

104TH CONGRESS
1ST SESSION

H. R. 2419

To amend part I of title 35, United States Code, to provide for the protection of inventors contracting for invention development services.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 28, 1995

Mr. MOORHEAD (for himself and Mrs. SCHROEDER) introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend part I of title 35, United States Code, to provide for the protection of inventors contracting for invention development services.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Inventor Protection
5 Act of 1995”.

6 **SEC. 2. INVENTION DEVELOPMENT SERVICES.**

7 Part I of title 35, United States Code, is amended
8 by adding after chapter 4 the following new chapter:

1 **“CHAPTER 5—INVENTION DEVELOPMENT**
 2 **SERVICES**

“Sec.

“51. Definitions.

“52. Contracting requirements.

“53. Standard provisions for cover notice.

“54. Reports to customer required.

“55. Mandatory contract terms.

“56. Remedies.

“57. Enrollment of invention developers.

“58. Records of complaints.

“59. Enrollment fee.

“60. Suspension or exclusion from enrollment.

“61. Unenrolled representation as invention developer.

“62. Rule of construction.

3 **“§ 51. Definitions**

4 “For purposes of this chapter, the term—

5 “(1) ‘contract for invention development serv-
 6 ices’ means a contract by which an invention devel-
 7 oper undertakes invention development services for a
 8 customer;

9 “(2) ‘customer’ means any person, firm, part-
 10 nership, corporation, or other entity who enters into
 11 a contract for invention development services;

12 “(3) ‘invention developer’ means any person,
 13 firm, partnership or corporation, who offers to per-
 14 form or performs for a customer any act described
 15 under paragraph (4), except—

16 “(A) any department or agency of the Fed-
 17 eral, State, or local government;

18 “(B) any nonprofit, charitable, scientific,
 19 or educational organization, qualified under ap-

1 applicable State law or described under section
2 170(b)(1)(A) of the Internal Revenue Code of
3 1986; or

4 “(C) any person duly registered and in
5 good standing before the United States Patent
6 and Trademark Office acting within the scope
7 of that person’s registration to practice before
8 the United States Patent and Trademark Of-
9 fice; and

10 “(4) ‘invention development services’ means,
11 with respect to an invention submitted by a cus-
12 tomer, any act involved in—

13 “(A) evaluating the invention to determine
14 its protectability as some form of intellectual
15 property;

16 “(B) evaluating the invention to determine
17 its commercial potential; or

18 “(C) marketing, brokering, licensing, sell-
19 ing, or promoting the invention or a product or
20 service in which the invention is incorporated or
21 used.

22 **“§ 52. Contracting requirements**

23 “(a)(1) Every contract for invention development
24 services shall be in writing and shall be subject to the pro-
25 visions of this chapter. A copy of the signed written con-

1 tract shall be given to the customer at the time the cus-
2 tomer enters into the contract.

3 “(2) If a contract is entered into for the benefit of
4 a third party, such party shall be considered a customer
5 for the purposes of this chapter.

6 “(b) The invention developer shall—

7 “(1) state in a written document, at the time
8 a customer enters into a contract for invention de-
9 velopment services, whether the usual business prac-
10 tice of the invention developer is to—

11 “(A) seek more than 1 contract in connec-
12 tion with an invention; or

13 “(B) seek to perform services in connection
14 with an invention in 1 or more phases, with the
15 performance of each phase covered in 1 or more
16 subsequent contracts; and

17 “(2) supply to the customer a copy of the writ-
18 ten document together with a written summary of
19 the usual business practices of the invention devel-
20 oper including—

21 “(A) the usual business terms of contracts;
22 and

23 “(B) the approximate amount of the usual
24 fees of the invention developer or other consid-
25 eration, that may be required from the cus-

1 tomer for each of the services provided by the
2 developer.

3 “(c)(1) Notwithstanding any contractual provision to
4 the contrary, no payment for invention development serv-
5 ices shall be required, accepted, or received until the expi-
6 ration of a period of 5 business days beginning on the
7 date on which the customer receives a copy of the contract
8 for invention development services signed by the invention
9 developer and the customer.

10 “(2) Delivery of a promissory note, check, bill of ex-
11 change, or negotiable instrument of any kind to the inven-
12 tion developer or to a third party for the benefit of the
13 invention developer, irrespective of the date or dates ap-
14 pearing in such instrument, shall be deemed payment re-
15 ceived by the invention developer on the date received for
16 the purpose of this section.

17 “(d)(1) Until 5 business days after the payment de-
18 scribed under subsection (c) is made, the parties shall have
19 the option to refuse to enter into the contract as provided
20 under paragraphs (2) and (3).

21 “(2) The customer may exercise the option by—

22 “(A) refraining from making payment to the in-
23 vention developer; or

24 “(B) providing written notice of the refusal to
25 the invention developer.

1 “(3) The invention developer may exercise the option
2 by giving to the customer a written notice of the exercise
3 of the option. The written notice shall become effective
4 upon receipt by the customer.

5 **“§ 53. Standard provisions for cover notice**

6 “(a) Every contract for invention development serv-
7 ices shall have a conspicuous and legible cover sheet at-
8 tached with the following notice imprinted thereon in bold-
9 face type of not less than 12-point size:

10 “‘YOU ARE NOT REQUIRED TO MAKE
11 ANY PAYMENTS UNDER THIS CONTRACT
12 UNTIL FIVE (5) BUSINESS DAYS AFTER YOU
13 SIGN THIS CONTRACT AND RECEIVE A COM-
14 PLETED COPY OF IT.

15 “‘THE TOTAL NUMBER OF INVENTIONS
16 EVALUATED BY THE INVENTION DEVEL-
17 OPER FOR COMMERCIAL POTENTIAL IN
18 THE PAST FIVE (5) YEARS IS _____. OF
19 THAT NUMBER, _____ RECEIVED POSI-
20 TIVE EVALUATIONS AND _____ RE-
21 CEIVED NEGATIVE EVALUATIONS.

22 “‘IF YOU ASSIGN EVEN A PARTIAL IN-
23 TEREST IN THE INVENTION TO THE IN-
24 VENTION DEVELOPER, THE INVENTION DE-
25 VELOPER MAY HAVE THE RIGHT TO SELL

1 OR DISPOSE OF THE INVENTION WITHOUT
2 YOUR CONSENT AND MAY NOT HAVE TO
3 SHARE THE PROFITS WITH YOU.

4 “THE TOTAL NUMBER OF CUSTOMERS
5 WHO HAVE CONTRACTED WITH THE IN-
6 VENTION DEVELOPER IN THE PAST FIVE
7 (5) YEARS IS _____. THE TOTAL NUM-
8 BER OF CUSTOMERS KNOWN BY THIS IN-
9 VENTION DEVELOPER TO HAVE RECEIVED,
10 BY VIRTUE OF THIS INVENTION DEVEL-
11 OPER’S PERFORMANCE, AN AMOUNT OF
12 MONEY IN EXCESS OF THE AMOUNT PAID
13 BY THE CUSTOMER TO THIS INVENTION
14 DEVELOPER IS _____. THE NAMES
15 AND ADDRESSES OF SUCH CUSTOMERS, IF
16 ANY, SHALL BE PROVIDED TO ANY PERSON
17 REQUESTING IT.

18 “THE OFFICERS OF THIS INVENTION
19 DEVELOPER HAVE COLLECTIVELY OR INDI-
20 VIDUALLY BEEN AFFILIATED IN THE LAST
21 TEN (10) YEARS WITH THE FOLLOWING IN-
22 VENTION DEVELOPMENT COMPANIES:
23 (LIST THE NAMES AND ADDRESSES OF ALL
24 PREVIOUS INVENTION DEVELOPMENT COM-
25 PANIES WITH WHICH THE PRINCIPAL OFFI-

1 CERS HAVE BEEN AFFILIATED AS OWNERS,
2 AGENTS, OR EMPLOYEES). YOU ARE EN-
3 COURAGED TO CHECK WITH THE UNITED
4 STATES PATENT AND TRADEMARK OFFICE,
5 THE FEDERAL TRADE COMMISSION, YOUR
6 STATE ATTORNEY GENERAL'S OFFICE, AND
7 THE BETTER BUSINESS BUREAU FOR ANY
8 COMPLAINTS FILED AGAINST ANY OF
9 THESE COMPANIES.

10 "YOU ARE ENCOURAGED TO CONSULT
11 WITH AN ATTORNEY OF YOUR OWN CHOOS-
12 ING BEFORE SIGNING THIS CONTRACT. BY
13 PROCEEDING WITHOUT THE ADVICE OF A
14 QUALIFIED ATTORNEY, YOU COULD LOSE
15 ANY RIGHTS YOU MIGHT HAVE IN YOUR
16 IDEA OR INVENTION.'

17 "(b)(1) In addition to the requirements of subsection
18 (a), every contract for invention development services shall
19 contain the appropriate matter under paragraph (2) or
20 (3).

21 "(2) For invention developers who are enrolled the
22 contract shall contain the following:

23 "(NAME OF INVENTION DEVELOPER)
24 IS ENROLLED WITH THE COMMISSIONER
25 OF PATENTS AND TRADEMARKS AND

1 BEARS ENROLLMENT NUMBER _____. THE
2 FACT THAT AN INVENTION DEVELOPER IS
3 ENROLLED WITH THE COMMISSIONER OF
4 PATENTS AND TRADEMARKS AS REQUIRED
5 BY LAW IS NOT AN ENDORSEMENT OF THE
6 INVENTION DEVELOPER NOR IS IT AN INDI-
7 CATOR THAT THEY ARE AUTHORIZED BY
8 THE COMMISSIONER TO REPRESENT APPLI-
9 CANTS OR OTHER PARTIES BEFORE THE
10 PATENT AND TRADEMARK OFFICE IN PAT-
11 ENT, TRADEMARK, OR OTHER MATTERS.’.

12 “(3) For invention developers who are not enrolled
13 the contract shall contain the following:

14 ““(NAME OF INVENTION DEVELOPER)
15 IS NOT ENROLLED WITH THE COMMIS-
16 SIONER OF PATENTS AND TRADEMARKS AS
17 AN INVENTION DEVELOPER. BY NOT SO
18 ENROLLING, (NAME OF INVENTION DEVEL-
19 OPER) HAS INDICATED THAT IT WILL NOT
20 OFFER TO PERFORM OR PERFORM FOR A
21 CUSTOMER ANY ACT INVOLVED IN FILING
22 FOR AND OBTAINING PATENT, TRADE-
23 MARK, OF DESIGN PROTECTION.’”.

24 “(c) The cover notice shall contain the items required
25 under subsections (a) and (b) and the name, primary of-

1 fice address, and local office address of the invention de-
2 veloper, and may contain no other matter.

3 **“§ 54. Reports to customer required**

4 “With respect to every contract for invention develop-
5 ment services, the invention developer shall deliver to the
6 customer at the address specified in the contract, at least
7 at quarterly intervals throughout the term of the contract,
8 a written report that identifies the contract and includes—

9 “(1) a full, clear, and concise description of the
10 services performed to the date of the report and of
11 the services yet to be performed and names of all
12 persons who shall perform the services; and

13 “(2) the name and address of each person,
14 firm, or corporation to whom the subject matter of
15 the contract has been disclosed, the reason for each
16 and every disclosure, the nature of the disclosure,
17 and copies of all responses received as a result of
18 those disclosures.

19 **“§ 55. Mandatory contract terms**

20 “(a) Each contract for invention development services
21 shall include in boldface type of not less than 12-point
22 size—

23 “(1) the terms and conditions of payment and
24 contract termination rights required under section
25 52;

1 “(2) a statement that the customer may avoid
2 entering into the contract by not making a payment
3 to the invention developer;

4 “(3) a full, clear, and concise description of the
5 specific acts or services that the invention developer
6 undertakes to perform for the customer;

7 “(4) a statement as to whether the invention
8 developer undertakes to construct, sell, or distribute
9 one or more prototypes, models, or devices embody-
10 ing the invention of the customer;

11 “(5) the full name and principal place of busi-
12 ness of the invention developer and the name and
13 principal place of business of any parent, subsidiary,
14 agent, independent contractor, and any affiliated
15 company or person that may perform any of the
16 services or acts that the invention developer under-
17 takes to perform for the customer;

18 “(6) if any oral or written representation of es-
19 timated or projected customer earnings is given by
20 the invention developer (or any agent, employee, offi-
21 cer, director, partner, or independent contractor of
22 such invention developer) a statement of that esti-
23 mation or projection and a description of the data
24 upon which such representation is based;

1 “(7)(A) the name and address of the custodian
2 of all records and correspondence relating to the
3 contracted for invention development services, and a
4 statement that the invention developer is required to
5 maintain all records and correspondence relating to
6 performance of the invention development services
7 for that customer for a period of not less than 2
8 years after expiration of the term of the contract for
9 invention development services; and

10 “(B) a statement that before destruction or dis-
11 posal of the records and correspondence, the inven-
12 tion developer is required to notify the customer and
13 make such records and correspondence available to
14 the customer at a reasonable cost; and

15 “(8) a statement setting forth a time schedule
16 for performance of the invention development serv-
17 ices, including an estimated date by which perform-
18 ance of the invention development services is ex-
19 pected to be completed.

20 “(b) To the extent that the description of the specific
21 acts or services affords discretion to the invention devel-
22 oper as to what specific acts or services shall be per-
23 formed, the invention developer shall be deemed a fidu-
24 ciary.

1 “(c) Records and correspondence described under
2 subsection (a)(7) shall be made available to the customer
3 or the representative of the customer for review and copy-
4 ing at the customer’s reasonable expense on the invention
5 developer’s premises during normal business hours upon
6 7 days written notice.

7 **“§ 56. Remedies**

8 “(a)(1) Any contract for invention development serv-
9 ices that does not comply with the applicable provisions
10 of this chapter shall be voidable at the option of the cus-
11 tomer.

12 “(2) Any contract for invention development services
13 entered into in reliance upon any false, fraudulent, or mis-
14 leading information, representation, notice, or advertise-
15 ment of the invention developer (or any agent, employee,
16 officer, director, partner or independent contractor of such
17 invention developer) shall be voidable at the option of the
18 customer.

19 “(3) Any waiver by the customer of any provision of
20 this chapter shall be deemed contrary to public policy and
21 shall be void and unenforceable.

22 “(4) Any contract for invention development services
23 made by an unenrolled invention developer, as provided
24 under section 57, shall be voidable at the option of the
25 customer.

1 “(b)(1) Any customer who is injured by a violation
2 of this chapter by an invention developer or by any false
3 or fraudulent statement, representation, or omission of
4 material fact by an invention developer (or any agent, em-
5 ployee, director, officer, partner or independent contractor
6 of such invention developer) or by failure of an invention
7 developer to make all the disclosures required under this
8 chapter, may recover in a civil action against the invention
9 developer (or the officers, directors, or partners of such
10 invention developer) in addition to reasonable costs and
11 attorneys’ fees, the greater of—

12 “(A) \$5,000; or

13 “(B) the amount of actual damages sustained
14 by the customer.

15 “(2) Notwithstanding paragraph (1), the court may
16 increase damages up to 3 times the amount awarded.

17 “(c) For the purpose of this section, substantial viola-
18 tion of any provision of this chapter by an invention devel-
19 oper or execution by the customer of a contract for inven-
20 tion development services in reliance on any false or fraud-
21 ulent statements, representations, or material omissions
22 shall establish a rebuttable presumption of injury.

23 **“§ 57. Enrollment of invention developers**

24 “(a) The Commissioner of Patents and Trademarks
25 shall require invention developers that offer to perform or

1 perform for a customer any act involved in filing for and
2 obtaining utility, design, or plant patent or trademark pro-
3 tection to enroll annually with the Patent and Trademark
4 Office. Invention developers that offer to perform or per-
5 form such acts through an agent, employee, officer, part-
6 ner, or independent contractor shall also enroll.

7 “(b) The enrollment required under subsection (a)
8 shall include disclosure of—

9 “(1)(A) the names and addresses of all prin-
10 cipal officers of the invention developer; and

11 “(B) the names and principal place of business
12 of all invention developers with which the principal
13 officers have been affiliated during the 10-year pe-
14 riod before the date of enrollment; and

15 “(2) require disclosure of any administrative,
16 civil, or criminal action taken against the invention
17 developer (or any officer, director, or partner of such
18 invention developer) by any agent of Federal, State,
19 or local government.

20 “(c) Subject to the approval of the Secretary of Com-
21 merce, the Commissioner may prescribe regulations that—

22 “(1) govern the conduct of invention developers
23 and may require an invention developer, before en-
24 rollment, to demonstrate good reputation and nec-
25 essary qualifications to render to customers or other

1 persons valuable service, advice, and assistance in
2 the invention development process;

3 “(2) provide which agents, employees, officers,
4 partners, independent contractors or other individ-
5 uals of an invention developer are required to enroll
6 under subsection (a); and

7 “(3) provide—

8 “(A) what information and records held or
9 retained by the invention developer shall be re-
10 quired to be made available to the Commis-
11 sioner; and

12 “(B) the conditions under which such in-
13 formation and records shall be made available.

14 **“§ 58. Records of complaints**

15 “(a) The Commissioner shall make all complaints re-
16 ceived by the Patent and Trademark Office involving in-
17 vention developers publicly available.

18 “(b) The Commissioner may request complaints re-
19 lating to invention development services from any Federal
20 or State agency and include such complaints in the records
21 maintained under subsection (a).

22 **“§ 59. Enrollment fee**

23 “The Commissioner may establish reasonable fees to
24 cover all costs and expenses to carry out the provisions
25 of this chapter.

1 **“§ 60. Suspension or exclusion from enrollment**

2 “(a) The Commissioner may, after notice and oppor-
3 tunity for a hearing, suspend or exclude, either generally
4 or in any particular case, from enrollment as an invention
5 developer, any person, firm, partnership, or corporation—

6 “(1) demonstrated to be—

7 “(A) incompetent;

8 “(B) disreputable;

9 “(C) liable for gross misconduct; or

10 “(D) not in compliance with the regula-
11 tions established under this chapter; or

12 “(2) who shall in any manner deceive, mislead,
13 defraud, or threaten any customer.

14 “(b) The reasons for any such suspension or exclu-
15 sion shall be duly recorded.

16 “(c) The United States District Court for the District
17 of Columbia under such conditions and upon such proceed-
18 ings as by rule determined by such court, may review the
19 action of the Commissioner upon the petition of the inven-
20 tion developer so suspended or excluded.

21 **“§ 61. Unenrolled representation as invention devel-**
22 **oper**

23 “Whoever, not being enrolled as an invention devel-
24 oper with the Patent and Trademark Office, holds himself
25 out or permits himself to be held out as so enrolled, or
26 as being qualified to provide invention development serv-

1 ices, or provides invention development services shall be
2 guilty of a misdemeanor and fined not more than \$10,000
3 for each offense.

4 **“§ 62. Rule of construction**

5 “Except as expressly provided in this chapter, no pro-
6 vision of this chapter shall be construed to affect any obli-
7 gation, right, or remedy provided under any other Federal
8 or State law.”.

9 **SEC. 3. TECHNICAL AND CONFORMING AMENDMENT.**

10 The table of chapters for part I of title 35, United
11 States Code, is amended by adding after the item relating
12 to chapter 4 the following:

“5. Invention development services 51”.

13 **SEC. 4. EFFECTIVE DATE.**

14 (a) IN GENERAL.—Except as provided in subsection
15 (b), this Act and the amendments made by this Act shall
16 take effect 60 days after the date of the enactment of this
17 Act.

18 (b) CERTAIN REQUIREMENTS.—The provisions of
19 sections 53(b), 56(a)(4), 57, 59, 60, and 61 of title 35,
20 United States Code (as added by section 2 of this Act)
21 shall take effect 1 year after the date of the enactment
22 of this Act.

