

Preassignments of Creators' Rights:

An Adhesion Analysis

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An employee creates, invents or somehow innovates. Who—he or his employer—may exercise rights in using, disclosing and profiting from his product of mind?¹ The answer most often turns on whether, while creating, the employee was laboring under a *pre*-assignment, that is, the prospective conveyance of legal interests in his creation.² The employer can claim, in many instances, that upon hire the employee expressly promised to assign to the employing enterprise all rights and interests in any eventual product of mind he originated on the job or, alternatively, that the employee's status in the enterprise warrants implying an equivalent promise. The courts, however, in mechanically enforcing preassignment claims, can easily ignore whether an employee freely assented to the contractual language or employment status on which such claims are based.³ Fraud, duress and mistake are the traditionally recognized defects in assent which would justify withholding enforcement, although the standardization of contractual forms and modern employment practices have given rise to a more subtle defect in assent, namely, the absence of reasonable alternatives otherwise known as adhesion.⁴ It shall here be argued that constitutionally based policies which justify securing exclusive rights to creators require that the

* The author wishes to thank Ira Moskotel for his help at the very first stages of "brainstorming" the ideas for this article, and Tom McCoy for his encouragement and editorial guidance in putting it into final form.

1. "Product of mind," rather than "intellectual property," will be used in this article as a generic term for all such works and inventions, as well as for ideas upon which they are based. This usage follows the chapter heading for Sections 980-985 of the California Civil Code. Cf. *International News Service v. Associated Press*, 248 U.S. 215, 250-51 (1918) (Brandeis, J., dissenting); *Stanley v. Columbia Broadcasting System*, 35 Cal. 2d 653, 673-75, 221 P.2d 75 (1950) (Traynor, J., dissenting). Both Brandeis and Traynor, in their dissents, explain that it is conclusory to speak of "property" rights in the fruits of intellectual labor unless some statute applies to secure such rights.

2. See Part I, *infra*, for hypothetical illustrating how such a conveyance can be asserted.

3. See Part II, *infra*, for present law governing preassignment claims.

4. See Parts IV and V, *infra*, for an exposition of adhesion analysis and its proposed application to preassignment claims.

courts strictly scrutinize preassignments for adhesion and related defects in notice.⁵

I. *The Creator's Dilemma*

How does a preassignment operate? The following hypothetical will illustrate how an employee might typically become subject to a preassignment.⁶ It will also show how the employer may assert the preassignment once the employee's creation is disclosed.

A draftsman is offered employment. The personnel director interviewing him hands him a standard form setting forth certain provisions concerning "all designs, ideas, inventions or improvements" that the draftsman might "conceive during . . . employment."⁷ Among the standard provisions he might find, on a close reading, are a commitment to "disclose" any novel conception "promptly" to the employing enterprise, a promise to refrain from making such disclosure to any third party before the employer makes the conception "public," an acknowledgement that any resulting products of mind are the employer's "sole property," and a promise to execute assignments and other necessary papers to that effect.⁸

The draftsman is not being hired as an artist, nor as a researcher, but merely as a technical aid. In scanning his employment contract, the draftsman might altogether fail to focus on the preassignment provisions, or he might simply assume, if he takes note of the provisions, that there would be no occasion to apply them to his own noncreative job function.⁹ Perhaps he might ask the personnel director hiring him what the preassignment language means or how it applies to him in particular, and the personnel director might well respond that the whole contract is a standard form signed upon hire as a matter of course and that he has no authority to vary or waive

5. See Parts III and V, *infra*, for an analysis of these policies, their preemptive character and consequences.

6. This hypothetical is a composite of various cases which are discussed in the text accompanying notes 46-59 and 63-74 *infra*.

7. Such clauses are widely used in industry. See O'MEARA, EMPLOYEE PATENT AND SECRECY AGREEMENTS, NATIONAL INDUSTRIAL CONFERENCE BOARD STUDY IN PERSONNEL POLICY No. 199, 21 (1965) [hereinafter cited as O'MEARA]. See also F. NEUMEYER, THE EMPLOYED INVENTOR IN THE UNITED STATES (1971) [hereinafter cited as NEUMEYER].

8. For these and further examples of such contract language, see O'MEARA, *supra* note 7, at 21, 35, 75 *et seq.*; NEUMEYER, *supra* note 7 at 156-59.

9. Relevant terms may not be set forth on the instrument at all, as when bonus and award plans associated with preassignment have limited applications not spelled out in the original contract form. See NEUMEYER, *supra* note 7, at 152-54. In addition job descriptions in the corporate setting often do not clearly denote whether a job function is to be creative. *Id.*

the language in question.¹⁰ Sometime after being hired, the draftsman is transferred into products development, an event which could have the same legal consequences as the standard form preassignment language purports to impose.¹¹

While drafting plans for designers in products development, the draftsman has an idea for a less expensive, more aesthetically pleasing, and stronger structure than any previously proposed design. The draftsman has a number of options at this point. He could simply fail to take the pains of developing his idea into detailed plans since, having signed away all rights to any eventual creation when hired, he could expect no further compensation for his plans, at least not from his employer.¹² He could, in accordance with the disclosure provisions of his employment contract, submit plans for his novel design to the department head of products development, who might tell him that the idea would be carefully examined.¹³ If, however, he chose not to disclose or the company took no immediate action on his proposal, he could fix his name and a copyright notice

10. Not only may the hiring agent have no authority to vary the term, but the employer may have precluded any possibility of negotiating a more limited preassignment by including the term in a standard form employment contract which was then ratified as a whole through collective bargaining. For a discussion of standard form "minimum" contracts which creators' unions have established in the entertainment industry, see D. FARBER & P. BAUMGARTEN, *PRODUCING, FINANCING AND DISTRIBUTING FILM* 20-21, 24-25, 164-65 (1973). For an analysis of reasons why many unions do not pursue favorable standard terms respecting creator's rights and, in particular, patents, see Sutton & Williams, *The Case for the Moss Bill*, 8 U.S.F. L. REV. 557, 574 (1974) [hereinafter cited as Sutton & Williams]. See also O'MEARA, *supra* note 7, at 62-65; NEUMEYER, *supra* note 7, at 163 *et seq.*

11. Such transfer may trigger the so-called doctrine of the "writer-for-hire" or "creator-for-hire." See text accompanying notes 46-61 *infra*. For the law applicable to the former, see 1 M. NIMMER, *COPYRIGHT*, 238.1 *et seq.* (1975) [hereinafter cited as NIMMER]. For a general statement of the law applicable to the latter, see *RESTATEMENT (SECOND) OF AGENCY* § 397 (1957).

12. This is the least visible, but by no means the least significant option for the present argument. The creator who follows this path of least resistance will not have occasion to ask a court to determine the legitimacy of his employer's preassignment claims and his case will thus not appear in the appellate opinions. Nonetheless, it displays disincentives to develop and disclose innovation that contravene policies which underlie copyright and patent law. See text accompanying notes 125-37 *infra*.

13. Where an employer has clearly rejected an employee's proposed creation, the employer may be estopped from claiming rights to the creation by preassignment. *Cf.* *Maurice A. Garbell, Inc. v. Consolidated Vultee A. Corp.*, 94 F. Supp. 843, 845-46 (S.D. Cal. 1950) ("rejection . . . unconditional and unequivocal" constituted an alternative ground for estoppel); *Banner Metals, Inc. v. Lockwood*, 178 Cal. App. 2d 643, 660-61, 3 Cal. Rptr. 421 (1960) (rejection less clear but sufficient to allow estoppel). However, where the rejection is not clear but rather, as here, a kind of noncommittal acceptance, the employer retains a certain latitude, on the basis of its claims to the innovation, to develop it into a viable product of mind or simply shelve it. See text accompanying note 139 *infra*.

on his plans, register them with the Registrar of Copyrights, and also apply for both a design patent and a patent.¹⁴

Nevertheless, the preassignment, whether express or implied from his job function, places the draftsman in a dilemma. Whatever course of action he follows in developing and disclosing his idea, his employer can raise claims of preassignment to preclude him from profiting from his creative work. On the one hand, if the draftsman did disclose his design to his employer, who in turn used it without compensating him above and beyond his salary, the draftsman could find himself barred from suing to enjoin such use or to obtain an accounting of resultant profits or royalties. There are remedies for the infringement of common law and statutory rights in products of mind; but the employer, pleading the preassignment as a defense, could maintain that it cannot infringe the very rights which it holds by virtue of that conveyance.¹⁵ On the other hand, if the draftsman disclosed and attempted to assign his interests in his design to a third party, he could become subject to liability on many fronts. His original employer could sue for specific performance of his promise upon hire to assign all rights in products of mind he conceived on the job, as well as for an accounting for use of the product to date.¹⁶

14. The draftsman has applied for every available statutory protection for his design idea. The hypothetical was thus constructed to illustrate the many facets of products of mind for which legal protection might be obtained. Creation in a tangible form, with or without copyright notice, now suffices to establish a copyright. 17 U.S.C. §§ 401-06 (1977). The creator secures the right to sue for copyright infringement by registering and depositing his work with the Registrar of Copyrights. 17 U.S.C. §§ 407-12 (1977). Still it is doubtful whether a creator, after copyrighting plans, may sue another for infringement upon unauthorized implementation of the plans in an object to be sold at a profit. See 1 NIMMER, *supra* note 11, at 95-98, 120. See also Myers, *Industrial Protection of Preproduction Disclosures*, 49 J. PAT. OFF. SOC'y 783, 788 *et seq.* (1967). There remain other means of protection. A design patent would allow a suit for such implementation of the decorative aspects of the design in an object. 35 U.S.C. §§ 171-73 (1976). Prior or simultaneous copyright would not preclude design patent protection. See *Application of Yardley*, 493 F.2d 1389 (C.C.P.A. 1974). A patent as a "manufacture" would protect any structural innovation in the design. See generally P. ROSENBERG, *PATENT LAW FUNDAMENTALS* 77-80 (1975).

15. If the preassignment were valid, it would alienate the creator's right to sue for infringement of any common law rights or statutory copyrights and patents which he could claim in his product of mind. Thus, as in cases such as *Scherr v. Universal Match Corp.*, 417 F.2d 497 (2d Cir. 1969), discussed in text accompanying notes 46-51 *infra*, the creator would be barred from such suit and corresponding remedies. For remedies for infringement of creator's rights generally, see D. DOBBS, *REMEDIES*, 434-58, 495-503 (1973). For remedies for copyright infringement, see 1 NIMMER, *supra* note 11, at 666 *et seq.*; 17 U.S.C. § 101 (1959). For remedies for patent infringement, see NAVIN, *PATENTS* 51-52 (Rev. ed. 1966); 35 U.S.C. §§ 281 *et seq.* (1976).

16. The preassignment is, strictly speaking, a promise to assign which, once a product of mind is created under it, is specifically enforceable. Also a court may find an equitable interest in the assignee as of the date of creation, but prior to the order of specific perform-

Further, since the draftsman's communication to a third party would breach his obligation to disclose to his employer exclusively or, absent such a term, would represent a liberty taken with property arguably not his, he could be answerable in damages for his communication, as well as for the release of a trade secret.¹⁷

In short, the employee's options in developing, disclosing and marketing his own creation are limited by whatever preassignment his employer may assert on the basis of his terms of hire. Ultimately, this raises the issue of whether a court should enforce the preassignment or hold it invalid.

II. *The Uncertain Trend of the Law*

Judges in the last century considered preassignments with suspicion as imposing a "mortgage on a man's mind."¹⁸ Would a court today nonetheless fully enforce the very broad preassignment terms which the employer could assert in the foregoing hypothetical against the eventually creative employee? Quite possibly it would, for currently applied precedent displays no consistent and critical approach to the increasing use of standard form preassignments in industry, nor to claims that equivalent terms should be inferred from unbargained-for job functions.¹⁹ Thus, as will be shown, the case law no longer precludes employers from imposing such preassignments without negotiation or other guarantees of assent on employees who are not hired or compensated specifically to create.

A. *The Traditional Approach to Claims of Preassignment*

To understand how the law has become uncertain, it is necessary to examine the approach which the courts took toward preassignments at the turn of the century. Traditionally, terms of hire determined the obligations of an employee to his employer; but, without

ance. See Bishop, *Employers, Employees and Inventions*, 31 S. CAL. L. REV. 38, 56-58 (1957) [hereinafter cited as Bishop].

17. I.e., if the preassignment makes the creation into the "property" of the employer, this conveyance of right can be effective only if in effect it allows suit for unauthorized disclosure. See text accompanying notes 97-115 *infra*. This argument is usually made superfluous by the practice of coupling promises to assign with promises to disclose ideas promptly to the employer and to maintain same and related information secret from others. See O'MEARA, *supra* note 8, at 14-15, 27-29.

18. *Aspinwall Mfg. Co. v. Gill*, 32 F. 697, 700 (D.N.J. 1887) (dictum).

19. For a summary of current law, see the following authorities: 1 NIMMER, *supra* note 11, at 238.1 *et seq*; Stedman, *Employer-Employee Relations*, in NEUMEYER, *supra* note 7, at 29 *et seq*; Bishop, *supra* note 16.

any fully articulated rationale, the courts distinguished between “an employment to make an invention” and “a general employment in the course of which the servant conceives an invention.”²⁰ The early cases at least made clear that only when a creator accepted employment to develop specified products of mind was he to be deemed an “artist” or “inventor-for-hire” obligated to assign to his employer his rights in those products.²¹ Difficulties arose, however, in drawing the line between such specific employment to create and mere general employment, upon which no preassignment claim could be based.

Previously courts could draw this line after reviewing the full context of employment to determine whether there was a negotiated basis for the preassignment claims being asserted. Illustrative of this approach is *Dalzell v. Dueber Manufacturing Company*,²² in which the Supreme Court carefully reconstructed discussions between a machinist and the owner of a small factory prior and subsequent to hire. It was admitted that the machinist initially accepted employment to make certain improvements in the manufacturing process of the factory, but a dispute arose concerning the employer’s claims to other inventions which he subsequently conceived on the job.²³ The Court, after a close review of the evidence, refused to enforce the employer’s preassignment claims because he did not meet his burden of showing that the machinist’s initial terms of hire clearly included, or were mutually understood to include, the subsequent inventions.²⁴

The Court in *Dalzell* gave as ultimate grounds for refusing such enforcement the principle that only well-evidenced terms of hire should be granted specific performance.²⁵ But the Court, in its painstaking evidentiary analysis, also asked whether the employer proved not only the meaning and scope of the preassignment which he claimed, but free assent by the employee to the terms on which such claims were based. More particularly, it found it unlikely, in

20. *United States v. Dubilier Condenser Corp.* 289 U.S. 178, 191-92 (1933).

21. *See, e.g., Dielman v. White*, 102 F. 892 (C.C.D. Mass. 1900), holding that, absent express reservation of the power to copyright, the designer of a mosaic had relinquished his right to sue for copyright infringement to the party commissioning his work; *Standard Parts Co. v. Peck*, 264 U.S. 52 (1924), holding that an inventor specifically hired and paid a bonus to develop a manufacturing process had effectively transferred all his patent rights to his original employer.

22. 149 U. S. 315 (1893).

23. *Id.* at 320.

24. *Id.* at 321-25.

25. *Id.* at 326.

the absence of independent consideration, that the machinist assented well after hire to any agreement to develop the inventions at issue.²⁶ The Supreme Court subsequently suggested in *United States v. Dubilier Condenser Corp.*²⁷ that the rationale for this inquiry into assent goes beyond that for any showing required for the equitable remedy of specific performance. The Court stated: "The reluctance of courts to imply or infer an agreement by the employee to assign his patent is due to a recognition of the particular nature of the act of invention. . . ."²⁸ Creation in general is a contingency difficult to anticipate outside of a specific project to create a work of art, solve given technical problems, or pursue a line of research.²⁹ Whether or not it is this contingent aspect of the creative act that the Supreme Court was talking about in *Dubilier*, such contingency helps make sense of the distinction which the Court there relies upon in reaching its decision. On the one hand, the Court talks of specific employment "to make an invention," a situation in which both employer and employee would know the scope of the creative activity and could bargain cogently with respect to allocating rights in foreseeably resulting products of mind.³⁰ This is different, on the other hand, from "general" employment where the servant, before the fact of creation, could not meaningfully assent to relinquishing whatever interests might arise in unanticipated innovation. In *Dubilier* in particular, research scientists who were employed by the Bureau of Standards to solve problems in radio technology used Bureau facilities to invent unexpected improvements in that technology. In the face of the allegation that their inventions fell "within the general field of their research," the lower court found that the scientists "did not agree to exercise their inventive faculties in their work."³¹ The Supreme Court thereupon held against alienating the scientists' patents.³²

Some courts have continued to follow the seminal cases in the restrictive approach to preassignment claims. But, before enforcing or refusing to enforce such claims on the basis of terms of hire, these

26. *Id.* at 323.

27. 289 U.S. 178 (1933).

28. *Id.* at 188.

29. See generally A. KOESTLER, *THE ACT OF CREATION* (1964).

30. 289 U.S. 178, 187 (1933), stating: "The reason is that he has only produced that which he was employed to invent. His invention is *the precise subject* of the contract of employment." (Emphasis added.)

31. *Id.* at 193.

32. *Id.* at 195-96, reiterating its rationale: "In no proper sense may it be said that the contract of employment *contemplated* invention. . . ." (Emphasis added.)

courts had such facts to look to as closely negotiated clauses of the employment contract or actual negotiations with the employer himself, from which the presence or absence of underlying bargain could be ascertained. Thus in *Uproar Co. v. National Broadcasting Co.*,³³ a sponsor employed a radio star to perform using scripts he would furnish himself. The employment contract, however, did not state whether he would write such scripts himself or hire a writer for this purpose. The court found no more than a contract to perform and therefore no preassignment of copyrights in the scripts, interpreting the provision to pay the star an extra \$1,500 if he furnished scripts, not as consideration for his writing them, but possibly as intending to help him purchase them.³⁴ In *Cahill v. Regan*³⁵ a plant manager had an idea for a reusable can and spoke of it to his employer who told him to "go ahead" and develop the idea. The manager perfected the idea into an invention, but he received no further compensation. The court refused to find and enforce preassignment of patents implicit in this "go ahead," reasoning that it was both unsupported by consideration for invention and beyond the scope of an originally non-inventive job function.³⁶

To summarize, in the foregoing cases the courts were presented with ample evidence of negotiations of terms of hire and subsequent circumstances on the job. There was thus available a factual basis for determining whether there was assent to employment to create specific products of mind, without which no claim of preassignment of rights in such products would be enforced.

B. The Current Pattern of Enforcement of Preassignments

The point here is not merely that the courts have forgotten products development departments and research teams, or now ignore the seminal cases on preassignments. The problem is deeper. At present, courts are asked to enforce preassignments in employment situations in which negotiation is altogether absent and in which preassignment clauses themselves rarely cover specific creations but are rather cast in blanket terms.³⁷ Thus the factual context in which

33. 81 F.2d 373 (1st Cir. 1936).

34. *Id.* at 376.

35. 4 App. Div. 2d 328, 165 N.Y.S.2d 125 (1957), *aff'd*, 5 N.Y.2d 292, 184 N.Y.S.2d 348, 157 N.E.2d 505 (1959).

36. *Id.* at 330-31, 165 N.Y.S.2d at 128-29.

37. See Stedman, *The Employee-Inventor, The Public Interest, and Horse and Buggy Law in the Space Age*, 45 N.Y.U.L. Rev. 1, 16-22 (1970).

the traditionally restrictive approach to preassignment claims was developed has changed radically, and modern courts often adjudicate such claims in situations in which no counterpart to this approach has been fashioned or adapted. This change, it shall be seen, has resulted in a pattern of enforcement which tends to alienate creators' rights without any threshold showing of assent.

1. *The Transformation in the Employment of Creative Power*

Since the turn of the century, there have been thorough-going changes in the employment of potentially creative manpower. From the nineteenth to the twentieth century, artistic, technical and scientific creation became increasingly specialized and industrialized.³⁸ Impersonal corporate entities were organized to capitalize this process and administer the large-scale facilities it required. Trained and talented workers no longer found themselves in small workshops, but rather in large media studios, products development departments, and research teams.³⁹ Thus the intimate workshop setting found in the seminal cases, in which employees could negotiate face to face with their employers concerning job function and pay, has been supplanted by standardized hiring procedures and terms.⁴⁰ As a result of this transformation, courts no longer have access to the traditional factual context, such as negotiations and specific terms of hire, with which to approach preassignment claims restrictively.

At the same time, this transformation in the employment context makes situations as depicted by the introductory hypothetical occur with increasing frequency. First, corporate employers hire much potentially creative manpower, not through immediate negotiations with principals capable of binding the employer contractually, but through agents such as personnel managers who have no actual

38. See B. EDELMAN, *LE DROIT SAISI PAR LA PHOTOGRAPHIE* Ch. 3 (1973), analyzing the questions which the industrialization of the graphic arts, through the invention of photography, presented to nineteenth century jurisprudence.

39. See Kresilovsky, *Motivation and Control of Creative Writing*, in *THE MOVIE BUSINESS: AMERICAN FILM INDUSTRY PRACTICE* 40-41 (A. Bluem & J. Squire, eds. 1972); Ruben, *Imaginative Thinking and Opportunities Afforded an Independent Developer by the American Patent System* 49 J. PAT. OFF. SOC'Y 442, 454-57 (1967).

40. Cf. O'MEARA, *supra* note 7, at 18, Table 1 at 11 (indicating the number of enterprises studied by field) and Table 5 at 22 (indicating the frequency of standard form terms among all the enterprises studied). O'Meara does not correlate kinds of enterprise to terms used, but 81 out of 86 enterprises studied used blanket disclosure and preassignment terms rather than allow for negotiation relative to creators' rights.

authority to vary predetermined terms of hire.⁴¹ Second, once employed by the corporation, employees are often shifted from one department to another according to the immediate organizational needs of production or development, so that the employment package, namely job function, corresponding obligations, and compensation acquired upon hire, may later change without warning or choice.⁴² Third, these employers generally use standard form employment contracts which, for artists, technicians and scientists, and frequently for workers in non-creative positions, almost universally include preassignment clauses which are often cast in blanket terms.⁴³ In short, a preassignment asserted under such circumstances may well be based on invariable terms, in which an employee has little alternative but to acquiesce, and to which his job function bears no reasonable relation—all of which suggests the absence of effective assent.⁴⁴

2. *Change of Job Function as Grounds for Preassignment*

The decisions at the turn of the century dealt with cases in which employers had asked the courts to infer preassignments from the fact and terms of hire. Whether or not such a term was enforced did not turn on the presence of special contractual language, but rather on evidence of specifically creative employment. Modern circumstances have presented a new twist in the general problem of basing a preassignment on terms of hire, whether these include express preassignment provisions or not. This twist is found in the recurrent case where an employee originally hired to perform a non-creative job function is transferred into a department in which he, either under order or by accident, participates in creative or research activities and ultimately generates his own innovative ideas.⁴⁵ Here

41. See Stedman, *Rights and Responsibilities of the Employed Inventor*, 45 IND. L.J. 254, 258-59 (1970).

42. Cf. NEUMEYER, *supra* note 7, at 154, (observing that although preassignment is theoretically reasonable for employees clearly hired "to invent and develop," "[i]n practical industrial life there are many equivocal categories," and proposing that preassignment be "[l]imited to the field in which the employee is actually intended to work at the time of employment.")

43. See O'MEARA, *supra* note 7, at chs. 3 and 4; NEUMEYER, *supra* note 7, at 158, proposing that contracts avoid "[b]lanket provisions covering assignment of all inventions made by an employee."

44. *I.e.*, due to adhesion and/or inadequate notice. See text accompanying notes 154-90 *infra*.

45. This changes the situation relative to the facts in the seminal case of *Dalzell v. Dueber Match Mfg. Co.*, discussed in the text accompanying notes 22-25 *supra*. In that case, the original terms of hire reasonably justified transferring rights to initial inventions developed

the courts have failed to develop a consistent response that takes account of the creator's assent.

In *Scherr v. Universal Match Corporation*,⁴⁶ the Second Circuit was called upon to find a preassignment purportedly implicit in a change of military duties. The majority found that two soldiers, who initially were illustrators at Fort Dix, had preassigned all copyrights to their employer, the Army, by building a statue under the orders of the Fort Commander.⁴⁷ Dissenting Justice Friendly, observing that the soldiers had no other alternative but the draft and enlistment, challenged the tacit assumption of the District Court that the soldiers freely assented to whatever task the Army gave them, much less that of creating the statue.⁴⁸ The majority answered this point by asserting:

[P]laintiffs here did possess some bargaining power. They were not required to engage in the work they did in order to fulfill their military obligations; they did so voluntarily. In all probability they were glad to be relieved of their regular duties and welcomed the opportunity to be engaged in work more akin to their artistic talents.⁴⁹

Even assuming that the soldiers built the statue to be “relieved of their regular duties”, the court’s speculation that “in all probability they . . . welcomed the opportunity” does not suffice to establish assent to any preassignment, especially for the purpose of affirming a summary judgment against them.⁵⁰ Justice Friendly pointed out a fact in the record that would allow contrary inferences: plaintiffs claim to have spent some 1,950 hours of valuable leisure time on the statue.⁵¹ That allegation, if true, could mean either that their creative effort was gratuitous and not in the line of compensated employment, or else that it was not made freely but under the pressure of military authority. In neither event can it be automatically inferred that the soldiers were ready to relinquish copyright claims.

by the employee, but did not specifically cover certain subsequent inventions, the rights to which the employee therefore retained. The situation encountered all too often in modern cases such as those discussed below, is that of the employee who is hired in a noncreative capacity, *i.e.*, on terms from which no preassignment may be implied, and then is transferred into a research laboratory.

46. 417 F.2d 497 (2d Cir. 1969), *aff'g* 297 F. Supp. 107 (S.D.N.Y. 1967), *cert. den.*, 397 U.S. 396 (1970). For an analysis of the problem posed by the applicable sections of the Copyright Act, see text accompanying notes 88-92 *infra*.

47. *Id.* at 501.

48. *Id.* at 502-03.

49. *Id.* at 501.

50. *Id.*

51. *Id.* at 503.

The military context in *Scherr* admittedly makes its facts unique. It is in highly compartmentalized industrial contexts that employers most often shift employees from one job function to another. But the dissent in *Scherr* highlighted the hitherto unclarified requirement that free assent is needed, not simply to initial terms of hire, but to any changes in such terms from which a preassignment might be implied. In *Crown Cork & Seal Co. v. Fankhanel*,⁵² a federal district court simply ignored any possible defect in assent at the point at which a young worker was made a technical assistant in a research department and given the task of helping develop a product. The court chose to find that he impliedly preassigned his patent claims when his original terms of hire were changed by his transfer rather than rely on the express preassignment clause which he had signed upon hire as a minor.⁵³ In dictum, though, the court asserted that the employee would have been bound by the express clause as well since he did not disavow it upon reaching the age of contractual competence.⁵⁴ But there was no evidence that the employee had any more choice in not questioning the clause upon turning twenty-one than in accepting terms arguably implicit in his job function. Rather, after perfecting his invention, the employee requested an increase in salary and, that failing, a share in patent royalties, but his bargaining power did not match his demands, which were subsequently refused.⁵⁵

Not only have courts neglected employees' effective alternatives upon transfer to nominally creative job functions, they have failed to inquire into whether the employee could reasonably expect to be subject to a subsequent preassignment upon accepting originally non-creative employment. Justice Friendly observed in *Scherr* that the government ordered the soldiers to build the statue without indicating that it required a copyright, which the soldiers then applied for in their own name.⁵⁶ In industrial cases, the courts sometimes overlook the distinction between, on the one hand, transfer into research and development to perform and receive compensation for purely technical work and, on the other hand, transfer accompa-

52. 49 F. Supp. 611 (D. Md. 1943).

53. *Id.* at 619: "Since we conclude that the plaintiff must prevail in the present case, independently of the contract between it and the defendant [i.e., the express preassignment], it is not necessary to consider the effect of that contract." But see Bishop, *supra* note 16, at 55-56, who cites *Crown Cork* in support of the proposition that "intracompany transfers of the employee have no effect on the agreement."

54. *Id.* at 619-20.

55. *Id.* at 614.

56. 417 F.2d 497, 502-03 (2d Cir. 1969) (dissent).

nied by the status and emoluments of creative work. Thus in *Crown Cork*⁵⁷ the young inventor became a technical assistant to a senior member of the research staff; and, in the later case of *Forberg v. Servel, Inc.*,⁵⁸ an immigrant technician was hired as a "staff member" of a testing laboratory, then directed to help in solving a problem without any increase in pay. The courts enforcing preassignments in both cases relied on the fact of employment in a research laboratory, but did not ask whether an employee being paid to perform assistantship functions could reasonably expect to be subject to preassignment terms as might their superiors.⁵⁹

It cannot be presumed that an employee, once integrated into the employing organization, has any real alternative other than mere acquiescence in a directive to change job function. Yet courts still assert that an employee, "though not initially employed for the purpose of exercising his inventive ability," if "thereafter directed to devote his talents to that end," preassigns his creators' rights when he is shifted to ostensibly creative or research-related tasks.⁶⁰ In so doing, these courts ignore the fact that the master-servant relationship often puts the employee in a weaker bargaining position from which he can hardly negotiate effectively over the allocation of creators' rights such as might arise in performing his new job function.

3. *The Use and Abuse of the Standard Form Preassignment*

Often artists and scientists, in bargaining ahead of time for terms of hire, are able to have express preassignment language tailored to a particular area of creation or research. Courts still construe such negotiated language restrictively, reserving to the creator rights in all products of mind that do not clearly fall within the agreed-upon area.⁶¹ But no critical judicial approach has been developed to stan-

57. 49 F. Supp. 611, 612 (D. Md. 1943).

58. 88 F. Supp. 503 (S.D.N.Y. 1949).

59. See *id.* at 505, 507. In this case, the court ruled that under an implied preassignment the employee was obligated to execute an assignment of patents, which he had done "freely and voluntarily." But this reasoning misplaces the question of effective assent which should be addressed to the terms of hire from which the preassignment was implied.

60. *Pursche v. Atlas Scraper and Eng'r. Co.*, 300 F.2d 467, 484-95 (9th Cir. 1962), citing *Forberg*.

61. See *De Long Corp. v. Lucas*, 278 F.2d 804, 808-09 (2d Cir.), *cert. den.*, 364 U.S. 833 (1960) (negotiated preassignment limited in effect to specified inventions). See also *New Britain Machine v. Yeo*, 358 F.2d 397, 405-08 (6th Cir. 1966) (preassignment not extended to improvements).

dard form contracts with preassignment provisions covering all employee creations irrespective of original job area, function or compensation. The courts usually enforce these potentially overreaching form contracts by jumping over the threshold question of assent, reasoning that employment itself is adequate consideration for signing the forms.⁶² The exceptional cases examined here will prove the rule that such provisions are sufficiently enforceable across the board to allow their widespread use.

Courts have occasionally construed away objectionably overreaching language in express preassignments, but without systematically focusing on underlying defects in assent. In *Rotary Lift Company v. Clayton*,⁶³ an engineering student, who had invented an improved elevator valve while hired as a technician, was told that if he did not sign a blanket preassignment as written he would have difficulty finding employment elsewhere. The court found that the standard form preassignment language covering all "future" inventions was ambiguous in its application to the new valve which the employee invented before he signed the form, and, construing that language against the employer who provided the form, held it inapplicable.⁶⁴ The court, however, did not consider significant the coercive tactics by which the employer obtained the signature of the form contract, that is, the employee's lack of alternatives to signing. This would have been grounds for refusing to enforce the form language even if it were not ambiguous.

Another example of close construction is found in *Jamesbury Corporation v. Worcester Valve Company*.⁶⁵ The employer relied on contract language purporting to give it all rights to "inventions" developed on the job, while the ex-employee argued that this language did not apply to his innovative "conceptions" but only to inventions made operative while at work.⁶⁶ The court found the standard form language at issue to be ambiguous and, noting in passing that the employer had the employee sign the standard form

62. See *Patent & Licensing Corp. v. Olsen*, 188 F.2d 522, 525 (2d Cir. 1951) (employment adequate consideration); *Maloney v. E.I. Du Pont de Nemours & Co.*, 352 F.2d 936, 939-40 (D.C. Cir. 1965) (employment, consideration for preassignment, may not be terminated without cause).

63. 127 F. Supp. 176, 177-78 (D. Mass. 1954).

64. *Id.* at 178-79.

65. 443 F.2d 205, 213 (1st Cir. 1971), *aff'g* 318 F. Supp. 1 (D. Mass. 1979), discussed in Doherty & Iandiorio, *The Law of the Employed Inventor—Time for a Change?* 57 Mass. L.Q. 27 (1972).

66. *Id.* at 210-13.

upon graduation and entry into the firm, construed the ambiguous provisions against the form provider to avoid their application.⁶⁷

The recent case of *Hewett v. Samsonite Corporation*⁶⁸ invalidated a standard form assignment for lack of consideration, but the case could have been decided on grounds of ineffective assent. There the foreman of the shop in which prototypes were made and tested helped create new features and models, but his employer required that he sign over to the company each patent which he received in these features.⁶⁹ Asking what consideration he would receive, he was told: "Well, you have a job with the company, haven't you?" Then, after being laid off work, the foreman's receipt of termination pay was made conditional on his signing a general release of all claims on his inventions on the job.⁷⁰ The court struck down both the assignments and the general release, rejecting the employer's "contention that continuation of employment, such employment already having been mutually bargained for, is sufficient consideration to support an assignment of invention or patent rights."⁷¹ An analysis of the foreman's alternatives to the assignments and ultimate release renders his apparent assent to them suspect in that his choice finally came down to either relinquishing his creators' claims of right or accepting unemployment without termination pay.⁷²

Hewett, although an assignment and release case ultimately decided on grounds of inadequate consideration, puts issues underlying defective assent, which are present in the frequent imposition of preassignment claims, into sharp relief. Where the signing of a standard form preassignment is made a condition of employment, the absence of alternatives and consequent effect on bargaining power depends on the relative frequency with which such clauses are used.⁷³ Further, cases arise where, as in job transfer situations, employees find creators' rights alienated on terms to which their agreement upon hire gave no warning.⁷⁴ Finally, since a preassignment

67. *Id.* By stopping short of the issue of contractual assent, the *Jamesbury* court left the thrust of its attack on the standard form without subsequent judicial impact. See *Steranko v. Inforex, Inc.*, 1977 Mass. App. Ct. Adv. Sh. 446, 362 N.E.2d 222, 234 n.16 (1977).

68. 32 Colo. App. 150, 507 P.2d 1119 (1973).

69. 507 P.2d at 1120-21.

70. *Id.*

71. 507 P.2d at 1121.

72. *Id.*

73. See notes 7 and 40 *supra*.

74. See notes 9 and 42 *supra*. See, e.g., *Du Pont Rayon Co. v. Paley*, 4 F. Supp. 290, 292-93 (N.D. Ill. 1933) (no fraud where preassignment includes bonus plan with eligibility terms not disclosed to employee).

limited to one field might be construed narrowly, the employer will try to expand the scope of his preassignment claims with a clause written in blanket terms covering *all* products of mind, especially those qualifying for statutory protection.⁷⁵ Such blanket clauses violate the standard of specificity that seminal law requires of terms of hire upon which a preassignment may be based because they are susceptible to application without any reasonable relation to job function.⁷⁶

In summary, circumstances of employment have changed radically since the turn of the century. Employees, whether or not hired to create, find themselves either constrained to sign standard form preassignments upon hire, or transferred into job functions from which preassignment can arguably be inferred, but without any chance to renegotiate terms of hire. How have the courts responded? By mechanically enforcing claims of preassignment based on standard form terms or job function without any systematic analysis of underlying defects in assent. Even in the exceptional cases, where courts have construed away over-reaching preassignment language,⁷⁷ the issues pertinent to assent have at best been broached, without becoming grounds for decision.

III. *Rights and Policies at Stake*

It can and should be asked whether the case law just discussed is the sole authority dispositive of the questions raised here. This question can be reformulated in terms of the arguable preemption of state preassignment law by the federal policies that the United States Constitution effectuates in its so-called Authors and Inventors Clause.⁷⁸ It is true that state law governs the threshold issue of enforceability of the agency and contractual relations on the basis of which preassignments of creators' rights are claimed.⁷⁹ Nonetheless, in the light of the presumptive character of the policies underlying federal grants of such rights as patents, one commentator has suggested that preassignments be made directly subject to a federal common law.⁸⁰ It shall be seen that preemption case law would allow

75. See notes 40, 43 and 61 *supra*.

76. See text accompanying notes 20-36 *supra*.

77. See text accompanying notes 63-67 *supra*.

78. U.S. CONST. art. I, § 8, cl. 8.

79. See 1 NIMMER, *supra* note 11, at 567-69; Chisum, *The Allocation of Jurisdiction Between State and Federal Courts in Patent Litigation*, 46 WASH. L. REV. 633, 645-47 (1971).

80. See Orkin, *The Legal Rights of the Employed Inventor: New Approaches to Old Problems (Part II—Conclusion)*, 56 J. PAT. OFF. SOC'Y 719, 722-27 (1974), who contends that

conveyances of creators' rights to be adjudicated under state law, while limiting their enforcement when it threatens to undercut federal policies.

A. Federal Limits to the Enforcement of Preassignments

In *Lear, Inc. v. Adkins*,⁸¹ the Supreme Court held that California could not apply the purely contractual estoppel principles to prevent a licensee of all rights in a new gyroscope device from challenging the validity of patents for which the licensor had applied. The Court reasoned that licensees should be able to raise the defense of such invalidity just as could accused infringers in order to maximize the chances for keeping the patent monopoly within the limits dictated by the policies underlying such grants.⁸² However, in this same case the Court was also asked to allow the licensee, if its challenge to the patent succeeded, to defend against non-payment for the conveyance of common law interests in the invention prior to patenting.⁸³ On this point the Court refused to rule, although it asserted its power to do so in the following terms:

[W]e have concluded, after much consideration, that even though an important question of federal law underlies this phase of the controversy, we should not now attempt to define in even a limited way the extent, if any, to which the States may properly act to enforce the contractual rights of inventors of unpatented secret ideas. Given the difficulty and importance of this task, it should be undertaken only after the state courts have, after fully focused inquiry, determined the extent to which they will respect the contractual rights of such inventors in the future.⁸⁴

The language of this conclusion to *Lear* set forth the doctrine that the state courts have a certain latitude in applying their contract rules to conveyances of creators' rights, but that such application

federal common law might preclude the use of preassignments in general if federal policy were clearly put in jeopardy by them. Under *Lear, Inc. v. Adkins*, 395 U.S. 153 (1969), the issue would be: Is such policy undercut by the particular way state law treats these terms?

81. 395 U.S. 653 (1969).

82. *Id.* at 670-74. Also, a contrary result would discourage parties from entering licenses at all in that they might thus be bound to pay for ultimately invalid patent rights.

83. *Id.* at 674-75.

84. *Id.* at 675. See Comment, *Patent Law—Estoppel—Doctrine of Licensee Estoppel Overruled: State Protection of Unprotected Inventions Questioned—Lear, Inc. v. Adkins*, 45 N.Y.U.L. REV. 386, 389-95 (1970), for an analysis of this language at the conclusion of *Lear*, recommending that state protection of unpatented ideas not be preempted by federal protection.

must be in accord with the policies underlying federal statutory grants.⁸⁵

There are points at which the federal statute itself purports to govern preassignment claims.⁸⁶ It follows from *Lear*, however, that its doctrine conditions the application of state law to those agency and contract issues which are not controlled by the federal statute.⁸⁷ For instance, section 26 of the former Copyright Act defined the "author" in whom the copyright would vest to include "an employer in the case of works made for hire."⁸⁸ It was upon this section that the court in *Scherr v. Universal Match Corporation*⁸⁹ based its decision that, since the Army was the "employer" of the draftees who made the work in question, it retained the copyrights deriving from the work.⁹⁰ Section 101 of the newly enacted Copyright Act limits the work for hire provision in accord with the traditionally restrictive common law approach to preassignments by specifying that a "work for hire" must be made "within the scope . . . of employment."⁹¹ Such federal statutory language, however, leaves open the following threshold question on which state agency and contract law could be dispositive:⁹² Should a court enforce the employment rela-

85. The states are free, absent explicit preemption by federal statute, to promote those same policies with their own contract and tort law. *Cf. Goldstein v. California*, 412 U.S. 546, 558-59 (1972) (allowing state cause of action for record piracy not covered by federal copyright law in order "to induce new artistic creations"); and *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 478-79, 485-90 (1974) (allowing state to protect trade secrets in accord with its own appreciation of intellectual achievement).

86. 17 U.S.C. § 201(b) (1976).

87. Under the *Erie* doctrine (*Erie R.R. Co. v. Tompkins*, 304 U.S. 64 (1938)), state law would traditionally define "work for hire" and "scope of employment". This author knows of no case in which any "federal common law" is expressly invoked to define such terms.

88. 17 U.S.C. § 26 (1947), now found in above-cited 17 U.S.C. § 201(b) (1976).

89. See note 46 *supra*.

90. See text accompanying notes 46-51 *supra*.

91. 17 U.S.C. § 101 (1976) (last definition). See Angel and Tannenbaum, *Works Made for Hire Under S. 22*, 22 N.Y.L.S. Rev. 209 (1976), for a discussion of this change, media pressures for retention of the "writer for hire" presumption, and still applicable case law.

92. A distinction, at best implicit in the opinions, could be drawn between employers' claims to copyright based on participation in the creative process, as against claims based on agency and/or contractual grounds. It is the latter type of claim which concerns us here.

An employer, on the one hand, might have a section 201 claim, formerly a section 26 claim, on a copyright on the grounds that by furnishing the original conception of the work of art, he functioned as its creator. Thus in *Brattleboro Publishing Co. v. Winmill Publishing Corp.*, 369 F.2d 565, 568 (2d Cir. 1966), the court observed: "It seems likely that the local businessmen, who often cooperated in designing the advertisements, were naive with respect to the complete provisions of the copyright law" One rationale, then, for having those businessmen retain copyright to the advertisements, rather than allowing its transfer to the original publisher hired to print it, is that they were in fact the authors.

An authorship claim to copyright is, however, conceptually distinct from a claim based on

tion or contract provision under which a preassignment is claimed so that the employer obtains rights for hire?

Judge Friendly, dissenting in *Scherr*,⁹³ anticipated the application of the *Lear* doctrine to just that preassignment issue. He specifically stated that inferring that a work was made "for hire" where an employer clearly bargained for the work in question "can be squared with the policy of the Constitution and the Copyright Act."⁹⁴ Judge Friendly, as noted above, then observed that there was no unambiguous factual basis in the record on which to find such a clear bargain and assent relative to a particular work at issue on summary judgment.⁹⁵ The implication of his dissent is that, unless there was sufficient evidence for a finding of agreement to create works such as that in question, the constitutional and statutory policy he cites would preclude enforcing a preassignment claim.⁹⁶ At the very least his reasoning suggests that such policies might be better served by a threshold inquiry into whether there was assent to the relation or contract underlying such claim.

B. Creators' Rights at Stake in Preassignments

It is crucial at this point to analyze the full range of legal interests that preassignment claims bear upon and, through such analysis, to ascertain underlying preemptive policies. Often the event that prompts an employer to assert a preassignment against an employee is the latter's disclosure of his creation to a third party.⁹⁷ This is no accident since the key interest in the constellation of those which a creator may claim in his products of mind is the right to control

agency or contract principles. See note 141 *infra*. But see 1 NIMMER, *supra* note 11, 238.2-239, summarizing case law to the effect that "[t]he crucial question in determining an employment relationship is whether the alleged employer has the right to direct and supervise the manner in which the writer performs his work." If the employer directs such work in accord with his own original creative vision, this fact would constitute evidence of authorship of the work to be copyrighted, as distinguished from the determination of a work "made for hire." But the mere fact that an employer directs an author's work, although it may prove some agency relationship, does not raise the inference that he has hired this other party to create a particular work in question. See text accompanying note 48 *supra*, explaining that the employer's right to direct in *Scherr* most probably stemmed from sheer military authority rather than freely bargained-for terms of hire. Indeed, a party commissioning a work of art may exercise no power to direct and still retain copyrights in the work. See 1 NIMMER, *supra* note 11, at 244-46.1.

93. 217 F.2d 497, 502-03 (2d Cir. 1969).

94. *Id.* at 502.

95. *Id.* at 502-503.

96. See 1 NIMMER, *supra* note 11, at 13-14.

97. *E.g.*, *Jamesbury*, discussed in text accompanying notes 65-67 *supra*.

their disclosure.⁹⁸ Such control, we shall see, is basic to any understanding of the policies which justify the grant of statutory rights such as copyrights and patents.

Warren and Brandeis analyze the control of disclosure as a privacy interest, that is, the "right of determining, ordinarily, to what extent . . . thoughts, sentiments, and emotions shall be communicated to others."⁹⁹ This interest, they explain, arises for the creator in the form of common law copyright, ". . . which enables him to control absolutely the act of publication, irrespective of any commercial interests in his work."¹⁰⁰ For instance, the author of private letters may enjoin a recipient, who may own the paper on which they are written, from divulging their contents to others.¹⁰¹ Further, trade secret law, as Holmes explains in *E.I. du Pont de Nemours Powder Co. v. Masland*,¹⁰² allows the creator, in this case the originator of a secret process, to sue for unauthorized disclosure of the process by any party to whom it was communicated in trust. It remains an open question whether this common law privacy interest is constitutionally fundamental.¹⁰³

98. See Nash, *The Concept of "Property: in Know-How as a Growing Area of Industrial Property: Its Sales and Licensing*, 6 P.T.C. J. RES. & ED. 289 (1962).

99. Warren & Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193, 198 (1890).

100. *Id.* at 200. Warren and Brandeis here focus on what was traditionally called the author's "right of first publication." See *Jenkins v. News Syndicate Co., Inc.* 128 Misc. 284, 219 N.Y.S. 196 (1926) (seminal cases and Warren and Brandeis were cited to support the holding that an author is entitled to sue for unauthorized publication of a story by the newspaper which had hired her to write it).

101. CAL. CIV. CODE § 985 (West 1954). See Note, *Personal Letters: In Need of a Law of Their Own*, 44 IOWA L. REV. 705 (1959).

102. 244 U.S. 100, 102 (1917).

103. See *Hemingway v. Random House, Inc.*, 23 N.Y.2d 341, 348-49, 296 N.Y.S.2d 711, 778 (1969) (possible First Amendment claim to withhold publication of interview). See also *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 487 (1974) (dictum) ("a most fundamental human right, that of privacy," linked to interest in maintaining trade secrets). See generally Nimmer, *Copyright and the First Amendment*, 17 U.C.L.A. L. REV. 1180, 1186-87 (1976).

This article does not base its argument on the proposition that certain creators' rights are constitutionally fundamental, but should open up inquiry into that possibility. See Warren and Brandeis, *The Right to Privacy*, 4 HARV. L. REV. 193, 200 *et seq.* (1890) arguing not merely that common law copyright derives from the privacy interest, but also that it is an original manifestation of that interest. See Fried, *Privacy*, 77 YALE L.J. 475 (1968), expanding the analysis of the privacy interest as the right to control disclosure and tying it intimately into First Amendment freedom of association and thought. If creation resulted from "sparks" of genius in isolated individuals, it could be contended that this right to control disclosure was important to these individuals only because it allowed them to keep their ideas secret until the rest of the world was ready to pay for disclosure. See text accompanying notes 109-16 *infra*. Creative thought, however, does not occur in some sort of "Cartesian" isolation, but is channeled through a language of some symbolic medium that ties the individual creator into one or a number of communities. See T. KUHN, *THE STRUCTURE OF SCIENTIFIC REVOLUTION* 92

There are other common law interests that a creator may claim in his products of mind.¹⁰⁴ He may elaborate on his own ideas freely. Thus the author of the *Maltese Falcon*, after selling proprietary rights in the story, could not be prevented by his vendees from developing its principal character further in sequel stories.¹⁰⁵ More directly subject to preassignment is the interest of the creator in profiting from his products of mind in the marketplace. Courts have protected the originators of story lines and other program materials by allowing them to sue for compensation for the unauthorized use of such material by the media.¹⁰⁶ Otherwise, absent a cause of action under an implied-in-fact contract or in restitution, the creator would run the risk that, in disclosing ideas in commercial negotiations, an offeree would use the disclosed material without rendering any reasonable consideration.¹⁰⁷ In *International News Service v. The Associated Press*,¹⁰⁸ the Supreme Court has gone so far as to allow one news service to sue to restrain another, for limited periods of time, from using and reselling the contents of its own already published dispatches, thus protecting the originating service's interest in profiting from its products. Of course, once an employee working under an enforceable preassignment has disclosed his creation

et seq., 174 *et seq.* (2d ed. 1970); G. H. MEAD, *MIND, SELF, AND SOCIETY* 198, 214 *et seq.*, 218, 222 (1934); 5 C.S. PIERCE, *COLLECTED PAPERS* 135-213 (1934). Thus the right to control disclosure represents the freedom of the creator to participate in such community, to choose to whom and how his ideas are communicated, and thereby to influence how they feed back into his own creative process. See text accompanying notes 128, 135-37 *infra*.

104. See Nash, *supra* note 98; Mamorek, *The Inventor's Common Law Rights Today*, 50 J. PAT. OFF. SOC'Y 369 (1968).

105. Warner Bros. Pictures, Inc. v. Columbia Broadcasting System, Inc., 216 F.2d 945 (9th Cir. 1954), *cert. denied*, 348 U.S. 971 (1955). But while the author at common law has the privilege of elaborating in new works, themes originated in previous works already conveyed to others, he cannot, as can the creator under the continental doctrine of "droit moral," sue these other parties for adapting or modifying such conveyed works to the point of destroying their aesthetic integrity. See Treece, *American Analogues of Author's "Moral Right,"* 16 AM. J. COMP. LAW 487 (1968).

106. See, e.g., *Desny v. Wilder*, 46 Cal. 2d 715, 299 P.2d 257 (1956) (contract to disclose non-novel material may be implied); *Weitzenkorn v. Lesser*, 40 Cal. 2d 778, 256 P.2d 947 (1953) (analysis of a dissent in *Stanley* adopted to allow suit under contract implied in fact); *Stanley v. Columbia Broadcasting System*, 35 Cal. 2d 653, 672, 221 P.2d 73, 84 (1950) (dissent: no contract to pay for disclosure could be implied in fact). See 2 NIMMER, *supra* note 11, at Chapter 15, who argues, at 168.1-168.2, that a theory of unjust enrichment may be applied in some cases where no contract for disclosure can be implied in fact.

107. Cf. Note, *Beyond the Realm of Copyright: Is There Legal Sanctuary for the Merchant of Ideas?*, 41 BROOK. L. REV. 284 (1974), (discussing the dilemma of one who must disclose an idea as part of an offer to convey interests in it, for instance the right to control disclosure to a third party, and then who finds the disclosee profiting from it without accepting the terms of the offer).

108. 248 U.S. 215 (1918).

to his employer,¹⁰⁹ he would be barred from suing the latter for damages or injunction.

The creator's interest in controlling disclosure of his own ideas is a right in a "Hohfeldian" sense, in that he may sue to restrain anyone from divulging these ideas.¹¹⁰ But the creator has no legal claim against parties who elaborate on ideas and convey for profit products of mind similar to his own but which these parties independently conceive or discover.¹¹¹ Thus creators may not exercise their common law interests in freely developing and profiting from their products of mind to exclude each other from, and thereby monopolize, any area of creativity.¹¹² Still, through the careful exercise of the right to control disclosure, creators are often able to exercise their privilege to elaborate on ideas and power to convey their products *as if* they were exclusive rights.¹¹³ If a creator maintains his ideas in confidence and there is no such parallel innovation by others, he alone will be able to work these ideas into products of mind which, absent intervening preassignment claims, he may exclusively profit from.¹¹⁴ This key role of the right to control disclo-

109. See text accompanying notes 135-37 *infra*.

110. W.N. HOHFELD, *FUNDAMENTAL LEGAL CONCEPTIONS* 39 *et seq.*, 72 (ed. with new forward by A. Corbin, 1973). See Nash, *supra* note 98, at 293 *et seq.*, who explains how Hohfeld's clarification of "rights," "privilege" and "power" applies here. According to Hohfeld, confusion is avoided when the "property" right to *exclude* others is not used all inclusively to refer to other more limited entitlements. See note 1 *supra*.

111. CAL. CIV. CODE §§ 980(a), 984 (West 1954). See *Schreyer v. Caseo Products Corp.*, 97 F. Supp. 159, 168-69 (D. Conn. 1951); 190 F.2d 921, 924 (5th Cir. 1951). In *Schreyer* plaintiff had revealed his unpatentable device to defendant in confidence in an offer of sale of rights. Upon the finding that the plaintiff's device could have been independently developed by defendant although only upon some investment of time and capital, the courts held defendant liable for unauthorized use until that time at which such independent development would have been possible.

112. See text accompanying notes 138 and 150 *infra*. The Supreme Court, in *Lear, Inc. v. Adkins*, 395 U.S. 653, 675 (1969), not only ruled that a contract expanding a statutory patent monopoly beyond constitutional limits is not permissible, but also clearly warned that the same contract, if it allocated common law interests with similar effects, would be suspect. *Cf.* 1 NIMMER, *supra* note 11, at 6.2-6.5, on how terms of a statute granting monopoly ought to limit common law interests.

113. See Nash, *supra* note 98, at 296-98; Mamorek, *The Inventor's Common Law Rights Today*, 50 J. PAT. OFF. SOC'Y 369, 382-84 (1968).

114. *But see* Nash, *supra* note 98, explaining that this seems possible only with "[m]ethod-inventions . . . because most other inventions are self-revealing by the marked product." However, this observation ignores the dynamics of modern research and development in which, during the time lag when competitors might reverse-engineer a product, the underlying secret technology might allow further, competitively advantageous advances. See Note, *The Development of the Sherman Act Section 2 Market Share Test and Its Inapplicability to Dynamic Markets*, 49 S. CAL. L. REV. 154, 195-97 (1975) and authorities cited therein.

sure may indeed explain the reluctance of the courts to find its waiver through intentional and unconditional publication.¹¹⁵

This brings us to the rationale for granting statutory rights such as copyrights and patents, both of which may be transferred by preassignment. There is an unavoidable tension between the individual's privacy interest in controlling disclosure of his creations and the public interest in the free flow of ideas.¹¹⁶ If creators could profit from exclusive use and sale of their products of mind only by maintaining their innovations in guild-like secrecy, they would withhold valuable ideas and data from cultural and scientific exchange.¹¹⁷ The framers of the Constitution sought to resolve this tension by specifically empowering Congress to secure for creators, in exchange for total public disclosure of significant innovations, exclusive statutory rights.¹¹⁸ Through his remedies for infringements

115. CAL. CIV. CODE § 983 (West 1954). *Cf.* *Components for Research, Inc. v. Isolation Prods., Inc.*, 241 Cal. App. 2d 726, 729-31, 50 Cal. Rptr. 829, (1966) (disclosure of process to employee did not waive trade secret protection that did not extend to non-secret methods); *Read v. Turner*, 239 Cal. App. 2d 504, 510-14, 48 Cal. Rptr. 919 (1966) (disclosure of plans to construction bidders did not waive common law copyright, but furnishing copies to house purchasers did).

Publication prior to fulfilling statutory requirements used to waive rights to statutory protection, but again the courts were reluctant to find such waiver. *See King v. Mister Maestro, Inc.* 224 F. Supp. 101 (S.D.N.Y. 1963) (furnishing press excerpts, as well as subsequent national broadcasting, filming and reporting of speech did not preclude eventual copyright). *But see* 17 U.S.C. § 302(a) (1976), which provides that statutory copyright will subsist from the "creation" of a work, thus superseding any rule of waiver by publication subsequent to "creation." *See also* *In re Yarn Processing Patent Validity Litigation*, 498 F.2d 271 (5th Cir. 1974) (public display of model or licensing during development of invention does not preclude eventual patent). *But cf.* Mahon, *Trade Secrets and Patents Compared*, 50 J. PAT. OFF. SOC'Y 536, 537 (1978), (discussing the Patent Reform Bill of 1967, § 123, and present patent invalidation rates, whereby the unsuccessful patentee, upon having applied for statutory protection, might have also lost common law trade secret protection). *Cf.* *Hyde Corp. v. Huffines*, 158 Tex. 566, 588-92, 314 S.W.2d 763, 772-73 (1958) (disclosure in patent application need not preclude protection against trade secret misappropriation).

116. *See Donaldson v. Beckett*, 1 Eng. R. 837 (H.L. 1774). This seminal case discusses common law copyright, as well as its waiver through publication and its preemption by statutory protection, in terms of public policy which contemporary judicial analyses, knowingly or not, often seem to readopt. *But see* 17 U.S.C. § 301(a) (1976), which seems to make this tension a thing of the past for copyright by providing, in conjunction with 17 U.S.C. § 302(a) (1976), statutory protection commencing at the time of "creation," while replacing any equivalent right at common law. But 17 U.S.C. § 301(b)(3) (1976) makes clear that the new Act does not supersede non-equivalent creators' interests at common law. Thus the old problem of statutory preemption of common law protection may persist in the realm of copyright. Indeed, the ambiguity of the term "creation" is apparently left to the courts to construe.

117. *See Prager, The Early Growth and Influence of Intellectual Property*, 34 J. PAT. OFF. SOC'Y 106, 128 *et seq.* (1952).

118. *See United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186-87 (1933): "In

of such rights, the creator is assured of the incidents of exclusive ownership, which is in effect a monopoly over use and sale, that he would otherwise only enjoy by limiting disclosure.¹¹⁹ The Constitution restricts recourse to these remedies to limited periods of time in order to allow the public to gain eventually unrestricted access to the originally protected products.¹²⁰ Preassignments to the extent claimed by large-scale employers would concentrate such rights in their own hands.

Courts use various theories to explain how the grant of exclusive rights effectuates the express purpose of the Copyright and Patent Clause: "to promote the progress of science and the useful arts."¹²¹ Such rights provide economic incentives that presumably stimulate creators both to develop their ideas into usable products of mind and to market them as widely as possible.¹²² Also, once assured that publication for copyright purposes or application for patents will not waive important legal interests, creators are more likely to disclose their ideas which, through a process of cross-fertilization with other lines of thought, generate still further innovations.¹²³ Moreover, a

consideration of its disclosure and the consequent benefit to the community, the patent is granted."

119. See 17 U.S.C. §§ 106 *et seq.*, 502 *et seq.* (1976). Section 1 of the former Copyright Act, 17 U.S.C. § 1 (1959), also enumerated "rights of the copyright holder." See 1 NIMMER, *supra* note 11, at Ch. 8, explaining how such "rights" differ according to the work copyrighted. See 35 U.S.C. § 271 (1954), which defines "infringement" of patent. See note 15 *supra*, and authorities cited therein, concerning remedies for infringement.

120. See *Scott Paper Co. v. Marcalus Co.*, 326 U.S. 249, 255-57 (1945) and authorities cited therein, (patentee may not, by contract or use of trademark, extend his monopoly beyond expiration).

121. U.S. CONST. art. I, § 8, cl. 8. See THE FEDERALIST, No. 43 (J. Madison) 267 (H.C. Lodge ed. 1888): "The Public good fully coincides in both cases [copyright and patent grants] with the claims of individuals." Cf. 1 NIMMER, *supra* note 11, at 6.6, (assuming that the drafters of the Constitution sought to promote the public interest by according property status to creations, a theory which coincides with the judicial view of the basically economic nature of the incentive to create). But see A. KOESTLER, THE ACT OF CREATION 495-512 (1964); Rossman, *Rewards and Incentives to Employee-Inventors*, 7 F.T.C.J. RES. & ED. 431, 448 (1963); Rabinow, *The Anti-Inventory Report of the Patent System*, 11 IDEA 47, 49 (1967), who expose other motives at work in the creative process, such as an exploratory drive, and a sense of achievement and reinforcement from fellow researchers and the public, in short curiosity, self-fulfillment and glory.

122. See *Goldstein v. California*, 412 U.S. 546, 555 (1973); *Mazer v. Stein*, 347 U.S. 201, 219 (1954).

123. See *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 8-9 n.2 (1966), citing 6 WRITINGS OF THOMAS JEFFERSON 180 (Washington ed. 1814); REPORT OF THE COMMITTEE ON THE JUDICIARY, U.S. SENATE SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS, REPORT NO. 118, 89th Cong., 1st Sess. (1965): "Another major objective which industry believes should be accomplished by the patent system is to advance the cross-fertilization of ideas by encouraging publication of inventions rather than their suppression as trade secrets. Yet another purpose of the patent system listed was its role as a classified source of information concerning

system opting for incentives for creation and disclosure, rather than some scheme to "take" ideas through a kind of eminent domain proceeding, may be more consistent with the freedom of thought and communication essential to the creative process itself.¹²⁴

C. Policies Put in Jeopardy by Preassignment

Preassignments are *prima facie* suspect because they alienate rights which are granted to individuals for the purpose of encouraging them to create.¹²⁵ Judicial analysis has criticized the tendency of large corporations to monopolize research facilities and talent, while taking all rights in resulting products of mind under preassignments, thus undercutting the incentives these rights ought to provide creators.¹²⁶ Arguably the consideration demanded for signing a freely negotiated preassignment might replace the exclusive power to profit and corresponding incentive to create which the statutory right provides, but the same claim can hardly be made for a standard form provision to which there is no effective assent.¹²⁷ Also, empirical studies, although unable to delineate systematically the preconditions of innovation, indicate that employees' control over the communication and elaboration of their own ideas en-

existing technology so as to aid the conduct of research and also to prevent duplication of effort."

124. The Atomic Energy Act, 42 U.S.C. § 2181 *et seq.* (1973), in effect allows the Federal Government to acquire atomic energy related patents by exercising a right of eminent domain. See *Hobbs v. U.S. Atomic Energy Comm'n*, 451 F.2d 849 (5th Cir. 1971) (inventor of nuclear related device "taken" by government entitled to "just compensation").

However, if underlying creators' rights represent more than mere property, but rather stem from interests constitutionally more fundamental, the state may be limited in its authority to condemn products of mind and, especially, in its power to compel or even indirectly coerce their disclosure. See *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 190-93 (1933); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 494 (1974) (Marshall, J., concurring): "Rather, the question presented in this case is whether Congress, in enacting the patent laws, intended merely to offer inventors a limited monopoly in exchange for disclosure of their inventions, or instead to exert pressure on inventors to enter into this exchange by withdrawing any alternative possibility of legal protection for their inventions. I am persuaded that the former is the case." The larger policy issue is whether, given the freedom of communication and thought essential to the creative process, any state action or private conveyances alienating these interests might not be counter-productive for encouraging creativity. See text accompanying notes 128-29 and 135-39 *infra*.

125. See *Wilson v. Rousseau*, 45 U.S. (4 How.) 646, 678-82 (1846); *Scherr v. Universal Match Corp.*, 417 F.2d 497, 501 (2d Cir. 1969) (dissent); 1 NIMMER, *supra* note 11, at 13-14.

126. See *Potts v. Coe*, 145 F.2d 27, 28-30 (D.C. 1944) (higher standard of patentability for corporation-assignee).

127. See text accompanying notes 61-75 *supra*, distinguishing 'bargained-for' from 'unnegotiated' preassignments.

hances creativity.¹²⁸ A preassignment can, however, provide a basis for imposing liability on any employee who exercises his right to control disclosure by communicating to third parties and, if coupled with the duty to disclose promptly to a superior, might freeze communication within the firm.¹²⁹ Thus, in eliminating economic incentive and adversely influencing other preconditions of creativity, preassignments without clear assent contravene the policy of encouraging innovation.

The counter-argument to this critique would have one believe that large corporations depend on broadly termed contracts to protect their investments in research and development.¹³⁰ If this were true to the point where investment in research and development could not be profitably made without such broad preassignment terms, one might well ask whether such investment was indeed cost-effective, or else at whose cost it has shown profits.¹³¹ For, if over-reaching preassignments were indispensable to profitable research, the employees whose claims to creators' rights were barred by their operation would have paid part of the price of that research, although their contribution would not have been proportionately compensated. Furthermore, two conditions attenuate the force of the argument that investment would be diminished: first, investment may be a function of numerous other factors besides contract certainty;¹³² and, second, there is no reliable way to measure whether investment in research, along with numerous other factors, actually increases the rate of innovation.¹³³ Commentators critical of preas-

128. See A. CROSBY, *CREATIVITY AND PERFORMANCE IN INDUSTRIAL ORGANIZATION*, Chs. 2, 10 (1968); Siegel, *Employee Creativity and Organizational Aims*, 9 *IDEA* 401, 408-12 (1965), and authorities cited therein.

129. See note 17 *supra*. One consequence of channeling new ideas to superiors such as department heads in large firms is that the ideas often go no farther. See text accompanying notes 139-40 *infra*.

130. See *Picard v. United Aircraft Corp.*, 128 F.2d 632, 642-43 (2d Cir. 1942) (Frank, J., concurring); *Wexler v. Greenberg*, 399 Pa. 569, 578-79, 160 A.2d 430, 434-35 (1960) (stressing that trade secret protection optimizes firm efficiency, but finding no liability for disclosure of employer's formulae based on knowledge acquired on the job). See also O'MEARA, *supra* note 7, at 13-14.

131. Cf. DANIEL HAMBERG, *ESSAYS ON THE ECONOMICS OF RESEARCH AND DEVELOPMENT*, Part 2 (1966) [hereinafter cited as HAMBERG] (criticizing the assumption that investment in large-scale corporation or government research projects is necessarily effective).

132. See SCHRUMPETER, *CAPITALISM, SOCIALISM, AND DEMOCRACY* 84 (3d ed. 1950), explaining that innovation gives the ultimate competitive advantage. See note 114 *supra*, suggesting that firms are driven into research and development to avoid a competitively dangerous lag in innovation. See also HAMBERG, *supra* note 131, at 5-26, 115-47, for other factors.

133. See Kunets, *Inventive Activity: Problems of Definition and Measurement*, in NATIONAL BUREAU OF ECONOMIC RESEARCH: *THE RATE AND DURATION OF INVENTIVE ACTIVITY* 19-

signments cite statistics to the effect that, while investment in research and development has been increasing in the United States relative to the rest of the industrialized world, its relative share of patents is decreasing.¹³⁴ The foregoing discussion of the disincentive for innovation generated by preassignments suggests the conclusion that preassignments are a direct cause of this discrepancy.

Preassignment imposed without effective assent also directly burdens the rapid disclosure of creations, delaying their ultimate widespread dissemination and use. Trade secret protection assumes that if enterprises enter an agreement to disclose a secret for consideration, upon breach of such agreement they may sue for expected profits.¹³⁵ An employee who labors under a preassignment in effect transfers to his employer any right to sue for misappropriation of his own products of mind. Thus, like the enterprise without trade secret protection, the employee who could not bargain for due consideration upon signing the preassignment is without recompense or remedy for the employer's use of his creation.¹³⁶ It is claimed that thousands of employees in the United States therefore maintain "idea files" in which they guard secret ideas and plans against the day when they will quit their jobs and sell their creations to third parties.¹³⁷ Any such deferral of disclosure due to preassignment runs counter to the policy of maximizing the input of new ideas into cultural and economic life.

It is true that preassignments may work as effective contractual mechanisms for a creator to profit from his talents and to have his products marketed across the country. They do allow him to ex-

51 (1962); Sanders, *Some Difficulties in Measuring Inventive Activity*, in *id.* at 53-83, discussing the problematic nature of measures of innovation. Any attempt to find a functional relation between rates of investment in research, along with less easily quantifiable variables such as educational levels and cultural background, and innovation itself must be speculative.

134. See Orkin, *The Legal Rights of the Employed Inventor: New Approaches to Old Problems (Part II)*, 56 J. PAT. OFF. SOC'Y 719, 727-30 (1974).

135. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 486-87 (1974); adopting analysis of *Painton & Co. v. Bourns, Inc.*, 442 F.2d 216, 223 (2d Cir. 1971).

136. See O'MEARA, *supra* note 7, at 29: "For all practical purposes, the disclosure of an invention amounts to conveyance of title." This is not merely because the employee is, under the preassignment, obligated to execute such a conveyance, but also because it precludes remedy for the employer's use of his idea subsequent to disclosure. This distinguishes the employee from the creator who may sue a discloser for unjust enrichment or misappropriation of an idea he submits to him. Cf. 2 NIMMER, *supra* note 11, at 734.2-74.3, (discussing the *Kewanee* analysis as it applies to submissions).

137. This quotation is in the *Congressional Record* upon introduction of the Moss Bill, H.R. 2370, 93d Cong., 1st Sess. (1973).

change his services with large scale corporations with research facilities necessary to implement his ideas and with market access indispensable to distribution of his products on a wide scale.¹³⁸ But, unless this exchange is freely negotiated in accord with both the creator's and his employer's perceptions of the relative advantages for each, the preassignment is not likely to implement the socially desired goals of maximizing use of research facilities and the distribution of resultant creations. Unbargained-for preassignments, in addition to impairing incentives to create and disclose, also tend to reinforce certain tendencies of large-scale enterprises to waste opportunities for exploiting collateral creations. Employees who create outside defined research projects often find that their superiors merely shelve their submitted ideas because they do not fit into the corporate development and marketing strategy.¹³⁹ If enforceable, preassignments form a basis for making an employee liable for taking his ideas to other parties who might be more amenable to undertaking their development and sale, thus discouraging him from seeking their optimal use.¹⁴⁰

The foregoing discussion indicates that policies underlying the Authors and Inventors Clause of the Constitution preclude enforcing a preassignment predicated on terms of hire to which an employee did not clearly assent. Counter-arguments to the effect that corporations also ought to be given incentives to create fail to address the contractual question of assent in situations with which this article especially deals, namely, those where individuals alone do the creating.¹⁴¹ Indeed the policies at stake make it incumbent on

138. See COSTA, *THE LAW OF INVENTING* 127-29.

139. See HAMBERG, *supra* note 130, at Chapter 5, Rueben, *Imaginative Thinking and Opportunities Afforded an Independent Inventor by the American Patent System*, 49 J. PAT. OFF. SOC'Y 442, 454-57 (1969); Orkin, *The Legal Rights of the Employed Inventor: New Approaches to Old Problems (Part II)*, 56 J. PAT. OFF. SOC'Y 719, 729-30 (1974) explaining corporate resistance to innovations developed outside defined projects.

140. Cf. Barnes, *Breaking the Innovation Barrier*, 9 IDEA 223, 232-33 (1965), (illustrating the initiative which the inventor will take in finding an investor ready to attempt the successful exploitation of his idea).

141. See Note, *The Doctrine of Inventorship: Its Ramifications in Patent Law*, 16 WEST. RES. L. REV. 1342, 1346-51, 1365-66 (1966), arguing that a corporation should be allowed to patent in its own name because (1) most major corporations obtain assignments of inventions from their employees and (2) patents may issue to them on the basis of such assignment. The first reason begs the question of the contractual validity of such assignments and preassignments. The second does not distinguish between the corporation's having the patent issued to it through assignment of a specific invention under 35 U.S.C. § 152 (1967) and its being able to file for it by virtue of preassignment under the more restrictive 35 U.S.C. § 118 (1967). See note 190, *infra*.

As discussed in note 103 *supra*, it may well be philosophically untenable to assume that

the courts to develop more effective methods for scrutinizing for such assent where corporate industry has resorted to new bases for asserting preassignment claims, such as standard forms' terms or unbargained-for transfers.

IV. Adhesion Analysis in a New Area

The law, it has been seen, has developed no systematic response to the now widespread use of standard forms and job transfers as new grounds for asserting preassignment claims. The cases display circumstances in which such contractual devices and agency relations are manifestly imposed without the effective assent of subject employees who eventually create new products of mind.¹⁴² Thus, in enforcing preassignment claims without testing them for effective assent, courts risk undermining the constitutionally based rationale for securing creators' rights. An effective test for such assent, it is here proposed, would be to scrutinize claims of preassignment according to adhesion analysis.

A. *The Theory of Strict Scrutiny for Adhesion*

The theory of the proposed analysis is applicable to a wide variety of situations. It is basic to all contract theory that individual agreements replace the authority of the state in governing private affairs.¹⁴³ Thus, in accord with a common-law and legislative framework, parties regulate their own affairs with rules, in effect a law of their own making.¹⁴⁴ But a contract, like the state, can be made to rule private affairs undemocratically, namely when the courts enforce provisions to which parties have neither assented nor would

the creator works in isolation. Cf. B. EDELMAN, *LE DROIT SAISI PAR LA PHOTOGRAPHIE* 49-62 (1973), whose Marxist analysis delineates "the collective subject" which the team of authors, directors and artists constitute in creating a modern film, but criticizes the judicial tendency to confuse this group creator with the parties financing the film. Allowing the corporation, a fiction created to allow large-scale financing, to claim creators' rights directly as well as acquiescing in its claims under adhesive preassignments, compounds such confusion.

The problem of collective creatorship might best be approached by facilitating joint claims to creator's rights. See Lorenzo, *The Inventive Entity and the Law of Double Patenting*, 50 J. PAT. OFF. SOC'y 519 (1968) Tresansky, *Inventorship Determination*, 56 J. PAT. OFF. SOC'y 551 (1974), who discuss the problems now associated with joint claims.

142. See note 12 and Part II *supra*.

143. See 1 A. CORBIN, *CONTRACTS* § 1 (1963); Llewellyn, *What Price Contracts?—An Essay in Perspective*, 40 YALE L.J. 704, 716-18, 728-34 (1931) [hereinafter cited as Llewellyn].

144. See H. HAVINGHURST, *THE NATURE OF PRIVATE CONTRACT*, 122 *et seq.* (1961), for the various constraints that legislatures place on private rule-making, sometimes in the name of protecting equality of bargaining power.

assent had they the chance to.¹⁴⁵ Just as the courts review legislation which has not been passed in accord with constitutional guarantees of the democratic process, they may scrutinize contracts which bear the earmarks of lack of effective assent.¹⁴⁶

Courts have traditionally invalidated contracts for defects in assent such as fraud, duress and mistake.¹⁴⁷ With the rise of economies of scale, mass production and distribution, there has been an ever-increasing use of standard form contracts.¹⁴⁸ This phenomenon, commentators have noted, often leaves a private party little choice in entering certain transactions but that of signing the standard form which has been provided him.¹⁴⁹ The Uniform Commercial Code, under the doctrine of unconscionability, authorizes courts to scrutinize oppressively one-sided contract provisions to determine whether they manifest meaningful assent.¹⁵⁰ American courts have developed their own analysis as an independent method to focus on the "take it or leave it" character of standard forms, especially as used in insurance and consumer contexts.¹⁵¹ Commentators in Europe, where this particular defect in assent was originally pinpointed as adhesion, have already proposed applying such analysis in employment contexts.¹⁵² It is here proposed that adhesion analysis be applied to both standard preassignment forms and unilateral changes of employment status on the basis of which preassignments are claimed.¹⁵³

145. See Slawson, *Standard Form Contracts and Democratic Control of Lawmaking Power*, 84 HARV. L. REV. 529, 530, 534, 536 *et seq.* (1971) [hereinafter cited as Slawson].

146. See *id.* at 538 *et seq.*

147. 1A A. CORBIN, *CONTRACTS* § 288 (1963); RESTATEMENT OF CONTRACTS, §§ 492, 493 (1932). See Dawson, *Economic Duress—An Essay in Perspective*, 45 MICH. L. REV. 253 (1947).

148. See Llewellyn, *supra* note 143, at 731; Slawson, *supra* note 145, at 529-31.

149. See *Siegelman v. Cunard White Star*, 221 F.2d 189, 204-06 (2d Cir. 1954) (dissent); Kessler, *Contracts of Adhesion: Some Thoughts about Freedom of Contract*, 43 COLUM. L. REV. 629, 632 (1943), who speaks of "take it or leave it" contracts.

150. U.C.C. § 2-302. See Spagnole, *Analysing Unconscionability Problems*, 117 U. PA. L. REV. 931, 942 *et seq.* (1969), separating out some of the factors that go into a determination of unconscionability. *But see* Ellighaus, *In Defense of Unconscionability*, 78 YALE L.J. 757, 762, 768, 773-86 (1969), who elaborates on the distinction between "substantive" (unfair terms) and "procedural" (defective assent) unconscionability; Slawson, *supra* note 145, at 564-65.

151. See text accompanying notes 154-63, 167-74 and 177-86 *infra*.

152. The notion of adhesion was first applied to standard form contracts in France at the turn of the century. See generally FRAUSCHITZ, *THE STANDARDIZATION OF COMMERCIAL CONTRACTS IN ENGLISH AND CONTINENTAL LAW* (1937). See also Llewellyn, *Book Review*, 52 HARV. L. REV. 700 (1939). For application to employment context, see Lyon-Caen, *Défense et illustration du contrat de travail* in 13 ARCHIVES DE PHILOSOPHIE DE DROIT, 59, 61 (1968).

153. It may not be immediately self-evident that implying a contract term from an unbargained-for shift in employment status in effect imposes it adhesively. *But see* Isaacs,

B. The Three-Pronged Test for Adhesion

The subject employee finds himself in a “take it or leave it” situation in the introductory hypothetical as well as in cases discussed above. How should a court scrutinize for adhesion the claim of preassignment which the employer might make in such situations on the basis of (1) the standard form signed upon hire, or (2) job function thereafter assigned. The cases on adhesion have developed a three-pronged test for adhesion which can be used here.

1. *Fixed and Invariable Provisions as Potentially Adhesive*

A party not writing or providing a standard form often does not have any opportunity to negotiate any change in its provisions before completing the transaction which it governs. To deal with such situations, the courts have developed a threshold criterion of adhesion: for one party, who can here be called the adhering party, the contract provision at issue is fixed ahead of time and is not open to variation in any bargaining process. Thus, in *Henningsen v. Bloomfield Motors, Inc.*,¹⁵⁴ the adhering party could not modify the exculpatory clause in the manufacturer's standard warranty because the sales agency with which he dealt had no authority to change that provision.

It need not be assumed, however, that only standard form contracts have this fixed character. As one commentator explains: “A standard form contract is not always adhesive, and the absence of a standard form does not guarantee that the contract is not adhesive.”¹⁵⁵ Still, the standard form remains particularly illustrative of adhesion, for “[t]he predominance of standard form increases the proportion of contracts that are adhesive. Standardization reduces the number of choices”¹⁵⁶ On the other hand, trade practice or custom, if not subject to critical judicial scrutiny, could have the same effect as a fixed written provision. Anyone who would attempt to bargain around the practices is likely to meet the objection that it is just not negotiable.¹⁵⁷

The Standardizing of Contracts, 27 YALE L.J. 34 (1917), where the author explains how the involuntary imposition of duties on the basis of status is avoided by adhesion analysis.

154. 32 N.J. 358, 390, 161 A.2d 69, 87 (1960).

155. Slawson, *supra* note 145, at 549-50.

156. *Id.* at 550.

157. See, e.g., Schreiber, *The Copyright War Between Editors and Writers*, WRITER'S DIGEST, 18-21 (January 1979), explaining how editors continue to attempt to impose the traditional “writer for hire” presumption as a non-negotiable contractual term despite the

2. *The Relative Difficulty of Finding an Alternative*

The mere fact that a contract is invariable suggests, but does not prove, adhesion. In certain situations, a party may shop for the best standard form available and find one to which he would gladly assent. But, if the same fixed provision is standard across an industry, or if the party is in a situation that precludes any chance to search for an alternative, that provision may well command unwilling acquiescence. Hence another threshold criterion is suggested for adhesion: If a party did not accept the invariable provision, he could not, without undue hardship, find a substitute transaction with different terms or do without the entire transaction. In *Henningsen*¹⁵⁸ the court pointed out that the adhering party would have found the same exculpatory clause in every automobile warranty and that modern life made it difficult to dispense with the automobile. In *Tunkl v. Regents of the University of California*,¹⁵⁹ the court noted that a party arriving at a hospital emergency entrance while in "great pain" was compelled to sign the hospital's liability release form or else forgo treatment he urgently needed. In short, the party not formulating the fixed provisions of the contract has no effective alternative but to accept them.

The difficulty of finding an alternative may be relative to the extent to which similar invariable provisions are used by possible competitors for a given transaction.¹⁶⁰ Or it may be relative to the difficulty of finding a substitute for that transaction, as in *O'Callaghan v. Waller & Beckwith Realty Co.*,¹⁶¹ where a party challenged an exculpatory clause in a lease signed during a housing shortage. The court split concerning the significance of the circumstances: the majority required the party claiming adhesion to have shown that it could not negotiate the clause away, while the minority would have found that the housing shortage itself made it excessively burdensome to strike or find another deal.¹⁶² The relative difficulty of finding an alternative will in effect put one party in a

fact the new Copyright Act narrows the scope of the doctrine and explicitly allows it to be negotiated away.

158. 32 N.J. 358, 386, 403, 161 A.2d 69, 85, 94 (1960).

159. 60 Cal. 2d 92, 32 Cal. Rptr. 33, 383 P.2d 441 (1963).

160. See Kessler, *Contracts of Adhesion—Some Thoughts about Freedom of Contract*, 43 COLUM. L. REV. 629, 632, 640-41 (1943). But see Slawson, *supra* note 145, at 553 *et seq.*, where the author explains that alternatives may be lacking in perfectly competitive as well as monopolistic situations.

161. 15 Ill. 2d 436, 155 N.E.2d 545 (1959).

162. *Id.* at 439-46, 444-47, 155 N.E.2d at 547-52.

weaker bargaining position relative to the other party formulating and imposing the fixed provision, although it is not the only factor contributing to inequality of bargaining power.¹⁶³ Courts have the task then, as did the Illinois court in the case of the housing shortage, of determining just how difficult it must be to find an alternative before adhesion vitiates assent to the provision at issue.

It may be difficult in some cases to ascertain just how difficult it would be for an employee to find alternatives to a standard form or job transfer on which a preassignment might be based. The standard preassignment provisions with which he is confronted upon hire may be prevalent throughout the industry in which he seeks work, leaving him no effective options other than signing or seeking work in another field.¹⁶⁴ He may be without information that would lead him to think he has any choice, as when his employer provides him with orientation material for newly-hired personnel which is designed to prompt signature of the form. For example, one orientation pamphlet states: "These are some of the reasons why our company, *like practically all industries today*, require you to assign your inventions to the company *as a condition of employment* . . . (emphasis added)."¹⁶⁵ Upon job transfer, assuming that the employee realizes that the transfer might subject him to preassignment obligations, he can do no more than protest or quit upon failure to negotiate, possibly losing seniority advantages and encountering equivalent standard form clauses elsewhere.¹⁶⁶

3. *Unreasonability of the Provision in Context*

A party could conceivably assent freely to a contract provision which is invariable and yet governs all transactions of a given kind. If the provision were so appropriate that the party would expect it, and indeed want it in such transactions, then it would represent, though fixed and ubiquitous, what he had bargained for. There is, then, a final criterion of adhesion: the party not formulating the invariable term cannot reasonably expect or demand that it govern the transaction which he seeks to enter. The court in *Henningsen*¹⁶⁷ seemed to think that an automobile purchaser could rely on the

163. Cf. Slawson, *Mass Contracts: Lawful Fraud in California*, 48 SO. CAL. L. REV. 1, 47-48 (1975).

164. See note 40 and text accompanying notes 41-43 *supra*.

165. Text quoted in O'MEARA, *supra* note 7, at 1.

166. See text accompanying notes 51-55 *supra*.

167. 32 N.J. 358, 401-02; 161 A.2d 68, 92-93 (1960). See *Zabriskie Chevrolet, Inc. v. Smith*, 99 N.J. Super. 441, 240 A.2d 195 (1968).

absence of defects which might render it dangerous to drive and that therefore he would not be satisfied with a warranty disclaiming liability for damages which might result from such defects. The court in *Steven v. Fidelity and Casualty Co. of New York*¹⁶⁸ emphasized that the purchaser of an insurance policy, given the type of coverage he was paying for, could not have anticipated the limitation on liability which would have precluded the very protection he eventually needed. A distinction, however, must be made between the unreasonableness of a term in the immediate context of a particular transaction and in the larger context of judicial standards and public policies.

Courts often move from a narrower transactional context to the larger context of social policy.¹⁶⁹ It can indeed be difficult to ascertain just what any one party expected upon entering a particular transaction. One commentator suggests that a court ask itself whether the party, assuming hypothetically that he could have freely negotiated the contract, would have reasonably assented to its terms.¹⁷⁰ Another view is that, rather than second-guessing one party's subjective expectations, a court ought to ask if the party imposing the terms could have reasonably believed them to have been understood and accepted.¹⁷¹ If not, it then becomes important to determine whether there are any standards by which the terms at issue may be found reasonable or not. Such standards as statutes, common-law doctrines, and underlying public policies, which indicate what sort of terms any of a number of parties could have legitimately demanded, would authorize enforcement.¹⁷² Non-

168. 58 Cal. 2d 862, 868-70, 27 Cal. Rptr. 172, 176-77, 377 P.2d 284, 288-89 (1962). See also *Gray v. Zurich Insurance Co.*, 65 Cal. 2d 263, 269-71 & n.4, 54 Cal. Rptr. 104, 107-08, 419 P.2d 168, 171-72 (1966).

169. Since a contract provision might be *more or less* fixed as well as *more or less* the adhering party's only alternative in a given transaction, the first two criteria outlined above only help to determine a relative degree of adhesion. In close cases in which there may be some difficult alternatives to invariable terms, courts often decide on the ultimate basis of policy implications underlying the final criterion of adhesion. Thus, in *O'Callaghan v. Walter Beckwith Realty Co.*, 15 Ill. 2d 436, 155 N.E.2d 545 (1959), discussed in the text accompanying note 161, *supra*, the majority and minority differed on whether there was sufficient absence of alternatives to vitiate assent. But the minority deemed the clause in question ultimately unacceptable in the light of changed social attitudes (*O'Callaghan*, 15 Ill. at 448-49, 115 N.E.2d at 549-50).

170. Oldfather, *Toward a Usable Method of Judicial Review of the Adhesion Contractor's Lawmaking*, 16 MAN. L. REV. 303, 398-99 (1968), where the author would ask, for instance, whether the party imposing a contract could "justifiably shift the pick of his breach of a fundamental obligation onto the adherent, i.e., the one-sidedness of a term becomes evidence that a prudent negotiator would not have agreed to it.

171. Slawson, *supra* note 145, at 541-45.

172. *Id.* at 534, 550, 559-60.

conformity with such standards, however, would justify invalidating terms challenged as adhesive. Thus, in *Henningsen*, the court found that legislative policy in establishing implied warranties did not allow manufacturers to disclaim liability under such warranties.¹⁷³ In *Tunkl*, the court concluded that society at large ought not be subject to the risks incurred if public hospitals were to impose liability release clauses.¹⁷⁴

It is possible to treat the problem of unreasonability in adjudicating preassignment claims by referring back to seminal common law doctrines. Originally the courts, in their restrictive approach to such claims, only found it reasonable to alienate creators' rights in the products of mind for which there was a specific bargain.¹⁷⁵ Against this standard of specificity, standard form provisions cast in blanket terms would seem facially unreasonable to the extent they preassign rights in all creations irrespective of the job for which the subject employee is hired. Further, there is no reason for one to expect to be suddenly subject to preassignment terms when transferred into a creative or research department without significant change of responsibility and compensation. Ultimately, as explained earlier, the standard of specificity is required by the need to maintain incentives for creativity and disclosure for potential creators, that is, by the policies promoted by constitutional provisions for securing creator's rights.¹⁷⁶

C. Adhesion-Related Defects in Notice

The issues of adhesion and notice have been given separate treatment in certain cases. For instance, in *Tunkl*,¹⁷⁷ the California Supreme Court could only invalidate the hospital release clause for adhesion in the face of a trial court finding that the adhering party fully understood the effect of signing. In *California State Automobile Association Inter-Insurance Bureau v. Barrett Garages, Inc.*,¹⁷⁸ the court found it unnecessary to reach the issue of adhesion where it found that the exculpatory clause on a parking lot ticket was insufficiently conspicuous to have effect. Although adhesion and notice may seem analytically distinct in cases such as these, both

173. 32 N.J. 358, 387, 404, 161 A.2d 69, 85, 95 (1960).

174. 60 Cal. 2d 92, 104, 32 Cal. Rptr. 33, 40-41, 383 P.2d 441, 448-49 (1963).

175. See text accompanying notes 22-36 *supra*.

176. See text accompanying notes 125-40 *supra*.

177. 60 Cal. 2d 92, 95 n.1, 32 Cal. Rptr. 33, 34 n.1, 383 P.2d 441, 442 n.1 (1963).

178. 257 Cal. App. 2d 71, 79 n.1, 64 Cal. Rptr. 699, 704 n.1 (1967).

defects in assent tend in practice to occur together.¹⁷⁹

Where a party has little choice but to acquiesce in an invariable contract, as in *Henningsen* or *Tunkl*, he has little incentive to take note of the "fine print". This is especially the case when the party attempting to impose the contractual language makes it inconspicuous or difficult for a layman to understand or when that language deals with contingencies hard to anticipate.¹⁸⁰ Thus, although traditionally each party has the duty of carefully noting the terms to which he assents, courts in adhesion situations tend to shift that duty wholly onto the party formulating and imposing the terms in question.¹⁸¹ For instance, in *Steven*, there was evidence that the insurance company, by selling its policy through a vending machine, did not afford the buyer an effective opportunity to inspect all its terms, and that the form itself did not make these terms obvious.¹⁸² The court invalidated the contract on alternative grounds of adhesion and inadequate notice, establishing the precedent that such terms are unenforceable unless sufficiently conspicuous that notice can be inferred.¹⁸³

The core of the problem lies in the proof of knowing assent and the extent to which a term, being unreasonable, no longer commands such assent. As long as each party to a contract has the duty to put himself on notice of its terms, a court can presume his knowing assent unless fraud, mistake or lack of capacity is shown.¹⁸⁴ Once a party is relieved of this duty on the grounds that he cannot easily find an alternative to given terms, such a presumption need no longer be entertained. The unreasonability also associated with adhesion then comes into play, as in *Steven* where the court found that the nature of the transaction did not alert the party to the possible presence of the inconspicuous clause.¹⁸⁵ Unreasonability

179. Cf. *id.* at 79-80, 64 Cal. Rptr. at 705: the Court in *Barrett* avoided considering adhesion as related to notice for the simple reason that it could refer directly to statutory notice parameters for the size of type and placement of the challenged term.

180. See Slawson, *supra* note 145, at 540-41, 544-45.

181. See *Henningsen v. Bloomfield Motors, Inc.*, 32 N.J. 358, 386, 391-400, 161 A.2d 69, 84, 87-92 (1960), where the court starts out by stating that "we must keep in mind the general principle that, in the absence of fraud, one who does not choose to read a contract before signing it, cannot later relieve himself of its burdens," and then proceeds to shift the duty of notice onto the party providing the form.

182. 58 Cal. 2d 862, 878-79, 27 Cal. Rptr. 172, 185-86, 377 P.2d 284, 297-98 (1962).

183. *Id.*

184. Cf. 3 A. CORBIN, CONTRACTS § 607 (1963), (implying that a court may conclude that each party legitimately presumes the other's knowing assent, unless one induces either the other's failure to read or his mistake).

185. 58 Cal. 2d 862, 871-72, 27 Cal. Rptr. 172, 176-77, 377 P.2d 284, 288-89 (1962).

stems not only from a party's expectations concerning whether a given term should be operative in the immediate context of a transaction, but also from judicially adopted standards that allow the party to refuse such a term. Thus, the Supreme Court in *Fuentes v. Shevin*,¹⁸⁶ while noting possible adhesion, held that language failing to provide letter-perfect notice could not effectuate a wild waiver of constitutionally fundamental rights to notice and hearing. One explanation for imposing a high standard of notice on parties using clauses that waive due process rights is that, in the larger context of policies furthered in the exercise of these rights, the waiver is presumptively unreasonable and, as such, not to be expected.¹⁸⁷

In a preassignment context, such as the introductory hypothetical depicts, lack of notice alone could be fatal. Until now, in applying adhesion analysis, it has been assumed that the prospective employee knew of the existence of preassignment language in the standard form employment contract he was asked to sign.¹⁸⁸ Assent would be defective (1) if such language can be neither negotiated away nor modified, (2) if the employee has little practical alternative to signing the form as presented, and (3) if its provisions are unreasonably broad or inappropriate relative to his other terms of hire. But situations arise in which prospective employees are given

186. 407 U.S. 67, 95 (1971). The Supreme Court faults the fine print in question because it "simply provided that upon default the seller 'may take back,' 'may retake' or 'may repossess' merchandise." Yet such language is not unreasonably strained by interpreting it to include the use of replevin proceedings. Finding inadequate notice in such circumstances does become intelligible on the premise that the burden of providing notice shifts to the provider of a possibly adhesive form. See *National Equipment Rental, Ltd. v. Szukhent*, 375 U.S. 311, 326 (1964) (Black, J., dissenting) (waiver was not "an agreement coolly negotiated and hammered out by equals"). See generally McCall, *Due Process and Consumer Protection: Concepts and Realities in Procedure and Substance—Repossession and Adhesion Contract Issues*, 26 HASTINGS L.J. 383, 412-14, 422-25 (1974).

187. An alternative rationale, especially applied in constitutional cases, is that when circumstances make free and knowing waiver of crucial rights difficult to ascertain, the burden of proving effective notice should be placed on the party asserting waiver. Thus in cases of police custody, such as *Miranda v. Arizona*, 384 U.S. 436, 475 (1966), where a prisoner might relinquish due process rights under pressures difficult to determine later, the prosecution has an especially heavy burden of showing intelligent waiver. But see *Schneckloth v. Bustamonte*, 412 U.S. 218, 248-49 (1973) (no custody; waiver found effective). A commercial party might acquiesce in language abandoning rights to litigate. However, where the "contractual nature" of the language "was not obvious", the California Supreme Court, in *Windsor Mills, Inc. v. Collins & Aikman Corp.*, 25 Cal. App. 3d 987, 993-94, 101 Cal. Rptr. 347, 351 (1972), found no waiver. Cf. *North Georgia Finishing, Inc. v. Di-Chem, Inc.*, 419 U.S. 601, 608, 619 (1975) (statutory prejudgment garnishment provisions violate due process though they are not terms of an adhesion contract).

188. See text accompanying notes 6-10 *supra*.

long standard form employment contracts with broad preassignment language buried inside their fine print, and nothing about the jobs they are about to take on or be shifted into would alert them to the presence of such provisions.¹⁸⁹ In such a situation, just as upon job transfer in which no change in duties, salary and authority indicates that the legal effect of the transfer might be alienation of creators' rights, the foregoing cases would warrant finding insufficient notice to allow any waiver of such rights.¹⁹⁰

V. *Strict Scrutiny*

In the wealth and variety of contracts that are adjudicated, the courts select certain types of claims as particularly needful of scrutiny for defects in assent. Contracts that might impair constitutionally based policies are especially subjected to strict review in this regard.¹⁹¹ In the instance of preassignments, the courts would pro-

189. See text accompanying notes 41-59, 63-67 and 74 *supra*.

190. A *Fuentes*-type argument must be distinguished from the present argument. *Fuentes* turns on the Fourteenth Amendment which mandates courts to guard against state impairment of individuals' exercise of certain rights. This article will not make a Fourteenth Amendment argument for two reasons. First, the enforcement of a preassignment does not clearly involve the state action needed to trigger judicial review under the Fourteenth Amendment. *But see* § 1308, 94th Cong., 1st Sess., § 111(a) (1957). Were that proposed change in the patent law put into effect, standard form preassignments might be subject to a Fourteenth Amendment challenge. If the Patent Office were to recognize the standard form preassignment by allowing the purported assignee to file directly for the patents, it could be compared to the sheriff in *Fuentes* who enforced a provision in a standard conditional sales contract to replevin property without notice and hearing. *Cf. Misani v. Ortho Pharmaceutical Corp.*, 83 N.J. Super. 1, 198 A.2d 791 (1964), *rev'd*, 210 A.2d 609, *cert. denied*, 382 U.S. 203 (1965) (employee under preassignment excluded from patent by employer's having another file for it). Under present law, 35 U.S.C. § 118 (1967), allows only the Patent Office to recognize the employer's filing *on behalf of* individually named creators under preassignment in very limited circumstances.

Second, rights that a preassignment impairs are not clearly incorporated under the Fourteenth Amendment. *But cf. Griswold v. Connecticut*, 381 U.S. 479, 500 (1965) (Harlan, J., concurring); *Poe v. Ullman*, 367 U.S. 497, 543 (1961) (Harlan, J., dissenting) (suggesting that under Fourteenth Amendment due process, "liberty" is not a series of isolated points pricked out in terms" of discrete amendments or their penumbras, but rather a "rational continuum" of rights given priority according to their nexus with broad social interests and, ultimately, with "ordered liberty.") See note 103 *supra*, suggesting that creators' rights, if not clearly fundamental themselves, are at least related to the fundamental interests in privacy and freedom of thought.

191. See dictum in *Henningsen v. Bloomfield Motors, Inc.*, 32 N.J. 358, 404, 161 A.2d 69, 95 (1960). Note the difference in the argument here which, under the *Lear* doctrine, finds the policies at stake in the Authors and Inventors Clause rather than in any Fourteenth Amendment language.

Also statutory solutions are possible. See Orkin, *The Legal Rights for the Employed Inventor: New Approaches to Old Problems* (Part I), 56 J. PAT. OFF. SOC'Y 648, 657 *et seq.* (1974); Sutton & Williams, *supra* note 7. *But see* ABA COMM. ON PATENTS, TRADEMARKS, AND COPY-

tect constitutionally provided incentives to create and disclose by developing a systematic approach to possible defects in assent. Adhesion analysis has been proposed, and now the method for thorough-going application of the analysis will be outlined.

A. A Method for Strict Scrutiny

In cases such as *Rotary Lift* and *Jamesbury*,¹⁹² courts refused to give effect to over-reaching claims by reconstruing challenged preassignment provisions. This approach, however, is not systematic. Judge Frank, dissenting in *Siegelman v. Cunard White Star*,¹⁹³ faulted "strained constructions of seemingly unambiguous language" often used to alleviate the over-reaching consequences of adhesion contracts. Indeed, courts would tax the limits of credibility in construing preassignment claims away where employers rely on preassignment language perfectly clear in its unconditional claims on future creations. Moreover, Judge Frank further explained that use of the various methods of construction can lead to erratic results and provides little guidance in subsequent cases.¹⁹⁴ Thus employers can still use over-reaching preassignment language on the chance that some courts will not construe away objectionable terms. The only consistent remedy here would be clear legal rules that preclude the use of such terms.¹⁹⁵

Of course, it is always possible for employers to season their standard form employment contracts with recitals that due notice has been taken of, and due consideration received for, their terms. They can try to lure employees into transferring rights to creations by including promises of bonuses for submitted ideas in forms that provide for the unconditional releases of the creator's claims of right on his ideas. For example, in *Osborn v. Boeing Airplane Co.*,¹⁹⁶ the employer attempted to use such a form to retain discretion to com-

RIGHTS, OPINIONS, No. 104, 53-54 (1973), noting continuing ABA disapproval and uncertainty concerning pending legislation and concluding: "In view of the past study and action by the Section, and the complexity and diversity of approaches to the question, it is believed that further study is unlikely to be productive." Without discounting the possibility of effective legislative remedy, this article merely posits that a flexible system of *free* contractual allocation of the rights involved can handle many of the complexities, and proposes judicial scrutiny to assure free assent in particular contracts.

192. See text accompanying notes 63-67 *supra*.

193. 221 F.2d 189, 204-06 (2d Cir. 1955) (dissent).

194. *Id.* at 204-06, nn. 14-17. Cf. K. LLEWELLYN, *THE COMMON LAW TRADITION* (1960).

195. See Llewellyn, *supra* note 143 at 732-34.

196. 309 F.2d 99, 102-03 (9th Cir. 1962) (release too ambiguous to excuse employer from compensating).

pensate for submitted ideas, but the court held that such discretion had to be limited to avoid unjust enrichment. One commentator has proposed applying adhesion analysis to such releases, and indeed the foregoing rationale for strict scrutiny of preassignments would also apply to whatever other forms or instruments might be used as bases for over-reaching claims on creators' rights.¹⁹⁷ More broadly, scrutiny for adhesion must look beyond all such forms to ascertain whether the creator, in the concrete conditions endemic to industrial hiring of artistic and technical manpower, freely assented to a conveyance of his rights. At the threshold of inquiry, a court ought to determine whether the initial criteria of adhesion are present. Relevant questions for this initial determination would be:¹⁹⁸ Were the preassignment provisions or terms of hire upon which a preassignment claim is based, invariable? and What alternatives to such terms did the employee have immediately available to him? It is here proposed that if a preassignment is contained in a standard form employment contract or based on unilateral job transfer, certain presumptions arise in favor of adhesion.¹⁹⁹ An employee not being hired specifically to create would regard the clause as inapplicable to him and perceive no concession in signing it, as against not signing it and forgoing a job. An employee who might have had options upon accepting general terms of hire cannot be assumed to have any further option when following a directive to assist in creative or research work. Thus, where the standard form is imposed as a condition of employment, or the directive to change job function could not have been negotiated, such terms should be considered until proven otherwise to have been imposed in the absence of other alternatives.²⁰⁰

197. 2 NIMMER, *supra* note 11, at 640.1, n.112.

198. See text accompanying notes 154-66 *supra*.

199. Given possible adhesion, some courts suggest that the form provider should be estopped from introducing extrinsic evidence to show that the agreement he alleges was actually bargained for and reasonable in context. See *Tahoe National Bank v. Phillips*, 4 Cal. 3d 11, 20, 92 Cal. Rptr. 704, 711, 480 P.2d 320, 327 (1971) (exclusion of evidence that standard form promise not to encumber was meant as mortgage agreement). The method proposed for scrutiny would place on the form provider only the burden of proving by such extrinsic evidence that the form was reasonable in context. For instance, an employer could show that, in certain circumstances such as "think-tank" situations where the employee is given total freedom to innovate in a variety of fields, a blanket preassignment of all his products of mind was bargained for and appropriate. For a description of one think-tank situation and the extraordinary freedom it gave its employees, see S. BRAND, II CYBERNETIC FRONTIERS 39 *et seq.* (1974).

200. This approach coincides with the equitable theory that employment contracts should provide a basis for injunctive relief only where the services in question are unique. See D. DOBBS, REMEDIES 935 (1973). A creator of unique talent is more likely than an ordinary

If alternatives thus appear absent, the court should then ask whether the final criterion of adhesion, unreasonability, applies.²⁰¹ Also, independent of the issue of alternatives, where a term is so unreasonable that its context does not alert a possibly adhering party to its presence or significance, it may be ineffective for lack of notice.²⁰² A court should then ask in each particular case whether the claimed preassignment was reasonable in the immediate transaction in which it was imposed. The seminal cases adopt the standard that only terms of hire to create specifically covered products of mind may reasonably provide a basis for enforcing a preassignment of rights in such products.²⁰³ A clause couched in blanket terms should be presumed unreasonable in that it lacks such specificity: an employee hired in a non-creative capacity has no reason to expect that such provisions apply to him.²⁰⁴ Also, if he initially worked under general terms of hire to be later shifted into research-related work, these general terms would not specifically alert him to a possible preassignment.²⁰⁵ In short, a party asserting a preassignment on the basis of a form cast in blanket terms or mere job transfer would have the burden of showing both reasonability and actual notice.

Specific terms of hire to create and tailored preassignments would not trigger the foregoing presumptions. Still an employee laboring under such terms and express provisions, rather than under the suspect blanket form, ought to be allowed to plead and prove adhesion.²⁰⁶ He could, for instance, offer to prove the prevalence of preas-

employee to bargain for a tailored preassignment which, unlike the adhesive terms imposed on the latter, ought to be enforceable. See text accompanying notes 21-22 and 62 *supra*.

201. See text accompanying notes 167-76 *supra*.

202. See text accompanying notes 177-90 *supra*.

203. See text accompanying notes 22-36 *supra*.

204. There is no doubt that imposing a broadly termed standard form on a large number of transactions reduces the costs of administering these transactions. Thus the blanket standard form preassignment seems to present a certain advantage to the employer who, in calculating business risks, desires a reliable allocation of rights in his employees' creations. Strict scrutiny for adhesion in the use of such terms, however, involves no dispute with an employer who, paying creative personnel to participate in specific or even broad artistic or scientific projects, has claims on those creations which foreseeably result from the projects. See notes 199 and 200 *supra*.

205. Once again the issue is whether the employee has any claim on creations *not* included in a negotiated job function or on *any* product of mind created under general terms of hire. Since the employer cannot count on such creations outside of such job functions from non-creative personnel, he cannot argue that he needs to tie rights thereto to amorphous job titles.

206. The issue of fact would be different but related to monopoly questions. It would entail determining, not an employer's power to set prices in a given field, but to fix terms of employment for categories of trained manpower. For instance, the studio system enabled certain corporations to exercise monopoly control over creation in the movie industry. See note 39 *supra*. With the antitrust case *United States v. Paramount Pictures, Inc.*, 334 U.S.

signment provisions in the industry where he seeks work or, when faced with a directive to do research under an express or implied preassignment, the absence of alternatives elsewhere. Another factor for judicial consideration is the extent to which the employer claiming under a preassignment has a monopoly on the facilities indispensable to creation in a particular field.²⁰⁷ In that situation, whatever the employer's terms of hire, anyone who sought to create in that field would have little choice but to accept the terms in order to have access to these facilities.

The use of the proper presumptions thus provides the courts with an effective method for filtering claims of preassignment that are not based on effective assent. It also allows the courts to hear evidence which would supplement the presumptions in the particular cases where the preassignment assented to appears to have been negotiated. Finally, it requires parties making preassignment claims to prove assent where the presumptions and supplementary evidence allow inference of its absence.

B. Equitably Reallocating Creators' Rights

Invalidating a preassignment for adhesion does not yet dispose of the question: How should creators' rights be allocated in the cases at hand?²⁰⁸ To this point the present analysis has focused on the contractual allocation of a creator's legally protected interests but

131 (1948), the studio system began to lose its hold on the industry, and creators began to negotiate collectively their terms of hire. See note 10 *supra*. In *Bernstein v. Universal Pictures, Inc.*, 379 F. Supp. 933 (S.D.N.Y. 1974), rev'd, 517 F.2d 976 (2d Cir. 1975), however, the composers and lyricists union sued as a class the media employers, alleging industry-wide refusal to renegotiate standard copyright preassignment terms. The truth of this allegation, independent of its relevance in an antitrust suit, would bear on the following question: Could an individual composer, once union terms had lapsed, freely bargain for copyrights? See note 10 *supra*.

207. Again monopoly questions are relevant. Where a firm dominates a creative or technologically intense field, its terms of hire should be scrutinized. See Stedman, *The Employed Inventor, The Public Interest, and Horse and Buggy Law in the Space Age*, 45 N.Y.U.L. REV. 1, 19 (1970), concerning the general tendency of the large corporations to monopolize research facilities and to possess market power necessary to exploit inventions. See text accompanying notes 38-39 *supra*. See *Wall Street Journal*, Jan. 22, 1975, at 1, col. 4, describing an attempt by the Massachusetts Institute of Technology to provide independent inventors with alternative research facilities outside the corporate system.

208. Constitutional provisions reserving such rights to individual creators might support the proposition that, absent a valid contract, rights should vest in such creator. But no constitutionally based doctrine of preemption has been laid down to guide decisions in these cases, although recent decisions in state courts follow federal decisions which in turn do not refer back to state law. See Koenig, *The Shop Right—Time for Limitation*, 49 J. PAT. OFF. SOC'Y 658, 663-64 (1967).

has yet to consider the employer's equitable claims. Traditionally, where the employee creates on his employer's time or premises, the latter has a claim in a free license known as a "shop right" to use and profit from the creation.²⁰⁹ Recent cases and commentary suggest narrowing the situations in which shop rights are granted to those in which the employer's capital investments, in the form of know-how and facilities, substantially contributed to the creation.²¹⁰ In *Materese v. Moore-McCormack Lines*,²¹¹ absent such contribution, the employer had to disgorge monies saved through the unauthorized use of a device which an immigrant dock worker had invented on his own. Courts have also found that, although an employer's time and facilities might have been used in creating, such use was too negligible to warrant a license for the free use of the creation.²¹² Thus, absent valid contractual allocation of creators' rights, a court ought to balance the employer's contributions to creation against the employee's contributions before awarding the former any share in the resulting product of mind.

An employer might claim, however, that his own "intellectual property" was indispensable to his employee's creating any further products of mind. For instance, where the employer exercises his right to control disclosure of know-how, he could sue an employee who disclosed an invention which incorporated his know-how in an obvious fashion.²¹³ Such a claim would follow the analogy of derivative copyrights or improvement patents. There the creator who elaborates on a previously copyrighted work or patented invention may not use and profit from his derivative product without obtaining a license from the original copyright or patent holder.²¹⁴ As just suggested, shop rights should only be granted upon a showing of use of an employer's capital resources indispensable to creation. Shop rights granted upon use of an employer's protectible know-how might be considered as a set-off against the employer's claims in

209. See Bishop, *supra* note 16, at 44-50.

210. See Koenig, *The Shop Right—Time for Limitation*, 49 J. PAT. OFF. SOC'Y 658, 670-74 (1967). But see Morris, *Patent Rights in an Employee's Invention: The American Shop Right Rule and the English View*, 75 LAW Q. REV. 483, 494-96 (1959).

211. 158 F.2d 631 (2d Cir. 1946).

212. See, e.g., *Gemco Engineering & Mfg. Co. v. Henderson*, 151 Ohio St. 95, 84 N.E.2d 596 (1949) (exclusive use of employee's time and material in invention); *Aero Bolt & Screw Co. v. Iaia*, 180 Cal. App. 2d 728, 736-39, 5 Cal. Rptr. 53 (1960) (use of employer's drafting board, specifications book, spare parts, etc., insufficient basis for shop right claim).

213. This assumes that appropriation or disclosure of the secrets violated the employee's contractual or fiduciary duties to the employer. See Nash, *supra* note 98, at 296-98.

214. See 1 NIMMER, *supra* note 11, at Ch. 3; P. ROSENBERG, PATENT LAW FUNDAMENTALS 12, 31 (1975).

such know-how. A court could go further in such circumstances: it could enjoin the use of the know-how altogether or allow the creator to use his employer's secrets but grant the latter a share in profits from such use.²¹⁵ Thus, where strict scrutiny invalidates a preassignment, an employer may still pursue a claim for more than a free license in the creation in question, if his own protectible know-how was incorporated into the creation.

While it is true that a court may tailor various remedies to allow a creator to use his product with trade secrets it incorporates, employers also attempt to resolve this problem ahead of time by coupling blanket preassignments with promises not to disclose such secrets.²¹⁶ Thus, in the event an employee creates, litigation over the employer's share in the resulting product of mind need not separate out novel from trade secret elements in the product, for if both preassignment and nondisclosure terms are valid, they will cover the whole product. But, in *Motorola, Inc. v. Fairchild Camera and Instrument Corp.*,²¹⁷ the court found that, absent terms specifying the trade secrets employees were to keep confidential, a non-disclosure agreement was too broad to be enforceable. Under *Lear* such overbreadth was held suspect. If objectionable in nondisclosure agreements, *a fortiori* such broad terms are unreasonable in preassignments, whether designed as supplementary devices to protect trade secrets or to cash in on collateral creations.²¹⁸ Still an employer, whom strict scrutiny prevents from using a blanket preassignment to cover trade secrets arguably incorporated in an employee's creation, may still use other appropriate agreements to protect such secrets.

Conclusion

Modern industry makes widespread use of standard form blanket preassignments, and employees often find themselves subject to like terms purportedly based on transfers into research and development. Whether or not imposed "as express terms upon hire or implied" from subsequent job functions, such terms often may not be varied through negotiation, and sometimes dominate entire indus-

215. Preemption principles might bar injunctions for trade secret use where Congress, in implementing constitutional policies, disallowed such drastic remedies for infringement of federal rights. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 496-99 (1974) (Douglas, J. dissenting).

217. See O'MEARA, *supra* note 7, at Ch. 4, concerning agreement provisions.

218. 366 F. Supp. 1173, 1185-86 (D. Ariz. 1973).

tries or fields of creative and inventive endeavor. As such, they allow an employee little alternative but acquiescence and are susceptible of application to him without any reasonable relation to the package of salary and responsibilities which he initially bargained for. Further, they contravene the policies behind state and federal protection of creators' rights and, most crucially, undercut the constitutional rationale for reserving such rights to individuals to encourage them to create and disclose their products of mind. Finally, strict scrutiny of preassignments would not be counter-productive for the double goal of encouraging creation and disclosure, but would require only that contracts allocating rights in products of mind be more closely tailored. It is therefore submitted that, prior to enforcing any claimed preassignment of such rights, courts scrutinize the basis of such claims for adhesion and related defects in notice, thereby allowing eventual creators a reasonable alternative in negotiating the allocation of their rights.