ENGROSSED HOUSE
BILL NO. 1399

BY: POPE of the HOUSE

and

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AN ACT RELATING TO CONTRACTS; ENACTING THE INVENTION DEVELOPMENT SERVICES ACT; PROVIDING SHORT TITLE; DEFINING TERMS; REQUIRING THE PROVISION OF CERTAIN CONTRACTS TO CERTAIN CUSTOMERS; AUTHORIZING THE CANCELLATION OF CERTAIN CONTRACTS, AND PROCEDURES RELATED THERETO; REQUIRING THE INCLUSION OF CERTAIN STATEMENTS IN SUCH CONTRACTS; REQUIRING CERTAIN FORM, INFORMATION, AND STATEMENTS IN SUCH CONTRACTS; REQUIRING THE DISCLOSURE OF CERTAIN INFORMATION TO THE CUSTOMER WITHIN SPECIFIED TIME PERIOD; SPECIFYING CERTAIN FINANCIAL REQUIREMENTS OF INVENTION DEVELOPER; PROVIDING FOR BONDS, CASH DEPOSITS AND LIABILITY OF INVENTION DEVELOPER; RESTRICTING THE USE OF NEGOTIABLE INSTRUMENTS; REQUIRING THE MAINTENANCE OF CERTAIN RECORDS; PROVIDING FOR CERTAIN REMEDIES; AUTHORIZING CERTAIN COSTS AND ATTORNEYS FEES; AUTHORIZING CERTAIN CIVIL ACTIONS, AWARDS AND DAMAGES; AUTHORIZING THE VOIDING OF CERTAIN CONTRACTS; LIMITING EFFECT OF ACT; PROVIDING FOR CODIFICATION; AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 680 of Title 15, unless there is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Invention Development Services Act".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 681 of Title 15, unless there is created a duplication in numbering, reads as follows:

As used in the Invention Development Services Act:

1. "Contract for invention development services" includes a contract by which an invention developer undertakes to develop or promote an invention for a customer;

2. "Customer" means any natural person who is solicited by, inquires about, seeks the services of or enters into a contract with an invention developer for invention development services;

3. "Invention" includes a process, design, asexually reproduced plant, machine, manufacture, composition of matter, improvement upon the foregoing, or a concept;

4. "Invention developer" means any person, firm, corporation or association and the agents, employees or representatives of the person, firm, corporation or association which develops or promotes or offers to develop or promote an invention of a customer in order that the invention of the customer may be patented, licensed or sold for manufacture or manufactured in large quantities. The term "invention developer" does not include:

a. a partnership or corporation when all of its partners, stockholders or members are licensed by a state or the United States to render legal advice concerning patents and trademarks, or a person so licensed,

b. a department or agency of the federal, state or local government, including the inventor's assistance

program established by the Oklahoma Department of Commerce,

c. a charitable, scientific, education, religious or other organization registered pursuant to state law,

d. a person, firm, corporation, association or other entity that does not charge a fee for invention development services, or

e. any person, firm, corporation, association or other entity whose gross receipts from contracts for invention development services do not exceed ten percent (10%) of its gross receipts from all sources during the fiscal year preceding the year in which any contract for invention development services is signed.

For the purposes of this paragraph, "fee" shall include any payment made by the customer to the entity, including reimbursements for expenditures made or costs incurred by such entity, but shall not include a payment made from a portion of the income received by a customer by virtue of invention development services performed by the entity;

5. "Invention development services" includes any act required or promised to be performed, or actually performed by an invention developer for a customer.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 682 of Title 15, unless there is created a duplication in numbering, reads as follows:

A. Every contract for invention development services shall be in writing and shall be subject to the provisions of the Invention Development Services Act. A copy of each fully executed, written contract shall be given to the customer at the time the customer signs the contract.

B. If one or more contracts are contemplated by the invention developer in connection with an invention or if the invention

developer contemplates performance of services in connection with an invention in more than one phase with the performance of each phase covered in one or more contracts, the invention developer shall so state in a written statement and shall supply to the customer the written statement together with a copy of each contract or a written summary of the general terms of each contract, including the total cost or consideration required from the customer, before the customer signs the first contract.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 683 of Title 15, unless there is created a duplication in numbering, reads as follows:

A. The customer shall have the unconditional right to cancel a contract for invention development services for any reason at any time before midnight of the third business day following the date the invention developer and the customer sign the contract and the customer receives a fully executed copy of it. Written notice of cancellation may be delivered personally or by certified mail. If given by certified mail, the notice is effective upon the date certified by signature. Notice of cancellation need not take a particular form and is sufficient if it indicates, by any form of written expression, the intention of the customer not to be bound by the contract. Within ten (10) business days after receipt of the notice of cancellation, the invention developer shall deliver to the customer, personally or by certified mail, all moneys paid, any note or other evidence of indebtedness and all materials provided by the customer.

B. Every contract for invention development services shall contain the following statement in 10-point boldface type immediately above the place where the customer signs the contract:

"The three business day period during which you may cancel this contract for any reason by certified mailing or delivering written notice to the invention developer will expire on (last date to mail

or deliver notice). If you choose to use certified mail as your notice, it must be placed in the United States mail addressed to (Name of Invention Developer), at (Address of Invention Developer's Place of Business) with first class postage prepaid before midnight of this date. If you choose to personally deliver your notice to the invention developer, it must be delivered to him by the end of his normal business day on this date."

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 684 of Title 15, unless there is created a duplication in numbering, reads as follows:

A contract for invention development services shall be in the following form:

1. A contract for invention development services shall set forth the information required in this section in at least 10-point type;

2. The following disclosure statement shall be in boldface type and shall be located conspicuously on a cover sheet that contains no other writing:

"The following disclosures are required by law and are expressly made a part of this contract: You have the right to cancel this contract for any reason at any time within three (3) business days from the date you and the invention developer sign the contract and you receive a fully executed copy of it. To exercise this option you may use certified mail or personally deliver to this invention developer written notice of your cancellation. The method and time for notification is set forth in this contract immediately above the place for your signature. Upon cancellation, the invention developer must return by certified mail or personal delivery, within ten (10) business days after receipt of the cancellation notice, all money paid and all materials provided either by you or by another party in your behalf.

Unless the invention developer is a registered patent attorney or registered patent agent, he is not permitted to give you legal advice concerning patent, copyright or trademark law or to advise you of whether your idea or invention may be patentable or may be protected under the patent, copyright or trademark laws of the United States or any other law.

No patent, copyright or trademark protection will be acquired for you by the invention developer or by this contract. Your failure to inquire into the law governing patent, copyright or trademark matters may jeopardize your rights in your idea or invention both in the United States and in foreign countries. Your failure to identify and investigate existing patents, trademarks or registered copyrights may place you in jeopardy of infringing the copyrights, patent or trademark rights of other persons if you proceed to make, use, distribute or sell your idea or invention.";

3. The contract shall describe fully and in detail the acts or services that the invention developer contracts to perform for the customer;

4. The contract shall state whether the invention developer contracts to construct one or more prototypes, models or devices embodying the invention of the customer, the number of such prototypes to be constructed and whether the invention developer contracts to sell or distribute such prototypes, models or devices;

5. If an oral or written estimate of customer earning is made, the contract shall state the estimate and the data upon which it is based;

6. In a single statement the contract shall set forth both:

a. the total number of customers who have contracted with the invention developer, except that the number need not reflect those customers who have contracted within the last thirty (30) days, and

b. the number of customers who have received, by virtue of the invention developer's performance of invention development services, an amount of money in excess of the amount of money paid by such customers to the invention developer pursuant to a contract for invention development services;

7. The contract shall state the expected date of completion of the invention development services;

8. The contract shall state whether and the extent to which it effectuates or makes possible the purchase by the invention developer of an interest in the title to the invention of the customer;

9. The contract shall explain that the invention developer is required to maintain all records and correspondence relating to performance of the invention development services for that customer for a period not less than three (3) years after expiration of the term of the contract for invention development services;

10. The contract shall state that the records and correspondence required to be maintained pursuant to Section 9 of this act shall be made available to the customer or his representative for review and copying at the expense of the customer on the premises of the invention developer during normal business hours upon seven (7) days' written notice, the time period to begin from the date the notice is sent by certified mail;

11. The contract shall state the name of the person or firm contracting to perform the invention development services, all names under which said person or firm is doing or has done business as an invention developer during the previous ten (10) years, the names of all parent and subsidiary companies to the firm and the names of all companies that have a contractual obligation to the firm to perform invention development services; and

12. The contract shall state the principal business address of the invention developer and the name and address of its agent in this state authorized to receive service of process in this state.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 685 of Title 15, unless there is created a duplication in numbering, reads as follows:

In either the first written communication from the invention developer to a specific customer or at the first personal meeting between the invention developer and a customer, the invention developer shall make a written disclosure to the customer of the information required in this section.

The disclosure shall:

1. state the median fee charged to all of the customers of the invention developer who have signed contracts with the invention developer in the preceding six (6) months, excluding customers who have signed in the preceding thirty (30) days;

2. include a single statement setting forth:

   a. the total number of customers who have contracted with the invention developer, except that the number need not reflect those customers who have contracted within the preceding thirty (30) days, and

   b. the number of customers who have received by virtue of the invention developer's performance of invention development services an amount of money in excess of the amount of money paid by those customers to the invention developer pursuant to a contract for invention development services; and

3. contain the following statement:

"Unless the invention developer is an attorney, he is not permitted to give you legal advice concerning patent, copyright or trademark law or to advise you of whether your idea or invention may

be patentable or may be protected under the patent, copyright or trademark laws of the United States or any other law.

No patent, copyright or trademark protection will be acquired for you by the invention developer. Your failure to inquire into the law governing patent, copyright or trademark matters may jeopardize your rights in your idea or invention, both in the United States and in foreign countries. Your failure to identify and investigate existing patents, trademarks or registered copyrights may place you in jeopardy of infringing the copyrights, patent or trademark rights of other persons if you proceed to make, use, distribute or sell your idea or invention."

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 686 of Title 15, unless there is created a duplication in numbering, reads as follows:

A. Every invention developer rendering or offering to render invention development services in this state shall maintain a bond issued by a surety admitted to do business in this state, and equal to either ten percent (10%) of the invention developer's gross income from the invention development business in this state during the invention developer's preceding fiscal year, or Twenty-five Thousand Dollars ($25,000.00), whichever is larger. A copy of the bond shall be approved by the Attorney General and filed with the Secretary of State before the invention developer renders or offers to render invention development services in this state. The invention developer shall have ninety (90) days after the end of each fiscal year within which to change the bond as may be necessary to conform to the requirements of this subsection.

B. The bond required by subsection A of this section shall be in favor of the State of Oklahoma for the benefit of any person who, after entering into a contract for invention development services with an invention developer, is damaged by fraud or dishonesty of the invention developer in performance of the contract, by the

insolvency or the cessation of business by the invention developer or by the intentional violation of the Invention Development Services Act by the invention developer. Any person claiming against the bond may maintain an action at law against the invention developer and the surety company.

The aggregate liability of the surety company to all persons for all breaches of conditions of the bond shall not exceed the amount of the bond.

C. In lieu of the bond required by subsection A of this section, the invention developer may deposit with the State Treasurer a cash deposit in the like amount. The State Treasurer shall not refund a deposit until sixty (60) days after either the invention developer has ceased doing business in the state or a bond has been filed which complies with subsections A and B of this section.

SECTION 8. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 687 of Title 15, unless there is created a duplication in numbering, reads as follows:

In connection with a contract for invention development services, the invention developer shall not take from a customer a negotiable instrument other than a check as evidence of the obligation of the customer. A holder is not a holder in due course if he takes a negotiable instrument taken from a customer in violation of this section.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 688 of Title 15, unless there is created a duplication in numbering, reads as follows:

Every invention developer shall maintain all records and correspondence relating to performance of each invention development contract for a period of not less than three (3) years after expiration of the term of the contract.

SECTION 10. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 689 of Title 15, unless there is created a duplication in numbering, reads as follows:

A. The provisions of the Invention Development Services Act are not exclusive and do not relieve the parties or the contract from compliance with all other applicable provisions of law.

B. Any contract for invention development services that does not comply with the applicable provisions of the Invention Development Services Act shall be unenforceable against the customer as contrary to public policy, provided that no contract shall be unenforceable if the invention developer proves that noncompliance was unintentional and resulted from a bona fide error in spite of the invention developer's use of reasonable procedures adopted to avoid any such errors, and if the invention developer makes an appropriate correction.

C. Any contract for invention development services entered into by a customer with an invention developer who has used any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice in respect to that customer with the intent that the customer rely thereon, whether or not the customer was in fact misled, deceived or damaged, shall be unenforceable against the customer. Any waiver by the customer of the provisions of the Invention Development Services Act shall be deemed contrary to public policy and shall be void and unenforceable.

D. Any person who has been injured by a violation of the Invention Development Services Act by an invention developer, by any false or fraudulent statement, representation or omission of material fact by an invention developer or by failure of an invention developer to make all of the disclosures required by the Invention Development Services Act may bring a civil action against the invention developer for the damages sustained together with costs and disbursements, including reasonable attorneys fees. The

court in its discretion may increase the award of damages to an amount not to exceed three times the damages sustained or Two Thousand Five Hundred Dollars ($2,500.00), whichever is greater.

E. Failure to make the disclosures required by Section 6 of this act shall render any contract subsequently entered into between the customer and the invention developer voidable by the customer.

F. The provision of the Invention Development Services Act shall have no effect on any contract or agreement entered into prior to September 1, 1991.

SECTION 11. This act shall become effective September 1, 1991.

Passed the House of Representatives the 4th day of March, 1991.

Speaker of the House of Representatives

Passed the Senate the ____ day of _____, 1991.

President of the Senate