



Online Ethics Center
FOR ENGINEERING AND SCIENCE

Entrepreneur on Company Time

Author(s)

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Year

1998

Description

This scenario details a case in which proprietary issues arise when employees are encouraged to develop ideas for new businesses while working with the company.

Body

A division of a Fortune 500 company (Division X) initiated a new ideas contest to solicit ideas from their employees. The program was a contest open to all employees and to any idea. The new ideas contest was characterized as entrepreneurial in spirit and promotional material promised to involve, recognize, reward, and support the employees whose ideas were chosen.

Of the hundreds of ideas submitted, five were selected for further consideration. The Division General Manager addressed the winners to emphasize the opportunity the contest presented to start a new business from the ground up. The winners were then asked to provide a detailed New Product Concept sheet defining the proposed business entity, together with a company name, a logo, market definition, and competitive advantage. The new ideas program failed to provide the support the five winners expected and soon only one business concept (Project I) survived.

The enterprising employee (Engineer Z) whose idea (Project I) survived counted on the wording of the contest promotional material. He continued to participate virtually alone on his personal time, essentially as an unpaid outside contractor, to develop and supply the company with both technical and business intellectual property over the following 23 months. The new ideas contest supported the effort by providing a small travel budget to investigate marketing opportunities. Toward the end of this period Division X decided the project had significant merit and provided Engineer Z with support to develop prototype hardware. A useful and valuable device was perfected.

During this time Engineer Z created a solid business concept, obtained corporate support, identified customers, teamed with suppliers and technology experts. Prospects for launching the entrepreneurial business envisioned by Engineer Z became very promising. At that point Division X made it Engineer Z's job to further develop the project. Division X soon decided to redefine Project I as a product line. Engineer Z was disappointed that the project was not becoming the basis for a new company as he expected but was being incorporated into the existing company structure.

A patent on the device was filed with Engineer Z as an inventor, but Engineer Z is surprised that the Division X claims sole ownership of the patent. He remembers signing a typical invention agreement when he went to work for the company, but thought that new ideas would be handled differently from inventions that arose from regular work assignments. After a short time Division X decides the business and technology involved was very significant (perhaps worth hundreds of millions of dollars in business) but not a core technology at Division X, so they propose moving production of the new product to another division in another city. Engineer Z is not offered any role in the other division.

Questions:

1. What should be done at this point? Engineer Z feels he had made a significant contribution to the company, sacrificing most of his personal life during the two years of development and is not getting what he was led to expect from the contest promotional material. (This had been the first time the company had held such a contest.)
2. Division X feels extra effort was part of what Engineer Z is paid to do and they have a legal right to use his invention as they think best. If a company's action

now differ substantially from what they said in setting up the contest, does that influence their obligations to Engineer Z?

3. What companies do you know of that encourage new product ideas from their employees and either often spin off new companies to make the new products or regularly develop new product lines on that basis?
4. How would you advise young engineers to handle themselves in situations where they have a major idea for a new product?

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Intellectual Property and Patents

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Discipline(s)

Engineering

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