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PROSPECTUS
EDITORIAL



A COLUMN BY THE CES MoT COMMITTEE

by Howard M. Cohn

PATENT ATTORNEY

This second of a four-part story is designed to cover the basics of the Patent Process.

During the meeting between Julie and Rob (employees of the Millennium Bicycle Company), their boss Ted (the owner of Millennium), and Michael Jones (a patent attorney), the discussion quickly turned to how the idea for the new, adjustable bike rack was conceived. Ted, being the "boss," spoke up first and explained how the idea belonged to Millennium since Rob created the design on Millennium's CAD/CAM system and built a prototype (known in patent law as "reduction to practice").

Julie, Millennium's legal counsel, quickly pointed out that the idea was originally hers, and she had shared it with Rob during a lunch meeting in the company cafeteria. Rob explained how he had sketched out the design and added a few features later, after further discussing the design during a dinner with Julie. Ted agreed that he personally did not really add any features, but that the idea was clearly developed during the course of work and Millennium planned to set up a new division to sell the bike racks. Also, there was a strong possibility that a large sporting goods company would license the bike rack.

Attorney Jones explained that the first thing that needed to be done was to sort out the ownership rights, and he summarized the operative facts as follows. The idea first came

to Julie, she shared it with Rob at work, together they completed the essential design over dinner, and Rob created the design on Millennium's CAD/CAM system and built a prototype at work. At least part of the rights to the invention belongs to Julie and Rob with the remainder belonging to Millennium (not Ted). At most, the entire invention belongs to Julie and Rob, and Millennium might have a shop right, which would allow them to use the invention without payment to Julie and Rob.

After Attorney Jones described the intricacies of dividing up the ownership rights to the bike rack, Julie immediately told the group that she was giving up any of her rights to the patent and was pleased to see Millennium adopt her idea. Rob was also happy to be in on the early development of the bike rack and agreed to give any of his patent rights to Millennium. Ted appreciated his trusted employees and told them that the transfer of their rights to Millennium would in some way be rewarded.

Attorney Jones suggested¹ that Julie and Rob simply assign their patent rights to Millennium. An assignment is a contract that requires an offer (we will assign our patent rights) an acceptance (we accept your offer) and consideration (payment for the item or services being tendered). Attorney Jones explained that we certainly have an offer and acceptance, but valid consideration might be missing.

"We'll need to establish some consider-

ation," explained Attorney Jones. Many companies give a percentage of the profit, a \$1 bill, a coffee cup, a pen, a plaque, etc, as consideration. Ted, feeling generous, agreed that to give them either a sum of money or a percentage of the profit, especially now that a licensee was on the horizon. Then Ted instructed Attorney Jones to "get us a patent as soon as possible."

During the discussion about who owned the patent rights, Attorney Jones asked to see Millennium's employment agreement. He wanted to see if it contained a typical clause about the assignment of patent rights by employees to the company. Julie explained that since Millennium was started in Ted's garage and the employees were just added over time, there never had been a policy of making employees sign such an employment agreement. Julie explained that it would be especially hard to get employees that had been there from the beginning to sign such an agreement.

As you can see from this situation, it is better to deal with having all employees sign an employment agreement before it is needed.

What steps should Attorney Jones take to get a patent as soon as possible?

Next month we will examine invention disclosures, types of inventions and patent searches.

AUTHOR'S NOTE: 1) For purposes of this article, the possibility of one attorney representing three people, each having diverse legal interests, is being ignored.

Disclaimer: This article is intended to be educational, and does not constitute legal advice, nor does it create or constitute any attorney-client relationship.

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