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UNTANGLING PATENT RIGHTS: WHEN EMPLOYEES AND CONTRACTORS INVENT

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An inventor to a patent is someone who makes an inventive contribution to the invention as claimed in one of the claims of that patent. It follows that the rights to the patent originates with the inventor¹ and these rights can then be transferred to another party.

In many contexts, the inventor or inventors will be an employee of a company and that company will desire to have the rights in the patent transferred to it. One should not assume that this transfer of rights will necessarily be a straight-forward process in every situation. While the *Copyright Act* contains an explicit provision that makes the employer the first owner of the copyright in an artistic work created by an employee², an analogous provision is not found in the *Patent Act*. Therefore, whereas the creator of *Passe Partout* was found to not be the owner of the copyright in the TV show because he was employed by Télé-Québec at the time, the outcome may well have been different if the issue involved patent ownership³.

We described in an earlier article⁴ ([Employee inventions in Canada](#)) that an employee is presumed to be the owner of an invention, even where the invention is made during work hours. In the *Comstock* decision⁵, the Federal Court did carve out an exception to this rule for situations where an invention is conceived by an employer who is employed specifically to invent will belong to the employer. The *Comstock* decision also sets out 8 factors to consider when evaluating whether an employee has specifically been hired to invent. However, it should be kept in mind that the *Comstock* decision is a decision involving an employment relationship that occurred outside of Quebec.⁶ The approach and outcome

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¹ *Patent Act*, R.S.C., 1985, c. C-42, s. 49.

² *Copyright Act*, R.S.C. 1985, c. C-42, s. 13(3).

³ <https://www.robic.ca/en/publications/a-compilation-of-the-canadian-copyright-cases-decided-in-2014/>;
<https://www.robic.ca/en/publications/a-compilation-of-the-canadian-copyright-cases-decided-in-2012/>;
<https://www.canlii.org/fr/qc/qcca/doc/2014/2014qcca158/2014qcca158.html>;

⁴ <https://www.robic.ca/wp-content/uploads/2017/05/068.120E-MBE-2010.pdf>

⁵ *Comstock Canada v. Electec Ltd.*, (1991) 45 F.T.R. 241 (F.C.).

⁶ Given that ownership and employment is a matter of property and civil right, this issue falls under provincial jurisdiction.

in evaluating such an employment relationship may not be the same when applying the Civil Code of Quebec. In an employment context, the best practice is to include provisions in an employment contract that explicit set out an employee's obligation to assign the patent rights in an invention to the employer, in order to avoid any ambiguity.

The situation becomes even more complicated when an invention is invented by external contractors. Unlike an employer-employee relationship, the contractor in a contract for services does not have a relationship of subordination to the party that hired the contractor. Instead, the contractor is free to choose the means of performing the contract.⁷ Such a situation may arise when a company hires a specialized firm, for example, to develop a new product or a software platform.

Furthermore, the contractor's principal obligation is to carry out the physical or intellectual work, which often consists of delivering a work product. However, this does not automatically mean that the contractor also has the obligation to deliver (i.e. assign) the IP rights in the work product. Again, the best practice is to state explicitly in a contract that the contractor has an obligation to obtain and assign the necessary IP rights.

Moreover, it should be kept in mind that the actual work, including the act of inventing, will be carried out by human actors, who may be employees of the contractor or other subcontractors. Therefore, any patent rights would originate with these employees or subcontractors. The contractor would have to acquire the rights from the employees or subcontractors before being able to assign them to the party that hired the contractor. For such situations, the contract should also oblige the contractor to undertake to obtain the IP rights in an invention in addition to the obligation to assign them.

Furthermore, as a practical matter, transferring patent rights between different parties (ex: employee to employer, or contractor to hiring party) requires that inventors be physically available to provide signatures. This will often not be the case because inventors move onto other companies or, in rare cases, outright refuse to sign the required assignment documents. Having the proper contracts in place with the various parties (employees, contractors and contractors' employees) can significantly reduce the pain in addressing such situations.

⁷ Art. 2099 C.C.Q.