# CORPORATE TENT DEPARTMENT

## ORGANIZATION - ADMINISTRATION - FUNCTIONS

By

WORTH WADE

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# THE
# CORPORATE
# PATENT DEPARTMENT

## ITS ORGANIZATION – ADMINISTRATION – FUNCTIONS

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WORTH WADE

Advance House,

PUBLISHERS

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# SOURCES OF INFORMATION

The text of this book is primarily based upon the author' s 30 years of corporate experience in patents and licensing. He was, for 5 years, a "One-Man" Patent Department in a small one-product company; for 12 years, Manager of a Patent Department in a medium-sized, multi-product company; and, for the last 14 years, Director of Patents and Licensing in a large, multi-division corporation, having a fully-staffed Patent Department. Most of the procedures set forth in the text are based upon proven experience.

Secondly, the author has relied upon interviews with Managers of Patent Departments in other corporations and upon articles written by Patent Managers, which articles are cited in the Bibliography. From such sources, the author has been able to compare administrative and functional duties and to recommend certain additional practices.

Finally, the author has taken cognizance of the findings of three surveys of the patent function in certain corporations, namely, a study by the Industrial Research Institute and two reports of the National Industrial Conference Board, Inc.. These surveys are referred to at appropriate places in the text and cited in the Bibliography.

# THE CORPORATE PATENT DEPARTMENT

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# INTRODUCTION

Corporate Management is often at a loss to understand and to organize the patent function in the company. This uncertainty arises from the failure to understand the proper functions of a Patent Department. This department must be organized to render services to many company departments while maintaining unity of patent policy. The patent function should be considered as having a four-fold purpose:

1. Protecting the fruits of the research effort.
2. Providing insurance against interruption of production.
3. Creating income by sale or licensing of patent rights.
4. Protecting and enforcing trademark rights.

There has been a lot of discussion as to the position of the Patent Department in the corporate structure. Some Managements, knowing that patent attorneys are technically trained and deal with technical innovations, have placed the patent function under the direction of the Director of Research or Chief Engineer. Other Managements have considered only the legal aspects of the patent attorneys and have placed the patent function under the company's

With further growth of the company, there may be formed joint ventures and wholly owned subsidiaries, both domestic and foreign. The company has now become an international organization with many perplexing legal problems relating to anti-trust, distributorships, and trade practices and licensing. At this stage, the President or Executive Vice-President is no longer able to give the time necessary for the administration of the patent function. This is the stage at which, in many large corporations, the control of the patent function passes to the corporate Legal Department.

This case history indicates that a flexible attitude should be taken by Management regarding the position of the Patent Department in the corporate structure.

However there are other factors which may determine the place of the Patent Department in the corporation. If the Manager of the Patent Department should be promoted to Vice-President or Corporate Secretary, it is likely that the patent function will continue under his control. Further, the position of the Patent Department may be determined by the manner in which the company grows.

# CHAPTER I

## POSITION OF THE PATENT FUNCTION IN THE CORPORATE STRUCTURE

The Patent Department in a company normally performs a service for other departments; therefore, it should be considered a "staff" function instead of a "line" organization. While most patent work constitutes an expense, a company with a well organized licensing program or a Patent Development Department will find that patents can create income for the company.

In small companies having a "One-Man" Patent Department, the staff patent counsel may report to the President of the company, to the Chief Engineer or to the Research Director.

In medium and large corporations, the patent function may be carried out in three different departmental positions: 1. Reporting to General Management, 2. Reporting to the Technical Executive or the Director of Research and Development. 3. Reporting to General Legal Counsel or the Law Department. Which position is most advantageous for a particular company will depend

## 2. PATENT DEPARTMENT REPORTING TO A TECHNICAL EXECUTIVE

The term "Technical Executive" means a Vice-President to whom the Director of Research and Development and the Chief Engineer report. In some companies, the Technical Executive may be the Vice-President for Research and Development.

The second most favorable position for the patent function is achieved when the patent counsel or Manager of the Patent Department reports to a Technical Executive. When the company's products are of highly technical nature, this is a favorable position because (1) patent counsel or the Patent Department has direct contact with the technical staff; (2) The patent counsel or department can keep constantly abreast of technical advances and, (3) The patent counsel or department is in a position to influence company policy on new developments. There are, however, some disadvantages in having the patent function in the Technical Department, such as, (a) there may be a loss of objectivity in the patent opinions due to influence of the Technical Director, and (b) patent services for other departments such as Production, Merchandising and Sales may be neglected when the patent counsel is working full time for the Technical Department.

## TITLE OF THE PERSON IN CHARGE

The person responsible for directing and carrying out the patent function in the company may have various titles. When there is no organized department for patents, the attorney may be called "Staff Patent Counsel", and if there are two or more patent men in the company, the one in charge may be called "Chief Patent Counsel". Where there is a department to carry out the patent function, the person in charge may be called "Head Manager", "Director" or "Patent Administrator". In this book, the title, "Manager" is used because it appears to be appropriate and widely used. In many large companies, the Manager of the patent function may, in addition, hold the office of Vice-President.

## TITLE OF THE DEPARTMENT

When the patent functions in a company warrant a group title, the customary title is "Patent Department", but in some companies, the title, "Patent Law Department" is used. When the patent function is carried out under the control of the Law Department, the patent attorneys may operate under the title "Patent Section" or "Patent Division" of the Law Department.

## CHAPTER II

## THE "ONE-MAN" PATENT DEPARTMENT

As soon as a company has ten or more pending patent applications, or has become involved in patent litigation, it is advisable for the company to engage staff patent counsel. In the beginning, the staff attorney will serve chiefly as a liaison between the company and outside patent counsel. As the company grows, the staff patent counsel can gradually take over the soliciting of patents, at which time, there should be formed a so-called "One-Man" Patent Department.

In small companies having a "One-Man" (one attorney) Department, the attorney will usually report to the Research Director or the President of the company. However, the staff attorney should rely upon outside patent counsel for assistance in interferences and patent appeals. Outside counsel should handle patent litigation with assistance of the staff patent counsel. In a survey in 1956 of 104 corporations having staff patent counsel, 90% also utilized outside patent counsel.

## CHAPTER III

## THE PATENT DEPARTMENT IN A MULTI-PRODUCT COMPANY

When a company produces a number of different products and files over 20 patent applications per year, it is advisable to have a Patent Department with two or more attorneys to handle patents and trademarks. Each attorney should be assigned to a particular product so that he becomes expert in its technology and terminology. Outside counsel should be utilized for all litigations, complicated patent problems and general consulation and advice on anti-trust problems. When the company has laboratories and plants in widely separated locations, it is advisable to appoint a patent liaison, in each such location, who will report to the Manager of the Patent Department, or to the attorney assigned to a product field.

### PERSONNEL ORGANIZATION OF THE DEPARTMENT

In Chart I, there is shown a suggested plan for the personnel organization of a Patent Department in a multi-product company. The department comprises a Manager, Assistant Manager, certain

regulations of the Pure Food & Drug Administration, and Federal Trade Commission. Therefore, it will be necessary and desirable for the Manager to work closely with legal counsel in all these functions. The details of the Manager's functions are given in Chapter VII.

The Assistant Manager will have a two-fold responsibility: (1) services and (2) soliciting. The services are staff functions available to all the solicitors. A detailed statement of the Assistant Manager's duties also are given in Chapter VII.

In a multi-product company, the amount of searching will probably justify the hiring of one or more full-time searchers, who will be located in a Washington, D.C. office. Unless the company's products all lie in the purely chemical or drug field, the amount of drafting will require the services of one or more full-time patent draftsmen. The work load on a chief clerk in a multi-product company will usually be so great that the clerk can no longer prepare formal papers for foreign filing. Therefore, in a multi-product company, it is advisable to add to the service staff, a full-time "foreign attorney", that is, an attorney who acts as a liaison between the United States solicitors and the foreign patent agents. A detailed statement of the duties of such a foreign patent attorney are given in Chapter XVI.

## CHAPTER IV

## THE PATENT DEPARTMENT IN A MULTI-DIVISION COMPANY

In an organization having a number of separate operating divisions, each making a different product, it is advisable to have a central Patent Department of the type shown in the attached Chart III. The department should assign certain attorneys to handle all the patent and trademark work of each of the operating divisions and in some cases, it may be advisable that they be located at the division headquarters. However, even if the operating divisions are wholly-owned subsidiaries, a central Patent Department is best. With a central department, it is easier to maintain a uniform patent policy and to police the use of patents and trademarks by the company and its subsidiaries. If necessary, the services, disbursements and a percentage of the "overhead" of the Patent Department can be allocated to each subsidiary which will reimburse the parent company for such expenses.

This central department normally should be located in the executive headquarters or central Research Center, but the individual attorneys reporting to the Director of the Patent Department

Likewise, the administration of foreign patents for all divisions is handled by a "Foreign Attorney" located in the central office and reporting to the Director. This centralization of foreign patent work is essential in order to integrate the foreign filing with the requirements of the International Division and the foreign licensing program.

Referring to Chart III, it is noted that each major division of the company has its own Patent Manager who will supervise what is, in effect, a Patent Department for a single product or multi-product company (see organization charts I and II). This means that each divisional department will maintain a service staff made up of a searcher, draftsman and a chief clerk, while the soliciting staff may comprise two or more attorneys handling patents, but not trademarks for the particular division. However, if each division has its own public relations department (including advertising and publicity), trademarks are prosecuted at the divisional level and the approval of trademarks usage and publicity must be handled also at that level.

When a particular division has distant research laboratories and pilot plants, the divisional Patent Manager will maintain Patent Liaison at such locations.

profits by licensing, sale or exchange. The Central Patent Department performs a service function for the Director of Licensing. Since licensing is a middle activity between exporting and foreign manufacture, the licensing program must be carefully integrated with the company's export effort and the production activities of the International Division. Further detailed description of the licensing function is given in Chapter XVIII. The staff of the licensing office need not be large. The Director of Licensing should be a technically trained patent attorney. He may be assisted by a technical person who has broad knowledge of the corporation's product line and a general lawyer. The latter may be dispensed with if the Director of Licensing has access to the services and advice of the Legal Department or outside counsel.

## PATENT PROBLEMS WITH JOINTLY-OWNED SUBSIDIARIES

So many conflicts of interest may arise between the parent companies and their jointly-owned subsidiary, that it has been found advisable to have the subsidiary maintain its own patent counsel or Patent Department. It is very important that both parent companies clearly define the subject field and the date after which all inventions belong to the subsidiary or very complicated problems may arise. To avoid anti-trust action, it is advisable

# CHAPTER V

# ADMINISTRATION OF THE PATENT DEPARTMENT

## CORPORATE PATENT POLICIES

Patent policies are the responsibility of Management, acting under resolutions of the Board and utilizing the advice of both general legal counsel and patent counsel. The type of policy that the company will develop should be geared to the nature of the company's operations.

Some of the more important questions of policy and the suggested answers are: 1. Should the company take out patents on all practical inventions resulting from its research effort or only on those that relate to its specific products? Preferably, on all practical inventions. 2. What are the primary objects in obtaining patents? Protection and profits. 3. Will customers be charged a royalty to operate under company patents? Yes, when a royalty is justified by the expense. 4. Will the company acquire inventions from outsiders? Yes. 5. Will the company license its competitors? Yes, but preferably in exchange for patents, not royalties,

It is the duty and responsibility of the Manager of the Patent Department to see that general company policies are followed. When new legislation or court decisions require a change in policy, the Manager should recommend that change and obtain approval of the Management and of legal counsel, after which a revision is made of the company's "Guide to Patent Policies", see Appendix A.

## REPORTS OF THE DEPARTMENT TO MANAGEMENT

The Patent Department should issue a monthly report:

I. Invention Records Submitted (with short abstracts) comprising a docket number, short title for identification, inventor's name and location and short abstract of the invention.

II. Patent Applications Filed - comprising official title, inventor's name, serial number, filing date and short abstract for each application.

III. U. S. Patents Issued - comprising official title, inventor's name, patent number, and issue date.

IV. Trademarks Filed and Registered, with classes of goods.

This report should include also a notice of the declaration of any important patent interference or the filing and decision in any patent litigation. This report should be sent to the President, the Executive Vice-President, Director of Research

If the licensing function is under Patent Department jurisdiction, the report should contain, in addition:

7. List and Abstracts of All New Licenses or Sales of Patents, Know-How and Trademarks During the Last Year with an Indication of the Fees, Royalties or Other Consideration Required under such Agreement.

The distribution of the Annual Report should be the same as for the Monthly Report. These reports will enable the Patent Department to maintain good communications with Management and enable Management to judge the performance of the department with respect to its budget.

## STAFF CONTROL OF THE PATENT DEPARTMENT

In a multi-product and multi-division company, the personnel of the Patent Department may be scattered over a wide area. In such cases, it is strongly advised that the Manager or Assistant Manager of the department visit the attorneys and patent liaison who are not located in the central department. About two or three times each year the Manager should arrange for a general staff meeting of all attorneys to unify the company patent policy and to discuss major patent problems, such as, new products, new acquisitions and patent litigation which may effect the company's operations.

## CHAPTER VI

## PATENT DEPARTMENT BUDGET AND ACCOUNTING

The customary practice in American industrial firms is to consider all the costs of operating the Patent Department as an expense which is written off in the year in which it occurs. There are two exceptions to this general policy: (1) if the company is founded upon patent rights purchased for a substantial sum, such sum may be capitalized and amortized over the life of the patents purchased, (2) if the primary purpose of the company is to develop inventions and exploit them by sale or license, the cost of obtaining the patent is usually capitalized and amortized over the life of the patents individually, while the profit from the sale of such rights is treated as a capital gain. Even if the costs of the Department are treated as an expense, the Management should realize that patents are the best insurance against interruption of production, the best shield for sales and that the Department, through licensing, sales and exchange of patent rights, can more than off-set the annual cost of the

## ACCOUNTING AND CONTROL OF PATENT DEPARTMENT EXPENSES

The Accounting Department should assign a special account number to the Patent Department. To pay Government fees of patent and trademark applications, the Manager of the Patent Department will request a check for the amount needed, giving the docket number of the application, the name of the inventor and the official title of the application. When the check is issued, it is debited to the Patent Department account. Statements for services and fees of outside parties, such as foreign agents, trademark searchers, publishers, etc. are checked and approved by the Manager, and then sent to the Accounts Payable Department for payment. When the payment is made, the Patent Department account is debited accordingly. Office fixtures, stationery and supplies will normally be obtained through the Purchasing Department, which will notify the Accounting Department of the costs which will be charged against the Patent Department account. Travel expenses are reported on the company's standard form and charged against the department.

Whether or not the Patent Department is given credit on the books for income received from the sale and licensing of patents and trademarks is a matter of company policy. In the

## PATENT DEPARTMENT - ANNUAL BUDGET

Based upon Chart I Showing Patent Department

in a Multi-Product Company

| | Total |
|---|---|
| Salaries: Manager, Assistant Manager and 4 patent attorneys, Searcher, Draftsman, Chief Clerk | $ 146,000 |
| Payroll Related Expenses: (includes company share of pension, life insurance, share of unemployment tax) | 18,000 |
| Travel | 10,000 |
| Telephone, etc. | 3,000 |
| Furniture Fixtures (annual) | 1,250 |
| Repairs and Maintenance | 400 |
| Stationery, Office Supplies | 1,500 |
| Books, Subscriptions and Patent Services | 1,000 |
| Patent and Trademark Application Expenses (including foreign) | 55,000 |
| Depreciation | 1,200 |
| Insurance (share of public liability insurance) | 500 |
| Miscellaneous | 4,000 |
| Overhead Applied to Patent Department (occupancy costs) | 8,000 |
| Total | $ 249,850 |

This budget does not include any contingency or reserve for patent and trademark litigation.

SECTION B: FUNCTIONS OF THE PATENT DEPARTMENT

## CHAPTER VII

## DUTIES OF THE MANAGER AND ASSISTANT MANAGER

The duties of the Manager of the Department will include:

1. Carrying out company patent policy.
2. Supervising administration of the Department.
3. Checking important patent estates on new products.
4. Serving as Chairman of the Patent Filing Committee.
5. Furnishing Management with monthly, annual and special reports of the Department.
6. Preparing or reviewing opinions on validity and infringement.
7. Alerting Management of court decisions, and competitor's patents which may affect the company's business.
8. Serving other corporate departments in patent matters.
9. Approving processes relative to infringement.
10. Approving publicity and advertisement as to trademark usage and patent notices.
11. Assiting in patent litigation, both offensive and defensive.
12. Assisting in licensing and selling of patent rights and know-how.
13. Recommending purchase of patent rights from other parties.

The Assistant Manager also is in charge of the service staff of the Department. These additional duties include:

4. Supervising the Washington Search Office. However, the individual soliciting attorneys will order searches after such searches have been approved.
5. Maintaining proper facilities for the draftsman and regulating his work load for the various attorneys.
6. Supervising the activities of the Chief Clerk, especially as to the "docket" and the record keeping.
7. Serving as office manager for the secretarial staff. If there is a "secretarial pool", he will adjust the work load between the various secretaries.
8. Training the Patent Liaison.

The Assistant Manager should be aware of the various activities of the Department, so as to be able to run the Department in the absence of the Manager. In a well organized Department, the amount of time required for the supervision of staff functions will be small so that the Assistant Manager can devote his major time to the soliciting staff.

## PATENT FUNCTIONS OF THE ASSISTANT MANAGER

Since the Assistant Manager normally will be more experienced than most of the soliciting attorneys, he is well qualified to carry some important patent functions. For example, the Assistant Manager will:

1. Prepare or assist other attorneys in preparing important patent applications.

## CHAPTER VIII

## SERVICE FUNCTIONS IN THE PATENT DEPARTMENT

The staff services of the department are usually provided by a Chief Clerk, a Draftsman, a Searcher and, in large departments, a staff foreign attorney.

### DUTIES OF THE CHIEF CLERK

The patent function in a company, whether small or large, requires a certain amount of record keeping in order for the Manager to control the patent activities and to provide information on the patent rights of the company. Usually, these duties are carried out by a Chief Clerk, sometimes called a Docket Clerk or Office Manager. In small departments, such duties can be carried out by a senior secretary or a clerk who has had some experience working with patent counsel.

The basic duties of the Chief Clerk are:

1. To assign to each new invention record a separate "Docket Number" for identification and reference.

should be required to show the Chief Clerk all actions before mailing so that she may enter this matter in her records.

## THE PATENT DRAFTSMAN

The making of drawings to illustrate applications for patents, designs and trademarks is a specialty. In a "One-Man" Patent Department, this function can be supplied by a trained draftsman from the company's engineering department or by use of outside patent draftsmen. When the draftsman is not fully occupied, he can be trained to do patent abstracting when not engaged in drafting.

In very large corporations, it may be necessary to employ several patent draftsmen, and in this case, it it advisable that each man be assigned to a specific field so that he becomes familiar with what elements are old and so that he can profit from previous drawings.

The United States Patent Office has published specific rules regarding the making of patent drawings.

After a trainee in the Washington Search Office has passed the Bar Examination, he may be moved into the corporate Patent Department. Since he has been trained in the subject matter of the company's products for several years, he is well qualified to serve as a patent attorney.

## THE PATENT DEPARTMENT LIBRARY

The Patent Department should have its own library or a section in the Corporate Library. In small and medium companies the supervision of the library can be carried out by the Chief Clerk or Office Manager of the Department. In very large corporations, with much litigation and foreign activities, it may be necessary to have a full-time librarian. The librarian should have training in special library work and should be able to make legal searches and prepare abstracts.

The Patent Department should have the basic texts on patents, and trademark law and practice, a complete set of United States Patents Quarterly, reference books on restrictive trade practices and certain journals and services. If the company engages in foreign licensing or has foreign subsidiaries, books relating to foreign licensing, joint ventures and foreign anti-trust regulations should be added to the library.

## CHAPTER IX

## DUTIES OF THE SOLICITORS

The patent attorneys who file and prosecute patent and trademark applications perform the major functions of the department. In multi-product and multi-division companies, each attorney should be assigned to a particular subject matter or product line so that he will become expert in it. He may be located in the main Patent Department office or assigned to a divisional research laboratory or engineering group. However, from a "line" standpoint, he should report to the Manager or Assistant Manager of the Patent Department. He performs the following duties:

1. He checks, acknowledges and processes each new invention record in his subject field.
2. He abstracts the invention record and sends a copy of the abstract to the Chairman of the Patent Filing Committee.
3. If the record indicates that use is contemplated, he requests or makes a preliminary search relative to the novelty of such invention and forwards a copy of his report to the Chairman of the Patent Filing Committee.
4. When filing of the application has been approved, he prepares the domestic application and prosecutes it through to final decision before the U.S. Patent Office.

# CHAPTER X

## DUTIES AND TRAINING OF THE PATENT LIAISON

Where the Patent Department is located at a distance from the Technical Departments, (Research and Engineering) or is not adjacent to all the Manufacturing plants, it is advisable to have a Patent Liaison serve as a communication link between the central Patent Department and these other units. If a patent attorney is located in any of the Technical Departments or plants, the services of a Liaison are not needed. In some organizations, the Patent Liaison may be termed "patent service agent", but the latter performs usually the same services.

### DUTIES OF THE PATENT LIAISON

The Patent Liaison will:

1. Assist technical or plant personnel in preparing invention records.
2. Assist inventors in the proper execution of patent forms for filing and assigning patent applications.
3. Assist the patent attorney in determining the proper inventor or inventors of a particular invention.
4. Explain to the inventor the kinds of tests required of prior art, and assist in preparation of affidavits.
5. Obtain additional data if the invention record is insufficient for the filing of a patent application.

4. The parts and structure of a complete application for an industrial patent, a design patent, a trademark and a copyright.
5. History of the prosecution of a typical domestic patent application.
6. Explanation of the company's employee contract on inventions.
7. Explanation of the company's patent award plan, if any.
8. Description of the kinds of tests and affidavits which may be required to overcome prior art references.
9. The requirements of a "complete reduction to practice".
10. How patents benefit the employee, the company and the public.

Most of these subjects are covered in the author's handbook: PATENTS FOR TECHNICAL PERSONNEL, 2nd Revised Edition (Advance House, Publishers, Ardmore, Pennsylvania), and this book may be used as a reference text during the training session.

When a Patent Liaison leaves the company or is moved to another location, his replacement should be given the same initial indoctrination in patents. Further, when major changes occur in the patent laws and rules or in company patent policy, such changes should be brought promptly to the attention of the Liaison. The Patent Liaison should be visited frequently by the Manager, Assistant Manager, or the attorney to whom he reports in order to maintain good communications. Often a Patent Liaison will desire to

## CHAPTER XI

## PATENT INDOCTRINATION OF TECHNICAL PERSONNEL

The Patent Department can improve its communications with the technical departments and stimulate inventions by giving the technical personnel a better understanding of patents. Many laboratories and plants have monthly meetings at which speakers are invited to lecture on subjects of general interest to the personnel. In many companies, these lectures are a part of the Management training program and are held during business hours - in other firms, the lectures are given as part of a program before a club or outside organization of the technical staff. In either case, the Patent Department should offer a 30 minute illustrated story on "How Patents Can Benefit You and Your Company".

Some of the slides which could be used are:

1. Picture of Patent Office - comment on basis for patents in the United States Constitution.

2. Reproduction of an improper and proper page from a laboratory notebook. Explanation of the rules for keeping a laboratory notebook, see Appendix E.

At the end of the lecture, there should be a question and answer period. The discussion should be in language the scientists can understand and devoid of legal terms or court decisions.

If possible, the Director of Research, Chief Engineer and Plant Managers should be encouraged to provide their senior scientists with a handbook on patents, such as PATENTS FOR TECHNICAL PERSONNEL, 2nd Revised Edition, (Advance House, Publishers, Ardmore, Pennsylvania).

The more the technical staff understands patents and the functions of the Patent Department, the better will be their co-operation with the patent staff and the Patent Liaison.

## CHAPTER XII

## PROCESSING INVENTION RECORDS AND APPLICATIONS

The Patent Department should not rely on inter-office memos and mere letters as means for technical personnel to describe their inventions. A safer policy is to use a uniform legal Invention Record for example, such as that shown in Appendix C, and obtain authority to require all inventions to be recorded on such forms. Such a record has the advantage over memos and letters in that it requires that the essential dates be inserted, it is witnessed and notarized. Such a record, together with the relevant pages of the laboratory notebook will constitute the first written record of the invention. The section, "Permissible Variations in Proportions and Alternatives in Elements of the Invention" should be filled out before the record is notarized. The record will normally be executed in triplicate with one copy being sent to the Patent Department, another copy being filed with the inventor's supervisor, and the third copy being retained by the inventor.

6. After the novelty search and the comments of the inventor have been received, the invention is placed on the agenda for filing.

7. When the application has been prepared, the inventor should receive a draft for comment and correction before the application is executed. The inventor should be advised of all office actions and should receive a copy of each amendment and of the issued patent.

## USE OF SHORT TITLES

To aid in communications, it is advisable to assign to each invention record and application, a "Short Title". The short title should consist of not more than three words which are clearly indicative of the subject. Such titles may be taken from research reports or adopted from the manner in which the inventor refers to the case. Trademarks may be used in short titles, for example, "Lamix Basic" (the generic invention); "Lamix Coating"; "Lamix Process" (contains process claims), etc. Such short titles should be used in all opinions, reports and interoffice memos. Official titles should be used only in legal documents.

## CHAPTER XIII

## THE PATENT FILING COMMITTEE

The decision as to what inventions should be protected by patents will be the function of a Patent Filing Committee, which will meet once every two or three months. These meetings normally will be held in the Patent Department, but in multi-division companies, the meetings may be held in the headquarters of each division from time to time when inventions originating in a particular division are being considered.

Normally, the Patent Filing Committee will comprise:

Manager, Patent Department - Chairman
Director of Research
Chief Engineer
Manager, New Product Development
A technical representative of each of the company's major product lines.

From time to time, other company departments may be invited to attend, such as Sales and Export. Note, that the Committee on Foreign Filing is described in Chapter XVI.

Some preparation is necessary for the Committee meeting. The Assistant Manager will request from the Chief Clerk, a list

# CHAPTER XIV

# EMPLOYEE CONTRACTS ON INVENTION

## ADMINISTRATION OF THE EMPLOYEE CONTRACT

1. Administration: The general administration of Employee Contracts on inventions should be under the jurisdiction of the Patent Department. The binding of new employees under such contracts should be the obligation of the Personnel Department or the Industrial Relations Department. The binding of previously employed personnel should be the obligation of the Managers of the manufacturing units and the directors of the technical departments.

2. What Classes of Employees Should Execute the Contract? A survey shows that inventions are made by the corporate personnel in the following proportions: 55% by Research and Development, 25% by the Executive and Administrative Staff, 10% by the manufacturing employees, 5% by Sales. The general rule to be followed is "The contract should be signed by all salaried employees regardless of job classification, provided they are supervising or engaging

## TRENDS IN EMPLOYEE CONTRACTS ON INVENTIONS

A survey was made, by the author, of one hundred contracts used by medium and large corporations covering the subject of employee inventions. This survey brought out the following conclusions:

1. There is a definite trend toward shortening the form of these contracts by reducing the number of covenants and by expressing the covenants in simple language.

2. There is a trend toward changing the form of the agreement from standard legal form with numbered sections to a letter executed in duplicate.

3. The percentage of contracts containing "whereas" clauses is suprisingly small. There is a trend toward eliminating the use of "whereas" clauses in these contracts.

4. Based on frequency of use, the average employee contract is found to contain but three simple covenants: (a) The obligation to disclose, (b) The obligation to assign, (c) The obligation to execute papers relating to the employee's inventions.

5. There is a tendency to limit the field of inventions to be assigned to the "field of the employer's business" or to those "relating to the employer's products".

the title to the invention remains with the employer. When the employee makes a patentable invention distinctly beyond the employer's ideas, the title to such invention belongs to the employee but the employer acquires a shop right thereto.

## EMPLOYER-EMPLOYEE CONTRACTS RELATING TO INVENTION

Since it has become common practice in American business to have written agreements with employees relating to inventions, it is important to understand the nature and consequences of such agreements. In this chapter is a typical employee contract relating to inventions. This contract has been drafted after a survey of the contracts in use in 100 medium and large American corporations and research institutions and may be considered an average "profile" of such agreements.

## WHY CONTRACTS ON INVENTIONS ARE JUSTIFIABLE

The confusion which may arise when an employee invents in the absence of a written contract in advance makes such an agreement almost a necessity in modern business. The employer hires technical personnel with the understanding that they are employed to improve the company's products. The employer provides, at no expense to the employee, technical facilities, material, assistants and the necessary capital, pays the patent

(c) the obligation to execute papers necessary to enable the employer to file applications for patents on the employee's inventions. In addition, the following specific features are present in the majority of such contracts: (1) the employer's business is usually defined so as to limit the scope of the invention to be assigned; (2) salary is the usual consideration, but the salary is not specified; (3) the term of the contract is indefinite - it usually terminates with separation from the payroll; (4) the nature of the inventions to be assigned are usually specified as all inventions "relating to the company's products". The period during which inventions must be assigned is usually "during the period of his employment" or "during employment and for 1 year thereafter".

## "HOLD-OVER" CLAUSES IN CONTRACTS ON INVENTIONS

"Hold-over" clauses are of two types: (1) those requiring only the assignment of certain inventions and (2) those restraining service with a competitor for a period of time. In the survey of 100 contracts mentioned above, only 18% contained "hold-over" clauses. In general, such "hold-over" clauses covering inventions but not restraining employment do not violate public policy unless the restraints of time, or subject matter are unreasonable. In general, the "hold-over" period should not be more than one year.

# CHAPTER XV

## ESTABLISHING A FOREIGN PATENT POLICY

Millions of dollars are spent every year by American investors and corporations in seeking and maintaining foreign patents, yet few of these patents are ever converted into profits. The reason for this is that few companies operate under a definite foreign patent policy, and do not use sufficient care in selecting the inventions to be protected abroad.

### THE CHIEF USES OF FOREIGN PATENTS

To formulate a patent policy for the foreign markets requires a knowledge of what foreign patents can do for a company. The owner of a foreign patent has four ways in which to profit from his rights:

1. To Protect Export Sales: When the foreign patent covers the product or the principal method of making the product of a domestic producer, the foreign patent may be used to protect export sales by not granting licenses to foreign competitors.

trade deficits and currency restrictions make exports to some countries very difficult. The general rule to follow is: never try to license abroad a product which is not commercial.

4. Patent Exchange: Foreign patents can be used in cross-licensing agreements in which each party gains rights to patents in its home country which the other party may own. Where there is little export competition between the parties, or the patents relate to different products, such exchanges may not change the competitive situation between the parties, but advance the technical knowledge of each. Where the cross-license is with a foreign competitor, care must be exercised to avoid restrictive clauses which might raise anti-trust questions.

## DANGERS OF PREMATURE DISCLOSURES

The Patent Department should have the right of prior approval of all public addresses and publication so as to prevent premature disclosure of an invention before the first filing. Such premature disclosures will make it impossible to obtain valid patents in most of the countries adhering to the International Convention. When a disclosure is desired for purposes of publicity, the disclosure should be held up until the patent application has been filed. This requires that proposed addresses and papers

## CHAPTER XVI

## SELECTING AND PROSECUTING FOREIGN APPLICATIONS

Great care should be taken in selecting the inventions which are to be protected in foreign countries. Foreign patent costs can mount rapidly if there is indiscriminate filing of patent applications abroad. Further, nearly all foreign countries, except Canada, require the owner to pay an annual tax or "annuity" to maintain the foreign patent in force and these taxes increase during the term of the patent. Therefore, it is advisable to utilize a Foreign Patent Committee to select the inventions to be protected abroad and the countries in which foreign applications thereon should be filed.

### THE FOREIGN PATENT COMMITTEE

This Committee should comprise:

Manager, Patent Department - Chairman

Officer in Charge of Foreign Department
or International Division

Manager of the Export Department

Foreign Patent Attorney, Secretary of Committee

country? (c) Will the invention utilize a raw material available in the foreign country or will such materials have to be imported?

## PROCEDURE FOR FILING FOREIGN PATENT APPLICATIONS

The small company having few foreign patent applications per year will find it advisable to utilize the services of one of the international patent firms. For Canada, and perhaps Great Britain, the applications may be sent direct to foreign patent agents in those countries. In medium and large corporations, it is customary to utilize the U.S. based international patent firms for filing in the less-developed countries where few cases are filed and to file in the more developed countries by dealing direct with foreign agents in those countries.

In large companies having an operating International Division, a patent attorney will be based in each foreign subsidiary. In this situation, the filing and prosecuting of the foreign patents in the respective countries can be carried out by the foreign attorney under the supervision of the Central Patent Department of the company. It will be the responsibility of the Central Department to integrate the work so that uniformity in the scope of the foreign claims is obtained.

2. COMBINE. Many foreign countries permit the combination in a single application of two or more U.S. applications that relate to the same invention, even if they are not by the same inventors. The preferred practice is to combine applications filed within one year of each other so that Convention priority can be claimed for both applications. This combination will result in substantial savings in Government fees and taxes and in translation costs.

3. UNIFY PROSECUTION. When foreign applications are filed by separate foreign agents in the different countries, a substantial amount of duplication of effort results from the fact that each agent has to receive instructions to prepare the amendments after office action. This entails a substantial amount of correspondence on the part of the domestic attorney handling foreign cases. This duplication of effort can be avoided by utilizing a single patent agent in Europe to handle all European patent applications. This central agent will be given instructions regarding amendments and kept informed of the scope of the U.S. claims, and he will send amendments ready for filing to his individual agents. This procedure reduces costs and provides for more uniformity in the claims in the different foreign applications. Further, translation costs are not duplicated because the central

## FILING U.S. PATENT APPLICATIONS ON FOREIGN INVENTIONS

In an international company having operating foreign laboratories and plants, some inventions may originate abroad and in due course, will be offered to the parent U.S. company for filing in the United States. Usually, the foreign laboratory or plant will send to the domestic Central Patent Department a copy of the first filed foreign application with an indication of its use or importance to the company. Such foreign applications should be considered at the next meeting of the domestic Patent Filing Committee. Care should be taken to see that any regulations of the respective foreign Government regarding extra compensation of the employee-inventor have been, or will be complied with.

## CHAPTER XVII

## CORPORATE PRACTICE ON UNSOLICITED IDEAS

An unsolicited idea can be one of the most troublesome and costly problems to company Management. An unsolicited idea can create a condifential relationship which can cost the company many millions in litigation, damage awards and accounting expenses. In recent years, the improvement in production techniques, the increases in research staffs and budgets have made many industries substantially independent of outside ideas. As industrial technology advances, the outside inventor is increasingly less able to make a significant contribution, because he does not have the benefit of the latest know-how and advances in the field. For this reason, most companies have adopted a conservative policy regarding the acceptance of ideas from outsiders, and many companies today refuse to accept any unsolicited suggestions. The basis for these stricter policies are:

- The idea is frequently old and not the property of the submitter.
- The company has already considered the idea and rejected it.

3. Prepare a written agreement on unsolicited ideas and require all Submitters to execute it (see the proposed agreement below).

4. Advise all salaried personnel of the company's policy and the name of the person who should receive all suggestions from outsiders.

## POLICIES ON HANDLING UNSOLICITED IDEAS

In a recent survey made by the author on corporate policies relating to unsolicited ideas, it appears that:

Most companies will accept unsolicited ideas but not on a confidential basis. The majority require that the Submitter execute an agreement before the disclosure will be accepted and evaluated.

A few companies, especially those in the food and drug industries, will not accept unsolicited ideas under any conditions.

Most companies will accept only those disclosures which have been described in a pending patent application or issued patent.

A few companies will accept disclosures before the filing of a patent application thereon, but only after the execution of an agreement waiving a confidential relationship or any responsibility on the part of the company.

7. Company agrees to notify Submitter whether or not it is interested in said idea, but, if not, Company shall not be obligated to give any reasons for its decision or to reveal past or present Company activities relating to the submitted idea.

8. It is mutually agreed and understood that Company has no obligation to pay a "finder's fee" or commission to the Submitter or any other party.

If you desire to submit your idea to the Company under the above terms and conditions, kindly sign and return the duplicate of this letter to indicate your assent to this understanding and agreement.

Very truly yours,

(Company Name and Address)

By.....
Staff Patent Counsel

Accepted this.....day of
.....,19...
By.....
Submitter

STEPS TO TAKE UPON SUBMISSION OF AN UNSOLICITED IDEA

If a letter arrives containing a disclosure of an unsolicited idea, when there is no previous agreement with the sender, the following steps should be taken in the office:

1. The letter and all papers should be stamped with the date of receipt and then photostated.

2. If the letter is to be rejected, the letter and papers should be returned (preferably the day received) by registered

## WHAT TO DO IF SUIT IS BROUGHT ON AN UNSOLICITED IDEA

Any legal service on the company or even a letter from the Submitter or his attorney that a suit is or has been filed, should not be answered by the Company, but should be turned over promptly to outside patent counsel. All relevant files on the subject should be submitted to counsel who will then prepare an answer to the complaint or notice.

In recent years, some courts have held that, where a confidential relationship is implied, an idea does not have to be new or original with the Submitter, if it is new and unknown before to the Company. However, in a suit brought against the Company for breach of confidence or unauthorized use of an unsolicited idea, the Company may utilize as a defense that the idea was:

- known to the Company before submission,
- known to the public,
- not new and novel,
- not the property of the Submitter,
- not disclosed in sufficient detail.

The safest policy to follow is never to accept any disclosure on a confidential basis and accept them only under a written agreement with the Submitter.

## CHAPTER XVIII

# LICENSING AND SELLING PATENTS AND KNOW-HOW

## NEED FOR A DEFINITE LICENSING POLICY

Patent Licensing can be a source of important income for a company with very little sales effort. However, it is important that an owner should have a definite licensing policy.

## LICENSING COMPETITORS

Whether or not a company should license its competitors depends upon the importance of its patents in the business. If the company's product is covered by one or more basic patents and the patent claims are considered valid, it would appear unwise to license a competitor or to create a competitor by granting a license. However, for small companies having no national distribution, it is advisable to grant one or more licenses for territories that can not be served by the patent owner. A patent relating to bakery goods owned by an Eastern bakery could be licensed to a Western bakery without serious harm to the business of the patent owner.

licensing is to attach to the product a label carrying the terms of the license. A typical label license is the following:

> Compositions containing the material contained herein and processes for using the same are claimed in United States Letters Patent No..... The price of the material contained herein includes a prepaid royalty at the rate of.....% of the net sales value of said material, for which royalty the purchaser hereby acquires a non-exclusive license to use the same in practising said processes. Anyone may obtain such a license at the same royalty rate whatever the source of the material used in the licensed process.

It is very important that such label licenses include the right of the customer to use material purchased from other sources, since it is illegal to require a Licensee to purchase only from the Licensor to obtain the license.

Further, it may be desirable to grant customers licenses under other company patents not requiring a company product. Care should be taken that all such licenses are issued under identical terms to competitive customers. However, when customers are not competitive, licenses may include certain differences as to territory and specific fields of use without being considered illegal even when the royalties are different.

# CHAPTER XIX

## THE ROLE OF PATENTS IN NEW PRODUCT DEVELOPMENT

The use of patents in new product development is often overlooked until it is too late to profit by the proper use of patents.

Experience shows that patent counsel ought to be consulted at least four times in new product development. These critical times are (a) in searching before technical development, (b) in protecting the new product, (c) in avoiding infringement and, (d) in licensing the patents, if any.

### THE USE OF PATENTS IN SEARCHING

When a project has been selected for development, a great deal of money and time can be saved by having patent counsel make "a state of the art" search. Such a search will reveal the various prior approaches to solving the problem. Failure to use the information contained in issued patents and to rely solely upon professional knowledge or the literature may result in wasteful expenditures and loss of valuable time in climbing a path which comes to a dead end.

Before the "Idea Clinic" is held, the following steps should be taken:

1. Adequate hand samples of the new product are prepared.

2. A brief technical description is prepared on its method of production.

3. The obvious fields of use are classified and an agenda prepared for the meeting.

4. A leader is selected for each major field of use.

5. Invitations are sent out about four weeks in advance of the "Idea Clinic" date with samples and program.

The invitation to the "Idea Clinic" may be worded along the following lines:

> The company has acquired certain rights to a novel process for the manufacture of (name of new product) and is anxious to explore and evaluate the potential uses of such a product.
>
> We believe you can make a valuable contribution to this study and, therefore, we invite you to attend an "Idea Clinic" which will be held in (place of meeting) beginning at (time of meeting). The program for the meeting is attached, together with samples of the product.
>
> Prior to the "Idea Clinic" we would appreciate your giving some thought to the possible uses of this product. Please write down your suggestions, date and sign the sheet and have it witnessed by someone capable of understanding your suggestions. If you can not attend the "Idea Clinic", please mail in your suggestions prior to the meeting.

## CHAPTER XX

## HOW TO CREATE A PATENT ESTATE

Often in research work, a species of a generic invention will be discovered first and the inventor may not realize that a fundamental basic invention is involved. In such cases, when the invention record is filed, the Patent Department may file the specific case without giving attention to the opportunities for creating a basic patent estate. If the specific patent issues before the basic case, great difficulty will be experienced in establishing a sound patent estate, since the basic case may be rejected on the specific patent.

The Patent Department can materially assist the company's inventors by urging them to "round out the invention". One technique to accomplish this is to make a chart of the various elements and combinations which may be possible while utilizing the basic concept of the invention. For example, assuming that the invention relates to a new method of polymerization resulting in new polymers, the Patent Department should

The corporate patent attorney should never assume a merely passive role in invention, but should take a positive and constructive attitude to an initial discovery in a new field. The attorney should make up such a chart, discuss it with the inventor and urge him to test each of the several elements in each of the lines of the chart. Out of this joint effort may come the realization that the invention is a basic discovery capable of many variations. In this case, the first application to issue should be one in which the broad range of components, states, additives, process factors and uses are all included, with specific applications to follow on divisible subject matter.

While only one or two of the possible combination of elements may be used commercially, because of economics and demand, nevertheless, the company will have established a broad patent estate by which the used embodiments are fully protected from competitors being surrounded by all reasonable variations.

## AUGMENTING THE PATENT ESTATE BY PURCHASE

During the prosecution of the various applications under the patent estate, it is possible that another party may patent a specific step in or a particular use for the invention. In this event, the Manager may wish to recommend that the company

# CHAPTER XXI

## ADMINISTRATION OF TRADEMARKS

While the Patent Department will have the responsibility of approving the company's advertisements and promotion material with respect to use of trademarks therein, the best preventive for misuse is the training of the company and its customers in the proper use of trademarks. Therefore, rather than playing the role of "policeman", the Patent Department should engage in "teaching" the proper use of the company's trademarks. This is best accomplished by publishing a booklet on "How to Use the Company's Trademarks".

The Patent Department should prepare such booklet and it should contain at least the following:

1. Kinds of trademarks and the rules regarding their use.

    a. Trademarks used on goods sold.
    b. Service marks.
    c. Certification marks.
    d. Collective marks.

2. What is a trademark? --explaining how trademark rights are obtained by use on a particular class of goods or services.

right to use a certification mark is granted, and to withdraw the right to use such tags if the quality standards are not maintained.

"Collective marks" are marks used by all the members of a trade association on identical goods. Here also, a quality standard, acceptable to all members of the association, should be adopted and the right to use the mark should be contingent upon the user maintaining the quality standard.

## USE OF TRADEMARKS IN PATENTS

A trademark is not a name for a product. It is a brand which indicates the origin of the goods. Trademarks may be renewed and the rights in a mark will last as long as the mark is used properly and enforced. For these reasons, trademarks should not be used as substitutes for generic terms (nouns) in patent applications. If the inventor does not know the chemical composition of a substance or the ingredients in a mixture employed in the invention, such information should be sought from the maker of the product employed. If difficulty is experienced in obtaining this information, the Manager should seek the assistance of the Director of Purchases. If the owner of the mark realizes that the invention may create a new market for his product, he will be more likely to provide the information needed.

## SECTION C: SERVICES FOR OTHER DEPARTMENTS

# CHAPTER XXII

# SERVICES FOR RESEARCH AND DEVELOPMENT

This department is the chief user of Patent Department services. The Patent Department Manager or his assistant should be invited by the Research Director to attend staff meetings whenever new projects are to be discussed. The patent attorney working in a specific product field should receive regularly copies of periodic reports issued by the laboratory on projects in his field.

The Patent Department can serve this department in two ways: (1) providing patent clauses for Government contracts and for research agreements with other companies, and (2) by playing a role in new product development, as described in Chapter XIX.

## PATENT CLAUSES IN GOVERNMENT CONTRACTS

The patent policies of the United States Government agencies and departments, such as the Atomic Energy Commission, Defense Department, National Space and Aeronautical Administration and the

other company designated by the Government under reasonable terms. On important inventions which are critical to the competitive field, it would be better to refuse the Government contract than to lose control of the market by forced licensing of competitors.

## INVENTION MADE DURING WORK ON A GOVERNMENT CONTRACT

When an invention is made during work on a Government contract, title to the invention normally will reside in the Government, if the invention was made utilizing the facilities and money supplied to the company by the Government. Even in this case, it would be well for the company to insist upon retaining a "shop right" to practice the invention in its own business.

## OPERATION UNDER PATENTS OF OTHERS

When the company is required to operate under patents of others in order to supply a Government requirement or to carry out research under Government contract, care should be taken to see that all necessary licenses are obtained from the patent owner, either by direct negotiations or with the aid of the Government, otherwise, the patent owner can sue the Government in the U. S. Court of Claims.

## CHAPTER XXIII

## SERVICES FOR THE PATENT DEVELOPMENT DEPARTMENT

Many companies have broad research programs but narrow product lines, for example, a company may carry out fundamental research on polymers, but its only trade interest may be in synthetic fibers. Accordingly, such companies often obtain a large number of patents which are not utilized. In this case, it is advisable for the company to organize a "Patent Development" program by which such unused patents may be developed to the commercial stage and then licensed or sold to others. The Patent Development program is best carried out by a separate department lying between the Patent Department and the Research Department and calling upon both of these for assistance.

Under this modern procedure for converting unused patents into profits, the old fashioned method of sending a copy of a patent by mail to a prospect is abandoned. In contrast, the unused patents are screened, evaluated as to technolcgy, economics,

the project is submitted to Management for a decision: Will the company manufacture or license the new development?

## SEARCHES FOR THE PATENT DEVELOPMENT DEPARTMENT

If the decision is to license, the Patent Department will provide the following searches and opinions:

1. A Patentability or Validity Survey. The searches should be thorough and should include United States patents, foreign patents, and the technical literature. The searches should be more thorough than the so-called "preliminary novelty search" usually made before a patent application is filed. A report and opinion of the attorney, with pertinent references, should be sent to the Manager of the Patent Department.

2. A Patent-Infringement Survey. The validity search should be made first and, if the invention appears to be novel or the patent valid, the patent attorney should be asked to consider whether or not the invention could be practiced without infringing any valid claims owned by others. The patents having claims that might be infringed should be sent to the Manager of the Patent Department by the attorney, with opinions as to the probable validity of the claims.

## CHAPTER XXIV

## SERVICES FOR THE PRODUCTION DEPARTMENT

For this Department, the Patent Department will function in three areas:

1. Obtaining protection for new production methods, machines and products.

2. Defending the company against interruption of production by suits brought against it.

3. Approving changes in manufacturing specifications which may raise a question of patent infringement. The Patent Department will check the Official Gazette of the U.S. Patent Office regularly and bring to the attention of Management any new patents which may effect current or proposed production.

### PATENT CLAUSES IN CONSTRUCTION AND REPAIR CONTRACTS

When a company requires an outside contractor to construct or repair a patented machine from blueprints and specifications, but utilizing the facilities of the contractor, the contract should clearly set forth that the contractor acquires no "shop-right" by such

## CHAPTER XXV

## SERVICES FOR THE SALES DEPARTMENT

The Patent Department will have the responsibility of approving all invoices, shipping labels and container labels as to patent and trademark notices. They will cooperate with the Legal Department in preparing customer licenses of patents and trademarks, sales contracts and guarantees. They will advise the Sales Department on trade practices so as to avoid violations of the Robinson-Patman Act, the anti-trust laws, the rules of the Federal Trade Commission on labeling, of the Pure Food and Drug Administration and the regulatory agencies of the State and Federal Government.

The Sales Department should be aware of the intended uses of the products it sells. The courts have generally held that lack of knowledge of the use of a product does not relieve the vendor of the charge of contributory infringement. The company should either inform itself of the intended use of its products or require the Purchaser to provide a warranty to protect it against liability for infringement resulting from re-sale or use.

Moreover, the Sales Department should be cautioned not to warrant that the use of the product will not infringe any valid patent. It may be necessary for the Legal Department or counsel to formalize a warranty clause or a disclaimer for the protection of the Sales Department.

If the Sales Department desires to give a customer an exclusive right to sell a new product, this agreement should be drawn by the Patent Department with the assistance of the Legal Department or legal counsel. All such agreements should be for short terms: one season, one year or, at the most three years, and the customer should provide a consideration such as royalty or a promise to promote the product in a specific manner.

## USE OF TRADEMARKS

The Patent Department should have the authority to approve, before printing, all sales invoices, shipping labels, packing slips and labels on merchandise with respect to trademark use and registration notices. The Sales Department should be instructed in the use of the different kinds of trademarks: marks used on goods sold, collective marks, certification marks and service marks. For more detail on this subject, reference is made to the Chapter XXI, "Administration of Trademarks".

## CHAPTER XXVI

## SERVICES FOR PUBLIC RELATIONS DEPARTMENT

The term "public relations" encompasses the entire field of advertising, publicity, press interviews, sales promotion, trade exhibits, speeches, lectures, published papers, labels, catalogues and brochures on new products and technical service bulletins. Therefore, public relations includes every contact of the company with the public, except the actual sale of the product. The Patent Department normally has the responsibility for approving all public relations material, expecially advertising labels and publicity releases. A particular patent attorney should be assigned to carry out these functions under the policy of the Management.

### PATENT NOTICES ON PRODUCTS

The general rule to be followed is that the public should be informed when a product is patented, is made by a patented process or apparatus or has a patented use. The fact that some product is patented or is patentable gives it a certain aura of

company intends to enforce its patent rights upon alleged infringers should also be avoided, since statements may create a controversy and provide the basis for a "Declaratory Judgement" suit by others, even if they are not the party being threatened.

## PATENT NOTICES ON LABELS

When a product is patented or made under a patented process or with a patented apparatus, it is proper to add to the label on the product or its container the notice: "Patented, U.S. Patent No....." or "Made under one or more U. S. Patents.. ....." Where the product is covered by more than one patent, patent counsel should check the patents to ascertain if there is any overlapping of the claims of the different patents, to avoid double patenting. "Double patenting" means that two or more patents have been obtained on the same invention by the patent owner. If the two patents were not issued on the same day, then the second patent will constitute an unlawful extension of the monopoly of the first patent to issue, and this may cause both patents to be held unenforceable.

Publicity on patents is also justified when a license has been issued on important inventions. The proposed press release should be submitted to the Licensee and approved before publication. When such licenses have been issued in one country, the release will often result in inquiries for licenses from other countries.

Likewise, the establishment of a new business or a joint company to manufacture a new product under a patented process is a proper subject for publicity. Here again, the owners of the new company or the other partner in the joint company should approve the press release before publication.

## PUBLICITY AND PATENT LITIGATION

Publicity by the company on patent litigation--either defensive or offensive--should be very restrained. When the company files a suit against an infringer, it is advisable to make only a brief notice in the press, which notice should be approved in advance by patent counsel in charge of the suit. Such notice should contain no claims that the company will win the suit and no threats against other alleged infringers. Likewise, when the company is sued by another party, the Management should not make any statements to the press, but merely point out that "The company denies that it is infringing the patent mentioned and that the matter is in the hands of our counsel."

# CHAPTER XXVII

## SERVICES FOR THE PURCHASING DEPARTMENT

The Patent Department may be called upon to approve patent clauses in Vendor's Contracts and to draft guarantees relating to patent infringement.

### PATENT CLAUSES IN PURCHASE ORDERS AND SALES CONTRACTS

The Purchasing Department is frequently called upon to sign contracts with vendors regarding raw materials and semi-manufactured parts. The purchasing agent should inquire whether there are any patents which might be infringed by the intended use of the purchased items. The safest procedure is to require the vendor to furnish a "Seller's Warranty" of which the following is an example:

> Seller warrants that the use or sale of the material delivered hereunder will not infringe the valid claims of any patent covering the material itself; but does not warrant against infringement by reason of the use thereof in combination with other materials or in the operation of any process.

## CHAPTER XXVIII

## SERVICES FOR THE INDUSTRIAL RELATIONS DEPARTMENT

The Patent Department may be called upon to draft patent clauses in labor union contracts and assist in the examination of ideas submitted under any Suggested System operated by the Industrial Relations Department. The Patent Department will cooperate with the Industrial Relations Department in the administration of employee contracts relating to inventions. The Patent Department may assist in "Management Training" programs.

### PROTECTION OF KNOW-HOW AND TRADE SECRETS

A subject closely related to inventions is the protection of know-how and trade secrets against unauthorized use and disclosure by former employees. The basic principles in this subject are:

One who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if:

## REMEDIES TO PREVENT UNAUTHORIZED USE

Where the trade secret or know-how is of patentable nature, Management's best means to protect its rights is to obtain patent protection on the subject matter.

Where the trade secret or know-how is not patentable, suit may be brought in a Federal District Court or suit may be brought in a State Court where jurisdiction over the former employee may be obtained. Suit may be brought both against the former employee and his new employer for an injunction against further disclosure of the secret or know-how and against its use as well as for an accounting of profits derived from its past use. The new employer may also be sued in the Federal District Courts for patent infringement, if the subject matter is patented.

## PATENTS AND THE PROFESSIONAL UNIONS

While the number of scientists now organized in independent bargaining units or as a part of national labor unions is relatively small (about 40,000 out of a national total of 815,500 in January 1960), it is timely for Management to establish a definite policy on patent clauses in union contracts.

"The Employee hereby agrees not to divulge to any unauthorized person any confidential information acquired by reason of his employment by the Employer. The Employee agrees to keep, maintain and make available to Employer complete and up-to-date written records, including photographs and drawings, of his inventions and improvements relating to Employer's business, all of which shall be the property of the Employer. The Employee agrees promptly and fully to disclose in writing to the Employer all inventions and improvements, whether patentable or not, which relate to Employer's business that the Employee may, solely or jointly, make during the period of his employment by the Employer, and Employee further agrees to assign and does hereby assign and transfer to the Employer all his right, title and interest in and to all such inventions and improvements and in and to any Letters Patent or application for Letters Patent thereon in and for all countries, and Employee further agrees, at the expense of the Employer, to do all things and to execute and deliver all papers necessary therefor whenever so requested by the Employer."

An analysis by the author* of 17 existing union contracts containing patent clauses shows that sometimes the following additional features are included:

1. Release of the invention to the employee, if the company decides not to file an application thereon; 2. Retention by the company of a shop right, when an invention is released to an employee; 3. Awards of from $10.00 to $100.00 to each employee

*See "Business and the Professional Unions", Advance House, Publishers, Ardmore, Pennsylvania.

## CHAPTER XXIX

## COOPERATION WITH LEGAL DEPARTMENT AND OUTSIDE PATENT COUNSEL

The Patent Department will assist the company Legal Department or outside legal counsel in supervising the compliance of the company with Government regulations regarding trade practising, labeling, and advertising claims. The Patent Department will assist outside legal counsel in litigation involving defensive or offensive patent suits and trademark infringements and actions brought by the Government Departments and regulatory agencies and illegal trade practices. Further, the licensing attorney should submit to legal counsel all proposed agreements involving the sale, purchase, licensing or exchange of patents for checks against violations of the anti-trust laws or rules on trade practices. In this connection, the officers, department heads and plant managers should be supplied with a guide to patents and the anti-trust laws, such as the book "Patents for Management" (Advance House, Publishers, Ardmore, Pa.).

## HOW THE PATENT DEPARTMENT MAY ASSIST IN INFRINGEMENT ACTIONS

In patent litigation--either defensive or offensive--the Patent Department can play a constructive role. The Department can serve outside patent counsel in these ways:

1. Assist in validity and infringement studies.

2. Investigate possible alleged "prior use" of the patent in suit.

3. Supply information on the foreign patents corresponding to the U. S. Patent in suit.

4. Investigate the possibility of "file-wrapper estoppels" or laches.

5. Find and interview probable witnesses.

6. Assist in the selection of an "expert" witness and provide such witness with technical information regarding the company and the matter in suit.

7. Prepare motion pictures, slides or pictorial exhibits which will illustrate the differences or similarities between the alleged infringement and the patent in suit.

8. Supervise the making of tests in the laboratory of prior art and of alleged prior use.

9. Arrange to supply outside counsel with adequate exhibits, samples and copies of prior art cited.

## APPENDIX A

## CLAUSES FOR A "GUIDE TO PATENT POLICIES"

1. General Patent Policies:

We believe that the inventor and patent owner are entitled to their rights in consideration for giving to the public a full disclosure of their advance in the art--for the benefit of industry and the public good.

2. Purpose of Obtaining Patents:

The Company will obtain patents on all practical inventions which relate to its business.

The object of such patent protection is:

a. To protect the fruits of our research.
b. To protect the capital invested in our business.
c. To prevent interference in our business by others.
d. To provide job security for our employees.
e. To create additional income by sale or licensing of our patent rights.
f. To give recognition to the skill of our technical personnel.
g. To advance the progress of our industry.

3. Patents and Sales:

Patents will not usually be considered as mere sales adjuncts.

No salesman of this company should offer a free license under any company patent in return for commitments to buy any product from the Company.

The Company believes it is, in most cases, justified in charging a reasonable consideration for the use of its inventions by customers, converters and others, because large sums have been expended in making and developing the Company inventions.

The Company will provide know-how and technical services to its licensees for a consideration to be agreed upon.

One copy of the record shall be retained by the employee, a second copy shall be sent to the Patent Department and a third copy shall be delivered to the employee's supervisor.

7. Laboratory Notebooks:

All technical personnel will be supplied with the Company's standard notebooks.

This book must be used in accordance with the instructions on the inside cover of the notebook.

Each disclosure of a new idea or improvement shall be signed by the inventor and witnessed by another employee who is capable of understanding the invention.

All such notebooks are the property of the Company and when completed, must be filed with the employee's supervisor.

8. When Applications Will Be Filed:

The Company will file applications for patent on all inventions relating to its business under two conditions: (a) when the invention has been reduced to practice and before any publication, or, (b) after conception of the invention, but before physical reduction to practice if the invention appears practical and actual reduction to practice would involve substantial expense, delay or require unavailable facilities or personnel.

The inventor will be allowed to retain title to all inventions which do not relate to the Company's business, but invention records on all such inventions must be filed with the Patent Department and a written release obtained.

9. Patents in Publicity:

There shall be no publicity either in speeches or publications of any Company invention before the first patent application has been filed.

Premature publication before filing makes it impossible for the Company to obtain valid patents in a large number of important foreign countries.

13. Patent Notices:

All machines, articles, products and compositions sold by the Company shall bear a notice if they are patented or made under a patent.

The notice shall read:

"Made under U.S. Patent No.....and other patents pending".

All shipping labels must be approved before use by the Patent Department.

When new labels are being prepared, they should be submitted to the Patent Department for approval before being sent to the printer.

14. Licensing of Company Inventions:

Whenever the Company can license others without harming its competitive position, the Company will make its patents available to competitors upon payment of a reasonable royalty.

When the Company owns inventions which are outside its field or have a use outside its field, the Company will license others under terms which will bring a proper return to both parties.

All inquiries received from outside parties regarding licenses should be forwarded immediately to the Patent Department.

15. Policy on Foreign Patents:

The Company will protect successful inventions by patents in suitable foreign countries.

As soon as a new development has achieved commercial acceptance in the United States, and is not required for Company use, the Company may offer licenses abroad.

The licenses will include both patent rights and technical know-how.

## APPENDIX B: SAMPLE DOCKET CARD

The card is 5" x 8". This is the front side.

| | | |
|---|---|---|
| | Docket No. | |
| Inventor (s) | | |
| Short Title | Filing Date | Serial No. |
| Official Title | | |
| Abstract: | | |
| Office Actions | | Amendments, Appeals |
| Notice of Allowance | Abandoned | Final Fee Paid |
| U. S. Patent No. | Issue Date | Convention Year Expires |

The reverse side of the card is left blank, but this side is used for listing the corresponding foreign patents. Usually five columns are required: Country, Serial Number, Filing Date, Patent Number, Issue Date.

APPENDIX C

# RECORD OF INVENTION

**Type in Triplicate; send original to Patent Department, send one copy to your Dept. Head and retain one copy.**

Date Typed.....

1. Name(s) of Inventor(s).....
2. Short Title of Invention.....
3. Circumstances Leading to the Idea Constituting the Invention: (e.g. problems and difficulties in present practice giving rise to the idea; cite any patents or publications which relate to this subject. If a supplementary sheet is required, it should be signed, dated, and referred to herein.)

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4. Objects of the Invention:.....

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5. Detailed Description of Invention: (Give structure, mode of operation and results if a Machine; give details of structure and use if Article; give steps, conditions and results if Process; give components, proportion and synthesis if Composition of Matter. Include or attach sketches, blueprints or photographs.)

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# APPENDIX D

## MINIMUM LIST OF BOOKS, PERIODICALS AND SERVICES FOR A PATENT DEPARTMENT LIBRARY

### BOOKS RELATING TO PATENTS AND TRADEMARKS

Deller, A. W.: Walker on Patents, Baker, Voorhis & Co., Mount Kisco, N. Y., 1937.

Ellis, Ridsdale: Trade Secrets, Baker, Voorhis & Co., Mount Kisco, N. Y., 1953.

McCrady, A. R.: Patent Office Practice, Pacot Publications, Box 986, Keerville, Texas, 1950.

Ellis, Ridsdale: Patent Claims, Baker, Voorhis & Co., Mount Kisco, N. Y., 1949.

Callman, Rudolf: The Law of Unfair Competition and Trademarks, Callaghan & Co., 165 N. Archer St., Mundelein, Ill., 1950.

Robert, Daphne: The New Trademark Manual, Bureau of National Affairs, Washington, D. C., 1947.

Howell, H. A.: The Copyright Law, Bureau of National Affairs, Washington, D. C. 1947.

Ellis, Ridsdale: Patent Assignments, Baker, Voorhis & Co., Mount Kisco, N. Y., 1955.

Ellis, Ridsdale: Patent Licenses, Baker, Voorhis & Co., Mount Kisco, N. Y., 1958.

Hineline, H. D.: Forms and Their Use in Patent and Trademark Practice in the United States and Canada, Michie Co., Law Publishers, Charlottesville, Va., 1951.

Jacobs, A. L.: Patent and Trademark Forms, Central Book Co., New York, N. Y., 1951.

Jones, L. A.: Legal Forms, 10th Edition, Vol. 3, Bobbs-Merrill Co., New York, N.Y., 1962.

Wade, W.: Business and the Professional Unions, Advance House, P. O. Box 334, Ardmore, Pa., 1961.

Wade, W.: Patents for Management, Advance House, Ardmore, Pa., 1961.

Wade, W.: Patents for Technical Personnel, Advance House, Ardmore, Pa., 1962.

Berle, A. K. and De Camp: Inventions, Patents and Their Management, Van Nostrand, New York, N.Y., 1959.

Bachmann, O. J.: Patents and the Corporation, 2nd Edition, Pub. by Patents and the Corporation, 705 Pine Creek Drive, Greenville, S. C., 1959.

## ADDITIONAL BOOKS FOR COMPANIES HAVING INTERNATIONAL LICENSING OR OPERATIONS

Institute of Private Investments Abroad, Southwestern Legal Foundation, Dallas, Texas, Annual Proceedings beginning 1959, Matthew Bender & Co., New York, N.Y.

Landau, Henry (Editor): Doing Business Abroad, 2 Vol. ,Practising Law Institute, New York, N.Y., 1962.

Scheer, H.: International Patent, Design and Trademark Law, Pub. by H. Scheer, 10 Raschdorff-Strasse, Cologne - Braunsfeld, West Germany, 1962.

Foreign Licensing Agreements, 2 Vol., National Industrial Conference Board, New York, N.Y., 1958.

## SUBSCRIPTIONS TO PATENT AND TRADEMARK PUBLICATIONS

"Shepard's Federal Reporter Citations", Shepard's Citations, Inc. Colorado Springs, Colorado.

"Shepard's United States Citations", Shepard's Citations, Inc. Colorado Springs, Colorado.

"Journal of the Patent Office Society", Patent Office Society, 104 Academy Ave., Federalsburg, Md.

"Index to Legal Periodicals", The H. W. Wilson Company, 950-972 University Ave., New York, N. Y.

"Patent and Trade Mark Review", Trade Activities, Inc., 347 Madison Ave., New York 17, N. Y.

"Trade Marks Throughout the World", Trade Activities, Inc., 347 Madison Ave., New York 17, N. Y.

"Patents Throughout the World", (Supplements only). Trade Activities, Inc., 347 Madison Ave., New York 17, N. Y.

"Manual for the Handling of Applications for Patents, Designs, and Trademarks Throughout the World", Bureau Voor Technische Adviezen, Amsterdam, Holland.

"Underwood's Patent Digest", Card Digests Company, 711 14th Street, N. W., Washington 5, D. C.

"The United States Patents Quarterly", Bureau of National Affairs, Inc., Washington, D. C.

"The Trademark Reporter", The United States Trademark Association, 6 East 45 Street, New York, N. Y.

"The Patent, Trademark and Copyright Journal of Research and Education", George Washington University Patent Foundation, Washington, D. C.

# APPENDIX E

## INSTRUCTIONS FOR USE OF LABORATORY NOTEBOOK

Write your name and that of your department in ink on the outside of the front cover, also noting the period covered by the experiments recorded herein.

Leave the first two or three pages blank in order to provide for a table of contents when the book is completed.

Number the pages in case this has not already been done by the printer.

Recorded technical data should be preceded by a brief statement setting forth the object or purpose of the experiment with sufficient background to acquaint the reader with the subject at hand.

It is unnecessary to draw final conclusions in these notes, but a project should conclude with your signature and that of a witness to your signature, and the date. The witness should understand in general the purpose and significance of the recorded data.

As far as practical, only the person whose name appears on the front cover should make entries in this notebook.

Present facts -- and facts only. Your notebook is the wrong place for opinions. Negative experiments are not necessarily of negative value and notations, such as, "this did not work" or "this product was no good" may, from a legal standpoint, detract from the ultimate value of the record. Original data in any field, though apparently of little significance at the time, may acquire considerable importance in the light of later developments.

## APPENDIX F

Docket No.....

1. Invention Record.....Date.....

2. Inventor: Present Location:

3. Abstract of invention and classes of claims:

4. Related patents and applications:

5. Is it practical?.....(Consider: Was the idea actually reduced to practice before filing? Has a model, sample, or pilot run been made successfully? Has there been any commercial use?)

6. Is there a need for it?.....(Consider: Why was the invention made? Is it better than the present commercial equivalent? Who needs it and why? Is the market large or small?)

7. Can it compete?.....(Consider: Is it more expensive or less expensive than present commercial equivalents? What functional advantages does it have over competitive equivalents? Are there existing facilities for its production? Can it make a profit?)

8. Will the patent protect?.....(Consider: Do the claims appear to be patentable? Are the claims generic, subsidiary, or specific? Will other patents be required to practice this invention? If so, who owns them?)

9. Disposition by the Patent Filing Committee:
   ( ) Permanently rejected. Reasons:

   ( ) Postponed for later review. Reasons:

   ( ) Selected for filing.

Date Reviewed.....

## APPENDIX G

## BIBLIOGRAPHY

"Objectives of a Corporation Patent Department", 15 J. Patent Office Society 269.

"Patent Department Organization", 23 J. Patent Office Society, 875.

"The Activities and Functions of the Patent Department in a Manufacturing Corporation", 24 J. Patent Office Society 107.

"Problems of a Corporate Patent Department", 30 J. Patent Office Society, 834.

"The Corporate Patent Department", 34 J. Patent Office Society, 91.

"The Patent Counsel in Company Organization", 42 J. Patent Office Society, 661.

"Function of Corporate Patent Counsel", 43 J. Patent Office Society, 722.

"The Corporate Patent Department", by A. B. Bakalar, Chem. & Eng. News, Vol. 29, No. 44, pp. 4583-4586 (Oct. 29, 1951).

"Using Your Patent Attorney", by R. Wolk, Machine Design, Vol. 27, pp. 154-157 (April, 1955).

"Patent Work in a Small Company", by T. C. Browne, Science, Vol. 122, No. 3173, pp. 733-737 (October 21, 1955).

"The Role of Patents in Development and Research", by O. E. Williams, American Ceramic Society Bulletin, Vol. 1, pp. 405-406 (October 15, 1956).

"He Solves Outside Suggestion Problems", Chemical Week, Vol. 84, No. 24, pp. 93 (June 13, 1959).

"Patent Service: Rear Guard of Research", by W. W. Smith, Journal of Chemical Documentation, Vol. 1. No. 2, pp. 8-10, (July, 1961).

## OTHER PATENT BOOKS BY DR. WORTH WADE

PATENTS FOR MANAGEMENT - A Guide for busy executives on the patent and anti-trust laws. It alerts Management to the principal dangers in the business use of patents so as to avoid unintentional misuse. Includes: how to convert patents into profits; patent rights of employer and employee; handling of unsolicited ideas; patents and the tax laws; patents and public relations. This timely handbook distills the essence of the author's thirty years corporate patent experience. $5.50.

PATENTS FOR TECHNICAL PERSONNEL-2nd. Ed., 1957. The ideal handbook for technical employees from laboratory assistant to Director of Research. Hailed as the most concise, readable guide to patents for technicians. Contains chapters on how to recognize inventions, how to keep records, how to protect inventions, rights of employee and employer and "How to Read a Patent". $3.00 per copy; $2.50 in lots of 25 to 100; $2.00 per copy in lots of 100.

HOW TO EXPLOIT PATENTS AND KNOW-HOW IN EUROPE (jointly with Louis Chereau). Tells how to file, protect and profit from foreign patent rights; the Common Market patent; know-how and technical service agreements; organizing and financing a business in Europe and anti-trust legislation. With chapters on 18 western European countries indicating inventions suitable, kinds of patents, trade restrictive laws. 1962. $12.50

Also, in preparation:

HOW TO PROFIT IN THE FAR EAST - Describes differences in market, patents and trademarks in the Far East; how to deal with Far Eastern businessmen; licensing, selling know-how, organizing and financing a business; export cartels and foreign extention of the U.S. Anti-Trust Laws. With chapters on Japan, and 9 other Far Eastern areas indicating products best suited, investment incentives and protection, and tax laws.

Published only by:
ADVANCE HOUSE, P. O. Box 334, Ardmore, Pennsylvania

# PERSONNEL ORGANIZATION OF THE
# PATENT DEPARTMENT
## IN A MULTI-DIVISION COMPANY

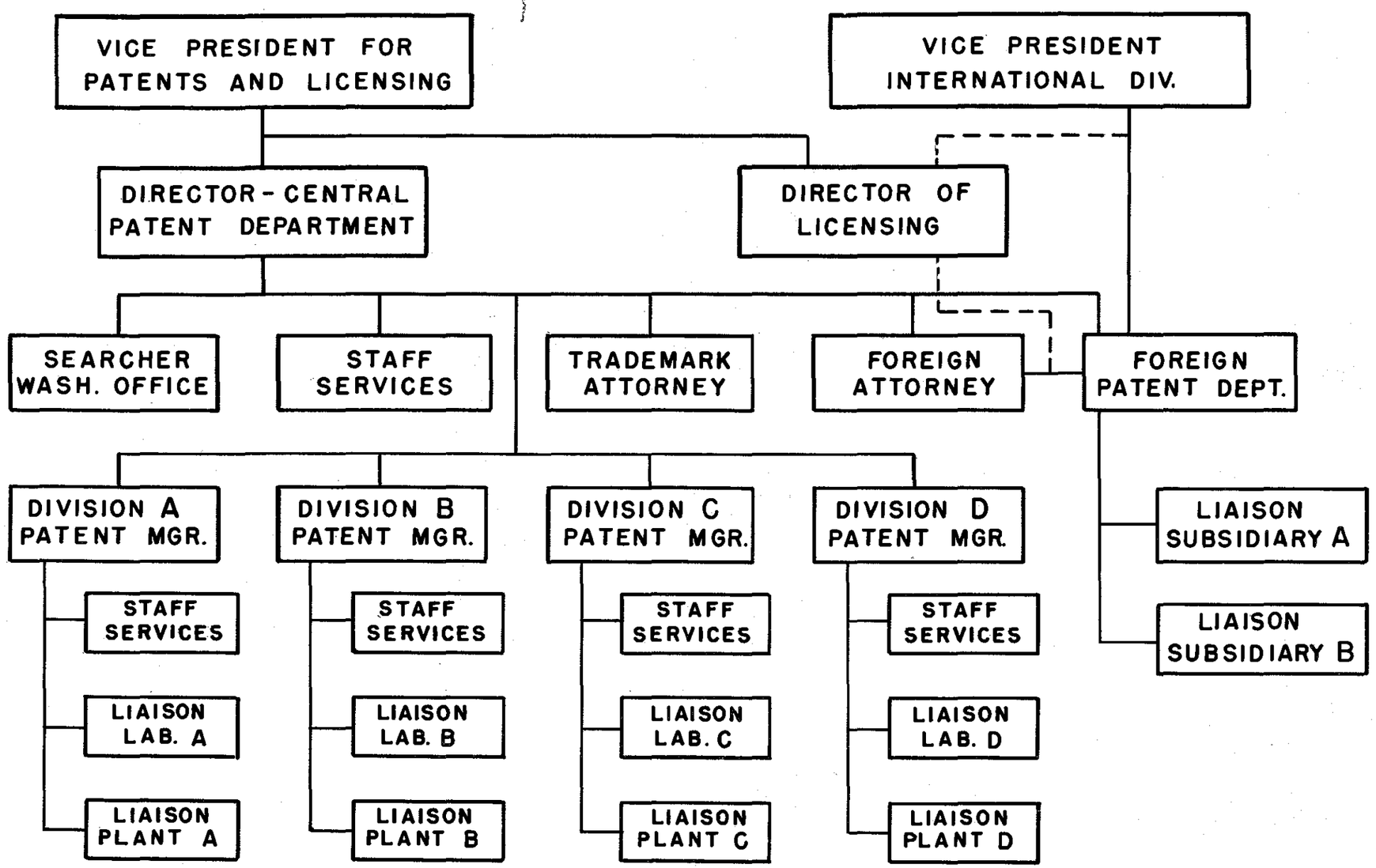



CHART III

# FUNCTIONAL ORGANIZATION OF THE PATENT DEPARTMENT IN A MULTI-PRODUCT COMPANY

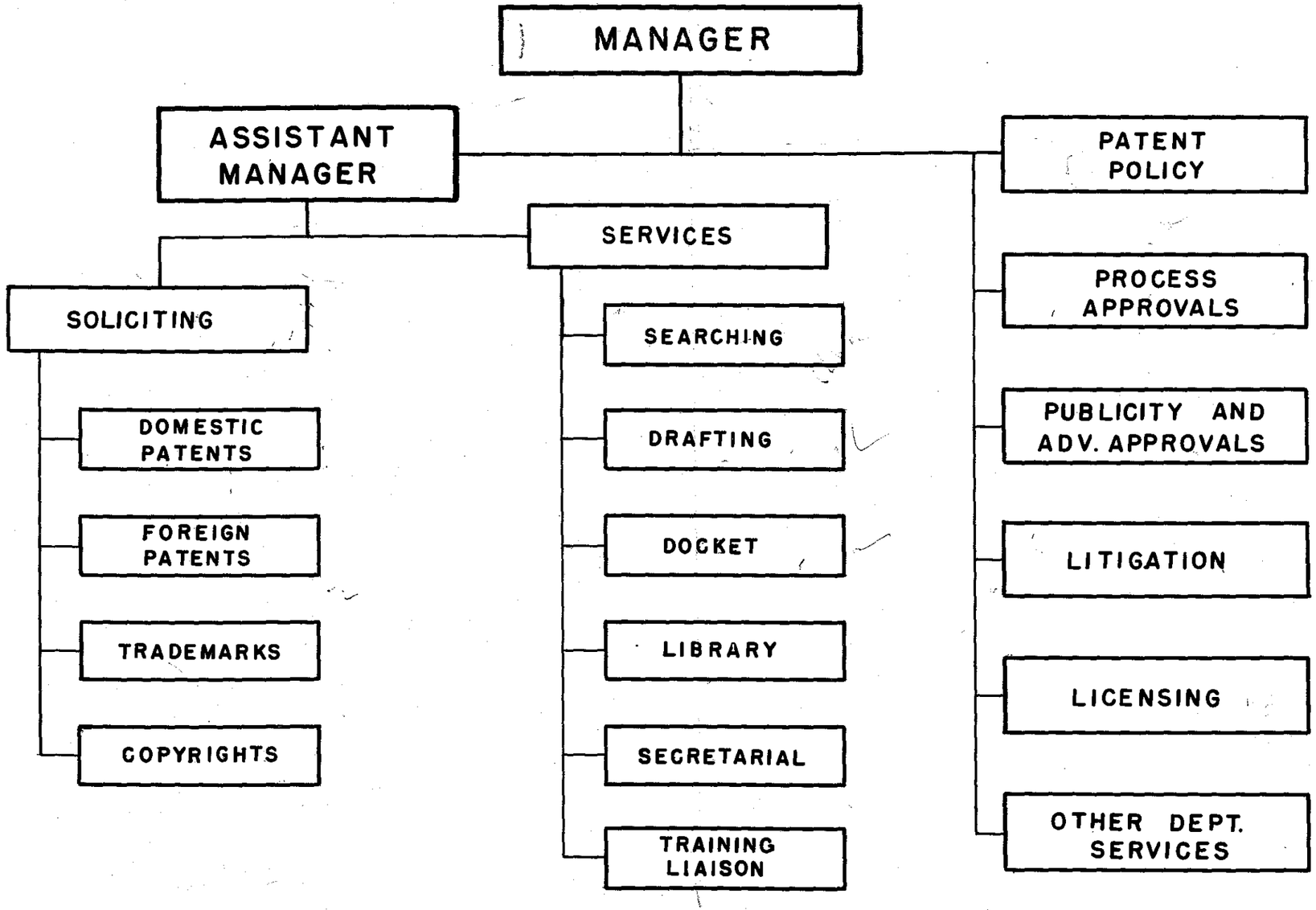



CHART II

PERSONNEL ORGANIZATION FOR A

# PATENT DEPARTMENT

IN A MULTI-PRODUCT COMPANY

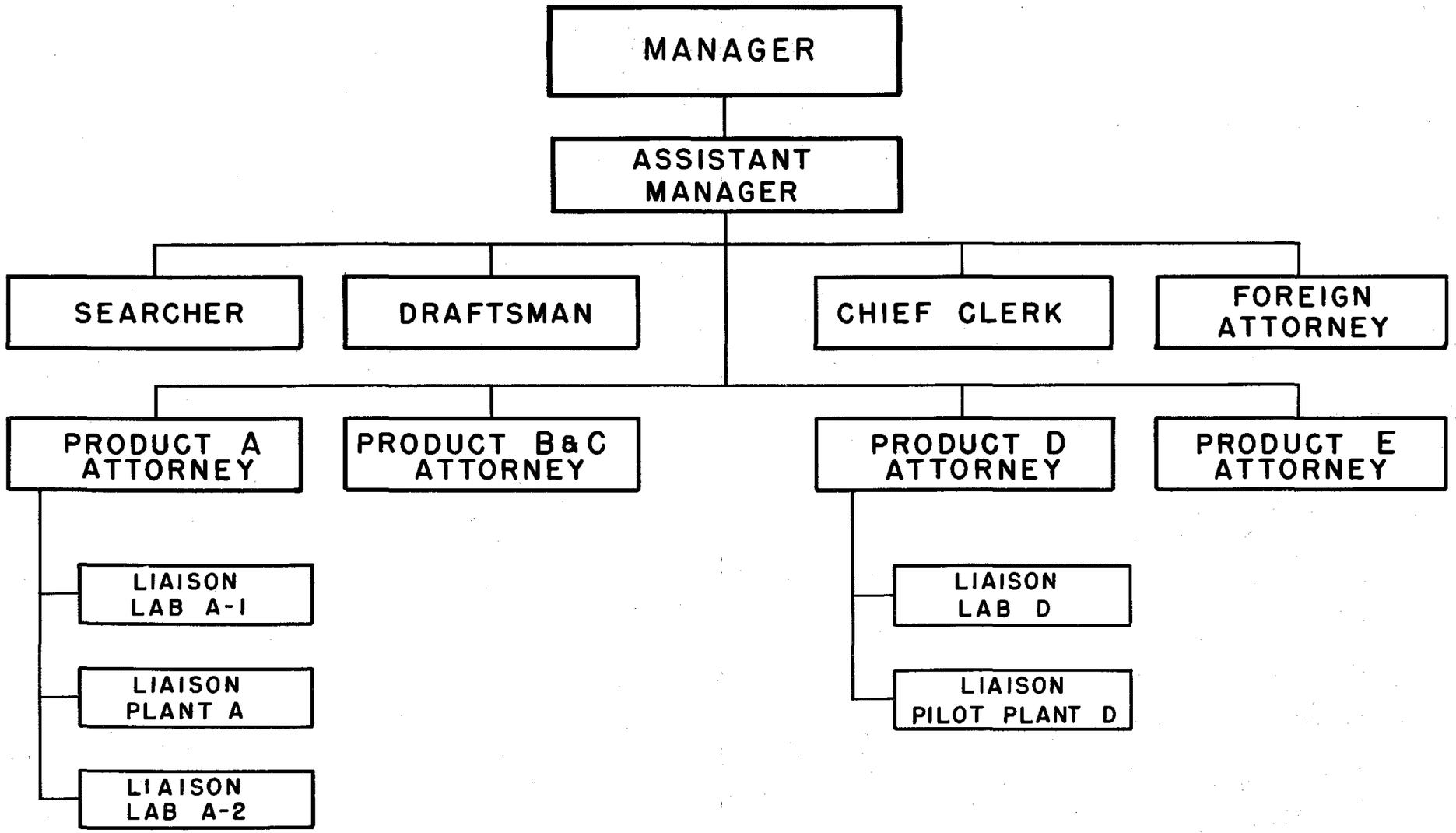
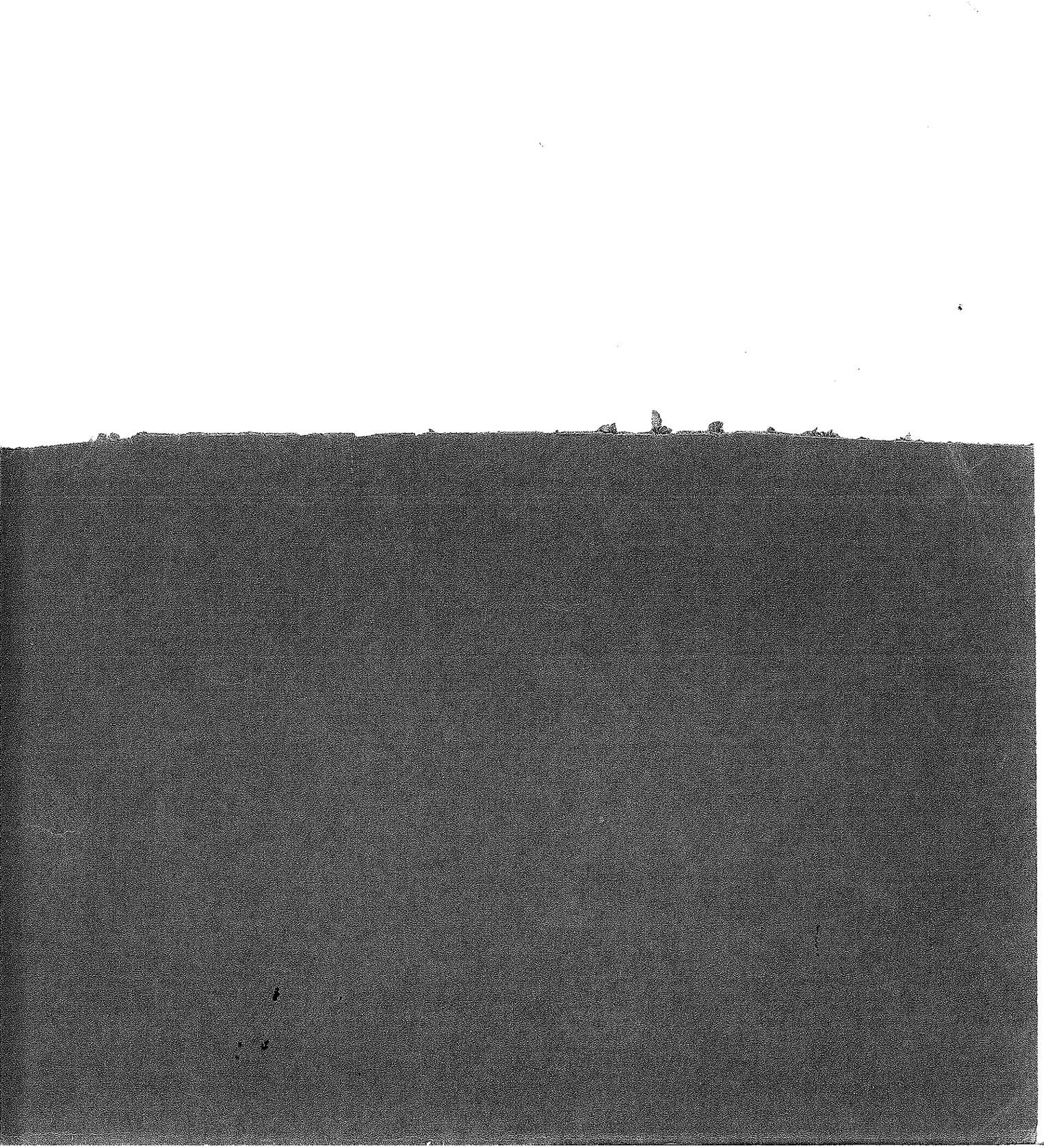



CHART I



"The Patent Counsel in Company Organization", National Industrial Conference Board, Conference Board Record, Vol. 17, No. 8, August 1960.

"Patent Policies and Practices of Industrial Research Institute Companies", by C. L. Blohm, Research Management, Vol. 1. pp. 173-176 (1958).

"Patents and the Corporation: A Report on Industrial Technology Under Changing Public Policy", by O. J. Bachmann, 2nd Ed., Published by Patents and the Corporation, 705 Pine Creek Drive, Greenville, S.C., 1959.

Do not skip or tear out pages, erase or alter data once entered, even though in error. Its credibility (as legal evidence) is improved by striking or crossing out such mistakes and starting afresh.

Do not make use of obscure names of materials or processes. Identify fully the products and conditions under which you use them. Similarly, avoid, wherever possible, references to articles by trade names, manufacturer's code number, etc.

Make note in this book as to any dates pertaining to the invention record, which means those dates on which any disclosure was made in writing to the Patent Department.

"Official Gazette of the United States Patent Office", Superintendent of Documents, Government Printing Office, Washington 25, D. C.

"United States Patent Office Manual of Classification", Superintendent of Documents, Government Printing Office, Washington 25, D. C.

"Manual of Patent Examining Procedure", Superintendent of Documents, Government Printing Office, Washington 25, D. C.

Campbell, A. and Thompson, D.: Common Market Law, F. B. Rothman Co., S. Hackensack, N. J., 1962.

Lewis, A. K. and Kemp, J. A.: Registration of Commercial License Agreements in the Common Market, Butterworth & Co., London, England, 1962.

Investing and Licensing Conditions in 40 Countries, Business International, New York, N.Y., 1962.

Wade, W. and Chereau, L.: How to Exploit Patents and Know-How in Europe, Advance House, Ardmore, Pa., 1962.

Oudemans, G.: The Draft European Patent Convention, Matthew Bender, New York, N. Y.

Compulsory Licensing of (Foreign) Patents Under Some Non-American Systems, Study No. 19, Committee of the Judiciary, U. S. Senate, Government Printing Office, Washington, D. C., 1959.

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Friedman and Kalmanoff: Joint International Business Ventures, Columbia University Press, New York, N.Y., 1961.

BOOKS FOR THE PATENT DRAFTSMAN

Radzinsky, H.: Making Patent Drawings, Macmillan Co., New York, N. Y., 1945.

Jones, F. D. (Editor): Ingenious Mechanisms for Designers and Inventors, Industrial Press, 148 Lafayette St., New York, N.Y. 1954.

Barber, T. W.: The Engineer's Sketch Book, Chemical Publishing Co., Inc., New York, N.Y.

Restrictive Business Practices, Annex C, Economic and Social Council, 16th Session, Supplement 11b, United Nations, N. Y., 1953.

Forman, H. I. (Editor): Patents, Research and Management, Central Book Co., 850 de Kalb Ave., Brooklyn, N. Y., 1962.

Forman, H. I.: Patents, Their Ownership and Administration by the United States Government, Central Book Co., 850 de Kalb Ave., Brooklyn, N. Y., 1957.

United States Code Annotated - Title 35, West Publishing Co., St. Paul, Minn.

Rivise, C. W. and Caesar, A. D.: Interference Law and Practice, The Michie Company, Law Publishers, Charlottesville, Va., 1947.

Trademark Management, United States Trademark Association, 522 Fifth Ave., New York, N. Y., 1955.

Trademark Licensing, United States Trademark Association, 522 Fifth Ave., New York, N. Y., 1962.

Toulmin, H. A. Jr.: Handbook on Patents, 2nd Edition, W. H. Anderson Co., Cincinnati, Ohio, 1954.

Bouvier, J. (Francis Rawle): Law Dictionary, 3rd Revision, Vol. 2, West Publishing Co., St. Paul, Minn., 1914.

Toulmin, H. A. Jr.: Patents and the Anti-Trust Laws, W. H. Anderson Co., Cincinnati, Ohio, 1950.

Costa, J. S.: The Law of Inventing in Employment, Central Book Co., New York, N. Y., 1953.

Roster of Attorneys and Agents Registered to Practice Before the U. S. Patent Office, U. S. Dept. of Commerce, Patent Office, Washington, D. C., 1963.

Davis, Albert S. Jr. (Editor): Patent Licensing, Practising Law Institute, New York, N. Y., 1958.

6. Permissible Variations in Proportions and Alternatives in Elements of the Invention:

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7. Advantages of the Invention Over the Prior Practice:

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8. Conception Date: (Give day, month and year; and specify records relied on.)

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9. Earliest Disclosure to Others: (State where, when and to whom; Specify records relied on.)

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10. Date of Earliest Sketch or Drawing: (Give Drawing Serial Number.)

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11. Earliest Date Invention Was Operated or Produced: (State when, where, *describe tests in detail,* attaching a page if necessary, and give names of witnesses present during operation or tests.)

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12. Commercial Practice: (State earliest date of commercial practice. If not commercially practiced, state when same is expected to begin:)

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13. Further Research is Intended Along the Following Lines:

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| WITNESSES (Read and understood by) | SIGNATURE(S) OF INVENTOR(S) | CITIZENSHIP |
|---|---|---|
| ..... | ..... | ..... |

Residence.....
(City) (County) (State)

| ..... | ..... | ..... |
|---|---|---|

Residence.....
(City) (County) (State)

Sworn to before me this.....day of....., 19.....

.....
Notary Public

16. Inventions Made During Government Work:

The Company will cooperate with the United States Government in the development of products for military or civilian use.

The Company will accept Government contracts under terms which require the granting to the Government of a royalty-free non-exclusive license to all inventions made during work under such contracts.

17. Sale of "Know-How":

Normally a license granted under a specific patent does not obligate the Company to furnish technical information or "know-how" beyond that contained in the patent specification.

When a Licensee desires to obtain the commercial "know-how" in addition to the patent license, a separate consideration will be required for the "know-how".

All agreements including the sale of "know-how" shall contain a precise definition of the types of "know-how" to be included and define the period of time during which it is to be furnished.

18. Right to Use Company Trademarks:

Licenses under patents will not give the Licensee any right to use any of the Company's trademarks unless this right is specifically set forth in the agreement.

Trademarks may be licensed for use by converters and customers only in accordance with the regulations of the current United States Trademark Act.

The Company will reserve the the right to limit the use of the mark to goods manufactured of Company products, and then only when the goods meet a standard of quality approved by the Company.

Therefore, all technical papers, proposed speeches, and publicity material which involves any technical development of the company must be submitted to the Management for approval prior to public delivery or publication.
Likewise, all advertisements referring to Company products must be approved by the Patent Department before publication.

10. Confidential Nature of Inventions:

No employee shall disclose to a non-employee any technical improvement or invention without Management approval.
It is frequently necessary to admit outside salesmen, contractors and suppliers to Company premises. Care should be taken that such outside parties do not see and do not receive disclosures of Company inventions or confidential know-how.

11. Disclosure of Company Inventions:

Whenever it is necessary for a patent application to be sent to an outside party, this should be done only by registered mail with a return receipt requested.
The Serial number and filing date of the application must not be given in the letter of transmittal.
All such letters should be prepared by the Patent Department.

12. Acceptance of Disclosures from Outsiders:

Expensive law suits can result from improper acceptance of disclosures of alleged inventions from outsiders.
When unsolicited letters are received from outsiders proposing to make or making a disclosure of an alleged invention, these letters with enclosures should be sent promptly to the Patent Department for reply.
The Company will not accept any disclosure from an outside party on a confidential basis.
Disclosures are accepted from outsiders only upon the terms and conditions of a letter agreement which should be available from the Patent Department.

4. Employee Inventions:

The Company believes that supervisory, technical and sales personnel are employed for their respective talents.
Thus, inventions made by them in performance of their regular duties and using the Company's facilities and time, are the property of the Company.
Therefore, the Company will require all its Management, supervisory, technical and sales personnel to assign to the Company all their inventions which relate to the business of the Company.
The execution of the Company's standard contract on Employee Inventions is a necessary condition to employment and continued employment.
It shall be the obligation of the personnel recruiting agent to notify all applicants that such a contract must be signed when the applicant is hired.
The commercial success of new ideas is the result of the joint efforts of many skilled people working together.
Recognition will be given to all who contribute to the success of an invention.

5. Administration of Employee Contracts:

All employee contracts relating to inventions shall be filed with the Patent Department, which Department will administer all such contracts.
Whenever an employee is separated from the payroll for any reason, his supervisor shall notify the Payroll Department and the Secretary, so that his contract may be reviewed and appropriate action taken to protect the confidential know-how of the Company.

6. Invention Records:

The Company will encourage its supervisory, technical and sales personnel to protect their inventions by patents, to insure that they receive credit for their efforts and that the Company may profit from such improvements.
All such personnel shall prepare and file promptly three copies of the Company's standard invention record form on all new developments.

## PROPER USE OF OUTSIDE PATENT COUNSEL

Regardless of the position of the patent function in the organization, it is always advisable to retain outside patent counsel. A survey made by the National Industrial Conference Board in 1960 shows that in 250 manufacturing companies, 82, or about 1/3, had both staff patent counsel and outside patent counsel. It is not advisable for staff patent counsel to handle litigation on patents or trademarks, but they should be prepared to assist outside counsel in the preparation for trial by obtaining witnesses and evidence of prior use. However, outside counsel should advise and be consulted on such complicated problems as patentability of important developments, validity of competitor's patents, infringement and complicated or important patent interferences. Outside counsel should be used in suits against the Commissioner of Patents and before the Court of Customs and Patent Appeals. Outside counsel should answer all letters received by the Management alleging infringement of a trademark or a patent and should send legal notices to possible infringers.

upon the filing of a patent application and upon the issuance of a patent on the employee's invention; 4. Obligation of the employee to assign inventions made within one year after separation from the payroll for any reason.

## MANAGEMENT TRAINING PROGRAMS

Many Industrial Relations Departments carry on training programs for employees to prepare them for more responsible positions, or to provide them with a better knowledge of the overall activities of the company. In any such program, at least one hour should be devoted to explaining the position and function of the Patent Department in the company and the benefits of patents to the company, the employee and the public. This discussion should be led by the staff patent counsel or Manager of the Patent Department.

Surveys have shown that scientists in America are opposed to collective bargaining by a ratio of about four to one. The majority opinion is that joining a union causes a loss in prestige and professional standing, and the majority also feel that their technical societies could assist them in raising levels of pay, promoting standards of professional competence and building public esteem. The technical societies in America are unanimous in opposing unionization of their members. Management could assist in maintaining this attitude by encouraging technical personnel to consider themselves a part of Management, by encouraging attendance in professional societies, approving publication of their scientific advances and by including them in policy making. Various surveys have shown that a professional scientist is more concerned with prestige and recognition than salary, provided his compensation is adequate for his personal needs.

## SUGGESTED PATENT CLAUSE FOR UNION CONTRACTS

Where a company is using a patent agreement for unorganized technical personnel, then it is advisable that the patent clause in agreements with organized scientists should be the same so that all technical personnel would operate under a uniform clause and receive equal treatment. A suitable clause is:

a) he discovered the secret by improper means, or

b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him, or

c) he learned the secret from a third person with notice of the facts that it was a secret and that the third person's disclosure of it was otherwise a breach of his duty to the other.

The basis of liability is the employee's breach of confidence and his new employer's knowledge of such breach and collusion therewith. In general, the court will grant an injunction and authorize an accounting against persons who misappropriate a secret manufacturing process learned while in a confidential relationship with the owner.

DEFINITION OF A TRADE SECRET

A trade secret may consist of any formula, pattern, device or compilation of information which is used in a business, and which gives it an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. The subject matter of a trade secret need not be patentable to warrant protection as a trade secret.

The above clause is a limited liability, because the seller does not give any warrant beyond the material sold. It is the duty of the Purchasing Department to consult patent counsel, if there is any possibility that use of the material purchased will constitute direct or contributory infringement. A stronger clause may read:

> Seller warrants that the use or sale of the material delivered hereunder will not infringe any valid claim owned by others and Seller further agrees that the Purchaser may recover from Seller any sum that Purchaser has to pay to any patent owner as a result of infringement arising from use or sale of said material.

## PATENT NOTICES IN PUBLICITY

All publicity relating to a new product upon which patents have been obtained or are pending should contain the notice "patented" or "patents pending". This applies to news releases, press interviews, direct mail, trade show exhibits, bulletins regarding new products and technical service bulletins.

It is a good company policy to have all advertisement and publicity checked by the patent counsel or Patent Department before publication, to check not only trademark usage, but also to prevent premature disclosures, which may be damaging to the company's rights. Premature publication of an invention before the filing of a U. S. application makes it impossible to obtain a valid patent in a number of important foreign countries.

## HOW TO GET FAVORABLE PUBLICITY FROM PATENTS

Patents can provide favorable publicity for the company if properly handled. Normally, a company does not announce that it has filed a patent application on a new development, but this may be done indirectly, when a pilot plant is started, by a statement such as: "The company announced that it had placed on stream a pilot plant to utilize its new process for making the polymer on which patents are pending."

newness and superiority over ordinary unpatented products. Such notices tend to reflect the fruits of the company's research effort. Finally, such notices may and in many cases do retard competitive effort or duplication by others.

PATENT NOTICES IN ADVERTISEMENTS

If a product being advertised is actually covered by a patent issued or pending, then it is advisable to indicate in the advertisement such fact by the terms "patented" or "patent pending" as the case may be. Such notices need not be conspicuous, but may be indicated in footnotes along with trademark registration notices.

PUBLIC ADDRESSES AND PAPERS IN JOURNALS

Speeches for public gatherings or papers for publication which include any reference to a new or patented product of the company should be prepared in advance and checked by the patent counsel. It is advisable for the speaker or writer to avoid such expressions as "in 1953, we began the investigation of these new polymers". On the contrary, it is advisable not to indicate when the work began because this may result in the loss of a patent interference to another party. Likewise, statements that the

## HOW PATENTS CAN PROPERLY PROTECT SALES

The Patent Department will provide protection, by means of issued patents, for the new products which are being promoted by the Sales Department. If the Sales Department desires to promote a special product, consultation on this fact should be brought to the attention of the Patent Filing Committee. It should be realized that patents can protect sales and, in fact, create a legal monopoly up to 17 years for a patented product.

However, there are other aspects of sales that will concern the Patent Department: anti-trust acts, Robinson-Patman Act, Webb-Pomerene Act and the regulations of the Federal Trade Commission. The duty of the Patent Department is to advise the Sales Department as to proper and improper sales practices. The improper practices are:

1. Price fixing with competitors.
2. Allocation of sales territory with competitors.
3. Discrimination between customers for the same goods.
4. Export agreements that limit quantity or territory.
5. Misleading or false labeling.
6. Selling a drug or a food-stuff without the approval of the Pure Food and Drug Administration.

work and that all improvements made by the contractor on such a machine shall be the property of the company and that no right or implied license is acquired by the contractor to build such machines for others without the written consent of the owner.

The company should require that all blueprints and drawings, dies, tools and jigs supplied or purchased for its accounts and used to repair or construct the patented machine are the property of the company and must be returned to the company when the work is completed.

The Manager of the Patent Department should consider whether the infringed patents may be avoided by modification of the invention or whether the infringed patents should be purchased. Other questions which should be considered are: (a) Can the invention be sold to the owner of the infringed patents? (b) Can the invention be modified to force the owner of the infringed patents to grant a license to the company owning the invention?

For details as to how to convert patents into profits by "Patent Development", reference should be made to the author's article in Patent Licensing, Practising Law Institute, (1958), p. 14.

market and patent scope and the license prospect selected by modern business methods. The Manager of Patent Development may report to the President, an Executive Officer to whom the Patent Department reports or to the Director of New Product Development. Since this department utilizes the facilities of other departments for cost estimates, market surveys, models, samples and patent surveys, the staff may be small: a Manager, one assistant occupied primarily with surveys and one or two secretaries.

In "patent development", the unused patents are subject to a screening called a "patent audit", in which each patent must pass these hurdles: (a) Is it practical? (b) Is there a need for it? (c) Can it compete? (d) Will the patent protect? An "Invention Audit Sheet" is shown in Appendix F.

The patents which pass these tests are then subjected to a critical examination. The technical "facts of life" on the invention are obtained; a model or commercial sample is prepared; a market survey is made; a cost estimate is developed; and finally, an opinion on the validity and infringement of the patent is obtained. If the invention has not been fully reduced to practice, development work is necessary. This usually results in additional patent applications which supplement the original unused patent. At this point,

## PATENT CLAUSES IN RESEARCH CONTRACTS

It is frequently desirable for a company to enter into an agreement with outside laboratories and non-profit institutions to carry out sponsored research. When sponsoring research, the sponsor pays to have work done on a defined project. In such contracts, the outside laboratory or institution should be required to assign to the sponsoring company the entire right, title and interest in and to all inventions and improvements which "relate to the project or are derived from research on the project" in and for all countries.

When the contract covers a joint project to which two or more companies are contributing and will share in the results, the parties usually share equally in the patent rights. A typical clause reads:

> "Inventions made by inventors of the parties shall be the sole property of the party who employs the inventor, but the other party shall have a royalty-free, non-exclusive license under any and all such inventions in and for all countries. Where a joint invention is made involving employees of both parties, then each party shall have a one-half (1/2) undivided interest in and to the invention. The parties agree to jointly prosecute the patent application of such joint inventions, the costs therefor being divided equally between the parties."

Department of Agriculture are not uniform, and in some cases are in direct conflict with each other. For example, the patent policies of the AEC and the Defense Department differ widely. Under Section 152 of the AEC Act, any invention in the atomic field made during or under any contract with the AEC belongs to the AEC, whether or not the AEC paid for the work. Most private industry strongly opposes this policy and would like patents to be treated under the policy of the Defense Department, which allows the private contractor to own the invention, the contractor granting the Government a non-exclusive royalty-free license. It is very important for a company to give careful attention to patent clauses in research or supply contracts with any Government department or agency.

## INVENTION MADE BY COMPANY PRIOR TO GOVERNMENT CONTRACT

When the company is the owner of important inventions which are fully developed before the Government contract, the company should offer the Government only a non-exclusive license with no right to sub-license. If the Government department or agency requires that another company should be able to supply the patented item, the company may grant a license to the

## PATENT DEPARTMENT'S ROLE IN SELECTING TRADEMARKS

The Manager of the Department should offer to assist the Sales Department and it's advertising agency in the selection of new marks. The best procedure is to select a trademark for domestic use that will comply with the requirements for use and registration abroad. Many foreign countries have classes of mark that cannot be registered. Further, attention should be given to whether the mark can be translated or pronounced properly in those foreign countries where it is likely to be used. If these rules are followed, the money spent on advertising the domestic mark will create good-will and recognition abroad.

## FOREIGN USE OF TRADEMARKS

Many foreign countries permit registration of marks before use, but most of them require use within three years of registration. Use must not be discontinued for any period of three years or the mark may be subject to cancellation by another party. If the company has trademarks abroad or intends to file marks abroad, the Manager of the Department should consult with one of the international patent firms having experience in the filing, use and licensing of foreign trademarks.

3. Registration of trademarks. --explaining that registration is essential to establish the basis for suit.

4. Difference between trademark and generic name of product--explaining how to print and display trademark.

5. Proper trademark notices in advertisements and labels.

6. Improper use of trademarks--explaining why they should not be used as a descriptive adjective or possessive pronoun.

7. Proper use of trademarks--showing examples.

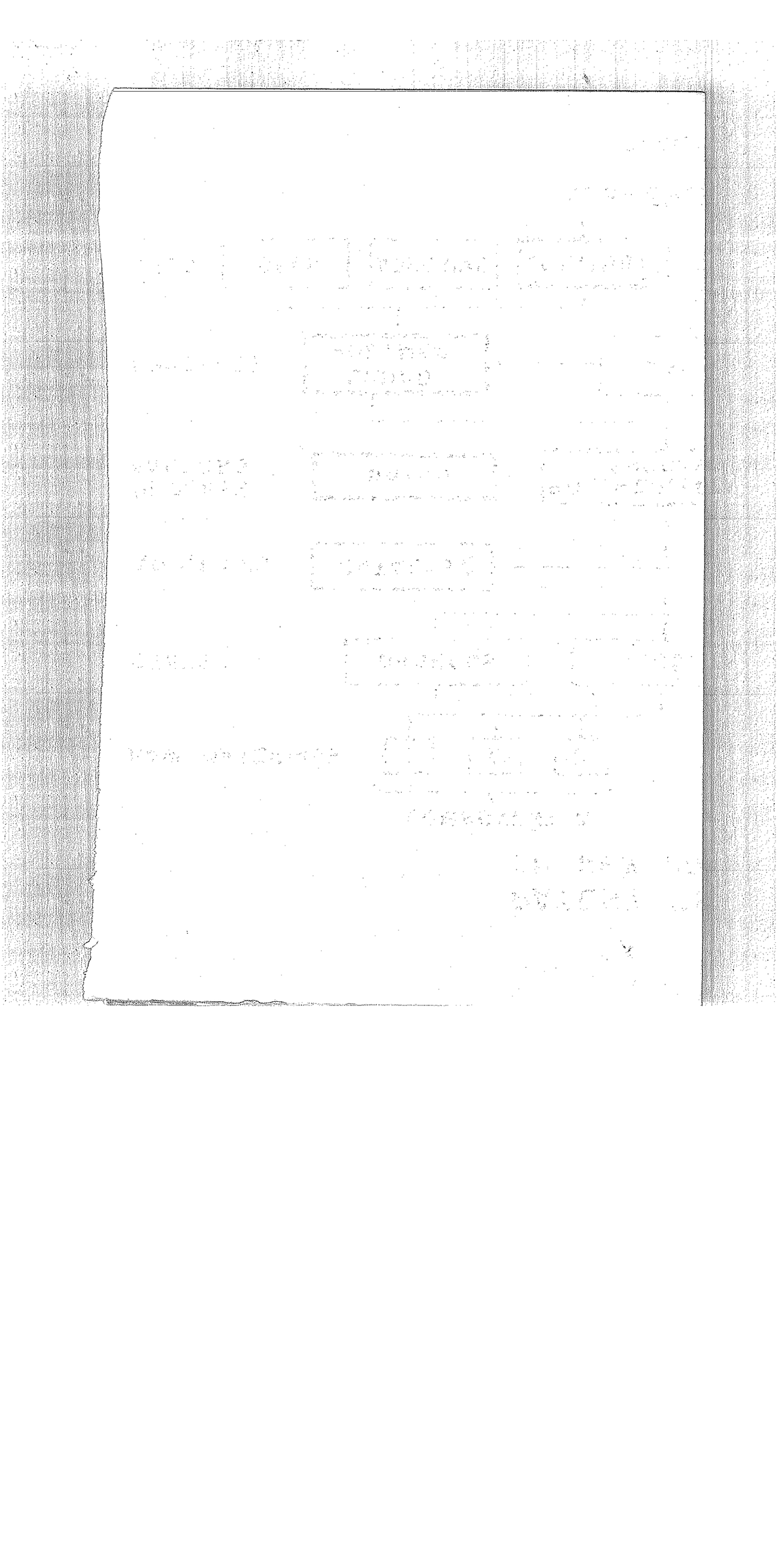
8. Proper use of company trademarks by customers.

9. Conditions under which trademarks may be licensed.

10. Danger of trademark piracy in foreign countries.

11. Rules and regulations of the Federal Trade Commission on labeling.

Many companies find it desirable to use one mark on the products sold and a second, "certification mark" for use on products made with such goods. It is very important to control the use of a certification mark. Such control is exercised by establishing a minimum standard of quality for the goods to be used under the certification mark, but it is necessary that samples of the goods made by the converter or customer should be taken at frequent intervals, such as quarterly, in order to certify that the quality standards are being maintained. The best practice is to supply the user with a special tag to be applied to the goods when the



acquire the rights to such inventions to round out the patent estate. Further, it may be discovered that some embodiments of the basic invention will infringe claims owned by another party. In this event, consideration should be given to acquiring rights under such claims by license or purchase of the patent. Where these outside rights are initially in the hands of direct competitors, care must be exercised not to use the combined patent estate to restrain trade or create a monopoly beyond that conveyed by the actual claims of the patents.

Charts of the type described can be used also for inventions on compositions of matter, apparatus and articles of manufacture.

prepare a chart, such as that shown in Plate IV. Assuming that the polymer is produced from two components, the chart may have the following sections:

Line 1: Raw Materials, propose at least three examples of each component.

Line 2: State of Matter, insert all three even if it appears one will not work.

Line 3: Additives, insert essential components, such as catalysts, anti-oxidants, stabilizers, plasticizers, as well as inert materials, such as dyes, pigments, fillers and the like.

Line 4: Process Factors: specific batch and continuous. If the apparatus is unique, this may furnish basis for a separate catagory. What range of pressures and temperatures can be used. Do not overlook time factor.

Line 5: Products, insert all possible states of matter for product of the polymerization process.

Line 6: Uses, insert all possible uses even though some have not been developed.

Now, let us assume that the initial discovery resulted from the use of component A-1 with component B-3 with a single catalyst resulting in a liquid polymer whose only known use was a "coating". It is apparaent that if a specific patent should issue on this discovery, it would make it impossible to obtain basic protection on the broad invention.

## ORGANIZATION AND ADMINISTRATION OF THE "IDEA CLINIC"

The Chairman of the "Idea Clinic" may be the Technical Executive in charge of Research and Development, the Manager of New Product Development or the Manager of the Patent Department. Suitable voice recorders are made available so that all discussions and suggestions are recorded. Each speaker gives his name and describes his suggestion. The written statement and the voice recordings are turned over to the Patent Counsel or Manager of the Patent Department to serve as evidence of invention.

The Manager of New Product Development or the Manager of the Patent Department or both should classify all the suggestions made so that ideas which relate to common subject matter are brought together. These ideas are then screened and the selected ideas should be subjected to patent, market and sconomic surveys. Patent applications should be filed promptly on all selected ideas that do not require further technical development or testing. The ideas requiring further development should be turned over to the Research and Development Department for project studies.

## PROTECTING THE NEW PRODUCT

As soon as the project work indicates that the invention is feasible, it is advisable to request patent counsel to make a "novelty" search. If this search shows that the new product has patentable features, one or more patent applications should be filed. Great care should be exercised that the application is not filed before the full scope of the invention is realized. The technical personnel should be open minded and be guided by the opinions of the patent attorney who will often expand the scope of the invention as he begins to prepare the claims.

## THE "IDEA CLINIC" IN NEW PRODUCT DEVELOPMENT

While some important inventions have been generated by so-called "brain-washing" sessions of interested technical personnel, a better method is the use of an organized "Idea Clinic". The "Idea Clinic" is a pre-arranged meeting of imaginative technical and supervisory personnel to discuss and make suggestions regarding a proposed new product. The product best suited to the use of the "Idea Clinic" is a new product created by research or acquired from outside the company and which appears to be of fundamental nature and to have wide potential uses.

## THE INVENTION WITH A LIMITED MARKET

A patent is obtained on a diaphragm for hearing-aid devices. The market for such diaphragms is found to be very limited. The best procedure is to offer the patent for sale to a major producer of hearing-aid devices. Instead of a royalty, a single down payment should be requested. Some favorable publicity may be obtained for the patent owner as a result of the use of the invention.

There are several ways to bring minor inventions to the attention of prospective Licensees, without cost. For example, the patent may be listed in the Federal Register, or the Official Gazette of the United States Patent Office. Also, an abstract of the invention will be published free of charge in the Products List Circular if it is sent to the Small Business Administration, Washington 25, D. C. Many trade journals will also accept brief publicity stories regarding new developments. Such releases can indicate that an invention is available for license.

A contrary policy should be followed by companies having national distribution. This is especially wise when the product requires substantial capital investment.

## LICENSING CUSTOMERS

A troublesome question is whether or not customers should be charged a royalty under "use" patents utilizing a product of the company. Many companies follow a policy of making royalty-free licenses available to all customers under equal terms. When a company has expended large sums in developing a patented process, machine or product, there is no reason why the customer should not pay a royalty to use the patent, even if a product of the company is required. The royalty may be considered as compensation for the technological advance thus provided to the customer.

When a company decides to charge customers a royalty, this policy and the exact terms of the license should be brought first to the attention of the Sales Department and one person should be designated to handle all such customer licenses. To avoid violation of the Robinson Patman Act and anti-trust questions, licenses should be made available to all customers upon equal terms. One convenient method for achieving uniform

mail to the Submitter with a letter advising that "the papers are returned" and that "no confidential relationship is acknowledged".

3. If the company desires to consider the idea, the "Letter Agreement on an Unsolicited Idea" should be mailed promptly to the Submitter with a request that he execute and return one copy and advising "otherwise the Company will not consider said idea, and hereby notifies you that no confidential relationship is acknowledged."

4. When unsolicited ideas are submitted under an agreement such as that above mentioned, the Company should take action promptly to examine the idea. If the idea is of interest to the Company and it is believed patentable, then negotiations should be carried out with the Submitter promptly and in good faith. If the idea is rejected, the application or written disclosure should be returned to the Submitter by registered mail, but no reason for rejecting the idea should be stated.

5. Photostats of all unsolicited disclosures, which are rejected should be kept in a locked file in the Patent Department under the supervision of one person. These files should not be made available to technical or other Management personnel.

LETTER AGREEMENT ON AN UNSOLICITED IDEA

The following is a letter agreement relating to unsolicited ideas of the type utilized by many companies:

Dear Sirs:

This will confirm an agreement between (company name and address) and (Company), (submitter's name and address) (Submitter) relative to an idea that Submitter desires to disclose to Company for consideration.

1. If an application for patent has been filed on said idea by Submitter, Submitter agrees to furnish Company with a copy of said application, but not showing the Serial Number or Filing Date of said application.

2. If no patent application has been filed on said idea by Submitter, or if the idea is not of a patentable nature, Submitter agrees to furnish a detailed written description of the idea, after said description has been dated and executed before a Notary Public.

3. The acceptance of said application or description by Company shall not be deemed as any admission by Company of any promise to pay a consideration therefor, or any acknowledgement of the novelty, originality or ownership of said idea.

4. Company agrees to review said application or description and to advise whether or not Company is interested in acquiring any right to said idea.

5. It is understood and agreed by Submitter that said application or description is not accepted by Company on any confidential basis and Submitter agrees to rely for his rights in said idea solely upon the United States Patent Statutes.

6. In the event that Company shall negotiate for the purchase of any rights to said idea, such action shall not in any way prejudice Company.

- The company has already developed the idea and has filed its own patent applications thereon.

- The idea is not capable of being protected by patents.

However, despite these policies, a company may have a confidential relationship imposed upon it by unsolicited letters from outsiders. In some cases, a company may have to pay for developments they had made before the idea was submitted or take the risk of having a Submitter awarded substantial sums by the courts. Therefore, it is important that Management should know how to cope with unsolicited ideas.

## ESTABLISH A DEFINITE POLICY ON UNSOLICITED IDEAS

In many cases, ideas are communicated orally or by letter from outsiders through various levels in the company, such as through a friend of a Board member, through the Purchasing Department or as a result of a sales contact or as a part of an engineering contract. Management can protect itself by taking the following steps:

1. Formulate a definite company policy on unsolicited ideas.

2. Notify all Department Managers and Officers that all unsolicited ideas should be sent to the Patent Department.

agent can prepare a French translation acceptable in Belgium, France and Switzerland, and a German text acceptable in West Germany and Austria or a single Italian translation acceptable in Switzerland and Italy.

4. FILE PATENTS OF ADDITION. Many foreign countries permit the filing of patents of addition which have a term the same as the main or parent application, but which are free of separate taxes in most countries. Economy is achieved by this procedure because patents of of addition require smaller filing fees and are free of annual taxes.

5. MAKE LICENSEE PAY HALF. When a license is granted under a foreign patent, the agreement should contain a clause readin "Licensee agrees to reimburse Licensor for one-half of the out-of-pocket expenses incurred by Licensor in filing, prosecuting, issuing and maintaining the licensed patent". When more than one patent is included in the license, the Licensee should be given the right to cancel from the license any patent it does not desire to maintain. Reimbursement is usually made annually upon submission of receipts for Government fees, taxes and agents' charges. This provision avoids the necessity for Licensor to maintain any unused patents.

## FIVE WAYS TO CUT FOREIGN PATENT COSTS

The following are five "use-tested" ways to reduce the cost of filing, prosecuting and maintaining foreign patents:

1. CONDENSE. The specifications of U.S. patent applications are generally verbose and contain many sections unnecessary and, in some cases, inadmissable in foreign specifications. Therefore, the U.S. patent application should be condensed for foreign filing by deleting the following: (a) all object clauses, (b) general description of the figures in the drawings, (c) all general paragraphs not concerned with the actual description of the invention. Finally, the U.S. claims should be recast into three types: (1) the British type with main claim and dependent sub-claims, (2) the German type claims in which the old elements are first recited and the novel elements follow the expression "characterized in that" and, finally, (3) the French type of resume. If possible, long sentences should be cut into two or more short sentences to facilitate understanding by the translator. If these measures are taken, it is possible to reduce the number of words by 1/3 to 1/2, thus effecting substantial economy in translation charges.

This Committee can effectively control foreign patents by meeting only four times a year. Prior to the Committee meeting, the Foreign Patent Attorney, working in the Patent Department, will send to each member of the Committee, two weeks in advance of the meeting, a statement of each invention comprising the following information:

1. Short title, inventor's name, serial number and filing date of the U.S. patent application and an abstract of the invention as claimed in the U.S.

2. A statement as to whether the invention is in commercial use in the U.S. and its importance to the company.

3. If the invention is not in use, a statement should be given of any reason why the invention should be protected abroad.

During the meeting, the Committee should select only those inventions which are essential for the protection of export sales or for foreign manufacture and also those which will form a basis for foreign licensing or patent exchanges.

The foreign countries should be selected with regard to (a) need in the particular country--will it assist in establishing a new industry? Will the invention help the country decrease imports and therefore improve the balance of trade? (b) Is the invention suited to the climate, habits and customs of the foreign

should be submitted to the Department for approval at least 30 days prior to their release.

In countries which issue patents upon mere registration and without novelty examination, the patent may be published within a few weeks after filing, for example, in Belgium, Spain and Italy. The Manager should warn the Management of such early disclosure. To file or not to file--that is the question. If the Manager is reasonably sure that there is no similar development among competitors, the filing in such non-examining countries can be delayed (without loss of convention priority) until just before the first patent issues. However, because of the risks involved, it is better to trim the disclosure in the applications to be filed in non-examining countries rather than to lose priority. Care must be taken to prevent these early foreign patents from invalidating improvements which are to be covered by later applications. This can be achieved by omitting all references to improvements and uses in such foreign cases, or by filing applications thereon before the first foreign patent issues.

This policy causes no conflict with the anti-trust laws, because the patent grant expressly states that the owner may exclude all others from making, using and selling the patented product. However, some countries in the International Convention require that the foreign patent be "worked", either by manufacture or by licensing within the country. To ascertain what countries make this requirement, the export sales manager should consult patent counsel, because the list changes from time to time.

2. To Protect Foreign Manufacture: After developing substantial export sales from the United States, some American firms find that they can obtain a larger return by manufacture abroad. If foreign patents of proper scope have been obtained in a foreign country, manufacture in that country is justified since the production may be protected from unlicensed competition. The grant of patents by less industrialized countries has recently been increased to encourage American capital investment for manufacture.

3. Foreign Licensing: In some foreign countries, the environment is not favorable to American capital investments. This may arise from unstable governments, government regulations, higher taxes and labor problems. On the other hand,

*This agreement contains the most frequently used clauses found in a survey of 100 contracts.*

## Agreement

This Agreement made this.....day of....., 19....., by and between..... a corporation of the State of....., having a place of business at.....(hereinafter called the "Employer"), and....., residing at ..... (hereinafter called the "Employee").

Whereas Employee, in connection with his employment has or will become familiar with the Employer's business and is expected to utilize the Employer's time, materials, facilities, funds, and information in making inventions and improvements relating to Employer's business.

Whereas, It is the policy of the Employer to require the Employee to assign to the Employer all right, title and interest in and to all such inventions and improvements relating to Employer's business.

Now, Therefore, in consideration of the above and the employment or continued employment of the Employee by the Employer, and the payment of salary to Employee during such employment, it is mutually understood and agreed as follows:

The Employee hereby agrees not to divulge to any unauthorized person any confidential information acquired by reason of his employment by the Employer. The Employee agrees to keep, maintain and make available to Employer complete and up-to-date written records, including photographs and drawings, of his inventions and improvements relating to Employer's business, all of which shall be the property of the Employer. The Employee agrees promptly and fully to disclose in writing to the Employer all inventions and improvements, whether patentable or not, which relate to Employer's business that the Employee may, solely or jointly, make during the period of his employment by the Employer, and Employee further agrees to assign and does hereby assign and transfer to the Employer all his right, title, and interest in and to all such inventions and improvements and in and to any Letters Patent or application for Letters Patent thereon in and for all countries, and Employee further agrees, at the expense of the Employer, to do all things and to execute and deliver all papers necessary therefor whenever so requested by the Employer.

This agreement shall inure to the benefit of and be binding upon the heirs, executors, administrators and assigns of the Employee, and upon the successors and assigns of the Employer.

EMPLOYER'S NAME

.....(L.S.).....

EMPLOYEE'S SIGNATURE — OFFICER'S SIGNATURE AND TITLE

WITNESS — SECRETARY

expenses and assumes all the business and legal risks involved. The employer trains the employee and provides him with specialized and confidential knowledge which he could not acquire in the absence of employment.

## EMPLOYEES' CONSIDERATION FOR CONTRACT

The courts have held that "employment" or "continued employment" is adequate consideration for the execution of a contract to assign to an employer inventions relating to his business. From recent surveys, it appears that there is a tendency to give the employee, in addition to salary, a fixed money award for each invention. Some companies have found that such money awards stimulate inventions. However, very few employers are willing to give the employee a share in the income or savings resulting from the use of the invention, becuase such arrangements are difficult to administer and are contrary to the premise that the employee's salary is full consideration for the invention.

## CONTENT OF EMPLOYEE CONTRACTS ON INVENTION

Customarily, such contracts are simple in form and consist of three basic covenants: (a) the obligation to disclose the inventions, (b) the obligation to assign the inventions, and

6. Restrictions on employment in a competing industry after termination are becoming more specific as to the field and more limited as to time.

7. There is a tendency to provide a monetary consideration for any "hold-over" period after termination of employment.

8. There is a tendency to give the employee additional compensation in the form of fixed money awards, especially where the contract requires assignment of "all" inventions.

9. Employees are becoming better informed regarding their legal rights and are more critical of employee contracts relating to inventions.

EMPLOYEE - EMPLOYER RELATIONSHIPS

In the absence of any agreement relating to inventions, an employer may acquire entire title to an employee's invention when the employer contributes the general principle or idea of the invention and the employee merely uses his ordinary skill to reduce the invention to practice at the request of the employer. When an employee is hired to invent or to perfect inventions of the employer, then the entire title to such invention belongs to the employer. When both employer and employee make functional and inventive contributions to the invention, they become joint inventors, but

in the company's business under such conditions that there is a good possibility they will make inventions".

3. What to Do if an Employee Refuses to Sign? The employee should be allowed full opportunity to express his reasons for refusal. Explanation with persuasion is the best rule. In some cases, slight modifications of the terminology and in rare cases, of the substance, may be granted where the particular conditions warrant these changes but, in the final analysis, no exceptions should be permitted, even if it means a choice between signing or resigning. This final alternative should be given only after careful consideration by the Management of all the facts relating to the case.

When an employee under such contract is separated from the payroll for any reason, his supervisor should notify the payroll department, the Industrial Relations Department (Personnel Recruitment Division) and the Patent Department. If there is a hold-over clause in the contract, the Patent Department Manager will confer with Management regarding such clause and take appropriate action to safeguard the company's confidential information. If extra compensation is required to restrain the employee from working for a competitor, the Patent Department Manager should arrange for the payment of such sum to the employee.

of all new invention records received since the last meeting, together with abstracts of the inventions. Preferably, this information is submitted on a "Invention Audit Sheet" of the type shown in Appendix F. A copy of this audit sheet is sent to each member of the Committee two weeks before the meeting. At the meeting, the decision of the Committee is indicated on the bottom of the audit sheet.

Whether or not preliminary searches on novelty are made before or after the Committee's meeting will depend upon the nature and importance of the invention. If the invention is basic, or has been placed in use by the company, the search should be made prior to the meeting, but, otherwise, all novelty searches are made after the meeting and only on inventions approved for filing.

## ESPIONAGE IN THE PATENT DEPARTMENT

There have been so many cases of industrial espionage and "pirating" of know-how in recent years that some attention must be given to the protection of the company's confidential and patentable information. Due to the professional training and the high standard of ethics maintained by the patent profession, there have been no cases involving patent solicitors. However, the Manager must not assume that such ethical standards may be attributed to all persons having access to the files or the department offices. Here are seven rules to provide security for the company's rights in inventions and know-how:

1. All invention records, research reports and patent applications should be kept in locked cabinets. Only the Manager and the Chief Clerk should have keys to such cabinets.

2. When invention records or applications are handed to a soliciting attorney, the docket clerk should make a notation on the docket card of such delivery and of its return.

3. Each attorney should be instructed to place his working files (of invention records and pending applications) in his desk at the end of the business day and the desk should be locked.

4. The Patent Draftsman should be instructed to lock away each night the blueprints, photographs and drawings in his office. Patent drawings should not be left on the drafting board over-night.

5. When the Manager or any of the soliciting attorneys has a visitor (not a company employee), all patent files should be closed and all blueprints and drawings covered.

6. Never leave an outside visitor alone in the office; call in a secretary if you have to leave during a visit.

7. All patent personnel, including the Chief Clerk, should execute the company's "Employee Contract on Inventions".

When an Invention Record is received by the Patent Department, it should be processed as follows:

1. The record is sent first to the Chief Clerk who assigns to it a "Docket Number" which number will be used throughout the history of that invention--before the Patent Filing Committee, on the file wrapper and on the issued patent. A "Docket Card", such as that shown in Appendix B is prepared.

2. An acknowledgement is sent, promptly, to the inventor and to his direct supervisor, of the receipt of the Invention Record. It is important to mention in this letter, the "Docket Number", inventor' s name, title of the invention and the date the record was received. In all future correspondence, the specific "Docket Numbe should be used.

3. An abstract of the invention is prepared and added to the other abstracts that will be sent to the members of the Patent Filing Committee.

4. If the Patent Filing Committee approves filing, a preliminary search is made relative to the patentable novelty of the invention.

5. An opinion is prepared on the basis of the novelty search and a copy of such opinion with the pertinent references should be sent to the inventor for his review and comments.

3. Representation of an Invention Record - explanation as to how to prepare and execute it.

4. Chart showing steps in the prosecution of a patent application - explain the parts of a typical patent application - define the term "prior art" and types of rejections.

5. Chart showing functions of Patent Department - explain how it serves Research and Development Department.

6. Slide showing 6 reasons why company may not use its patents, such as:

   a) outside company's field of business.
   b) legal restraints.
   c) relates to by-product not recovered.
   d) too expensive, therefore not competitive.
   e) relates to discontinued product.
   f) superceded by later patent.

7. Slide listing 6 ways patents benefit the company, which are:

   a) to protect new developments.
   b) to protect current operations.
   c) to protect domestic sales and exports.
   d) to sell or license for income.
   e) to exchange for other patents.
   f) to avoid the necessity for secrecy.

8. Slide listing benefit of patents to Employee - Explain how patents:

   a) create new jobs.
   b) stabilize employment.
   c) increase professional standing.
   d) provide basis for advancement.
   e) provide additional income, by salary increase or award.

become a patent attorney and in such event, the Patent Department should assist in making this possible under the company's policy regarding additional education and training.

Unless the number of inventions created at a particular laboratory or plant is more than 20 per year, the duties of a Patent Liaison can be carried out as part-time activities of a technically trained person in research or engineering. Usually, the Managers of the laboratories and plants are pleased to have an informed person on the staff as a contact man with the Patent Department and usually no charge is made to the Department for such part-time functions. However, in large research centers, the duties of the Patent Liaison may require his full time in which case his salary is paid by the Patent Department.

## TRAINING OF THE PATENT LIAISON

When a Patent Department has obtained approval for the use of Patent Liaison in technical and plant locations, all such personnel should be brought to the Central Patent Department once every three years for training. The initial session usually will require about two days time and the agenda will include the following:

1. Explanation of the position of the Patent Department in the corporate structure and its functions.
2. Learning how laboratory notebooks should be kept in order to establish the legal requirements for invention.
3. The invention record--how to fill it out and execute it properly.

5. Where a Patent Liaison is located in a remote plant or laboratory relating to his subject field, the attorney will supervise the patent activities of such liaison.
6. He supplies the Manager of the Patent Department with copies of all his patent applications, amendments, opinions and reports before they are filed or delivered to the parties requesting them.
7. He calls attention of the Manager to all major policy matters, such as, interferences, appeals, abandonment, possible infringement of the patents of others by the company's activities and new patents of interest to the company.
8. Normally, he will refer to the Manager of the Patent Department all requests for trade practice approvals, research contracts and production agreements with contractors.

The Manager or Assistant Manager should meet with each attorney not located in the Patent Department, three or four times each year for review of work in progress and to maintain uniformity of patent policy.

In Appendix D, there is given a list of the books, publications and services considered essential for a Patent Department Library.

This list has been prepared under the assumption that the Patent Department has access to a general law library and also to a technical library. If the department is located at a considerable distance from such libraries, the Patent Department library will have to be supplemented with some basic reference books in gereral law and the pertinent sciences.

After searches are made, the pertinent patents and literature references should be bound with the report. The bound volume should be titled and placed in the Patent Department Library. Each search should be numbered and indexed by the Chief Clerk so that it can be readily consulted on future discussions of the subject. The binder can be of the type used by public libraries for miscellaneous pamphlets. If the searches are catalogued, several search reports and patents on different subjects can be included in the same binder.

The library should also house the collection of pertinent prior art (patents and literature references) which should be classified along the product lines of the company so that some searching can be carried out in the Department.

## PATENT SEARCHING AND THE WASHINGTON OFFICE

In small companies, it is advisable to have patent searches made by one of the established search firms in Washington, D.C. In medium and large corporations, it may be necessary to have one or more full-time searchers stationed in Washington to carry out searches for the company.

However, since there is a national shortage of patent attorneys, some large companies have followed a policy of training young, technical personnel for the patent profession in the Washington Office. One of the most successful methods is to recruit a recent graduate and urge him to go to law school at night while he spends the day in the Washington Office searching for the company. The trainee may also be instructed in the drafting of patent applications and prosecution. In most cases, the company will pay one-half of the cost of the law school tuition, with an understanding that the company has first option on the employment of the graduate. This system is encouraged and made possible by the fact that there are two law schools in Washington which have evening classes in law especially designed for the patent profession. These schools are : George Washington University and Georgetown University.

2. To prepare a card index of each invention record showing its history in the office, the status of the prosecution of the domestic and foreign applications filed thereon. A typical patent "Docket Card" is shown in Appendix B.
3. To maintain a "Tickler File" of the date upon which action is due in any patent application, interference, appeal, suit on patents or trademarks, and to notify the attorney in charge of the actions for which he is responsible.
4. To serve as Librarian for the Patent Department.
5. To assist the Manager in the preparation of the agenda and abstracts for the meetings of the Patent Filing Committee.
6. To maintain supplies of patent forms and application file jackets.

If foreign patents and applications are not handled by another person, the Chief Clerk may be trained to prepare and attend to the execution of the formal papers for filing foreign applications and may keep a "tickler" system for following due dates on foreign applications, patent annuities, working requirements, and foreign trademark renewals.

To follow the dates upon which actions are due, the best practice is for the Chief Clerk to send out a "reminder", monthly, to the Manager and the attorney responsible for the action. The reminder sheet shows the dates and actions required during the next three months. Each attorney should also enter on his desk calendar the dates when his actions are due so as to serve as a check upon the calendar system of the Chief Clerk. Each secretary

2. Give counsel and advice to junior attorneys.

3. Assist the Manager in making difficult decisions regarding final rejections, appeals, interferences and litigation.

4. Prepare briefs on appeal and argue the appeals in all or the most important cases in the department.

5. Review all amendments prepared by the solicitors when the amendment deals with the merits of the case.

It may appear that the Assistant Manager has a heavier work load than the Manager. The Manager should be free from the daily supervision of the department so that he can travel, confer with Management, carry out policies, functions and services for other departments.

The duties of the Manager will be substantially the same whether he is operating a "One-Man" Department or administering a large department. In multi-division companies, some of the Manager's functions can be delegated to the divisional Patent Managers. Some of the duties which can be delegated are:

1. Preparing opinions on validity and infringement relative to activities of the division.
2. If the division has separate research, sales and advertising departments, the divisional manager will service those departments.
3. Approving new processes in his division with respect to infringement.
4. Approving publicity and advertisements of the division.

## DUTIES OF THE ASSISTANT MANAGER OF THE CENTRAL DEPARTMENT

When the company has grown to a multi-product or multi-division stage and the Patent Department has more than two attorneys, one of the attorneys should be trained and appointed as Deputy or Assistant Manager, referring to the functional Chart II.

The duties of the Assistant Manager are chiefly to supervise (1) soliciting and (2) services. More specifically, these duties include:

1. Review of work of the patent and trademark solicitors.
2. Assisting in important patent interferences and appeals.
3. Adjusting the workload of the attorneys.

majority of companies, such income is included in the "Profit and Loss Statement" under the heading: "Other Non-Operating Income". While the customary practice is not to credit the department with such income, the Manager is well advised to remind the Management in his annual report of the amount of such income. Such reminder makes it easier for the Manager to obtain approval of the next year's budget and to obtain necessary salary increases required by merit or tenure.

Many license agreements contain a clause requiring the Licensee to reimburse the Licensor (the company) for one-half of the out-of-pocket costs of filing, prosecuting, issuing and maintaining the licensed patents for which a statement is sent annually to the Licensee. When such reimbursements are received, the Patent Department account should be credited with such amounts.

Department. Nevertheless, in most financial statements of industrial corporations, patent and trademark rights are carried on the books at $1.00

## BUDGET FOR A PATENT DEPARTMENT IN A MULTI-PRODUCT COMPANY

Assuming a Department having the personnel shown in Chart II, the annual budget should approximate that shown on the adjacent sheet. The item salaries includes those of the Manager, Assistant Manager, four patent attorneys, one full-time searcher, one draftsman, a Chief Clerk and six secretaries. The "Payroll Related Expenses" includes certain "fringe benefits" paid by the company, such as the company's share of pensions, life insurance, and a share of the unemployment tax. In most companies, the Patent Department is located in one of the buildings owned or rented by the company and it is customary to add to the budget a proportion of the regular office "over-head", which should be considered as "occupancy costs".

It should be noted that this budget does not include any reserve for patent and trademark litigation, but it is customary to include such a reserve in the budget of the staff legal counsel or of the Legal Department. If the company employs only outside patent and general legal counsel, a suitable reserve for litigation expenses must be added to the Patent Department budget.

When all the attorneys are located in one office, a weekly staff meeting is a convenient way to maintain control of policy and to balance work loads between the several attorneys.

## OUTSIDE PRACTICE BY CORPORATE ATTORNEYS

Whether or not corporate patent attorneys should be allowed to engage in outside patent practice will depend upon a number of factors. Some companies permit such practice and then take advantage of the fact to maintain lower salaries. Other companies prohibit all outside practice and demand full time and attention of the attorneys to the company's business. However, where an attorney is assigned to a very narrow field, such as "thermal control instruments", he may fall into a rut of subject matter and stagnate. To permit such an attorney to prosecute cases in other fields not in conflict with the company's business may widen his scope and improve his efficiency in company work. Further, there are times when special circumstances dictate the practice of permitting a company patent attorney to file one or more patent applications for a customer or converter, but in this event, the attorney is paid for his extra service by the outside party with the company's approval.

However, if corporate attorneys are permitted to practice outside office hours, they should follow the same rules of ethics and avoidance of conflict of interest as are followed by reputable attorneys.

or Chief Engineer and Manager of New Product Development, if any. Since the report contains abstracts of inventions on which applications have not been filed, it should be marked "Confidential" and not distributed beyond top Management. In a multi-division company, the report should contain separate sections for each division and it should be sent to the Manager or officer in charge of each division.

ANNUAL REPORT OF PATENT DEPARTMENT

In addition to the Monthly Report, the Patent Department should provide Management with an annual report, issued within 30 days of the end of each calendar or fiscal year. This report should contain:

1. Summary of Patents and Patent Applications Owned, Filed and Prosecuted During (last year).

2. Number and Source of the Invention Records Received and Number Filed on, Deferred and Rejected.

3. List of New Trademarks Filed and Registered.

4. Review of Important Cases Filed and Issued and their Relation to the Company' s Commercial activities.

5. Review of Interferences and Litigation Carried on During the Last Year; their Status or Disposition.

6. Total Domestic & Foreign Patents in Effect.

except on basic discoveries. 6. Shall employee inventors be given extra awards in addition to salary? Not at the present time.

After general patent policy has been established, the Patent Department finds it helpful to publish an unofficial "Guide to the Patent Policies of ---------- Corporation." The guide should contain the following notice:

> "This handbook is called a "Guide" to the patent policies of the Corporation because it is un-official and subject to change to meet special circumstances. To facilitate progress, the Company must be free to change policies to meet changing business and Government laws and regulations. Therefore, to obtain a definite and official decision as to the policy in any particular situation, kindly write the Patent Department".

In Appendix A, the content of a sample "Guide" is given in detail. Such an un-official "Guide to Patent Policies" is given "an effective date" and then distributed as follows:

> Management down and including Department Heads
> Purchasing Agents
> Salesmen
> Senior Research Personnel
> Plant Managers
> Corporate Legal Counsel
> Outside Patent and Legal Counsel
> All Attorneys in the Patent Department

There is no need for general distribution of the guide to customers, but when questions of policy arise with any customer or converter, a copy of the guide should be made available to them.

that the parent companies should not agree to avoid competition with the jointly-owned subsidiary, but on the contrary, they should reserve the right to compete with the subsidiary.

Many American companies have foreign subsidiaries, some of which are merely patent licensing organizations and others are engaged in research and development or manufacture. Inventions probably will not be made by subsidiaries of the first type, but the operating foreign subsidiary may produce or acquire inventions of importance to the parent organization. It is advisable when either type of subsidiary is organized, to define the patent rights of the parent and the subsidiary and the tax basis should be settled in advance of the formation of such subsidiaries.

## RELATION OF CENTRAL DEPARTMENT WITH FOREIGN ACTIVITIES

A multi-division corporation is likely to have one or more international divisions based upon separate product lines. Such international divisions may comprise some wholly-owned subsidiaries and some joint ventures. In such a case, it is advisable that each International Division have a Foreign Patent Manager (usually based at the foreign headquarters of the International Division). The Foreign Patent Manager will maintain a department comprising the usual patent service staff: searcher, draftsman and chief clerk and will maintain a patent liaison in each subsidiary and joint venture. However, in order to control patent policy and integrate the patent work of the International Divisions with that of the Domestic Divisions, it is necessary for the Foreign Patent Manager to report to, and take line authority from the Director of the Central Patent Department, just as if he were a divisional Patent Manager.

## THE LICENSING FUNCTION IN A MULTI-DIVISION COMPANY

In a multi-divisional corporation of the type now being discussed, the licensing function is best integrated under a Director of Licensing. The Licensing Director's chief function is to convert the company's patent rights, know-how and trademarks into

should be located as close as possible to the source of the technical information required by their work and where their services are needed. This means that one or more attorneys may be located in the separate divisions and at the separate research laboratories, but these men will carry out the patent policies of the company under the supervision of the Manager.

The personnel organization of a Patent Department in a multi-division company having international divisions must be more complex than that in a multi-product company. The chief officer in charge is preferably a "Vice-President--for Patents", who establishes basic patent policy and integrates the work for the Patent Department with the International Division. The Manager of the central Patent Department is called a Director, and he provides services for all the divisions, for example, the Director supervises the Washington Office, which may include one or more full-time searchers and one or more patent trainees, as described in Chapter VIII. Usually the central Patent Department will have one or more staff attorneys to assist the Director in integrating the work of the various divisions.

It is customary to centralize the trademark work for all divisions under a trademark expert reporting to the Director and located in the central department.

In this department, the soliciting staff will comprise two or more attorneys, each assigned to a single product or subject matter. However, if the amount of work does not justify such single assignments, an attorney can be given work on two or more related products, as shown in Chart II. All of the soliciting attorneys will prosecute cases relating to industrial inventions, designs, trademarks and copyrights in their respective fields. All of the solicitors are under the supervision of the Assistant Manager.

If any of the product lines involves laboratories or plants located at a distance from the central Patent Department, it is advisable to place Patent Liaison in each such location, the liaison reporting to the attorney assigned to the particular product or subject. The specific duties of the Patent Liaison are described in Chapter X.

staff services and a number of patent attorenys, each assigned to a specific product or subject field.

The first level shows the staff personnel which provide the services for the department, namely the searcher, draftsman, chief clerk and foreign attorney.

The second level shows the line organization in which each major product or subject is assigned to an attorney. Some of these attorneys may not be based in the central office of the department, but may work in a distant research center or plant, but such attorney will report to the assistant manager. If all the attorneys are located in the central office, a patent liaison should be appointed in distant laboratories and plants.

## FUNCTIONS OF THE PATENT DEPARTMENT

Reference should be made to Chart II, which shows the functional organization of the Patent Department in a multi-product company. In general, the Manager will concern himself primarily with carrying out the patent policy of the company as determined by Management and with opinions and actions involving the use of patents and trademarks. These opinions and actions will involve many purely legal questions, such as anti-trust, unfair competition, Robinson-Patman Act, labeling

The staff of the "One-Man" Patent Department will consist of the staff attorney as Manager, a Chief Clerk and one or more secretaries. Unless all the patent work is on mechanical inventions the Department can make use of a draftsman from the Engineering Department to prepare drawings or such drawings can be made by outside patent draftsmen. The Staff attorney should begin to build a patent library containing the minimum list of books, publications and services outlined in Chapter VIII.

In the operation of a "One-Man" Patent Department, it is advisable to utilize outside firms for searching and for the filing of foreign patent applications and trademarks. With a single patent attorney in the company, it is obvious that such functions as licensing will have to be carried out by company officials with the assistance of the staff patent attorney and legal counsel. However, the patent attorney running a "One-Man" Department can be expected to give opinions on whether new production procedures or products will infringe and he will prepare opinions on novelty and validity. The staff attorney will also approve all publicity releases, speeches, catalogues, promotion material, labels and advertisements as to proper use of trademarks and to prevent premature disclosure of company inventions. Legal matters, such as anti-trust and trade practices should be handled by legal counsel.

## SURVEYS ON THE POSITION OF THE PATENT FUNCTION

In 1957, the Industrial Research Institute of New York conducted a survey of its members on the subject of "Patent Policies and Practices of Industrial Research Institute Companies". Member companies are represented in the Institute by the Vice-President for Research or the Director of Research and Development. This survey found the companies about equally divided in using (a) general legal counsel, (b) Technical Department, and (c) General Management, as supervisor of the patent function. The survey is reported in Research Management, Vol. 1, pp. 173 - 176 (1958).

The National Industrial Conference Board of New York has conducted surveys on this subject, the most comprehensive being "The Patent Counsel in Company Organization", reported in the Conference Board Record, Vol. 17, No. 8, (August 1960). A wide variety of companies were surveyed and it is believed that the findings are fairly representative of the present situation. It is understood that a new survey is currently in progress and the reader should watch for the ensuing report.

3. PATENT DEPARTMENT REPORTING TO GENERAL LEGAL COUNSEL

Many companies place the staff patent counsel or Manager of the Patent Department under the company's general legal counsel or Law Department with the following advantages: (a) better supervision and uniformity in legal policies of the company, (b) prevention of overlapping in legal activities of the two types of attorneys, and (c) avoidance of undue influence on patent counsel by the Technical Department, thereby providing a more objective approach to patent decisions.

However, there are also disadvantages to this position: locating patent counsel in the Law Department tends to diminish the professional standing of the patent attorney. Patent counsel often is not able to participate in policy decisions. Some resentment may arise from the fact that general lawyers are making decisions on patents while lacking patent experience. However, the greatest disadvantage lies in the fact that the patent counsel is often reduced to the position of rendering decisions and does not have sufficient contact with the technical personnel to advance original ideas. It should be understood that corporate patent counsel has a very different role to play than outside patent counsel.

upon such factors as company size, type and number of products, amount of work and its technical nature.

## 1. PATENT DEPARTMENT REPORTING TO MANAGEMENT

When the staff patent attorney or Manager of the Patent Department reports to an executive officer in General Management, the advantages are: (a) it provides the most efficient control and performance of the patent activities, (b) the patent counsel or department is free to render objective opinions and to serve all departments of the company, (c) the patent counsel or department has equal status with the general legal counsel or Legal Department and is able to participate in policy decisions independently of control of other department managers. The executive officer to whom the Manager reports will be normally the President or Executive Vice President to whom the Director of Research also reports. Good relations must be maintained with the Law Department and outside legal and patent counsel. This is the ideal position for the Department since it provides the best opportunity to participate in Management decisions and allows objective opinions.

chief counsel or legal department. This book will show that the proper policy is to shift the Patent Department from one control to another as the company grows and its activities become more complex.

For example, let us assume that a new company is organized to develop a patented invention. In most cases, the inventor will be retained as a consultant or, more likely, will become Director of Research for the new company. In that capacity, the Director will work personally with outside patent counsel in the filing and prosecution of patents as improvements are made on the basic invention. However, when the number of pending applications increases to 10 or 15 and the duties of the Research Director makes it impossible for him to render proper service to outside counsel, the company may hire a staff patent attorney to act as liaison between the Research Department and outside counsel. In this case, the staff attorney normally will report to the Research Director.

However, when the company acquires other products and makes acquisitions, the Research Director may find that he is no longer able to administer the patent function and at this stage, a separate Patent Department is organized with the Manager usually reporting to the President or Executive Vice-President.

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Any opinions expressed in this book are solely those of the author and do not represent any position or policy of any company with which the author has been or is currently associated.