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ARTICLES

ALCATEL USA, INC. V. BROWN: DOES YOUR BOSS OWN YOUR BRAIN?

JIM C. LAI†

I. INTRODUCTION

Who owns your thoughts? According to the 219th Judicial District Court of the State of Texas, your employer might.¹ On July 26, 2002, in *Alcatel USA, Inc. v. Brown*,² the court ruled that a company owned rights to a software idea that existed entirely in the thoughts of its former employee, Evan Brown.³ The court held that Alcatel was entitled to summary judgment on its claims alleging that Brown breached an invention disclosure contract⁴ that contained no exceptions⁵ and issued a declaratory judgment holding the contract enforceable. Furthermore, the court granted Alcatel “full legal right, title, and interest” to Brown’s “Solution,”⁶ a process for “converting machine-executable binary code into high-level source code.”⁷

In granting summary judgment to Alcatel, the court decided that the contract was enforceable, that Brown had breached the agreement, and

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1. *Alcatel USA, Inc. v. Brown*, No. 199-00596-97 (Tex. Dist. Ct. 219th Dist. July 26, 2002).

2. *Id.*

3. Erica Lehrer Goldman, *Idea in Former Employee’s Head Belongs to Alcatel* ¶ 1 <<http://www.law.com>> (last updated Aug. 12, 2002).

4. An invention disclosure agreement is a contract that many companies require their employees to sign. By signing such a contract, an employee essentially assigns to the company the ownership rights of any invention that he or she develops while working for the employer. They may also require employees to disclose to the company any inventions they may develop.

5. Goldman, *supra* n. 3, at ¶ 2.

6. *Id.* at ¶ 7.

7. *Id.*

that Alcatel owned the Solution. Brown has appealed the case, but the court's decision, if upheld on appeal, will have serious consequences for the technology industry. By signing their employees to ironclad invention disclosure agreements, employers will be able to follow Alcatel's example and claim rights to "inventions" created by their employees through breach of contract litigation.⁸

By recognizing Alcatel's claim of ownership to Brown's Solution, the court created a way for employers with clever counsel to circumvent the protections that courts have applied to covenants not to compete,⁹ which hold unenforceable any agreements that unreasonably burden employees who sign them.¹⁰ By recognizing Alcatel's claims of ownership to Brown's Solution, the court has allowed companies to sue former employees who bring their skills to new jobs and claim that whatever intellectual property the employees are currently developing at their new jobs should have been disclosed under an invention disclosure agreement prior to the employee's departure from the company by alleging that the employees breached invention disclosure agreements signed while they were still on the job.

A company's ability to exploit intellectual property rights, either through exclusive control over an innovation or through profits from licensing agreements, is critical to the economy of the twenty-first century. The owners of intellectual property can control the ability of others to make use of their property. Companies develop intellectual property by hiring people to develop it for them.¹¹ Companies rely on invention disclosure agreements like the one Brown signed to acquire valuable intellectual property rights that would otherwise belong to the individuals who invented them.¹² These agreements are important to any technology-oriented company because they provide the means for companies to benefit from the work they pay their employees to do.¹³ However, in this case, the company, and the court, went too far. By recognizing an employer's ownership of intellectual property that does not exist as defined by the law of copyright, patent, trademark, and trade secret,¹⁴ the

8. *Alcatel USA, Inc. v. Brown*, No. 199-00596-97 (Tex. Dist. Ct. 219th Dist. July 26, 2002).

9. *Restatement (Second) of Contracts* § 188 (1981). Courts restrictively interpret covenants not to compete that are overly burdensome to the employee signing them by allowing only "reasonable" restrictions on the former employee's right to compete.

10. *Id.*

11. Goldman, *supra* n. 3, at § Seeking Bright Lines.

12. *Id.*

13. *Id.* at ¶ 12.

14. Intellectual property is divided up into patent, copyright, trademark, and trade secret protection. In order to qualify for one of the four forms of intellectual property protection, the property in question must meet certain requirements. The *Copyright Act* requires the fixation of an original work of authorship in a tangible medium. *General*

court's decision provides companies with a way to restrain the intellectual property market with all-encompassing invention disclosure agreements. This Casenote looks at the ramifications of the court's decision in the context of the technology Alcatel has wrested from Evan Brown's possession, an idea for a computer program that, if it works, can easily convert software written for obsolete systems to forms usable by modern computers.

This Casenote consists of five sections. Part I provides factual background consisting of: (1) an overview of Evan Brown's employment history, the work he did during his employment with DSC, and the problems that led him to begin developing his Solution in the first place, (2) a brief discussion of Brown's technology, and (3) the history of the litigation surrounding Brown and the technology he developed. Beginning with Brown's first attempt to negotiate a release with DSC in order to avoid a lawsuit, DSC's termination of negotiations and filing of a lawsuit, the injunctions granted in favor of DSC against Brown, and the final disposition of the case on DSC's motion for summary judgment.

Part II discusses the core issues decided in the case: whether invention disclosure agreements are enforceable, whether they cover ideas that, like Brown's Solution, have not been reduced to any tangible form, and whether an employer can claim ownership in such an idea. It looks at each issue in the context of intellectual property in today's high-tech economy and how the resolution of each issue will impact the future. Part III traces the history of the litigation. By reference to the arguments made and the orders issued, this section details the court's decision on each issue and its reasoning behind each of its decisions. Part V evaluates the court's holdings and explores the inadequacy of the court's decision. It explores in greater detail the ramifications of the court's decision and its potential impact on the high-tech industry well beyond the boundaries of a single state. It also discusses the policy implications behind the enforcement of invention disclosure agreements as the trial

Information About Copyrights, How Do I Copyright My Software ¶ 2 <<http://www.patents.com/copyrigh.htm>> (last updated Sep. 20, 1998). The *Lanham Act* provides trademark protection to names and phrases that identify the owner's product. *General Information about Trademarks* <<http://www.patents.com/trademar.htm>> (last updated June 30, 1995). Patent protection is extended to inventions that have been disclosed to the U.S. Patent & Trademark Office and which meet the requirements of nonobviousness, novelty, and usefulness. *General Information About Patents* <<http://www.patents.com/patents.htm>> (accessed April 3, 2003). Trade secret protection is extended to information that provides economic advantage to its owner because it is not known to the public. *Uniform Trade Secrets Act* § 1(4) (1985). The one element common to all forms of intellectual property protection is that they all require something tangible. Copyright law does not protect ideas. Patent law requires enabling descriptions of the invention or description. Trade-mark law requires use in commerce or intent to do so soon. Trade secret law requires the existence of a secret.

court did and the need to apply principles similar to those governing covenants not to compete¹⁵ to the enforcement of such agreements. The Conclusion summarizes the impact of the trial court's decision and the negative effects it can have on the high-tech economy. Finally, it states succinctly why the case was wrongly decided and what the court should have done differently.

II. BACKGROUND

A. EVAN BROWN'S EMPLOYMENT HISTORY

Brown first began translating computer programs from one hardware platform to another when he was an undergraduate student at Texas A&M, between 1970 and 1978.¹⁶ His work required him to translate programs written in one computer language into another computer language so that they could run on different computer systems. Brown wrote conversion utilities to help him handle common problems, but finished the jobs by hand.¹⁷

In 1976, Brown conceived the idea for a computer program that would automatically convert programs written in obsolete computer languages into modern computer languages that newer computers could read and execute.¹⁸ From then until DSC hired him in 1987, Brown worked for several employers and wrote a number of computer programs designed to convert programs written for one type of computer into a form that other computers could run.¹⁹

DSC hired Brown in 1987.²⁰ While working for DSC,²¹ Brown perfected his idea for a program that would convert "executable binary code into high-level source code."²² This process, if successful, would allow computers to automatically reverse-engineer existing programs and pro-

15. *Id.*

16. *Id.*

17. Aff. Evan Brown ¶ 3 (Dec. 1, 1998).

18. *Id.* at ¶ 4.

19. *Id.* at ¶¶ 4-9.

20. *Id.* at ¶ 9.

21. By affidavit, Brown stated that DSC hired him "as an assembly-language programmer to develop and maintain software" for the company's computer systems. Aff. Brown ¶ 9 (Dec. 1, 1998). At oral argument over the company's motion for summary judgment, counsel for the company presented evidence that during Brown's employment, DSC had investigated conversion technology on two occasions. S.J. Hrg. Tr. 27:7-20 (Dec. 21, 2001). On the other hand, Brown stated in his affidavit that "[a]t no time during [his] employment with DSC was [he] assigned the job or task of developing a computer program to convert machine executable code to high-level source [code]." Aff. Brown ¶ 10 (Dec. 1, 1998). Brown also stated that prior to his employment with DSC, he had spent years doing platform translations before working for DSC and that he wrote utilities to partially automate the process. *Id.*

22. Goldman, *supra* n. 3, at ¶ 7.

duce source code that can easily be adapted for use on new computer systems.²³ Shortly after it hired him, DSC required Brown to sign an invention disclosure agreement²⁴ in which he promised to communicate to the company any inventions that he developed during the course of his employment with DSC.²⁵

B. THE SOLUTION

The innovation at issue was Brown's idea for a program that would automatically reverse engineer computer software and translate it into source code. The term "reverse engineering" describes a process by which a subject is analyzed in order to: (1) identify its components and the relationships among them, and (2) create a representation of the subject at a higher level of abstraction.²⁶ Computer programs are most often written in a "high-level" programming language, which human programmers can easily understand and work with. In order to make them work, the resulting "source code"²⁷ is converted into "machine code,"²⁸ which provides instructions that computers can execute, but which few humans can understand or work with effectively. The programs that conduct such conversions are called compilers.²⁹

Brown's Solution was a method for creating a decompiler. A decompiler is, in theory, a computer program that would read machine-code

23. *Id.*

24. Employee Pat. Agreement of Evan Brown (Apr. 27, 1987).

25. The agreement Brown signed states that:

In consideration of. . . continued employment. . . with DSC Communications Corporation, and of the salary or wages paid for. . . such employment, [Brown would]: (A) communicate to an officer of the company promptly and fully all inventions (including but not limited to all matters subject to patent) [that he] made or conceived. . . from the time of entering the Company's employ until [his departure] (1) which are along the lines of the business, work or investigations of the Company. . . or (2) which result from or are suggested by any work which [Brown might do] for or on behalf of the Company.

Id. Brown stated that the scope of his employment did not include the development of reverse-engineering utilities because (1) DSC was not in the business of producing such products, and (2) Brown did not develop such programs as part of his job. DSC, however, claimed that it had conducted several experiments in decompilation. S.J. Hrg. Tr. 26:21-27:20.

26. Arie Van Deursen, *Reverse Engineering* ¶ 1 <<http://www.program-transformation.org/twiki/bin/view/Transform/ReverseEngineering>> (accessed Apr. 03, 2003).

27. Eelco Visser, *Program Compilation* ¶ 1 <<http://www.program-transformation.org/twiki/bin/view/Transform/ProgramCompilation>> (last updated Dec. 02, 2001).

28. *Id.*

29. *Id.* The compilation process is usually composed of several steps during which the source code is first translated into an intermediate "language" that is more difficult for humans to understand than source code but easier for computers to interpret. *Id.* A code program called a code generator translates this intermediate code into machine-readable object code. Eelco Visser, *Code Generation* ¶ 1 <<http://www.program-transformation.org/twiki/bin/view/Transform/CodeGeneration>> (last updated Sep. 29, 2002).

and convert it into source code.³⁰ Decompilation techniques have been in use since the 1960s allowing programs written for one computer system to be recompiled into machine code written for other systems.³¹ Common wisdom in the industry dictates that fully automated decompilation is impossible. Most successful decompilers rely on external information, such as the type of compiler originally used to generate the machine code, or require human input at various stages of the process.³²

C. THE CASE

The Solution, if workable, could revolutionize the process of program transformation and allow users to upgrade their computer systems without having to worry about software compatibility.³³ Brown and DSC both realized the value of such a program.³⁴ In 1996, Brown asked DSC to release him from his invention disclosure agreement in order to pursue development of his idea free from any threat of interference from the company.³⁵ Although the parties negotiated for a year, DSC ultimately fired Brown and brought a breach of contract action against him. The company claimed that Brown violated the agreement when he failed to disclose the idea and sought a declaratory judgment giving it ownership rights in the idea.³⁶ During the course of litigation, DSC sought and obtained an injunction that prevented Brown from: (1) disclosing or selling the Solution to anyone other than DSC, (2) further developing the Solution except according to the terms of a mandatory injunction, and (3) destroying any material or records relating to the Solution.³⁷ The court also issued a mandatory injunction that required Brown to preserve the Solution and to disclose it to DSC in a manner outlined in its order.³⁸ Despite the fact that the "invention" in which DSC claimed ownership rights existed solely within Brown's thoughts, the court ultimately forced Brown to disclose the Solution to DSC and awarded the company's suc-

30. Arie Van Deursen, *Decompilation* <<http://www.program-transformation.org/twiki/bin/view/Transform/DeCompilation>> (last updated Feb. 27, 2002).

31. *Id.*

32. Mike Van Emmerik, *Is Decompilation Possible?* <<http://www.program-transformation.org/twiki/bin/view/Transform/DeCompilationPossible>> (last updated Apr. 29, 2002). Fully automated decompilation is commonly considered impossible because of the nature of the compilation process. *Id.* No two compilers act exactly the same way, so designing a single tool that can successfully reverse engineer the object code generated by any compiler is, in theory, impossible. *Id.*

33. Goldman, *supra* n. 3.

34. *Id.*

35. *Id.* at ¶ 10.

36. *Id.* at ¶ 8.

37. *Alcatel USA, Inc. v. Brown*, No. 199-000596-97, (Tex. Dist. Ct. 219th Dist. Temp. Inj. Order June 30, 1997).

38. *Id.*

cessor, Alcatel USA, full ownership.³⁹ Finally, on July 26, 2002, the court granted Alcatel's motion for summary judgment in a short opinion that stated, without analysis or discussion, that Alcatel was entitled to the relief it sought.⁴⁰

III. ISSUES PRESENTED

The issues presented to the court for discussion were: (1) whether the invention disclosure agreement was valid and enforceable, (2) whether Brown had breached the agreement, (3) whether Brown or Alcatel owned the rights to the Solution, and (4) whether Alcatel was entitled to injunctive relief prohibiting Brown from disclosing the Solution to third parties and requiring Brown to completely disclose the Solution to Alcatel.

In the court's order granting Alcatel's motion for summary judgment, it held that: (1) Brown had breached the invention disclosure agreement with DSC,⁴¹ (2) the invention disclosure agreement between Brown and DSC was valid and enforceable,⁴² (3) pursuant to the agreement, Alcatel, through its acquisition of DSC, owned all rights to the processes and/or methods Brown had developed for (a) converting machine executable binary code into high level source code, (b) reverse-engineering existing computer programs into high-level program code, and (c) converting machine-executable programs written for DSC's computer systems into source code,⁴³ (4) Brown was obligated to fully disclose the Solution to Alcatel,⁴⁴ (5) Brown could not disclose, sell, assign, or transfer the Solution to anyone other than Alcatel, nor could he negotiate any such transaction with anyone other than Alcatel,⁴⁵ and (6) Brown could not further develop or market the Solution to anyone other than Alcatel.⁴⁶

IV. THE COURT'S ANALYSIS

By granting summary judgment, the court found that no genuine issues of material fact existed and that Alcatel was entitled to judgment as a matter of law.⁴⁷ The court effectively accepted Alcatel's analysis of

39. *Id.*

40. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Jul. 26, 2002).

41. *Id.*

42. *Id.*

43. *Id.*

44. *Id.*

45. *Id.*

46. *Id.*

47. Tex. R. Civ. P. 166(a)(c).

the facts and rejected Brown's.⁴⁸ First, the court found that the invention disclosure agreement was valid and enforceable.⁴⁹ Although Brown asserted, in a hearing on DSC's motion for a temporary injunction, that the agreement was unenforceable as unsupported by consideration,⁵⁰ the court rejected the argument. The court accepted DSC's assertion that the cases Brown had cited were distinguishable.⁵¹

Second, the court found that the Solution fell within the scope of the invention disclosure agreement. DSC presented evidence that Brown had become aware of DSC's software conversion efforts through internal memoranda written both to Brown's group and directly to Brown himself,⁵² and had done conversion work for DSC.⁵³ The court also found

48. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Jul. 26, 2002). During a hearing on DSC's summary judgment motion, counsel for the company claimed that this was a simple breach of contract case. S.J. Hrg. Tr. 24:20-22. The company argued that Brown signed an invention disclosure agreement one week after he started work for the company. *Id.* at 25:6-25. The agreement obliged Brown to communicate his inventions to the company. *Id.* The company further alleged that Brown's work on various software tools related to program conversion showed that the Solution was related to its business and to Brown's employment. Finally, the company claimed that by requesting a release to pursue a patent, Brown acknowledged that the Solution was an invention covered by the agreement. S.J. Hrg. Tr. 25:6-32:1. Brown argued that the agreement was unenforceable for lack of consideration, that the Solution did not fall within the scope of the agreement because it was not related to DSC's business of telecommunications, and that the Solution was not an invention. *Id.* at 37:6-46:24.

49. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Jul. 26, 2002).

50. Temp. Inj. Hrg. Tr. 56:7-9 (Jun. 30, 1997). Brown asserted that continued employment was an illusory promise that was insufficient consideration to support the enforceability of the invention disclosure agreement. *Id.*

51. Temp. Inj. Hrg. Tr. 60:19-61:20. Brown cited *Light v. Centel Cellular Co.*, 883 S.W.2d 642, 644 (Tex. 1994), which held, in a former employee's challenge to the enforceability of a covenant not to compete, that consideration for a promise, by either the employee or the employer in an at-will employment, cannot be dependent on a period of continued employment. Counsel for DSC stated that the *Light* rule dealt with covenants not to compete, and was inapplicable to the case. Counsel further stated that Brown's continued employment and the resulting benefits of employment constituted sufficient consideration to support the invention disclosure agreement. Temp. Inj. Hrg. Tr. 60:19-61:20.

52. S.J. Hrg. Tr. 29:14-30:11. Counsel for DSC described two 1993 memoranda that had been sent to Brown's group at DSC and to Brown himself. *Id.* One dealt with the conversion of DSC's existing code into another format. *Id.* The other described a conversion utility for a different set of software tools. *Id.*

53. In Brown's self-review in 1989, he stated that he converted several source modules from assembly language into high-level source code. *Id.* at 31:2. In 1992, a similar review listed the development of tools for the conversion of assembly language to source code as a career goal. *Id.* at 30:18-31:15. On the other hand, Brown presented evidence that DSC was focused on providing telecommunications services and that its business did not include any other fields. *Id.* at 37:11-19. Brown also attacked the relevance of DSC's prior software conversion attempts. Brown claimed that those projects involved the conversion

that the Solution qualified as an invention. In its final order, the court found that the Solution was

a process and/or method developed by Evan Brown for (1) converting machine executable binary code into a high-level source code using logic and data abstractions, (2) taking existing computer programs and reverse-engineering the intelligence from those programs and re-coding the intelligence into portable high-level language, and (3) converting executable Z8000 machine code into C language source.⁵⁴

Counsel for DSC argued that Brown had breached a provision of the agreement that required him to disclose to the company any inventions he had developed along the lines of the business of the company and to disclose any inventions resulting from his work for DSC.⁵⁵

Third, the court found that Brown had breached the agreement by failing to disclose the Solution to DSC.⁵⁶ In support of its motion for summary judgment, DSC claimed that Brown had two duties under the invention disclosure agreement: (1) to disclose inventions along the lines of the business, work, or investigations of the company, and (2) to disclose inventions resulting from or suggested by his work for DSC.⁵⁷ Counsel for DSC stated that the company had been engaged in investigations of conversion technology similar to Brown's Solution. In order to show that the Solution was an invention along the lines of the business, work, or investigations of DSC, or resulting from or suggested by Brown's work for the company, counsel pointed to efforts by DSC in 1993 and 1995 to develop software conversion tools.⁵⁸ During the temporary injunction hearing, a witness for DSC testified that the company was in the business of software development and that it spent a significant per-

of code from one language to merely another version of the same language, S.J. Hrg. Tr. 38:2-7, and manual software conversion, S.J. Hrg. Tr. 38:8-11.

54. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Jul. 26, 2002).

55. S.J. Hrg. Tr. 25:15-20. During a hearing on DSC's motion for a temporary injunction mandating full disclosure of the Solution, which Brown had allegedly fully worked out, counsel for DSC argued that the fact that the Solution existed solely in Brown's mind and had not been written down or otherwise implemented was irrelevant to its status as an invention covered by the disclosure agreement. Temp. Inj. Hrg. Tr. 51:8-51:24. The court accepted that argument when it ordered Brown to disclose the Solution to DSC in its entirety (Temp. Inj. Order 3) and when it found Brown in breach of the agreement on summary judgment. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Aug. 26, 2002). Despite the fact that even after Brown completed the disclosure, the Solution as described was "woefully incomplete and inadequate by steps." S.J. Hrg. Tr. 24:16-17.

56. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Aug. 26, 2002).

57. S.J. Hrg. Tr. 25:15-20.

58. *Id.* at 27:1-17.

centage of its research budget on such development.⁵⁹ On motion for summary judgment, DSC argued that the evidence had established that the development of software conversion tools such as the Solution was therefore within the scope of the invention disclosure agreement.⁶⁰

In a six-page opinion, that did not include a discussion of the facts of the case or cite any law that the court used in reaching its conclusion, the court determined as a matter of law that: (1) the invention disclosure agreement was enforceable, (2) the Solution was an invention covered by the agreement, and (3) Brown had breached the agreement by failing to disclose the Solution to DSC.⁶¹ As a result, the court necessarily found that Alcatel, as DSC's successor in interest, was entitled to a declaration of its ownership rights in the Solution and to a permanent injunction preventing Brown from interfering with those rights.

V. THE AUTHOR'S ANALYSIS

In this case, the court erred when it found that no genuine issues of material fact existed as to: (1) the enforceability of agreement, (2) the applicability of the agreement to Brown's Solution, and (3) Brown's breach of the agreement by his failure to disclose the Solution to DSC. In Texas,

a party seeking to recover upon a claim, counterclaim, or cross-claim or to obtain a declaratory judgment may, at any time after the adverse party has appeared or answered, move with or without supporting affidavits for a summary judgment in his favor upon all or any part thereof. A summary judgment, interlocutory in character, may be rendered on the issue of liability alone although there is a genuine issue as to amount of damages.⁶²

Upon motion for summary judgment, the judgment sought shall be rendered forthwith if (i) the deposition transcripts, interrogatory answers, and other discovery responses referenced or set forth in the motion or response, and (ii) the pleadings, admissions, affidavits, stipulations of the parties, and authenticated or

59. Temp. Inj. Hrg. Tr. 42:21-43:7.

60. DSC claimed that: (1) Brown's signature on the invention disclosure agreement, (2) evidence of DSC's other investigations into software conversion, (3) Brown's knowledge of and occasional participation in those investigations, (4) Brown's statements in his self-evaluations regarding software-conversion tools, and (5) Brown's attempts to obtain a release from the invention disclosure agreement established as a matter of law that the Solution was an invention covered by the disclosure agreement and that Brown had breached the contract by failing to disclose it. DSC also claimed that the agreement was enforceable because Brown's continued employment with the company until his discharge in 1997 constituted consideration for the agreement. S.J. Hrg. Tr. 29:3-9.

61. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Aug. 26, 2002).

62. Tex. R. Civ. P. 166 a(a).

certified public records, if any, on file at the time of the hearing, or filed thereafter and before judgment with permission of the court, show that, except as to the amount of damages, there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law on the issues expressly set out in the motion or in an answer or any other response. Issues not expressly presented to the trial court by written motion, answer or other response shall not be considered on appeal as grounds for reversal. A summary judgment may be based on uncontroverted testimonial evidence of an interested witness, or of an expert witness as to subject matter concerning which the trier of fact must be guided solely by the opinion testimony of experts, if the evidence is clear, positive and direct, otherwise credible and free from contradictions and inconsistencies, and could have been readily controverted.⁶³

Based on this standard and the facts presented during the course of the litigation, it is clear that the court erroneously granted DSC's summary judgment motion.

A. THE COURT ERRED WHEN IT FOUND THE AGREEMENT ENFORCEABLE AS A MATTER OF LAW

The court erred when it found no genuine issues of material fact surrounding the enforceability of the invention disclosure agreement itself. According to the Supreme Court of Texas,

at-will employees may contract with their employers on any matter except those which would limit the ability of either employer or employee to terminate the employment at will. Consideration for a promise, by either the employee or the employer in an at-will employment, cannot be dependent on a period of continued employment.⁶⁴

Therefore, the agreement was unenforceable for lack of consideration⁶⁵ if the sole consideration that DSC offered Brown was its forbearance from terminating his employment.⁶⁶

The Supreme Court of Texas has also found that a unilateral contract can exist if a company makes a promise in return for continued at-will employment and the company both continues to employ the at-will employee and provides benefits such as specialized training. However,

63. *Id.* at 166 a(c).

64. *Light*, 883 S.W.2d at 644.

65. Brown testified by affidavit that one week after he began working for DSC, the company told him to sign the invention disclosure agreement at issue in this case or face immediate termination. *Aff. Evan Brown* ¶ 3 (Sep. 29, 1997).

66. Counsel for Alcatel argued that DSC provided consideration to Brown in the nature of employment benefits and training. Brown, on the other hand, claimed that such benefits were part of any employee's compensation package and argued that the invention disclosure agreement was an additional obligation that required additional consideration. *Temp. Inj. Hrg. Tr.* 59:9-18.

the court said that such a contract would only exist if: (1) the performance was bargained-for and not for past consideration, and (2) the employee's acceptance was by performance and not by a promise to perform.⁶⁷

It is clear that genuine issues of material fact exist as to the enforceability of the invention disclosure agreement. If the sole consideration was Brown's continued at-will employment, then the contract was clearly unenforceable. However, if DSC provided benefits to Brown in addition to those normally associated with his employee's compensation package, then a unilateral contract could exist. In this case, counsel for DSC stated that the consideration for Brown's invention disclosure agreement consisted of: (1) continued employment, (2) knowledge of DSC's trade secrets, (3) training, (4) pay, (5) benefits, and (6) medical insurance.⁶⁸

The facts presented by the two sides raise a genuine issue of material fact regarding the enforceability of the invention disclosure contract. Because DSC required Brown to sign the invention disclosure agreement or face immediate discharge, it is clear that the parties did not enter into an enforceable bilateral contract under the *Light* rule.⁶⁹ The only way for the contract to bind Brown was for a unilateral agreement to exist where Brown exchanged his promise to disclose his inventions to DSC and DSC actually provided benefits in addition to those normally associated with employment. The only way for DSC to prove that the agreement was supported by consideration would be to prove that the benefits supposedly provided by DSC in exchange for his promise were not part of his normal compensation simply for being a DSC employee and therefore past consideration.⁷⁰

67. *Light*, 883 S.W.2d at 645.

68. Temp. Inj. Hrg. Tr. 59:9-18.

69. *Light*, 883 S.W.2d at 644.

70. In *Light*, the company hired the employee to sell pagers and required her to sign a covenant not to compete in order to keep her job. *Id.* at 643. When the company refused to release the employee from the covenant after she had resigned, the employee sued to have the agreement declared unenforceable. *Id.* The agreement provided that:

Salesperson agrees, upon termination of employment with United TeleSpectrum, and for a period of ONE YEAR thereafter, he/she will not directly or indirectly compete with United TeleSpectrum in the Longview, Tyler, Marshall service area. Salesperson agrees that this paragraph prohibits him/her from accepting employment in the Longview, Tyler, Marshall service area from any mobile communications service provider, or any agent or reseller of a mobile communications service provider, as a salesperson, or in any other capacity that would give the salesperson customer contact or that would permit the use of the customer related information he/she acquired in the course of his/her employment with United TeleSpectrum.

Id. In reversing an appellate court decision holding the covenant enforceable, the court held that because the company failed to offer consideration to the employee beyond its forbearance from terminating her at-will employment, the contract was unenforceable. *Id.* at 645. The court stated that the only promises arising out of the agreement that could consti-

B. THE COURT ERRED WHEN IT FOUND THE SOLUTION WAS
AN INVENTION

Even if the invention disclosure agreement had been enforceable, the court should have found a genuine issue of material fact surrounding its applicability to the Solution, because the status of the Solution as an "invention" remained in doubt. Counsel for DSC claimed that the existence of the Solution solely within Brown's thoughts was irrelevant.⁷¹ The court agreed, finding that the Solution was covered by the agreement.⁷² However, this argument did not acknowledge the genuine issues of material fact regarding both the status of the Solution as an invention and, even if the Solution did qualify as an invention, whether it fell within the scope of the agreement.

The right to exploit an invention or original product is an important facet of intellectual property protection.⁷³ Of the four forms of intellectual property—copyrights, patents, trademarks, and trade secrets—the Solution could potentially qualify for three types of protection: copyright, patent, and trade secret.⁷⁴ However, in order for the Solution to receive

tute consideration were the company's promise to provide initial and specialized training in exchange for the employee's agreement to provide notice to the company upon termination of employment. *Id.* at 646. The court held that the company's other promises, such as the promise to employ at-will, the promise to pay, and the promise to provide employee benefits were illusory because they depended on the at-will employment relationship. *Id.* Applying the *Light* rule to the instant case, it is clear that the court should have explored the nature of the consideration, especially since the consideration allegedly provided by DSC corresponds closely to that which the Texas Supreme Court specifically found illusory as dependent on the at-will employment relationship. Temp. Inj. Hrg Tr. 59:9-18.

71. Counsel analogized the Solution to a "confidential or trade secret memorandum or document." Temp. Inj. Hrg. Tr. 51:8-24. He further stated that because such documents were subject to the jurisdiction of the court, in the context of trade secret litigation, the court could properly require Brown to disclose the supposed secret that existed entirely within his thoughts. *Id.*

72. In its order granting DSC's motion for summary judgment, the court held that the Solution was a process and/or method for (a) converting machine executable binary code into high level source code, (b) reverse-engineering existing computer programs into high-level program code, and (c) converting machine-executable programs written for DSC's computer systems into source code. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Aug. 26, 2002).

73. Goldman, *supra* n. 3, at § Seeking Bright Lines.

74. The Solution would be ineligible for trademark protection because the *Lanham Act*, which establishes the scope of federal trademark law, provides trademark protection to names and phrases that identify the owner's product. Oppedahl and Larson LLP, *General Information about Trademarks* <<http://www.patents.com/trademar.htm>> (last updated June 30, 1995). Because the Solution is not a name or phrase identifying DSC's product, it cannot be a trademark. However, the *Copyright Act* could protect the Solution as an original work of authorship in a tangible medium. Oppedahl and Larson LLP, *General Information About Copyrights: How Do I Copyright My Software?* ¶ 2 <<http://www.patents.com/copyright.htm>> (last updated Sep. 20, 1998). If the Solution is an invention that has been disclosed to the U.S. Patent & Trademark Office and which meet the requirements of non-

intellectual property protection under any of those categories, it would have to meet certain threshold requirements, as discussed below. Without meeting these, it would be ineligible for intellectual property protection.

1. *When DSC Fired Brown, the Solution Was Not Eligible for Copyright Protection*

When DSC fired Brown and sued him for breach of contract, the Solution was ineligible for copyright protection. According to the *Copyright Act*,

copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.⁷⁵

A work is "fixed in a tangible medium"⁷⁶ when it is embodied in a record, by or under the authority of the creator, sufficiently stable to allow it to be "perceived, reproduced, or otherwise communicated for a period of more than transitory duration."⁷⁷ A computer programmer's thoughts about how to solve a particular problem are clearly not "fixed in a tangible medium" because there exists no record sufficiently stable to be communicated. Therefore, the Solution was ineligible for copyright protection as a matter of law.

2. *A Genuine Issue of Material Fact Exists as to Whether the Solution Was Eligible for Patent Protection When DSC Fired Brown or After Court-Ordered Disclosure*

Second, even after Brown completed the court-ordered disclosure of the Solution, it was ineligible for patent protection. The *Patent Act* provides that "whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore."⁷⁸ The Solution, a method for the automatic conversion of machine-readable object code to high-level source code, would clearly qualify as a "new and useful pro-

obviousness, novelty, and usefulness, it could qualify for patent protection. Oppedahl and Larson LLP, *General Information About Patents: What Inventions Can Be Patented?* ¶¶ 1-2 <<http://www.patents.com/patents.htm>> (accessed April 3, 2003). Finally, the Solution might be entitled to trade secret protection, which is extended to information that provides economic advantage to its owner because it is not known to the public. *Uniform Trade Secrets Act* § 1(4) (1985).

75. 17 U.S.C. § 102(a).

76. *Id.*

77. *Id.* § 101.

78. 35 U.S.C. § 101.

cess.” However, before the Solution could qualify as a patentable invention, it had to meet certain requirements.⁷⁹

Under 35 U.S.C. § 111(a)(2), an application for a patent must contain the specifications of the invention. Such a specification must contain

a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.⁸⁰

When DSC fired Brown and sued him for breach of the invention disclosure agreement, the Solution could not have qualified as an invention under the requirements for a patent application because no description of the Solution existed at all. Even after the court ordered Brown to disclose the Solution, as counsel for the company admitted, the Solution was “woefully incomplete and inadequate by steps,”⁸¹ suggesting that, at the very least, a genuine issue of material fact existed as to whether it would enable any person skilled in the art of developing software conversion tools to carry out the Solution.⁸² Although the company claimed that the state of Brown’s disclosure was due to his willful noncompliance with the court’s temporary injunction,⁸³ Brown testified by affidavit that it would take an individual of “extraordinary skill” to reduce the Solution to a working computer program and that a programmer of ordinary skill⁸⁴ would have “virtually no chance” of successfully producing a workable program based without extensive experimentation.⁸⁵ When DSC fired Brown, there existed nothing that could even begin to fulfill these requirements.⁸⁶ The record revealed that even after court-ordered disclosure, the Solution was not, as the court found, a process and/or method developed by Evan Brown for converting machine-executable binary code into a high-level source code using logic and data abstrac-

79. An invention is patentable if it has been disclosed to the U.S. Patent & Trademark Office and meets the requirements of nonobviousness, novelty, and usefulness. *General Information About Patents: What Inventions Can Be Patented?*, *supra* n. 74, at ¶ 2.

80. 35 U.S.C. § 112.

81. S.J. Hrg. Tr. 24:16-17 (Dec. 21, 2001).

82. *Id.*

83. *Id.* at 24:17-19.

84. A patent specification must contain a written description of the invention that can enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the invention, and shall set forth the best mode contemplated by the inventor for carrying out his invention. 35 U.S.C. § 112.

85. *Aff. Brown* ¶ 6 (Sep. 29, 1997). Pursuant to 35 U.S.C. § 112, in this case, a patent specification for the Solution would have to enable any person trained in the art of the development of software conversion tools to reproduce the Solution.

86. *Goldman*, *supra* n. 3.

tions.⁸⁷ Therefore, the court should have submitted the issue of whether the Solution could be considered an invention under the *Patent Act* to the trier of fact.

3. *A Genuine Issue of Material Fact Would Exist as to the Solution's Status as a Trade Secret*

Third, a genuine issue of material fact existed as to whether the Solution could be considered a trade secret. In Texas, a trade secret is defined as

any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. A trade secret is a process or device for continuous use in the operation of the business. Generally it relates to the production of goods, as, for example, a machine or formula for the production of an article.⁸⁸

In this case, a genuine issue of material fact exists as to whether the Solution fell within the definition of a trade secret. Generally, the party claiming rights in a trade secret has the burden of proving that the information at issue is sufficiently definite to qualify for protection from the court.⁸⁹ In this case, the facts revealed that despite Brown's disclosure of the Solution, it was not sufficiently developed.⁹⁰ Even counsel for DSC admitted that the Solution, as disclosed, was incomplete.⁹¹

If the Solution had been a workable blueprint for an automated decompiler, then it might have been possible to claim trade secret protection. However, when the Solution, as it stood, was incomplete and inadequate for that purpose, the need for further research to develop a workable implementation of the Solution, DSC could not have used it in its business to gain an advantage over its competitors or continuously used the Solution in the operation of its business. At the very least, a genuine issue of material fact existed as to whether the Solution was complete enough to merit trade secret protection.⁹²

The Solution is neither an object nor a mechanical process. The Solution is an idea. It is Brown's idea for a way to develop an automated decompiler to assist in software conversion. An idea that is neither fixed

87. *Alcatel USA, Inc. v. Brown*, No. 199-0056-97 (Tex. Dist. Ct. 219th Dist. Aug. 26, 2002).

88. *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 776 (Tex. 1958).

89. *Restatement (Third) of Unfair Competition* § 39 cmt. c (1995).

90. *Aff. Brown* ¶ 6 (Sep. 29, 1997); S.J. Hrg. Tr. 24:16-17.

91. S.J. Hrg. Tr. 24:16-17.

92. *Huffines*, 314 S.W.2d 763.

in a tangible medium⁹³ nor sufficiently specific to allow a person of reasonable skill to reproduce it for economic gain is not eligible for either copyright, patent, or trade secret protection. The court's decision stands for the proposition that ideas are inventions. However, the law of intellectual property as discussed above, clearly states otherwise.

It is possible that DSC intended the invention disclosure agreement to apply more broadly than the law. However, the agreement and the record of the case were both silent on that issue. In *Jamesbury Corp. v. Worcester Valve Co.*,⁹⁴ the U.S. Court of Appeals for the First Circuit held that where state law defined the term "invention" in a manner consistent with federal patent law, an employee had not "invented" something when he conceived of a process, but deliberately chose not to record it in order to frustrate a similar invention disclosure agreement.⁹⁵ In *Alcatel*, the record is silent on whether Texas law defined the term "invention" in a manner that would support the inclusion of a mere idea such as the Solution under such a label. The record is also silent on whether DSC and Brown understood the invention disclosure agreement to apply to untested, unverified ideas.⁹⁶

Finally, the court erred when it held that no genuine issue of material fact existed as to whether the development of an automated decompiler was "along the lines"⁹⁷ of DSC's business. Both DSC and Brown presented evidence in support of their respective positions on DSC's business.⁹⁸ By disregarding Brown's evidence and accepting DSC's contention that the Solution fell within the scope of DSC's business, the court accepted DSC's version of the facts, rejected Brown's version, and improperly weighed the evidence on a motion for summary judgment.⁹⁹

The court erred by disregarding these flaws in DSC's argument, granting summary judgment to Alcatel, and refusing to allow a jury to

93. After Brown's court-ordered disclosure of the Solution, it could be considered fixed in a tangible medium under 17 U.S.C. § 102(a), however under copyright law, the author of a work owns the copyright in the absence of a legal arrangement to the contrary. 17 U.S.C. § 201. If the court's finding regarding DSC's right to the Solution is reversed, then Brown will own the copyright to the disclosure.

94. *Jamesbury Corp. v. Worcester Valve Co.*, 443 F.2d 205 (1st Cir. 1971).

95. *Id.* at 212.

96. Brown's invention disclosure agreement covered "all inventions (including but not limited to all matters subject to patent)." Employee Pat. Agreement of Evan Brown. However, the agreement fails to state what the phrase "not limited to" covers.

97. Employee Pat. Agreement of Evan Brown.

98. S.J. Hrg. Tr. 27:1-17. DSC claimed that its investigations into other software conversion tools demonstrated the Solution's connection to its business. *Id.* Brown, on the other hand, pointed to significant differences between those other projects, which mainly involved manual conversion or conversion of source code from one language to another, and the Solution. *Id.* at 37:20-38:16.

99. Tex. R. Civ. P. 166 a(c).

weigh the evidence to determine whether the agreement was enforceable, whether it applied to the Solution, and whether Brown breached the agreement. Because the court should not have granted summary judgment on these three issues discussed above, the court also erred in granting declaratory and permanent injunctive relief.

Not only did the court err in granting Alcatel specific performance of the Invention Disclosure Agreement between Brown and DSC, it also seems not to have considered the ramifications of its decision. In response to Brown's assertions that a promise supported only by an offer of continued at-will employment was unenforceable,¹⁰⁰ DSC attempted to distinguish the *Light* case by arguing that its rationale was limited to the analysis of covenants not to compete.¹⁰¹ This assertion is erroneous, because Texas appellate courts have applied its rule in cases that did not involve covenants not to compete. Although the *Light* case articulated its rule in the context of a covenant not to compete, other Texas cases applied the rule to hold invalid other types of contracts between employees and employers.

In *Tenet Healthcare, Ltd. v. Copper*, the Court of Appeals of Texas applied the *Light* rule to hold unenforceable a purported arbitration agreement between the parties.¹⁰² Because Texas appellate courts have applied the *Light* rule to other types of cases, DSC's attempt to limit the

100. *Light*, 883 S.W.2d at 644.

101. Temp. Inj. Hrg. Tr. 59:3-8. Counsel for DSC argued that *Light* and the other cases cited by Brown were merely premises to the proposition that a covenant not to compete was a restraint of trade and was not applicable to other types of employment-based contracts. *Id.*

102. *Tenet Healthcare, Ltd. v. Cooper*, 960 S.W.2d 386, 388 (Tex. App. 1st Dist. 1998). In *Tenet*, the employee signed a form acknowledging her receipt of an employee handbook outlining her privileges and obligations as an employee. *Id.* at 386. Like the Invention Disclosure Agreement DSC required Brown to sign, the handbook provided that the employee's agreement was a condition of continued employment. *Id.* The agreement provided that:

I understand AMI makes available arbitration for resolution of grievances. I also understand that as a condition of employment and continued employment, I agree to submit any complaints to the published process and agree to abide by and accept the final decision of the arbitration panel as ultimate resolution of my complaint(s) for any and all events that arise out of employment or termination of employment. If a state has established an arbitration procedure, AMI and the employee will comply with the statute requirement.

Id. at 387. Like Brown's Invention disclosure agreement, the purported contract at issue in this case involved an employee's agreement to an obligation in return for continued employment. Noting that the arbitration clause was to be analyzed under the principles of contract the court held that ordinary contract principles governed the enforceability of the agreement. *Id.* at 388. In holding the arbitration clause unenforceable, the court held that the agreement was unsupported by consideration, stating that the Texas Supreme Court has held that consideration for a valid contract between an employer and an at-will employee cannot depend on continued employment because such a promise is illusory and citing the *Light* rule. *Id.*

applicability of the *Light* rule to cases involving covenants not to compete was clearly misplaced.

Although it improperly attempted to distinguish *Light* from the facts in the present case on the basis that *Light* involved covenants not to compete, DSC did identify an analogy between such covenants and contracts like the one at issue. Like a covenant not to compete, an invention disclosure agreement can be considered an agreement in restraint of trade, particularly given the manner in which the court enforced the agreement against Brown. The *Restatement (Second) of Contracts* states that an agreement is in restraint of trade if its performance would limit competition in any business or restrict the promisor in the exercise of a gainful occupation.¹⁰³

The court's enforcement of the invention disclosure agreement definitely restricted Brown's exercise of a gainful occupation. Although many companies have expressed interest in hiring Brown because of his technical aptitude, they have refused to offer him a job for fear of a lawsuit from Alcatel.¹⁰⁴ These prospective employers have done so with good reason.¹⁰⁵ If a company can sue its employees for breaching an invention disclosure agreement by failing to disclose and turn over something like the Solution that was at best dubiously related to their employment, it stands to reason that companies could sue its former employees for violation of invention disclosure agreements when they leave their jobs and bring their knowledge to other employers. The former employers could bring enforcement actions against their former employees, claiming, as DSC did,¹⁰⁶ that the developments they offer to their new employers were suggested by work performed at their old jobs and that the former employer actually owned the development at issue.

In this respect, the court's enforcement of Brown's invention disclosure agreement sets forth a disturbing precedent. Unlike covenants not to compete, which are carefully scrutinized to ensure that they are reasonable in scope and duration,¹⁰⁷ invention disclosure agreements are

103. *Restatement (Second) of Contracts* § 186(2).

104. Evan Brown, *Does Your Employer Own Your Thoughts?* <<http://www.unixguru.com>> (last updated Sep. 23, 2002).

105. Goldman, *supra* n. 3.

106. S.J. Hrg. Tr. 27:1-17.

107. In Texas, covenants not to compete are enforceable when ancillary to or part of an otherwise enforceable agreement at the time the agreement is made to the extent that it contains limitations as to time, geographical area, and scope of activity to be restrained that are reasonable and do not impose a greater restraint than is necessary to protect the goodwill or other business interest of the promisee. Tex. Bus. & Com. Code § 15.50. Likewise, section 188 of the *Restatement (Second) of Contracts* provides that a promise by an employee or other agent not to compete with his employer or other principal is a restraint ancillary to a valid transaction and enforceable only if the restraint is greater than is needed to protect the promisee's legitimate interest, or the promisee's need is outweighed

subject to the ordinary principles of contract interpretation. By drafting a sufficiently inclusive disclosure agreement and by making its acceptance a condition of employment, an employer could assert ownership rights in any idea or thought an employee might have, regardless of whether or not the employee was on company time or merely had a flash of inspiration on his own.

On appeal, this case should be reversed and remanded for a trial on the merits. When analyzing invention disclosure agreements, the court should keep in mind the principle stated in § 186 of the *Restatement (Second) of Contracts*,¹⁰⁸ and find such agreements unenforceable when they unreasonably restrain trade by allowing employers to lock up an employee's thoughts with an overly inclusive disclosure agreement.¹⁰⁹

This does not mean that all invention disclosure agreements must be unenforceable. On the contrary, it is clear that such agreements are an important part of a technology-based economy and can be an effective and reasonable way for companies to acquire and protect valuable inventions.¹¹⁰ Invention disclosure agreements can be reasonably drafted and interpreted to protect an employer's interest in acquiring ownership rights to intellectual property developed by its employees while protecting employees' rights to their own thoughts and their right to benefit

by the hardship to the promisor and the likely injury to the public. *Restatement (Second) of Contracts* § 188.

108. Section 186 of the *Restatement (Second) of Contracts* provides: (1) a promise is unenforceable on grounds of public policy if it is unreasonably in restraint of trade; and (2) a promise is in restraint of trade if its performance would limit competition in any business or restrict the promisor in the exercise of a gainful occupation. *Restatement (Second) of Contracts* § 186.

109. In this case, Brown's Invention Disclosure Agreement required him to disclose to DSC all inventions, including but not limited to all matters subject to patent, made or conceived from the time of entering the company's employ until his departure that were along the lines of the business, work, or investigations of the company or resulting from or are suggested by any work Brown might do for or on behalf of the company. Employee Pat. Agreement of Evan Brown. Applying the rule in § 186 of the *Restatement (Second) of Contracts* to this agreement, as interpreted to cover the Solution, a court might find that the agreement was against public policy because it failed to distinguish between work done on behalf of DSC and the natural products of Brown's independent learning. A more extreme example of an invention disclosure agreement that would be unenforceable under § 186 would be a contract that required the employee to disclose to the company all inventions conceived by the employee during his employ that involved any knowledge or skill gained during the period of employment, regardless of how much such skill contributed to the invention. An agreement such as this would be unenforceable under § 186 because an employer could sue an employee for breach of the contract if the employee attempted to use his accumulated knowledge to create an invention either for himself or another employer that was based in part on things he learned from his previous job, regardless of whether he used that knowledge on behalf of his former employer or merely acquired it as an incident of his employment.

110. Goldman, *supra* n. 3, at § Seeking Bright Lines.

from flashes of independent inspiration.¹¹¹

Courts reviewing invention disclosure agreements should look to § 188 of the *Restatement (Second) of Contracts* for guidance on how to interpret invention disclosure agreements. In other words, courts should hold that an invention disclosure agreement that is ancillary to an otherwise valid agreement or relationship is unreasonably in restraint of trade if: (1) the restraint is greater than needed to protect the employer's right to assert ownership in inventions developed by employees within the scope of their employment, or (2) the employer's interest is outweighed by the harm to the employee and the likely harm to the public.¹¹² Courts should find that invention disclosure agreements are ancillary to a valid agreement if they are a prior condition of at-will employment or a part of an employment contract.

Under such an analysis, an invention disclosure agreement would be enforceable if the employee understood that one would be required of him when he accepts an employer's job offer in the same way that an offer of employment is conditioned on taking and passing a drug test. An invention disclosure agreement would also be enforceable if an employer offers real consideration for the employee's consent. Under the *Light* rule,¹¹³ the "promise" of continued at-will employment would not be sufficient, so an employer who sought to impose an invention disclosure agreement on an employee would have to provide an additional benefit in exchange for such a promise.¹¹⁴ Where a contract fails to specify the

111. An example of such an agreement might require the employee to disclose to the company any inventions conceived while on compensated time (i.e. during a regular work day or overtime). Thus, if Brown had developed the Solution on company time under such an agreement, DSC would have a claim to it. Alternatively, an agreement might require the employee to document research conducted at work and assert ownership rights in said research. If Brown had developed and documented an idea for the Solution while at work, DSC could have claimed ownership. A fair invention disclosure agreement would set boundaries on the kinds of things a company could claim. While it is only fair for a company to benefit from the work an employee does while the company is paying him, a company should not be allowed to claim ownership of an invention that an employee develops using, in part, general knowledge and skills gained as a natural result of his on-the-job learning.

112. *Restatement (Second) of Contracts* § 188.

113. *Light*, 883 S.W.2d at 644.

114. A company could make such an agreement ancillary to at-will employment if it conditioned its offer of employment on the employee's acceptance of the agreement's terms in the same way an employer might condition an offer of employment on the employee's successful completion of a drug test. In such a case, employment, and the associated benefits, would be consideration for acceptance of the agreement. An employer who hired someone pursuant to an employment contract could make acceptance of an invention disclosure agreement one of the conditions of the offer. For example, an employer who hired a contractor for a specific project might include an invention disclosure clause in the contract that would require the contractor to disclose inventions conceived on the job. Finally, an employer who had already hired an at-will employee could offer actual consideration in

terms of disclosure, or does so in vague terms, the invention disclosure agreement should be interpreted no more broadly than necessary to protect the employer's legitimate interest in owning its employees' inventions.¹¹⁵

When determining the extent of an employer's legitimate interests in its employees' inventions, courts should balance the employer's need to acquire valuable intellectual property with the employee's right to independently develop his own ideas and to use them for his own benefit.¹¹⁶ A good balance would be to give employers the right to own items of intellectual property that: (1) employees have developed as a result of instructions given to them by their supervisors and (2) substantially achieve the desired results.¹¹⁷

Under this analysis, if DSC had instructed Brown to develop an automated decompiler so that it could update its existing computer systems, and Brown's Solution had yielded a process that DSC's other employees could follow in order to produce a working program, then the Solution would fall under the invention disclosure agreement. If DSC had instructed Brown to translate object code to source code so that

exchange for the employee's agreement to the disclosure contract. This might include additional monetary compensation or some other benefit to which the employee was not already entitled by virtue of his position. For example, a company might offer an employee the use of a company car or some other benefit that the employee did not already enjoy and would not enjoy but for his acceptance of the agreement.

115. Section 188 cmt. g of the *Restatement (Second) of Contracts* provides some guidance by analogy to covenants not to compete as agreements in restraint of trade ancillary to a legitimate agreement. *Restatement (Second) of Contracts* § 188 cmt. g. It provides that:

Post-employment restraints are scrutinized with particular care because they are often the product of unequal bargaining power and because the employee is likely to give scant attention to the hardship he may later suffer through loss of his livelihood. This is especially so where the restraint is imposed by the employer's standardized printed form. A line must be drawn between the general skills and knowledge of the trade and information that is peculiar to the employer's business. If the employer seeks to justify the restraint on the ground of the employee's knowledge of a process or method, the confidentiality of that process or method and its technological life may be critical. The public interest in workable employer-employee relationships with an efficient use of employees must be balanced against the interest in individual economic freedom.

Id. Under this kind of analysis, courts should distinguish between inventions conceived as a result of the employee's duties to the company and inventions building upon general skills of the trade the employee has gained as a result of his work.

116. *Id.*

117. By way of example, a court might analyze the instant case as follows: first, the court would determine whether or not DSC had instructed Brown to develop a tool for converting object code into source code. Second, the court would determine whether the tool developed substantially achieved the company's stated goal. This type of approach would ensure that companies would be able to own and benefit from those inventions their employees developed on behalf of their employers. At the same time, it would reserve to the employees the right to pursue their own ideas on their own time and to speculate as to theoretical improvements to existing tools or methods.

software could be converted to run on another computer system and Brown had developed a tool that enabled him to do so, then that tool would likewise fall within the scope of the invention disclosure agreement.

But DSC should not be allowed to own the result of Brown's learning process. Brown had developed his theory of automated decompilation before he went to work for DSC. While he worked on other projects, some involving manual program conversion and others involving the conversion of code between versions of the same language,¹¹⁸ Brown gained the knowledge necessary to complete his theory for automated decompilation of any object code. DSC did not ask Brown to develop the Solution for its own use. DSC did not pay Brown to apply knowledge gained on the job to a problem that had vexed him since college.¹¹⁹ Brown did not produce a working Solution to the problem.¹²⁰ DSC should have no right to claim ownership in a mere idea that Brown developed outside the scope of what DSC paid him for.

VI. CONCLUSION

When the 219th Judicial District Court of the State of Texas decided that Alcatel owned Evan Brown's thoughts, it did not take into account the genuine issues of material fact that existed with respect to Brown's assertions: (1) the invention disclosure agreement it secured from Brown on threat of immediate termination was unenforceable, (2) the Solution was not an "invention" as recognized by U.S. intellectual property law either when DSC fired Brown and sued him or in its current state of disclosure, and (3) the development of an automatic decompiler was not within the scope of DSC's business or suggested by Brown's work for the company.

In addition, the court failed to recognize the effect that its decision could have if followed by other courts. When a company hires an employee, it pays him to act as its agent for a limited number of hours each day. While it is reasonable for an employer to require its employees to disclose to it any inventions they might develop while working at their jobs, no employer should be able to claim a total ownership interest in the thoughts of its employees, especially when those thoughts were based in substantial part on an employee's prior knowledge and when the discovery at issue came as a flash of inspiration far removed from the workplace.

118. S.J. Hrg. Tr. 38:2-11.

119. Aff. Brown ¶ 3 (Dec. 1, 1998). While DSC hired Brown because of his skills, the tasks that DSC gave him did not, according to Brown's affidavit, deal with the problem that he had worked on for years prior to his employment with the company.

120. S.J. Hrg. Tr. 24:16-17.

Invention disclosure agreements are admittedly very important for corporations in the modern technological economy. The right to own and exploit the products of their employees' labor is critical. However, that right must be limited. An employer should own things that employees develop on company time under company supervision, which help solve problems for the company. On the other hand, no employer has an unlimited right to reap the benefits of an employee's learning process. Human beings learn and grow with experience. They need the right to use that experience for their own benefit. No employer should have the right to force an employee to surrender a potentially valuable idea substantially developed on the employee's own time as part of the employee's personal quest for knowledge simply because knowledge gained on the job indirectly contributed to the employee's intellectual growth.

*In the 219th Judicial District Court
of the State of Texas
Curt B. Henderson, Judge Presiding*

No. 199-00596-97

ALCATEL USA, INC. f/k/a DSC COMMUNICATIONS CORPORATION

vs.

EVAN BROWN

FINAL JUDGMENT

On October 10, 2001, Plaintiff filed its Motion for Summary Judgment on its Breach of Contract and Declaratory Judgment Claims (Plaintiff's Summary Judgment Motion). On December 21, 2001, the Court held a hearing on Plaintiff's Summary Judgment Motion, as well as other discovery matters. Proper and sufficient notice of this hearing was given to all parties of record, and both parties were present and announced ready to proceed. After hearing oral argument from both parties at the December 21, 2002 hearing, and in the interest of justice, the Court withheld ruling on Plaintiff's Summary Judgment Motion, and granted Defendant additional time to file addition responses, including additional evidence, in opposition to Plaintiff's Summary Judgment Motion. In accordance with this directive, Defendant filed his Amended Response to Plaintiff's First Motion on February 20, 2002, and each party filed additional briefing as well. In addition, at the December 21, 2001 hearing the Court also

issued certain discovery directives to Plaintiff related to Defendant's Motion to Compel and Motion for Continuance, and Plaintiff fully complied with those directives and produced additional information responsive to Defendant's discovery requests, some of which was included in Defendant's February 20, 2002 Amended Response.

After carefully considering Plaintiff's Summary Judgment Motion, Defendant's written Response, Defendant's Amended Response, all supplemental briefing, and the arguments of counsel, the Court concluded that the Plaintiff's Summary Judgment Motion had merit and should be granted. Accordingly, by order dated May 16, 2002, the Court:

ORDERED, ADJUDGED AND DECREED that Plaintiff's Motion for Summary Judgment on its Breach of Contract and Declaratory Judgment claims should be and was GRANTED. Specifically, the Court found and concluded that:

1. Plaintiff is entitled to judgment on its breach of contract claim;
2. Plaintiff is entitled to judgment on its Declaratory Judgment claim.

Specifically, the Court enters the following declarations:

- a. The April 27, 1987 Employee Patent, Copyright and Proprietary Information Agreement between Evan Brown and DSC Communications Corp. n/k/a Alcatel USA, Inc. (the "Employment Agreement") is a valid and enforceable contract;
- b. Pursuant to the Employment Agreement, DSC Communications Corp. n/k/a Alcatel USA, Inc. ("Alcatel")

owns full legal right, title and interest to the process and/or method developed by Evan Brown for 1) converting machine executable binary code into a high level source code using logic and data abstractions, 2) taking existing executable programs and reverse engineering the intelligence from those programs and re-coding the intelligence into portable high level language, and 3) converting executable Z8000 machine code into C language source (all collectively describing what shall hereinafter be referred to as the "Solution");

- c. Pursuant to the Employment Agreement, Evan Brown is obligated to fully disclose the Solution to Alcatel;
 - d. Evan Brown cannot disclose, sell, assign or transfer the Solution to anyone other than Alcatel;
 - e. Evan Brown cannot negotiate the disclosure, sale, assignment or transfer of the Solution to anyone other than Alcatel; and
 - f. Evan Brown cannot further develop or market the Solution to anyone other than Alcatel.
3. Pursuant to Texas Civil Practice and Remedies Code §37.001 and §38.001 *et. seq.*, Plaintiff is entitled to recover its attorneys fees.
 4. Plaintiff's Objections to Defendant's Evidence in Opposition to Plaintiff's First Motion, filed December 21, 2001, are sustained with respect to Exhibits 4 and 5.
 5. Plaintiff's Objection to a hearing on Defendant's Motion for Summary Judgment is sustained as a consequence of sanction imposed earlier in this litigation.¹

¹ The Court observes that the same arguments contained in Defendant's Motion for Summary Judgment were also argued in opposition to Plaintiff's First Motion. As such, the

On June 3, 2002, consistent with the instructions set forth by the Court in its May 16, 2002 Order, Plaintiff filed its Motion for Summary Judgment on Defendant's Counterclaims ("Plaintiff's Counterclaim Motion") and Motion for Summary Judgment for its Attorneys' Fees ("Plaintiff's Attorneys' Fees Motion"). These two motions for summary judgment were properly scheduled for hearing before the Court on June 28, 2002.

Shortly before the scheduled June 28, 2002 hearing, Defendant filed a Motion to Recuse. The Court declined to recuse itself, and properly forwarded Defendant's Motion to recuse, as well as Plaintiff's Response, to the presiding judge of the administrative judicial district in accordance with the Texas rules of Civil Procedure, and the presiding judge of the administrative judicial district thereafter assigned that motion to Judge Marvin Marshall for determination. Judge Marshall, after hearing the arguments of counsel and the evidence introduced at that hearing, DENIED Defendant's Motion to Recuse at 12:14 p.m. on June 28, 2002.

Following Judge Marshal's denial of Defendant's Motion to Recuse, the Court conducted a hearing on Plaintiff's Counterclaim Motion and Plaintiff's Attorneys' Fees Motion. The Court finds and concludes that it was authorized to conduct the June 28, 2002 hearing on Plaintiff's two motions for summary judgment given Judge Marshal's prior denial of the Motion to Recuse. The Court

Court's entry of its Order granting Plaintiff's First Motion is effectively a denial of Defendant's Motion.

further finds and concludes that proper and sufficient notice of this June 28, 2002 hearing was given to all parties of record. Both parties were present at the hearing and announced ready to proceed on the two Motions.

After considering the Plaintiff's two Motions, Defendant's Response, and the arguments of counsel, the Court is of the opinion that the two Motions have merit and should both be GRANTED. Accordingly, by Memorandum entered on June 28, 2002, the Court:

ORDERED, ADJUDGED AND DECREED that Plaintiff's Motion for Summary Judgment on Defendant's Counterclaims shall be and hereby is GRANTED. Defendant's Counterclaims shall be and hereby are dismissed with prejudice. It is further,

ORDERED, ADJUDGED AND DECREED that Plaintiff's objections to Exhibits 3, 17, 18 and 22 of Defendant's Counterclaims shall be and hereby are sustained as follows:

- i. Exhibit 3 - Plaintiff's attorney-client privilege and Rule 408 objection are sustained except as to the heading (addressees) and first full paragraph;
- ii. Exhibit 17 - Plaintiff's hearsay objection sustained;
- iii. Exhibit 18 - Plaintiff's relevance objection is sustained; and
- iv. Exhibit 22 - Plaintiff's relevance and hearsay objections are sustained.

It is further,

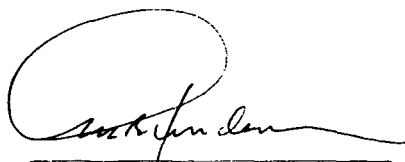
ORDERED, ADJUDGED AND DECREED that Plaintiff's Motion for summary Judgment for its Attorneys' Fees shall be and hereby is GRANTED. Plaintiff Alcatel USA, Inc. f/k/a DSC Communications Corp. is awarded reasonable and necessary attorneys' fees in the amount of \$332,000. It is further,

ORDERED, ADJUDGED AND DECREED that Plaintiff Alcatel USA, Inc. f/k/a DSC Communications Corp. shall be entitled to interest on the above award of attorneys' fees in the amount of 10% per annum until such fees are recovered in full. It is further,

ORDERED, ADJUDGED AND DECREED that all court costs are taxed against Defendant Evan Brown. Plaintiff is allowed all writs and processes as may be necessary for the enforcement and collection of the costs of court.

All other relief in this case not expressly granted herein is DENIED.

SIGNED this 26 day of July, 2002.

A handwritten signature in black ink, appearing to read "Curt B. Henderson", written over a horizontal line.

Curt B. Henderson
Judge Presiding