Protecting Ownership of Your Property: The Importance of Employment Agreements

by Stanley M. Gibson

A recent decision from the Federal Circuit Court of Appeals, *Stanford University v. Roche*, 516 F.3d 1003 (Fed. Cir. 2009), highlights the importance of employment agreements in protecting the ownership of intellectual property. In *Roche*, the Federal Circuit faced the issue of whether Stanford University owned certain patents or whether a third party owned the patents of a Stanford researcher who performed some of his research while visiting Roche. In ruling in favor of the third party, Roche, the Federal Circuit examined the conflicting agreements, one that the inventor executed with Stanford (the "Stanford Agreement") and another that inventor executed with a predecessor of Roche (the "Roche Agreement").

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One of the central issues in the case turned on whether Stanford or Roche owned the invention created by the inventor who was visiting Roche while serving as a researcher at Stanford. The Stanford Agreement used the language of "agree to assign" while the Roche Agreement used the language of "agree to assign and do hereby assign." The Federal Circuit construed the language in the Stanford Agreement as a mere promise to assign in the future, which required Stanford to obtain a subsequent assignment by the inventor, which was not done. In contrast, the Federal Circuit found in favor of Roche because its language included an immediate assignment ("do hereby assign") of the future rights with no further action being necessary.

Obviously, the difference in the language is only a matter of a few words, but in this case–as in many others–the ownership turned on the use of just a few words. The lesson learned from this case is that companies should review their employment agreements and make sure they are adequately protected and that the assignments of inventions, designs and creations, as well as other intellectual property, are adequately protected. Otherwise, it may turn out that someone else owns what you thought was your intellectual property. ■

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any directors so chosen would hold office until the next election of directors at an annual shareholders' meeting. Two of the directors held a special directors meeting, filled all of the vacant seats, then appointed new officers and management of the company. A shareholder brought a Section 709 Action to determine the validity of the board.

- A shareholder brought a Section 709 Action challenging the election of the company's directors by written consent. The dispute was whether such an election required the signatures of a simple majority of shareholders, or all of the shareholders.

Clearly, the plaintiff in a Section 709 Action has a tremendous advantage during litigation. Typically, the plaintiff has fully prepared for trial before they have even filed the action. The defendant, however, is left with only a few days–or even hours–to prepare a defense.

There are ways, however, that the defense could slow the process down, including challenging jurisdiction, removing to federal court, demurring, asserting an arbitration provision, or commencing the trial within the five days and then continuing it.

Section 709 Actions have no specific statute of limitations, but since they are equitable claims, they are subject to laches. I have seen these lawsuits survive six months to a year after the challenged election has occurred. When successful, the actions taken by the errant board may be unwound.

To prevent these problems, a prescient draftsman could attempt to contractually waive the right to a Section 709 Action. For example, a venture capital firm could insert the anti-Section 709 provision into its financing agreements so that it never finds itself trying a case within five days of filing. No reported case has dealt with whether this statute can be waived, but it may be worth the attempt, particularly for venture capital firms who are likely targets of these types of actions. ■

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