

creating the modules of the DC-790 system. He did this at home using a computer he purchased with his own funds. It is true that plaintiff tested each module at work. It is also true that once each module was operational, it was used in the work place. Nonetheless, the substantial amount of time plaintiff spent creating the DC-790 system, which is what is at issue in this case, was done on his own time outside of the office. . . .

C. Finally, the Court will address whether plaintiff was motivated to create the system, at least in part, by a purpose to serve the master. Plaintiff testified that he created the program for two reasons: (1) to create job opportunities for himself; and (2) to prove it could be done. The Court finds that plaintiff was motivated by each of these purposes. To be sure, the DC-790 system benefitted his employer, and the Court could fairly infer that part of plaintiff's motivation was to achieve this result. However, the Court finds that plaintiff was primarily motivated by self-fulfilling purposes. . . .

On the whole, then, the Court finds that defendant has not established that the DC-790 system was a work made for hire. . . .

Note on Employer Ownership of Trade Secrets

Many cases involving employee assertions of copyright ownership also present trade secrecy claims. As discussed in Chapter 3, although previous Copyright Acts generally required that a work be “published” to be eligible for federal copyright protection, the Copyright Act of 1976 abandoned that requirement. Under the present Act, copyright subsists in original, fixed works created after January 1, 1978 even if the works are concealed from the general public. In addition, as discussed in greater detail in Chapter 4, the 1976 Act extends copyright protection to computer software, a subject matter that frequently embodies economically valuable, nonpublic innovation.¹

The standards used to determine whether a work is created within the scope of employment under copyright law and trade secret law are similar, but not identical. In copyright cases, courts have followed the three-step test set forth in *Roeslin v. District of Columbia*, *supra*, which is based on the general scope-of-employment provision of the Restatement (Second) of Agency, §228. In trade secrecy cases, courts have relied on a different test, originally set forth in §397 of the Restatement (Second), that focuses more narrowly on ownership of employee-developed inventions.² That test does not ask whether the employee was motivated in part by a desire to serve the employer, but only whether the invention relates to the type of work the employee was hired to perform, and in particular whether the employee's duties are “inventive” or “noninventive.” Thus, if an employee “is employed to do experimental work for inventive purposes, it is inferred ordinarily . . . that patentable ideas arrived at through the experimentation are to be owned by the employer. This is even more clear where one is employed to achieve a particular result which the invention accomplishes. On the other hand, if one is employed merely to do work in a particular line in which he is an expert, there is no inference” of employer ownership. Restatement (Second) of Agency §397, cmt. a (1958); *see also* Restatement (Third) of Unfair Competition §42, cmt. c (1995) (adopting this

1. A trade secret is any information that derives independent economic or competitive value from not being generally known to the public or to competitors and is subject to reasonable measures to maintain its secrecy. *See* Uniform Trade Secrets Act §1; Restatement (Third) of Unfair Competition §39 (1995).

2. Patent rights, in contrast, always vest initially in the individual named in the patent as the inventor. Employment contracts routinely provide for assignment of any patents resulting from the employee's research.

test for ownership of trade secrets, whether or not patentable). Trade secrecy cases further distinguish between “specific inventive” and “general inventive” employees; employees hired for specific inventive purposes will retain ownership of innovations they make in other, unrelated fields, while “general inventive” employees will almost never retain ownership of their innovations. *See generally* Roger M. Milgrim, *Milgrim on Trade Secrets* §5.02[4] (1996). In addition, an employer may acquire an equitable “shop right” to use employee-owned innovations that were developed using the employer’s facilities. *See id.* at §5.02[4][c].

Because of this difference in emphasis, the two tests would appear to require divergent results in, for example, a case involving an “inventive” employee who produces copyrighted material related to her work duties and then asserts, and can prove, that her efforts were not appreciably motivated by a desire to serve the employer. In such a case, the employer would own the trade secret, but the employee would own the copyright. Does that result make sense? If not, how might the law achieve greater consistency on the question of employer ownership?

The “scope of employment” nexus between copyright and trade secrecy claims implicates federal supremacy considerations. Should the outcome of a federal copyright claim be dictated by the outcome of a related state trade secrecy claim, or even more generally by state law? In *CCNV v. Reid*, *supra*, the Court observed:

In past cases of statutory interpretation, when we have concluded that Congress intended terms such as “employee,” “employer,” and “scope of employment” to be understood in light of agency law, we have relied on the general common law of agency, rather than on the law of any particular State, to give meaning to these terms. . . . Establishment of a federal rule of agency, rather than reliance on state agency law, is particularly appropriate here given the Act’s express objective of creating national, uniform copyright law. . . . We thus agree with the Court of Appeals that the term “employee” should be understood in light of the general common law of agency.

490 U.S. at 740-41. Did courts adjudicating scope of employment issues in copyright cases after *CCNV v. Reid* simply rely on the wrong section of the Restatement (Second) of Agency? Did you read the *Reid* opinion, *supra*, as requiring the federal courts to use §228 for this purpose?

The “scope of employment” question in copyright cases is now complicated by the fact that the Restatement (Third) of Agency, completed in 2005, no longer includes the test from §228 of the Restatement (Second). According to the new Restatement:

An employee acts within the scope of employment when performing work assigned by the employer or engaging in a course of conduct subject to the employer’s control. An employer’s act is not within the scope of employment when it occurs within an independent course of conduct not intended by the employee to serve any purpose of the employer.

Restatement (Third) of Agency, §7.07(2) (2005). Apply this test to the facts of *Roeslin v. District of Columbia*, *supra*. Would it have produced a different outcome? Should a change to the Restatement prompt a parallel change to what has become the federal copyright standard?

Note on the “Teacher Exception”

One category of employees stands as a possible exception to the ordinary scope of employment rule. Traditionally, college and university teachers have been considered the owners of copyright in their scholarly writings and course materials, notwithstanding their status as

full-time employees. Because the 1976 Act did not expressly preserve this exception, there is some debate about whether it still exists. Two decisions from the Seventh Circuit, both authored by former law professors, opine in dicta that the exception remains. See *Hays v. Sony Corp. of America*, 847 F.2d 412, 416 (7th Cir. 1988) (Posner, J.); *Weinstein v. University of Illinois*, 811 F.2d 1091, 1094 (7th Cir. 1987) (Easterbrook, J.). Judge Posner explained:

The authority for [the pre-1976 Act rule] was in fact scanty, as explained in Simon, *Faculty Writings: Are They "Works for Hire" Under the 1976 Copyright Act?*, 9 J. College & University L. 485, 495-99 (1982)—but it was scanty not because the merit of the exception was doubted, but because, on the contrary, virtually no one questioned that the academic author was entitled to copyright his writings. Although college and university teachers do academic writing as a part of their employment responsibilities . . . [a] college or university does not supervise its faculty in the preparation of academic books and articles, and is poorly equipped to exploit their writings, whether through publication or otherwise. . . .

The reasons for a presumption against finding academic writings to be work made for hire are as forceful today as they ever were. . . . To a literalist of statutory interpretation, the conclusion that the [1976] Act abolished the exception may seem inescapable. . . . But considering the havoc that such a conclusion would wreak in the settled practices of academic institutions, the lack of fit between the policy of the work-for-hire doctrine and the conditions of academic production, and the absence of any indication that Congress meant to abolish the teacher exception, we might, if forced to decide the issue, conclude that the exception had survived the enactment of the 1976 Act.

Hays, 847 F.2d at 416-17. But see *Vanderhurst v. Colorado Mountain Coll. Dist.*, 16 F. Supp. 2d 1297, 1307 (D. Colo. 1998) (ruling, based on §101(1) and *CCNV v. Reid*, that teaching outline created by instructor was work made for hire).

Do you agree with Judge Posner that, for policy reasons, a court “forced to decide the issue” should hold that the teacher exception persists? See Rochelle Cooper Dreyfuss, *The Creative Employee and the Copyright Act of 1976*, 54 U. Chi. L. Rev. 590 (1987). Is it relevant that the legislative history of the 1976 Act does not discuss the exception and gives no indication that Congress ever considered it?

In their published intellectual property policies, many colleges and universities have adopted, either explicitly or implicitly, the traditional presumption that academics retain copyright in their scholarly writings. See, e.g., *Weinstein*, 811 F.2d at 1094. Recently, however, many of these institutions have begun to reconsider their policies in light of the potential licensing revenues that faculty-developed software and digital distance learning materials can provide. Also, many university intellectual property policies routinely require faculty inventors of valuable *technologies* to assign patent and other rights to the institution. Indeed, universities obtain large amounts of revenue from the licensing of patents assigned to them by their faculties. Why should a university’s copyright policy be any different from its patent policy? If you were counsel to such an institution, how would you advise it to proceed? What should be done about ownership of copyright in works whose production was supported in part by external funding?