Report on a Case by the Board of Ethical Review

Case No. 68-1

Patents Nondisclosure To Employer

Facts:
John Doe, an engineer employed by the ABC Manufacturing Company, in the course of his work as a design engineer conceived an idea which in his opinion would produce a commercial product manufactured by his employer at much lower cost. Doe was also of the opinion that the idea was patentable. However, he did not disclose the idea to his superiors in the company and shortly thereafter left the employ of the ABC Manufacturing Company to develop his idea and to initiate action to obtain a patent on it. When first employed by the ABC Manufacturing Company, Doe had signed the usual agreement that he would disclose to his employer any inventions developed or conceived by him in the course of his employment and would assign to his employer all rights, title, and interest to such inventions. In consideration of Doe's agreement, the ABC Manufacturing Company agreed to pay Doe the sum of $50 upon disclosure of the invention and an additional $100 when and if a patent was granted.

Question:
Was it a violation of the Code of Ethics for Doe to withhold disclosure of his invention contrary to his agreement with his employer?

References:
Code of Ethics-Section 1- "The Engineer will be guided in all his professional relations by the highest standards of integrity, and will act in professional matters for each client or employer as a faithful agent or trustee."

Section 14(d)-"Designs, data, records, and notes made by an Engineer and referring exclusively to his employer's work are his employer's property."

Discussion:
Much can be, and has been, said about the equity of the type of agreement indicated in this case. Some engineers feel it is grossly unfair to require the assignment of a patentable idea to their employers for nominal payment, and cite in support of their position the argument that this type of agreement is an inducement not to disclose patentable ideas in the hope and expectation that the inventor-engineer will subsequently be able to realize the benefits for himself. The other side of the debate contends that such agreements are fair and reasonable, recognizing that the employer has invested large sums in the furnishing of necessary equipment and support personnel, that the invention may often be an improvement over existing techniques and products developed by the company, and that the real value of a patent is in its marketability, which will often require heavy expenditures by the' company for market research, production, and sales efforts. For a discussion of these opposing viewpoints

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reference is made to companion articles in the March, 1968 issue of the American Engineer.

It is not within our jurisdiction to pass upon the comparative merits of the differences of policy on this question. Nor is it our function to pass upon the legal aspects of such agreements, but it may be noted that such agreements are enforceable in law, and the ABC Manufacturing Company may have legal recourse against Doe for an injunction to prevent him from proceeding with prosecution of his patent application, or to require him to assign his rights to the company, or for damages.

Restricting our review to the ethical aspects of the situation, we must conclude that Doe by his actions did not conform to the concept of being a "trustee" or "faithful agent" as dictated by Section 1 of the Code. As a faithful agent or trustee of his employer, Doe was required to act in a manner best calculated to serve his employer's interests as his principal. By withholding his patentable idea he acted contrary to the interests of his employer.

In addition, Section 14(d) of the Code, while it does not directly refer to ideas or inventions, does support the concept enunciated in Section 1, and we believe that its scope would apply equally to ideas "referring exclusively to his employer's work," whether or not such ideas are reduced to designs, data, records, or notes.

We do not in this case express any view as to the ethical situation under circumstances in which the invention is not related to the business of the employer, or to cases in which the idea or invention occurs after the employment of the engineer has been terminated. Some of the agreements of the type alluded to above include coverage for either or both of these conditions. We must add, however, that an engineer has an ethical obligation in all cases to conform to his agreements within the concept of Section 1 of the Code that he will be guided in all his professional relations by the highest standards of integrity. A deliberate breach of contract does not comport with the concept of integrity.

Conclusion:*
It was a violation of the Code of Ethics for Doe to withhold disclosure of his invention from his employer.

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