating to all and any employee-patents which they happen to use, an expense which may be far higher than the sum total of payments made to employees at the minimum rate of 2 percent.

18.1.2 Statutory Award Schemes

Under the proposals contained in the Moss Bill,¹⁸ a statutory award scheme along the same basic lines as that operated in West Germany¹⁹ would be introduced in the United States; like the Brown Bill, the Moss Bill emanated from California, being drafted by the California Society of Professional Engineers following a two-year study by the National Society of Professional Engineers.²⁰ The Bill has remained more or less dormant in the face of persistent opposition from industrial interests, and neither the Senate nor the House Committee on the Judiciary has made revision of this area of patent law a priority for reform.

On 25th. February 1975 the Senate passed a major Patent Revision Bill;²¹ much of its content is controversial, but the Bill makes no special provision relating to employee inventors. The Bill would reorganise the patent system in a way which would not be incompatible with the successful operation of the Moss Bill, but further discussion of the issue at the legislative level is not likely in the

near future, it being proposed²² that

" (a) The Secretary of Commerce and the Secretary of Labor shall jointly conduct a full and complete study and investigation of the extent to which existing practices including customary employment contracts, and existing applicable laws, provide adequate incentive to innovations by, and adequately protect the interests of, professional, scientific and technical personnel, and others employed by private corporations. In the course of conducting the study and investigation, the Secretaries shall (1) consult with appropriate professional societies, business organisations and labor organisations; and (2) coordinate information and recommendations with the appropriate agencies of the Federal Government. The Secretaries are authorised to obtain the services of private research institutions and such other persons by contract or other arrangement as they determine to be necessary in carrying out the provisions of this section.

(b) The study and investigation described in subsection (a) shall include at least an analysis of: (1) existing employer-employee relationships with respect to employee inventions; (2) provisions in employment contracts or side agreements reserving or controlling patent rights of inventions and processes developed by an employee; (3) provisions in employment contracts restricting an employee's post employment use of patentable inventions developed by the employee; (4) payment or compensation of employees for the rights to their inventions; (5) the laws of the United States, of the several States and of other countries

concerning the subject; (6) the incentive to innovate; (7) the disclosure and patenting of inventions; and (8) the utilisation of inventions.

(c) The Secretaries shall, within 18 months after the enactment of this Act, submit to the Congress their report of the results of such study, together with such recommendations for legislation as they shall deem appropriate."

In the light of this provision, should the Bill be passed by both Houses, it may well be that a labour-oriented Bill such as 'Moss' will be agreed upon, especially since the study proposed above is to be carried out by the Secretary of Labor as well as that of Commerce - an imaginative step towards resolution of a problem which straddles both employment law and industrial interest.

On a state-wide level, a Bill²³ was introduced before the Californian Assembly on 29th. January 1976 by Assemblyman Terry Goggin. It is short and simple in form, and is reproduced here in full:

"1130. The right to the patent for an invention made by an employee in the execution of an employment shall belong to the employee, unless the employer makes a declaration of interest in the invention.

1131. An employee who makes an invention of the kind referred to in Section 1130 shall immediately inform his employer thereof in a written report.

1132. Where the employer makes a declaration of interest in the invention, the right to the patent shall be considered as having belonged to the employer from the beginning, provided that the employee is notified in writing of the

employer's declaration of interest within four months after either the date of receipt of the employee's report, or the date on which the invention became otherwise known to the employer, whichever date is earlier.

1133. If the employer makes a declaration of interest in the invention, the employee shall have a right to remuneration for the invention, taking into account his salary, the importance of the invention, and any benefit derived from the invention by the employer. In the absence of agreement between the parties, the remuneration shall be fixed by a court of competent jurisdiction.

1134. The rights conferred on the employee by the provisions of this chapter shall not be reduced by contract."

While this Bill is brief, and embodies with acceptance principles of award schemes already in existence²⁴, it is open to numerous criticisms on grounds of detail. First, there are no provisions relating to the coming into force of the Bill; if an employer has sat upon an invention for a period longer than four months prior to the coming into force of the Act, would that invention automatically revert to the employee inventor, or does a further period of four months first have to elapse? And what of invention which the employer has contemplated adopting, but has not claimed, during a period of less than four months prior to the Bill becoming law? Secondly, what happens if the employer does not make any claim under the provision of section 1132; will he have no interest at all in the invention, or will he enjoy the same rights which he at present possesses under the American common law? And if he has no rights at all, can he at any rate plead estoppel by way of a defence to the inventor's infringement action if he uses an invention without claiming it first, and the employee sits back

and does nothing to prevent him from using the invention, while the four month period expires?

There are also some undesirable features of drafting in the Bill: for example, in section 1130 no explanation is given as to what is 'data'. If an employee makes an invention as a result of having become acquainted with a problem unique to the employer, does the knowledge of that problem constitute 'data'; or is it a 'means available through his employment'? Secondly, section 1131 would appear to leave it entirely to the employee to decide whether or not his invention falls within section 1130 (and which therefore need be reported to the employer), without providing any convenient measure whereby an employer can dispute the employee's 'ruling' on the matter. It might in fact be less of a temptation towards fraud on the part of the employee inventor, and might also induce the employer to place more trust in his employee, if the latter were under a duty to disclose all inventions, with provision also that, for the duration of the four month option period, and thereafter if the invention is to be retained by the employee, a strict duty of confidence is placed upon the employer. Again, under section 1132 is an invention 'otherwise known to the employer' when it is written in an employee's work-book to which the employer or supervising employees may have real or potential access? However, flaws apart, this Bill, like the Swedish legislation on the subject,²⁵ is a simple encouragement to the parties to agree upon remuneration for the appropriation of an invention without the need of going to Court; the employee is guaranteed his right to reward, and the employer is vouchsafed his right to use - and own - the employee's invention.

In the United Kingdom there have been no formal drafted proposals for reform since 1965,²⁶ but the Institute of Patentees

and Inventors²⁷ has recently been pressing for the introduction of a statutory award scheme along the lines of the Swedish legislation.²⁸ Even opponents²⁹ of the introduction of award schemes in Britian have conceded that the Swedish scheme is preferable to the German, at least, so far as concerns its potential operation in Britain. However, as Dr. Fredrik Neumeyer, one of the leading experts in this field and himself a Swede, points out,

"Personally I am convinced that British legal development should follow Swedish experiences more than German, but our own country may be too advanced socially to be useful for reforms in Great Britain.³⁰"

18.1.3 Reform Movements in International Circles

For many years both international groups of employees and international bodies representing and administering the interests of nations have looked to employee-inventor law as an area ripe for legal reform on a national basis and also as a subject for the establishment of munimum standards of protection for employees on a world-wide basis.

On the labour front the World Federation of Scientific Workers' (WFSW) Declaration of Rights³¹ affirmed the interests of its members in being allowed enjoyment of all the rights guaranteed them under the Universal Declaration of Human Rights,³² the rights to work³³ and the right to enjoy a free flow of scientific information,³⁴ and, most importantly for us, the right to a clear and specific contract of employment which is as much in accordance with the needs of the employee as it is with the requirements of the employer.³⁵ The International Federation of Employee Technicians (FIET)³⁶ as early

as 1966 laid down its minimum requirements which were to be attained, if possible, by its constituent unions, including the provision that

" All employees have the same legal claim to, and resulting from, any inventions made in the course of their employment or service...³⁷",

and that "...it shall be obligatory for a separate and agreed sum in compensation, to be paid to the inventor."

Collective bargaining has not, however, succeeded in realising these ideals.

In the 1973 Congress of the FIET the following resolution was passed, that

"1)By legal provisions...it should be ensured that patentable inventions or similar intellectual achievements ...made by an employee be considered as a special service not included in his pay; 2) The...provisions should ensure that if an employer intends to use this special service the application for a patent entitles the employee to immediate payment of an appropriate award.³⁸"

It should be borne mind that the above are only statements of principle, rather than concrete proposals to be given legislative effect, and that, though they may be read as going wider than either the Swedish or German schemes, there is no requirement that they be so in their implementation.

So far as concerns international law, the organs of both the Paris Convention and of the United Nations have been active in this area. In 1965 the B.I.R.P.I.³⁹ Model Law for Developing Countries on Inventions, section 10, laid down provisions to be applied to the employment situation, which emphasised that title in inventions - in

the absence of contractual provisions to the contrary - would generally vest in the employer, but that the employee inventor's right to remuneration was affirmed upon more or less the same terms as in the Swedish law. The main difference between the B.I.R.P.I. model and the Goggin Bill is that the latter regards employee inventions as prima facie belonging to the employee, rather than to the employer.

Both the International Labour Organisation (ILO) and the United Nations Educational, Scientific and Cultural Organisation (UNESCO) have been responsive to the mood of the FIET and the WFSW. In 1971 the FIET passed a motion⁴⁰ that pressure be put upon the ILO to establish adequate awards for employee inventors, and in the following year the ILO secretariat produced a detailed report on the theoretical aspects of that very problem;⁴¹ one of the principles affirmed by that report was that the conflict between patent law (which rewards inventors for their ingenuity) and labour law (which requires that the employer enjoy the fruit of his employee's endeavours) be resolved through the compromise that the employer keep the patent but be made to effect compensation for it.⁴² A further policy document of the ILO⁴³ deals with the terms and conditions of employment of scientists, and suggests that the attention of employees be drawn to any contractual provision the effect of which is to allocate the inventor's legal rights in a patent to his employer;⁴⁴ the invention of this, presumably, is that scientific employees, having been made aware of that about which they are currently fairly ignorant, might be so stimulated as to act in concord with each other in bettering their terms through individual or collective bargaining.

UNESCO adopted in 1974 a resolution⁴⁵ recommending that

"Member States should apply the following provisions by taking whatever legislative or other steps may be required to apply within their respective territories, the principles and norm set forth in this recommendation..."; among the following provisions relating to scientific researchers it was laid down that

"Member States should demonstrate that they attach high importance to the scientific researchers receiving appropriate moral support and material compensation for the creative effort which is houn in his work.⁴⁶", by bearing in mind that

"(i) the degree to which scientific researchers receive credit for and acknowledgment of their proven creativity, may affect their level of perceived job satisfaction; (ii) job satisfaction is likely to affect performance in scientific research generally, and may affect specifically the creative element in that performance.⁴⁷"

Member States should thus

"adopt, and urge the adoption of, appropriate treatment of scientific researchers with respect to their proven creative effort.⁴⁸"

These rather wordy proposals were carried by a vote of 82 in favour (including the United Kingdom), with no votes against and only four abstentions.

18.2 Copyright Ownership

At the time of writing, the Whitford Committee on Copyright Law Reform has not yet reported; and rather than attempt to

anticipate the findings of that Committee the author will confine himself to the comment that, since the coming into force of the Copyright Act of 1956, there have been no coherent movements towards the reform of the provisions of the Act which deal with the creation of commissioned works, or with the works of employee authors and creators.

In contrast, in the United States, ever since 1909, when the current legislation was passed, there have been attempts to amend the 'for hire' provisions relating to employers' rights in employees' writings.⁴⁹ Bills introduced by Dallinger,⁵⁰ Perkins,⁵¹ Duffy⁵² and Daly⁵³ all sought to alter the status of the employer from that of 'author' of his employee's work - a manifest and possibly unconstitutional untruth⁵⁴ - to that of assignee or owner. But there were further refinements proposed too, such as clause 6 of the Perkins Bill which suggested that, in the absence of contract, newspapers should have only a licence to print, and that motion picture creators would own copyright in their films but not also in their employee's scripts (a suggestion which caused some controversy in the industry.) On the other hand, Bills introduced by Vestal,⁵⁵ Sirovich⁵⁶ and Thomas⁵⁷ provided for the retention of the employer's status as 'author' of works made 'for hire'. All of these reform Bills attempted a greater degree of precision than was contained in the 1909 Act, specifying either that the work be made within the course of scope of the author's employment,⁵⁸ or that it be made pursuant to a bona fide contract of service, and at the instance of the employer.⁵⁹ Though not one of these Bills met with legislative acceptance their way of thinking influenced the drafting of the most recent major reform proposal, the Copyright Bill of 1975, passed by the Senate on 29th. January 1976.⁶⁰

The history of the current Bill goes back as far as 1961, when the first tentative drafts and suggestions leading to an wholesale reform of the structure of American copyright law were first contemplated; and it took some fifteen years of behind-the-scenes negotiation and argument before the Bill was generally felt to be satisfactory. It was reported that, of the Bill,

"Almost every provision in Chapter II represents a compromise of one sort or another, and those involving works made for hire...were extraordinarily difficult to achieve.⁶¹"

However, under 201 of the Bill, we note that the notion of the employer as 'author' still remains. Thus

" (a) Copyright in work protected under this title shall vest initially in the author or authors of the work...(b) 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 the 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."

In the definition section of the Bill,⁶² a 'work made for hire' is

"(1) a work prepared by an employee within the scope of his employment;⁶³ or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audio-visual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, as a photographic or other portrait of one or more persons, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered as

a work made for hire."

No explanation of 'scope of employment duties', or as 'scope of the employer's activities and interests', or as both cumulatively or separately. The omission of the words 'under a contract of service' after the words 'scope of his employment' would suggest that in the case of hired (but not salaried) songwriters or other producers of work falling outside the scope of part (2) of the definition above, the Court will be able to find that there has been 'employment', as it does at present,⁶⁴ by utilising the 'control' test.

While improving the legal position of the author or artist who performs commissions (by establishing a presumption that the work - if within category (2) - is his in the absence of written agreement), the new Bill adheres to the principles of the old law in dealing with employees. This might come as something of a blow to those pressure-groups which had hoped for the introduction of a 'shop right'⁶⁵ but the effect of this blow has been largely mitigated by the force of collective bargains between screenwriters and others with their motion picture employees,⁶⁶ which grant an effective shop right in many instances. The 'shop right' proposal was rejected largely on the ground that the operation of that right is presently rather uncertain,⁶⁷ and might itself create new problems; though no such experience has been met with in the United Kingdom,⁶⁸ where guarded 'shop rights' have been granted in certain circumstances.

One further effect of the new Bill is that the employer is treated exclusively as the author of works made for hire; this removes the ambiguity of the current Act⁶⁹ whereby the author 'includes' the employer, but which leaves it open for the author to

'include' the employee (author) too. This move will make even more important the issue of constitutionality, of whether Congress can, in protecting the 'writings of authors', can yeild the initial copyright grant to one who has not so much as lifted a pen, to the total exclusion of the actual writer.⁷⁰

Under the new Bill, copyright will run for the duration of the author's life, plus fifty years thereafter, in the case of published works. Since there is a very strong likelihood that the employer-'author' will be a corporate entity which will not die, provision must be made for preventing an employing company from enjoying perpetual copyright. This is done in 302, which lays down that

" In the case of an anonymous work, a pseudonymous work, or a work made for hire, the copyright endures for a term of seventy-five years from the year of its first publiciation, or a term of one hundred years from the year of its creation, whichever expires first."

Two further provisions of the new Bill are worthy of note: the first relates to Government-commissioned works, the second to the position of American employers of foreign authors.

Under 105 of the Bill, copyright protection is not available for 'any work of the United States Government', which is defined in 101 as a work

" prepared by an officer or employee of the United States Government as part of his official duties."

It may be speculated that if, as seems likely, the Courts would construe the words 'as part of his official duties' more narrowly

than 'within the scope of his employment', it will be open to the United States Government to enjoy copyright by virtue of 201 in all works which fall within the scope of employment, but which are not part of an employee's official duties.

Under 601, the importation or public distribution of English-language books printed other than in the United States or Canada is prohibited, if the work is copyright in the United States. This provision does not apply⁷¹ where the author is neither a national nor a domiciliary of the United States, or is a national who has lived continuously outside the United States for at least a year. However, this exception does not itself apply⁷² where the work is made for hire, unless a substantial part of the work was prepared for an employer or other person (not being a national or domiciliary) or a domestic enterprise or corporation. This provision should clarify the position of the current law, which was left rather uncertain after Olympia Press v. Lancer Books, Inc.⁷³

On the international law front, the reform of copyright ownership laws has not been a substantive issue, probably because the practical operation of such laws, and the fact that copyright is not an exclusive monopoly, would help mitigate the rigours of even a harsh domestic law. There have been two important developments though, which should be noted. The first is the UNESCO Model Law on Copyright for Developing Countries in Africa,⁷⁴ which vests copyright in the author,⁷⁵ not the employer, but provides that

" In the case of a work created for an employer in the courses of the author's employment or as part of his official duties, and in the absence of any agreement to the contrary, the rights referred to in Section 4⁷⁶ are deemed transferred to the employer."⁷⁷

The sweeping scope of this general transfer is probably wider than

that of section 4 of the English Copyright Act of 1956, since it would probably vest the writings of academic staff in their employers, and there is no provision for re-vesting the copyright back to the author in the case of contributions to periodicals. In fact, the UNESCO provision may be as wide as Ti.17 U.S. 26, since there is no stipulation that the employment be under a contract of service. Thus the UNESCO model may predicate a widening, rather than a narrowing, of employers' rights in employees' copyrights.

The second interesting development comes from the policy document of the ILO on employment of scientific workers.⁷⁸ Member States are exhorted to encourage and facilitate the publication of research and development results by employees, both for the moral benefit of the employee and for the tangible benefit of the general public;⁷⁹ it is also suggested that no restriction be placed upon the scientist's right to write up and publish his experiments (an act which would of course be covered by his copyright relation with his employer) unless, in exceptional circumstances, the employer warn the employee unequivocally in writing before he enters his employment, and give him a written justification for his policy of curtailing the scientist's right to publish.⁸⁰ The ILO document, while more concerned with protecting the scientist's freedom of expression and his ability to create copyright material rather than his actual rights in what he writes, raises obliquely the interesting problem of whether an employer can claim the copyright in the writings of an employee whom he has specifically instructed not to write the work in which he (the employer) seeks a proprietary interest.

18.3 Breach of Confidence

In 1974⁸¹ the Law Commission proposed that the current action for breach of confidence be abolished,⁸² and that a new statutory tort replace it. The new tort, it was suggested, would grant remedies in three types of situation,⁸³ of which two concern this chapter. Under the first, a remedy would be available where a possessor of information owes a duty of confidence in respect of that information if it was given to him by another person on the understanding, which the possessor expressly or impliedly accepted that confidence would be preserved in respect of it. As an example the Law Commission gives an instance where an employer gives his employee access to the files of his business, where the nature of the confidential relationship between employer and employee would imply an agreement on the part of the latter to observe confidentiality.⁸⁴ It may well be that where the relationship of employer to client is confidential, and the files given to the employee contain such confidential information, that would be sufficient to imply on the part of the employee a duty to preserve that confidence if he knew of it. The second ground of action proposed by the Law Commission varies from the first in that it covers the instance where information is acquired without actually being given, as in the case of the

"employee who obtains information in the courses of his employment (who) would owe a duty of confidence in respect of that information."⁸⁵

These two grounds may overlap substantially both with each other and with duties owed contractually by the employee to, the employer.⁸⁶ In practice these proposals are unlikely to effect any great change

in employer-employee relations, since the same factual situations are already covered by the current equitable remedy for breach of confidence which the Law Commission seeks to abolish; but where a significant difference may lie is in the availability of the new tortious remedy. The Law Commission proposes that the tort should not be actionable except upon proof of loss of the opportunity to make a pecuniary gain, actual pecuniary loss, or personal distress,⁸⁷ a limitation which does not currently exist; and the founding of an action in tort rather than on grounds of equity will obviate the extent of the employer's current need to show that his hands are clean⁸⁸ before endeavouring to obtain an injunctive remedy.

F O O T N O T E S

Chapter XVIII

- 1 See ch.8.4, sup.
- 2 H.R.4932, 88th. Cong., 1st. Sess.; reintroduced H.R.5918,
89th. Cong., 1st. Sess., /the 'Brown Bill'/, S.1321, H.R.7111,
93rd. Cong., 1st. Sess., /the 'Hart-Owens Bill'/'
- 3 'The British Patent System' /1970/, Cmnd.4407, 467; 'Patent
Law Reform' /1975/ Cmnd.6000, ch.6
- 4 For an analysis of common law rights, see ch.10, sup.
- 5 See n.2, sup.
- 6 'The British Patent System', op. cit. b.3, sup.
- 7 'The Legal Rights of the Employed Inventor: New Approaches
to Old Problems' /1974/ J.P.O.S. 648, 657
- 8 Barnet Instruments Ltd. v. Overton, /1949/ 66 R.P.C. 315, 321
- 9 Re Russell's Patent /1858/ 2 De G & J 130; Pashley v.
Linotype Co. Ltd. /1905/ 22 R.P.C.633
- 10 See ch.10.3, sup.
- 11 United States v. Dubilier Condenser Corp., 289 U.S. 178 /1933/
12 e.g. Guth v. Minnesota Mining & Manufacturing Co., 72 F.2d
385 /1934/
- 13 See Chs. 10.2.3, 4, sup.
- 14 Assuming the Bill to be constitutional: see Wolk, "An
Attorney's View - the Employee Inventor" /1965/ J.P.O.S.483
- 15 see n.2, sup.
- 16 i.e. the Commissioner of Patents
- 17 Op. cit. n.6. sup.
- 18 H.R.15512, 91st. Cong., 1st. Sess.; H.R.1483, 92nd. Cong., 1st.
Sess.; reintroduced again as H.R.5605, 94th. Cong., 1st.
Sess. /1975/ and then with amendments as H.R.14068, 94th.
Cong., 2nd Sess. /1976/

19 See ch.8.3.1, sup.

20 Lavoie, 'Who Cashes in on Your Patents?' 1972/ Mach. Des.,
26th. Aug.

21 S.2255 McClellan, amended by Fong/, 94th. Cong., 2nd. Sess.
1975/. The Bill was passed without debate, and will therefore
face close scrutiny in the House.

22 371, section 14

23 'An Act to add Chapter 7.8 Commencing with Section 1130/ to
Part 3 of Division 2 of the Labor Code; relating to Employees'
A.B.2902

24 See, e.g. the Swedish Law; see ch.8.3.2, sup.

25 Ibidem

26 see Patents Employees' Inventions/ Bill 1965, discussed at
10.2.3, sup. Text in Appendix

27 Described in briefat 8.4, sup.

28 At ch.8.3.2

29

30 Letter to the author, June 15th. 1975

31 Federation Mondiale des Travailleurs Scientifiques, Declaration
des Droits des Travailleurs Scientifiques, Paris, April, 1969/

32 *ibid.*, at 3.1

33 *ibid.*, at 3.2.

34 *ibid.*, at 3.3

35 *ibid.*, at 4.1

36 Executive Conference of Trade Sections, Brussels 1966/
37 i.e. general law, and not individual contractual terms should
prevail in this area

38 Resolution 9, London Congress 1973/

39 United International Bureaux for the Protection of Intellectual
Property the Secretariat of the Paris Convention; now
'W.I.P.O.', or 'O.M.P.I.'

40 F.I.E.T. International Congress 1971 ; motion of T.A.S.S.
A.U.E.W.

41 "Personnel Incentives for Stimulating Industrial Innovation at
the Enterprise Level" 1972

42 *ibid.*, p.3 - 5

43 SC/MD/41 undated, Annex 3, p.11 - 13

44 *ibid.*, 41

45 General Conference, Paris 20th. Nov. 1974

46 *ibid.*, at 38

47 *ibid.*, at 39 a

48 *ibid.*, at 39 b

49 see, generally, Varmer, 'Works Made for Hire and on
Commission' 1958

50 H.R.8177, 9137, 68th. Cong., 1st. Sess. 1924

51 H.R.11258, 68th. Cong., 2nd. Sess. 1925

52 S.2465, 74th. Cong., 1st. Sess. 1935

53 H.R.10632, 74th. Cong., 2nd. Sess. 1936

54 See discussion in Nimmer, 'Nimmer on Copyright', ch.1

55 H.R.10434, 69th. Cong., 1st. Sess. 1926; H.R.12549, 71st.,
Cong., 2nd. Sess. 1930

56 H.R.10364, & 2nd. Cong., 1st. Sess. 1932; H.R.11420, 74th.
Cong., 2nd. Sess. 1936

57 S.3043, 76th. Cong., 3rd. Sess. 1940

58 Dallinger, H.R.8177, section 45; Perkins, n.51, *sup.*, section
4; Vestal, n.55, *sup.*, section 3 followed in Sirovich, n.56,
sup. / , Duffy, n.52, *sup.*, section 62

59 Thomas, n.57, *sup.*, section 8

60 S.22, 94th. Cong., 2nd. Sess. 1976

61 Second Supplementary Report of the Register of Copyright on
the General Revision of the U.S. Copyright Law: 1975 Revision
Bill, Oct.-Dec. 1975, ch.11, p.2

62 n.60, sup., 101

63 cf. the apparently inadvertent drafting of title 2 of the
Bill Protection of Ornamental Designs of Useful Articles,
section 219 a, which talks of designs made within 'the
regular scope of the author's employment.'

64 see, e.g., Picture Music Inc. v. Bourne Inc., 457 F.2d 1213
1972

65 see Report of the Committee on the Judiciary, no.94-473 1972/
P.104

66 see Writers Guild of America Theatrical and Television Film
Basic Agreement 1970, amended in 1973

67 op. cit. n.65, sup.

68 see Copyright Act, 1956, section 42/
Ti.17 U.S.C. 26

70 n.60, sup., 601 b 1

72 ibidem

73 267 F.Supp. 9201967

74 Preliminary Draft, LA/WS/3 1973

75 ibid., section 1

76 i.e. legal rights, but not moral ones see ch.16, sup.

77 n.74, sup., section 14

78 see n.43, sup.

79 ibid., 36

80 ibid., 38

81 Working Paper No.56, 'Breach of Confidence'

- 82 *ibid.*, 60
- 83 *ibid.*, 70
- 84 *ibid.*, 71
- 85 *ibidem*
- 86 see ch.11, sup.
- 87 *op. cit.* n.81, sup., at 63
- 88 cf. Bjorlow /Great Britain/ Ltd. v. Minter, /1954/ 71
R.P.C. 321

APPENDIX 1: ABBREVIATIONS

A.	Atlantic Reporter*
A.C.	Appeal Cases
A.I.P.P.I.	International Association for the Protection of Industrial Property
A.J.C.L.	American Journal of Comparative Law
A.J.S.H.	Acta Juridica Scientarum Hungaricae
A.P.L.A. Quart. Jour.	American Patent Law Association Quarterly Journal
Ad & E	Adelphus and Ellis (K.B.)
Ala L. Rev.	Alabama Law Review
All E.R.	All England Reports
Am. Econ. Rev.	American Economic Review
Am. Mach.	American Machinist
Amb.	Ambler (Ch.)
App Cas.	Appeal Cases
App D. C.	Appeal Cases, District of Columbia*
Atk.	Atkyn (Ch.)
B & A.	Barnewall & Alderson (K.B.)
B & Ad.	" Adolphus "
A & Ald.	" Alderson "
B.W.C.C.	Butterworth's Workmans' Compensation Cases
Beav.	Beavan (Rolls Ct.)
Blatchf.	Blatchford (Circuit Ct.)*
Bos & Pul.	Bosanquet and Puller (C.P.)
Brod. P.C.	Brodix's Patent Cases*
Bull Cr. Soc.	Bulletin of the Copyright Society*
C.B.	Common Bench
C.B.N.S.	" " New Series
C. C. T.	Cross Channel Trade
C.D.	Decisions of the Commissioner of Patents*
C & P	Carrington and Payne (N.P.)
C.I.P.A.	Chartered Institute of Patent Agents (Transactions of)
C.L.J.	Cambridge Law Journal
Cal.	California Superior Court Reports
Cal. App.	California Appeal Cases

Cal. App. 2d	California Appeal Cases Second Series
Cal. L. Rev.	" Law Review
Cal. Reprtr.	" Reporter
Camp.	Campbell (N.P.)
Can. Bar Rev.	Canadian Bar Review
Car & P.	Carrington and Payne (N.P.)
Ch.	Chancery Reports
Ch.D	Chancery Division
Ch. Rep.	Chancery Reports
Chem. Brit.	Chemistry in Britain
Cl & Fin.	Clark and Finelly (H.L.)
Co. Inst.	Coke's Institutes
Col. L. Rev.	Columbia Law Review
Com. & Fin. Chr.	Commercial and Financial Chronicle*
Conn.	Connecticut Reports
Coop. C.P.	Cooper's Practice Cases (CH.)
Cop.	Copyright (journal of the World Intellectual Property Orgn).
Cowp.	Cowper (K.B.)
Vt & J.	Crompton and Jervis (exch.)
D.L.R. 2d	Dominion Law Reports, Second Series
D.L.R. 3d	" " " " ", Third " "
Da. P.C.	Davies' Patent Cases
De G, F & J	De Gex, Fisher and Jones (Ch).
De G & J	" " and Jones (Ch).
Drive	'Drive' magazine, of the Automobile Association
E.B.U.	European Broadcasting Union magazine
East	East (K.B.)
Econ. N.S.	Economica (New Series)
Econ. Hist. Rev.	Economic History Review
Eng. Mat. & Des.	Engineering Materials and Design
Engr.	The Engineer
Esp.	'Espinasse (N.P.)
Ex. C.R.	Exchequer Court Reports (Canada)
Exch.	Exchequer Reports (Welsby, Hurlstone and Gordon)
F.	Federal Reporter*
F.2d	" " " " Second Series

F.R.	Federal Register*
F.S.R.	Fleet Street Patent Law Reports
F. Supp.	Federal Supplement*
Fed. Cas.	Federal Cases*
Fish. Pat. Cas.	Fisher's Patent Cases*
Giff.	Giffard (V-C)
Griff. P.C. }	Griffin's Patent Cases
Griff. L.O.C. }	
H & C.	Hurlstone and Coltman (V-C)
H & M.	Hemming and Miller (V-C)
H.C. Deb.	House of Commons Debates
Hal. Stat.	Halsbury's Statutes
Hare	Hare (V-C)
Harv. L.R.	Harvard Law Review
Hob.	Hobart (K.B.)
Holr.	Holroyd on Patents (1830)
How.	Howell's Decisions*
I.C.L.Q.	International and Comparative Law Quarterly
I.C.P.I.P.	International Convention on the Protection of Industrial Property
IDEA	IDEA (formerly P.C.T.J.R.E.)
I.I.C.	International Review of Industrial Property and Copyright Law
I.L.Rev.	International Labour Review
Ill.	Illinois Reports
Ind. App.	Indiana Appellate Court Reports
Ind. L.J.	Indiana Law Journal
Ind. Prop.	Industrial Property
J & H.	Johnson and Hemming (V-C)
J & W.	Jacob and Walker (Ch.)
J.B.L.	Journal of Business Law
J.P.O.S.	Journal of the Patent Office Society*
Jac.	Jacob (Ch.)
John. Pat. Man.	Johnson's Patent Manual

Jour. L. Econ	Journal of Law and Economics*
Jour. M.S.	Journal of Management Studies
Jur.	The Jurist
Jur. N.S.	" " " New Series
K & J.	Kay and Johnson (V-C)
K.B.	King's Bench Reports
K.I.R.	Knight's Industrial Reports
L.C.P.	Law and Contemporary Problems*
L.J.Ch.	Law Journal (Chancery) Reports
L.J.Ch. (N.S.)	" " " " New Series
L.J.Q.B.	" " (Queen's Bench) Reports
L.J.R.	" " Reports
L.Q.R.	Law Quarterly Review
L.R.A & E.	Law Reports (Admiralty and Ecclesiastical cases)
L.R.C.P.	" " (Common Pleas)
L.R.Eq.	" " (Equity cases)
L.R.P.C.	" " (Privy Council decisions)
L.S.Gaz.	Law Society's Gazette
L.T.	Law Times
L.T. (N.S.)	Law Times New Series
Lewin C.C.	Lewin's Crown Cases
M & W.	Meeson and Welsby (Ex.)
M.L.R.	Modern Law Review
Mac & G.	M'Naghten and Gordon (Ch.)
MacArth. Pat. Cas.	MacArthur's Patent Cases*
MacG. Cop. Cas.	MacGillivray's Copyright Cases
Mach. Des.	Machine Design*
Maclean	McLean's Reports*
Mass.	Massachusetts Reports
Mer.	Merivale (Ch.)
Mich.	Michigan Reports
Mich. L. Rev.	Michigan Law Review
Minn.	Minnesota Reports
Misc.	Miscellaneous Reports, New York
Misc. 2d	" " " " " " Second Series
Moo & W.St.	Moorgate and Wall Street

N.E.	North Eastern Reports*
N.E.2d	" " " " Second Series*
N.J.	New Jersey Reports
N.J.L.	" " Law Reports
N.J. Super.	" " Superior Court Reports
N.S.W.R.	New South Wales Reports
N.Y.	New York Court of Appeals
N.Y.A.D.	New York Appellate Division
N.Y.S.	" " State Reports
N.Y.S.2d	" " " " Second Series
N.Y.S.Reptr.	" " " Reporter
N.Y.Times	" " Times
N.Y.U. Law Rev.	" " University Law Review
New L.J.	New Law Journal
New Sci.	New Scientist
Noy	Noy. (K.B.)
Nw. U.L. Rev.	Northwestern University Law Review
O.G.	Official Gazette of the Patent Office*
O.J.	" " Journal " " " "
Ohio App.	Ohio Appellate Reports
Ont. Rep.	Ontario Reports
Op. A-G	Opinions of the Attorney-General*
P.	Pacific Reporter*
P.2d	" " Second Series
P.E.	Product Engineering
P.L.I.	Product Licensing Index
P.L. Inst.	Practising Law Institute*
P.O. Telecomm, J.	Post Office Telecommunication Journal
P.T.C.J.	Patent, Trademark and Copyright Journal (Bureau of Nat'l Aff'rs)
P.T.C.J.R.E.	Patent, Trademark and Copyright Journal of Research and Educ'n
P Wms.	Peers Williams (Ch.)
Pa.	Pennsylvania Reports
Pat & Eng.	Patents and Engineering
Pet.	Peters*
Prac. Mech. Jour.	Practical Mechanics Journal*

Pub.Admin.Rev.	Public Administration Review*
Q.B.	Queen's Bench Reports
Q.B.D.	" " Division Reports
Quart. Jour. Econ.	Quarterly Journal of Economics*
Quart. Rev.	Quarterly Review
R.D.J.A.	Revista del Derecho, Jurisprudencia y Administracion
R.I.D.A.	Review Internationale de Droit d'Auteur
R.P.C.	Reports of Patent Cases
Rev.Ed. Res.	Review of Educational Research*
Russ.	Russell (Ch).
Ry & M.	Ryan and Moody (N.P.)
S.C.	Session Cases (Scotland)
S.C.R.	Supreme Court Reports (Canada)
Sci. Am.	Scientific American
Sim.	Simons (V-C)
Sim. (N.S.)	" " New Series
Sim & St.	" and Stuart (V-C)
So. Cal. L. Rev.	South California Law Review
Sol. Jo.	Solicitor's Journal
Star.	Starkie (N.P.)
Story	Story's Reports*
Stra.	Strange (K.B.)
Sup. Ct.	Supreme Court Reports*
Swans.	Swanston (Ch.)
T.L.R.	Times Law Reports
T.R.	Term Reports (K.B.)
Taunt.	Taunton (C.P.)
Times	The Times (London)
Tul.L.Rev.	Tulane Law Review
U.B.C.L. Rev.	University of British Columbia Law Review
U.C.C.	Universal Copyright Convention
UCLA L. Rev.	UCLA Law Review

U.D.H.R.	Universal Declaration of Human Rights
U.S.	Reports of the United States Supreme Court
U.S.C.	United States Code
U.S.C.A.	" " " Annotated
U.S.L. Week	" " Law Week
U.S.P.Q.	" " Patent Quarterly
V & B.	Vesey & Beams (Ch.)
Ves.	" (Ch.)
W.L.R.	Weekly Law Reports
W.N.	Weekly Notes
W.P.C.	Webster's Patent Cases
W.R.	Weekly Reporter
W.U.L.Q.	Washington University Law Quarterly
Wash 2d	" " Reports, Second Series
Wash L. Rep.	" " Law Reporter
Willes	Willes (C.P.)
Wils. C.R.	Wilson's Chancery Reports
Wis.	Wisconsin Reports

* denotes an American publication

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APPENDIX 4: Copyright Act 1842, Section 18

"...where any publisher or other person shall...have projected, conducted, and carried on, or should hereafter project, conduct and carry on, or be the Proprietor of any Encyclopaedia, Review, Magazine, Periodical Work, or Work published in a Series of Books or Parts, or any Book whatsoever, and shall have employed or shall employ any Persons to compose the same, or any Volumes, Parts, Essays, Articles or Portions thereof, for Publication in or as part of the same, and such Work, Volume, Part, Essay, Article, or Portion thereof shall have been or shall thereafter be composed under such Employment, on the Terms that the Copyright therein shall belong to such Proprietor, Projector, Publisher or Conductor, and paid for by such Proprietor, Projector, Publisher, or Conductor, the Copyright in every such Encyclopaedia, Review, Magazine, Periodical Work, and Work published in a Series of Books or Parts, and in every Volume, Part, Essay, Article, and Portion so composed and paid for, shall be the Property of such Proprietor, Projector, Publisher or other Conductor, who shall enjoy the same Rights as if he were the actual Author thereof....; except only that in the case of Essays, Articles, or Portions forming Part of and first published in Reviews, Magazines, or other Periodical Works of a like Nature, after the term of twenty-eight years ... the Right of publishing the same in a separate Form shall revert to the Author for the remainder of the Term....; Provided always, that during the term of twenty-eight Years the said Proprietor, Projector, Publisher or Conductors shall not publish any such Essay, Article, or Portion separately or singly without the consent previously obtained of the Author thereof..."

APPENDIX 5: Copyright Act 1911, Section 5

"(1) Subject to the provisions of this Act, the author of a work shall be the first owner of the copyright therein:

Provided that -

(a) where, in the case of an engraving, photograph, or portrait, the plate or

other original was ordered by some other person and was made for valuable consideration in pursuance of that order, the, in the absence of any agreement to the contrary, the person to whom such plate or other original was ordered shall be the first owner of the copyright; and

(b) where the author was in the employment of some other person under a contract of service by that person, the person by whom the author was employed shall, in the absence of any agreement to the contrary, be the first owner of the copyright, but where the work is an article or other contribution to a newspaper, magazine, or similar periodical, there shall, in the absence of any agreement to the contrary, be deemed to be reserved to the author a right to restrain the publication of the work, otherwise than as part of a newspaper, magazine, or similar periodical."

APPENDIX 6: Copyright Act 1956, Section 4

"(1) Subject to the provisions of this section, the author of a work shall be entitled to any copyright subsisting in the work by virtue of this Part of this Act.

(2) Where a literary, dramatic or artistic work is made by the author in the course of his employment by the proprietor of a newspaper, magazine or similar periodical under a contract of service or apprenticeship, and is so made for the purpose of publication in a newspaper, magazine or similar periodical, the said proprietor shall be entitled to the copyright in the work in so far as the copyright relates to the publication of the work in any newspaper, magazine or similar periodical, or to reproduction of the work for the purpose of its being so published; but in all other respects the author shall be entitled to any copyright subsisting in the work by virtue of this Part of this Act.

(3) Subject to the last preceding subsection, where a person commissions the taking of a photograph, or the painting or drawing of a portrait, or the making of an engraving, and pays or agrees to pay for it in money or moneys worth, and the work is made in pursuance of that commission, the person who so commissioned

the work shall be entitled to any copyright subsisting therein by virtue of this Part of this Act."

(4) Where, in a case not falling within either of the two last preceding subsections, a work is made in the course of the author's employment under a contract of service or apprenticeship, that other person shall be entitled to any copyright subsisting in the work by virtue of this Part of this Act.

(5) Each of the three last preceding subsections shall have effect subject, in any particular case, to any agreement excluding the operation thereof in that case."

APPENDIX 7: Patents Act 1949, Section 56

"(1) Where a dispute arises between an employer and a person who is or was at the material time his employee as to the rights of the parties in respect of an invention made by the employee either alone or jointly with other employees or in respect of any patent granted or to be granted in respect thereof, the comptroller may, upon application made to him in the prescribed manner by either of the parties, and after giving to each of them an opportunity to be heard, determine the matter in dispute, and may make such orders for giving effect to his decision as he considers expedient:

Provided that if it appears to the comptroller upon any application under this section that the matter in dispute involves questions which would more properly be determined by the court, he may decline to deal therewith.

(2) In proceedings before the court between an employer and a person who is or was at the material time his employee, or upon an application made to the comptroller under subsection (1) of this section, the court or comptroller may, unless satisfied that one or other of the parties is entitled to the exclusion of the other, to the benefit of an invention made by the employee, by order provide for the apportionment between them of the benefit of the invention, and of any patent granted or to be granted in respect thereof, in such manner as the court or comptroller considers just.

(3) A decision of the comptroller under this section shall have the same effect as between the parties and persons claiming under them a decision of the court.

(4) An appeal shall lie from any decision of the comptroller under this section".

APPENDIX 8: Patents (Employees' Inventions) Bill 1965

"1 (1) Where an invention is made by an employee in the course of his employment or in circumstances connected therewith, he and his employer shall each be entitled to so much, if any, of the benefit of the invention, and of any patent therefor, as may be just."

(2) This section shall apply notwithstanding any rule of law or implied agreement whereby the said benefit would belong exclusively either to the employer or to the employee, but shall not affect the operation of any agreement between them expressly providing for the allocation of that benefit.

(3) In the determination of any dispute as to the allocation of benefit under this section regard shall be had -

(a) to the nature of the employment, and the remuneration and duties of the employee;

(b) to the extent, if any, to which advice, equipment and other assistance was provided by or on behalf of the employer; and

(c) to any contribution in time or resources made by the employee in addition to that required by the terms of the employment, as well as to any other relevant circumstances.

(4) Without prejudice to the power of the comptroller to determine disputes under section 56 (1) of the Patents Act 1949, rights under this section shall be of the like nature, and enforceable in the like manner, as beneficial interests under a trust; and section 73(4) of the Patents Act 1949 (which precludes notice of any trust from being entered in the register of patents or affecting the comptroller) shall apply accordingly.

(5) Section 56(2) of the Patents Act 1949 (which provides for apportionments in respect of inventions made by employees) is hereby repealed.

APPENDIX 9:

AWARDS FOR PATENTS OF EMPLOYEES AND OTHERS IN THE GOVERNMENT SERVICE

In Government service there was more concern over the problems of inventors' rights than existed in private industry in the earlier part of this century, because the war effort of 1914 - 18 had resulted in the birth of large numbers of inventions, not to mention the adaptation of many already in use, by and for the use of the War Office. For the duration of hostilities the Government paid no rewards, royalties compensation to inventors or patentees, but by 1918 it had to contend with the strident claims of those - both Government-employed and otherwise - who claimed that the war had been won by the Government's gratuitous appropriation of their particular invention. In 1919 a Royal Commission on Awards to Inventors was appointed; by 1937¹ it was wound up, having dealt with 1,834 claims, 444 of which were discussed before the Commission, and having paid out the sum of £1½ millions by way of compensation.

The basic criterion for the granting of ex gratia awards by the Commission was the existence of an invention communicated by the prospective beneficiary to the Government, coupled with the latter's actual user; the amount awarded was to be based upon the merit of the invention, but subject to numerous variables such as whether the inventor was instructed to make the invention, and whether or not he had already received a reward for it.² It became apparent that while employers viewed employment duties very broadly, employee claimants viewed them quite restrictively,³ so the Commission attempted to utilise objective factors pertinent to the invention, such as its exceptional brilliance,⁴ or the degree of exposure of the employee to the problem which he had been instructed to solve, or had solved.⁵ This would usually put Crown servants at a disadvantage, because

"the inventor has had the considerable advantage, in consequence of his employment, of having had his attention brought more or less directly to the existence and nature of the problem and to certain of the conditions of its successful solution. His position is to some extent comparable with that of a workman or scientific

advisers in the employment of engineering or manufacturing companies, who are ordinarily precluded by the terms of their employment from taking out patents for their own benefit.⁶"

Two comments may be made upon this statement: (i) that it indicates the extent to which contractual protection of employers had supplanted their traditional reliance upon the common law within a period of only a few years⁷, and (ii) that it reveals a philosophy of invention-remuneration not seriously mooted before, that of an award for merit and effort, not for disclosure or for the act of invention. This is presumably justified by the fact that the Commission was exercising the bounty of the Crown, and was thus not governed by the normal considerations of patent law philosophy.

As it turned out, employees were not in general well-treated by the Commission. Where the inventor was a co-patentee with the Government agency which employed him, as he was usually required so to be by Departmental regulations, any award received by him would be strictly covered by those regulations and not by the Commission;⁸ and where the inventor was employed by an independent contracting party which had received compensation from the Crown, that inventor would have recourse only to his employer for any reward, whether the sum accepted by his employer was intended to compensate him as well, or not.⁹

The framework of the Royal Commission's award scheme was employed again after the Second World War¹⁰ but with a rather higher standard of efficiency,¹¹ not to mention generosity. By this time it was a more or less universal practice for civil service employees to be barred, by the terms of their contracts of employment, from holding patents on their employment inventions¹² (and indeed on many others), which would of course reduce the number of employees who were co-patentees with their employing Department. It is worthy of note that this second Commission, in common with the former, refused to involve itself in matters of contractual dispute between independent contractors and their employees. This is in contrast with the approach taken by the Courts in assessing compensation for Government use of patents under sections 46 to 48

of the Patents Act, 1949, where, in the case of Patchett's Patent,¹³ the agreement between a co-patenting employer and his employee in private industry was given effect where a schedule of compensation had been agreed between them. In respect of the terms and conditions of peace-time civil servants an Interdepartmental Committee on Patents¹⁴ was set up, probably as a result of the establishment in 1916 of the Department of Scientific and Industrial Research¹⁵ which dealt in areas military, commercial and even theoretical, and which promised to be a fertile source of valuable patentable inventions for the Government. Reporting in 1922, the Interdepartmental Committee described three broad principles to be achieved on the subject of compulsory assignment of patents to the Government by its employees: (i) that where complete control of the invention is sought by the Government, the invention should be assigned to the Secretary of State or to the Admiralty, thus leaving the inventor with no commercial interest in the invention at all; (ii) that if the Government sought only a licence for itself and for its contractors, the patent need not itself be assigned, and the inventor would be entitled to hold it and exploit it commercially himself; and (iii) that if the Government had no interest in the patent it could release the inventor from his obligation to assign it, and leave him with the full and undisturbed enjoyment of his patent right. This, as a broad statement of Government policy, remains true even today,¹⁶ as do three rules of policy for securing rights and for the making of awards, that (i) until the Government decides whether it wants full - or indeed any - rights in an invention, that invention is deemed held in trust for the Government; (ii) the Government takes no rights in inventions which are quite unconnected with the inventor's field of employment and (iii) the fact that an inventor enjoys commercial exploitation of rights licensed to the Government should not preclude him from receiving any awards under the ex gratia Civil Service scheme.¹⁷ These principles, along with the establishment of a central body to regulate uniformity between Departments, were accepted as long ago as 1930 by the Civil Service National Whitley Council¹⁸ after they had been examined by that Council's

Patents Committee.

The most radical suggestion put forward by the Lee (Interdepartmental) Committee was not, however, accepted by the National Whitley Council. That was a division of the civil servant workforce into categories of inventive responsibility.²⁰ Since most Government employees were not in fact employed nor expected to invent, those few which were would be termed 'research workers', whose every invention would be the property of the state, but who would nonetheless be entitled to ex gratia awards; the others, 'employees not employed specifically on research', would cede rights to the Government only if their inventions were made in the course of their employment, or with the use of Government know-how and facilities. This suggestion was rejected by the Patents Committee²¹ on the ground that

"it would be a matter of extreme difficulty to lay down rules which would enable any authorised tribunal to ascertain the respective rights of the inventor and the Government in any and every hypothetical case,²² and we should deprecate any effort being made to formulate such a body of rules."

There have been no theoretical alterations in Governmental policy since.

FOOTNOTES

- 1 Reports of 1921, 1922, 1925, 1926, 1928, 1931, 1937 (Cmds. 1112, 1782, 2275, 2656, 3044, 3957, 5594.) For a detailed discussion of the operation of this Commission, see J. P. Graham, 'Awards to Inventors' (1946)
- 2 Graham, op. cit. n.1 sup. at 49, and see 'Principles of Assessment of Awards', *ibid.*
- 3 *ibid.*, at 59; thus the employer, 'X is an engineer and his duties include anything which an employer might reasonably expect or request an engineer to perform'; but, per X, 'My duty is to put round pegs in square holes', and feels that 'duty' means that which, on non-performance, would cause him to be dismissed. See Cmd. 1782 (1782) § 11
- 4 Cmd. 1112 (1921) § 35
- 5 *ibid.*, at § 34
- 6 *ibidem*
- 7 See ch.10.2.1, sup.
- 8 op.cit. n.4, sup., at 32 - 3. This approach has been adopted by the Courts in patent extension proceedings; the Court will not look into the adequacy of Treasury Awards. Meredith and Cooke's Patents, (1942) 59 R.P.C. 156
- 9 Cmd. 1782 (1922) § 6
- 10 Royal Commission on Awards to Inventors, 1948, 1949 (Cmds. 7586, 7832)
- 11 729 claims were heard in 9 years; see Lord Cohen, 'Awards to Inventors' (1960)
- 12 Cmd. 7586 (1948), head 3
- 13 [1967] R.P.C. 237
- 14 The "Lee Committee"
- 15 see U.S. Department of Justice, Report and Recommendations of the Attorney-General, 'Investigation of Government Patent Practices and Policies' (1947) vol. 3, p.87
- 16 Interview with Mr. Killeen and Miss G. Perugini, Civil Service Department, April 1975

- 17 Report of the Lee Committee, § 9; and see CSD's current scheme, ch.8.2.1., sup.
- 18 Treasury Circular 24/30 (Dec. 5th., 1930)
- 19 Report of 18th. March 1930
- 20 Lee Committee, op. cit. n.17, sup., at § 8
- 21 op. cit n. 19, sup., at § 4
- 22 This is, of course, the problem faced by the courts in applying the common law.

APPENDIX 10: List of persons and organisations from whom help or information was derived in the preparation of this thesis.

Amalgamated Union of Engineering Workers (Engineering Section)
Amphenol Ltd.
Association of Cinematograph, Television and Allied Technicians
Association of Professional, Executive, Clerical and Computer Staff
Association of Scientific, Technical and Managerial Staffs
Association of University Teachers
Dr. B. J. A. Bard, C.B.E.
British Petroleum
Bundesverband der Deutschen Industrie
Chartered Institute of Patent Agents
Civil Service Department
Computer Analysts and Programmers Ltd.
Confederation of British Industry
Courtaulds Ltd.
ESSO Petroleum Ltd.
Fédération Internationale des Employés et des Techniciens
Franklin Pierce Law Center
Imperial Chemical Industries Ltd.
Institute of Patentees and Inventors
Kent County Newspapers Ltd.
Kentish Express
Licensing Executives Society (U.K.)
Marley Foam Ltd.
Mr. G. W. Mason

National Research Development Corporation

National Society of Operative Printers, Graphical and Media

Personnel

National Union of Journalists

Mr. T. B. Pawlicki

Performance Awards (Reserve) Ltd.

Mr. F. W. Peters

Post Office

Post Office Engineering Union

Pye of Cambridge Ltd.

Royal Institute of British Architects

Science Research Council

Shell Petroleum Ltd.

Shepherd Neame Ltd.

Society of Authors

South African Inventions Development Corporation

J. Walter Thompson Co. Ltd.

Trade Marks, Patents and Designs Federation

Trade Union Congress

Union of Post Office Workers

United Kingdom Association of Professional Engineers

University of Warwick

Westinghouse Brake and Signal Co. Ltd.

Writers Guild of America

Writers Guild of Great Britain

