

STATE OF MICHIGAN
COURT OF APPEALS

THE GATES CORPORATION and GATES
CANADA,

UNPUBLISHED
August 21, 2003

Plaintiffs-Appellees,

v

No. 239263
Oakland Circuit Court
LC No. 2001-028549-CK

NICK SEVASTIAN,

Defendant-Appellant.

Before: Jansen, P.J., and Neff and Kelly, JJ.

PER CURIAM.

In this breach of contract case based on defendant's refusal to assign his patent rights in an invention¹ to plaintiffs, defendant appeals as of right an order granting summary disposition in favor of plaintiffs on plaintiffs' claims and defendant's counterclaims. We affirm.

I. Basic Facts

Plaintiffs employed² defendant as a design engineer. Defendant signed an agreement entitled "Invention and Copyright Agreement" (hereinafter referred to as "the agreement") which addressed the issue of assigning patent rights to plaintiffs. This agreement provided, in relevant part:

4. Notify Company

Upon conception, all Inventions, Confidential Information, and Copyright Works shall become the property of the Company whether or not patent, or copyright applications are filed on the subject matter of the conception. *I will communicate to the Company promptly and fully all Inventions, (whether or not patentable), all*

¹ The parties agree that this action is governed by a stipulated protection order. Therefore, we refer to the product at issue simply as "the invention."

² The record reflects that defendant was hired by Gates Canada in January 1999. Gates Canada is located in Windsor, Ontario. In February 2000, defendant transferred to Gates Corporation in Rochester Hills. However, several months later, defendant transferred back to Gates Canada, where his employment was ultimately terminated.

Confidential information, and Copyright Works *made or conceived by me* (solely or jointly with others) *during the period of my employment with the Company*: (a) which correspond or relate to the actual or reasonably anticipated business, work, investigations, research or development of the Company at the time of the conception, or (b) which result from or are suggested by any work which I have done or may do for or on behalf of the Company, or (c) *which are developed, tested, improved, or investigated either in part or entirely on time for which I was paid by the Company or using any resources of the Company.*

5. Assign Rights

I agree, during my employment with the Company, to assign to the Company my entire right, title and interest in all Inventions, Confidential Information, and Copyright Works which I have communicated to, or have a duty to communicate to, the Company under Clause 4 above. I also agree to execute at any time during or after my employment an assignment for each such Invention, Confidential Information, or Copyright work as the Company may request and on such forms as the Company may provide. I will promptly and fully assist the Company during and subsequent to my employment, including the review and signing of papers, without reimbursement (other than a reasonable payment for substantial time involved, in the event employment with the Company has terminated), but at the expense of the Company, to obtain for the benefit of the Company patents, copyrights, or other proprietary rights for Inventions, or Copyright Works, or in connection with the enforcement or transfer of any rights therein, in any and all countries irrespective of whether I personally believe such Inventions to be patentable or valid or Copyright Works to be protectable. [Emphasis added.]

Defendant also signed an identical agreement when he transferred to Gates Canada in February 2000.

Further, when notifying plaintiffs of a potential invention, employees are required to fill out and file a form entitled “Statement of Invention.” Defendant was familiar with both the form and patent process, as he had previously notified plaintiffs of other inventions. In early 2000, defendant notified plaintiffs of the invention by way of a Statement of Invention. However, defendant refused to assign his rights in the invention to plaintiffs. In a letter dated June 21, 2000, plaintiffs terminated defendant’s employment indicating that defendant’s termination was caused, in part, by defendant’s “breach of the [agreement], including . . . [defendant’s] failure to assign the [the invention] to Gates and [defendant’s] disclosure of Gates’ confidential information to a third party.” Plaintiffs filed this action, seeking declaratory relief alleging that they were the owners of the patent³ and that defendant was obligated to assign his rights in the patent to them. Plaintiffs also alleged breach of contract,⁴ asserting that defendant was

³ The record reflects that both plaintiffs and defendant filed a patent application for the invention. The record does not indicate the outcome of these patent applications.

⁴ Plaintiffs also alleged that defendant disseminated confidential information in contravention of the employment contract. That claim was dismissed, and is not at issue here.

contractually bound to assign to them any rights he had in the invention. Defendant counterclaimed, alleging retaliatory discharge, violation of the breach of implied covenants of good faith and fair dealing, conversion of defendant's intellectual property rights, and unjust enrichment.

In granting summary disposition in favor of plaintiffs, the trial court concluded there was no genuine issue of material fact that defendant conceived of the invention while working for plaintiffs.⁵ The trial court also determined that there was no genuine issue of material fact that defendant utilized plaintiffs' resources when developing the invention.

II. Plaintiffs' Claims—Summary Disposition

Defendant contends that the trial court erred in granting summary disposition to plaintiffs because he conceived of the invention before his employment with plaintiffs and that he did not utilize plaintiffs resources in developing the invention. We find both arguments to be without merit.

We review a trial court's ruling on a motion for summary disposition de novo. *Spiek v Dep't of Transportation*, 456 Mich 331, 337; 572 NW2d 201 (1998). "MCR 2.116(C)(10) tests the factual support of a plaintiff's claim. The court considers the affidavits, pleadings, depositions, admissions, and other documentary evidence submitted or filed in any action to determine whether a genuine issue of material facts exists to warrant a trial." *Id.*

A. Defendant's Conception of the Invention

Defendant first argues that he conceived of the initial idea of the project before plaintiffs employed him. We disagree. The trial court properly identified that the critical timing for when an invention is conceived is not when the inventor initially has an idea, but rather when the idea and disclosure are made for a complete idea. The trial court cited *Townsend v Smith*, 36 F2d 292; 17 CCPA 647 (1929), for the proposition that "conception is the mental formation and disclosure by an inventor of a complete product of a process." This precept of patent law is echoed in *Burroughs Wellcome Co v Barr Laboratories*, 40 F3d 1223, 1228 (ED NC, 1994):

Conception is the touchstone of inventorship, the completion of the mental part of invention. It is "the formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be

⁵ To the extent the trial court's order suggests that it made any "findings," this was error. The court may not make findings of fact or weigh credibility in deciding a summary disposition motion. *Skinner v Square D Co*, 445 Mich 153, 161; 516 NW2d 475 (1994); *Nesbitt v American Community Mut Ins Co*, 236 Mich App 215, 225; 600 NW2d 427 (1999). Rather, the test for a summary disposition motion brought under MCR 2.116(C)(10) is whether a genuine issue of material fact exists. Because the trial court enunciated the proper standards for reviewing a motion for summary disposition, and because neither party suggested the trial court improperly made findings of fact, we will assume the trial court mistakenly used the term "find" when it really meant to state that it concluded that no genuine issue of material fact existed on a particular point.

applied in practice." *Conception is complete only when the idea is so clearly defined in the inventor's mind that only ordinary skill would be necessary to reduce the invention to practice, without extensive research or experimentation.* Because it is a mental act, courts require corroborating evidence of a contemporaneous disclosure that would enable one skilled in the art to make the invention.

Thus, the test for conception is whether the inventor had an idea that was definite and permanent enough that one skilled in the art could understand the invention; the inventor must prove his conception by corroborating evidence, preferably by showing a contemporaneous disclosure. An idea is definite and permanent when the inventor has a specific, settled idea, a particular solution to the problem at hand, not just a general goal or research plan he hopes to pursue. The conception analysis necessarily turns on the inventor's ability to describe his invention with particularity. Until he can do so, he cannot prove possession of the complete mental picture of the invention. These rules ensure that patent rights attach only when an idea is so far developed that the inventor can point to a definite, particular invention. [Internal citations omitted. Emphasis added.]

Here, the only suggestion that defendant "conceived" of the invention before working for plaintiffs is his own deposition testimony in which he states that in 1997 he spoke with his stepbrother about the invention. Defendant admits that he was "only talking" about the invention at the time. Defendant had not shown his stepbrother any drawings, made any prototypes, or described any of the specifics related to the invention. Moreover, defendant had not consulted a patent attorney related to the invention. Furthermore, defendant acknowledges in his brief on appeal that the embodiment of the invention came in 1999. Finally, in his patent application, he admits that the invention was created during the course of his employment. Accordingly, there is no genuine issue of fact as to whether defendant created the invention before his employment with plaintiffs. The trial court did not err in granting summary disposition on this basis.

B. Defendant's Use of Plaintiffs' Resources

Defendant also asserts that the trial court's ruling was erroneous because he did not develop the invention using plaintiffs' resources. We disagree.

The focus on appeal is whether defendant "developed, tested, improved, or investigated either in part or entirely on time for which [defendant] was paid by the Company or using any resources of the Company" as set forth in clause 4 of the agreement. The parties do not dispute that defendant would have an obligation to assign the rights to any product defined by clause 4. While this Court is liberal in finding a question of material fact, and all inferences are to be made in favor of the nonmoving party, *Marlo Beauty Supply, Inc v Farmers Ins Group*, 227 Mich App 309, 320; 575 NW2d 324 (1998), we find, based on the evidence presented in the trial court, that there was no genuine issue of fact on this issue.

Although defendant stated in a deposition that he did not use plaintiffs' resources to develop, test, improve, or investigate the invention, this general denial does not create a genuine issue of fact when viewed in light of defendant's other testimony and other evidence which establishes specific ways in which he did use plaintiffs' resources to this end. First, defendant

does not dispute that he informed plaintiffs' in-house patent counsel, Jeff Thurnau, of the invention. Thurnau instituted a "novelty investigation" for the invention and upon its successful investigation, he then prepared a patent application and returned it for defendant's review. Defendant made corrections and notations to the patent application. While defendant argues that the patenting procedure did not operate to "develop, test, improve, or investigate" the invention, we find the "novelty investigation" constitutes investigation of the invention as set forth in set forth in clause 4 of the agreement. Additionally, plaintiffs' resources were used in the investigation and patent process. Defendant's stated *reasons* for initiating patent procedures with plaintiffs' patent department do not create a genuine issue of fact when the evidence clearly shows that plaintiffs' patent department investigated the invention.

Second, although defendant testified that he used his home computer to develop the invention, the lower court record contains uncontroverted evidence that computer files relating to the invention are found on plaintiffs' hard drive, but are not found on the hard drive of defendant's home computer. In his brief on appeal, defendant states: "Relative to the computer files, review of same reveals that they all simply duplicate Sevastian's written/recorded disclosure of the invention which he had initially, earlier prepared on his home computer in December 1999, and which he subsequently loaded onto Gates' computer system for the sole purpose of submitting the Statement of Invention." However, a comparison of the file directories for defendant's home and work computers shows that defendant stored approximately 716 more kilobytes related to the invention on his work computer. Clearly, the documents stored on the work computer were not simply duplicates of the files created at home.

As such, we find that there was no genuine issue of fact as to whether defendant used plaintiffs' resources to develop, test, improve, or investigate the invention. Therefore, the trial court did not err in granting plaintiffs summary disposition on this basis.

III. Defendant's Counterclaims

Defendant also asserts that the trial court erred in dismissing his counterclaims. The trial court concluded that all defendant's counterclaims were based, in some way, on the patent rights. Defendant has conceded this point in his brief on appeal stating: "As has been generally agreed by the parties throughout the commencement of this action, determination as to ownership of [the invention] will essentially govern the outcome of the remaining claims and counterclaims between the parties." Because we conclude that the trial court's determination on that issue was correct, we likewise find that the trial court did not err in dismissing defendant's counterclaims.

Affirmed.

/s/ Kathleen Jansen
/s/ Janet T. Neff
/s/ Kirsten Frank Kelly