Report on a Case by the Board of Ethical Review

Case No. 74-11

Expert Witness—Patent Ownership

Facts:
Engineer A, an expert in food processing machinery and systems, was retained by verbal agreement by a patent attorney who, in turn, had been retained by a food machinery manufacturing company in connection with a lawsuit in which the manufacturing company alleged that certain of its patented machinery was being infringed. Engineer A's assignment was to study the machines in question and reach a determination whether in his opinion there was an infringement; if so, he would testify to that effect at the trial.

In the course of his study Engineer A conceived an idea he believed to be patentable on the basis that it constituted an improvement in the state of the art of the particular food machinery involved in the pending litigation. He submitted the idea to the patent attorney and to the food machinery manufacturing company. After a three-month wait he requested the patent attorney and the manufacturer to advise him within a reasonable time of the extent of the manufacturer's interest in his claimed improvement. This request was interpreted by the patent attorney and the manufacturer as a "pressure move" for Engineer A to obtain additional fees. The patent attorney demanded that Engineer A assign all rights to his idea to the manufacturer without assurance of any additional compensation. Engineer A refused this demand and was released from further activity in connection with the patent infringement suit.

Question:
Was it ethical for Engineer A to take the position indicated with regard to his patent idea arising out of his original employment?

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(c)-"Before undertaking work for others in connection with which he may make improvements, plans, de- signs, inventions, or other records which may justify copyrights or patents, the Engineer should enter into a positive agreement regarding the ownership."

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

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Discussion:

We have not heretofore had the opportunity to consider the meaning of Section 14(c) of the code and must therefore look to related principles and other cases for whatever guidance may be available. In Case 68-1 we dealt with a related but different patent ownership situation in which the engineer was an employee as distinguished from an independent consultant retained as an expert witness. Also, in that case the engineer had signed an agreement with his employer under whom he was bound to disclose to his employer all inventions conceived by him and to assign all rights in such inventions to the employer.

Even though the two fact situations are different in major respects, one common thread we based our conclusion on in Case 68-1 would appear to be pertinent here. That is the basic requirement of Section 1 of the code that the engineer act in professional matters as a "faithful agent or trustee," noting particularly that the mandate of Section 1 runs to both clients and employers. We said in Case 68-1, construing the quoted language of Section 1 that to be a "faithful agent or trustee" means "... 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." We believe the same criteria should be applied here without regard to the relationship being one of consultant-client rather than employee-employer.

We recognize that Section 14(c) is not the model of clarity to indicate to the profession some helpful guidance in patent ownership matters arising out of a consultant-client relationship. On the surface it only requires that the parties spell out their respective rights. But we think it can be read to mean more than that in the context of the facts before us. It is not without significance, we believe, that the language calls upon the engineer to enter into a positive agreement regarding the ownership of such patent rights as might emerge from the relationship. In other words, it was incumbent upon the engineer to take the initiative during the negotiations for his services to reach an agreement on the patent rights of the parties. We recognize as a practical matter that Engineer A likely did not think of the possibility that he might develop a related patentable idea from his studies for the client, but, even so, if he had the ethical duty to act in this regard and failed to do so he must bear the ethical burden when his position is challenged under these circumstances.

Section 14(d) of the code is not directly controlling because it deals with technical data arising from the work of an employed engineer, rather than patent rights. But we think the thrust of Section 14(d) is consistent with what we have said heretofore in that it contemplates the concept that the engineer is ethically required to favor the interests of his employer in case of doubt as to the respective rights of the parties not provided for specifically in the relationship. And we have no doubt that in principle when the code refers to an "employer" it can be properly read as applying to a "client" as well.

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Conclusion:*

It was not ethically permissible for Engineer A to take the position indicated with regard to his patent idea arising out of his original employment.

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