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**Discussion of Employer Assignment Agreements after DDB  
Technologies v. MLB Advanced Media**

*Mike Baniak & Todd Dawson*



## Discussion of Employer Assignment Agreements after DDB Technologies v. MLB Advanced Media

Mike Baniak\* & Todd Dawson\*\*

¶1 MR. EWERTD: This next panel, Mike Baniak and Todd Dawson, is going to be a discussion of employer invention assignment agreements after DDB v. MLB Advanced Media.

¶2 Now, in most technology businesses, employees are asked to innovate. Both the company and the employee have an obvious interest in owning any creations. This is typically accomplished through invention assignment agreements. The DDB v. MLB case seemingly enhances the rights of employers by disallowing statute of limitations and laches defenses when there is an automatic assignment under the agreement. The panelists will discuss protecting a client's interests (whether the individual or the company) in an invention assignment agreement following this case.

¶3 Mr. Baniak is currently a partner with McDonnell Boehnen Hulbert & Berghoff and is an adjunct professor at Northwestern University School of Law. Mr. Baniak has more than 25 years of experience in every area of intellectual property law and has been involved in more than 150 intellectual property law cases. He is an annual speaker for the Licensing Executive Society at its technology transfer seminar, and he has chaired this multi-day fact intensive seminar for many years. He has also been an expert witness in the field of U.S. patent law and prosecution and trade secret law.

¶4 Mr. Baniak received his J.D. from Indiana University School of Law.

¶5 Mr. Dawson has been with Zimmer for 18 years, serving various roles, in the general legal and intellectual property groups. He's currently the vice president of global intellectual property for Zimmer overseeing all aspects of intellectual property.

¶6 MR. BANIAK: Those of you -- well, as I said, I teach next door, of all things, patent and copyright law. We are doing copyright law this semester. Those of you who may have had me in class, I can't see. I have to wander around the room.

¶7 Thank you all for sticking around. This is very nice. You obviously understood they had the best panel for the end of the program, which is why you are all here.

¶8 Our talk today, as you heard, is going to be surrounding this DDB versus MLB case, Major League Baseball. It is actually MLBAM, which is entity that puts up Game Day. So for those of you that are out there right now, you can go on the internet, go to MLB, and you can find Game Day up there. That is one of the -- we will call it the allegedly infringing products.

¶9 I represent DDB. So, first, I just wanted to clarify here, anything that I say here today, cannot and will not be used against me in a court of law or otherwise. And the same will go for Todd. I'm speaking basically as a professor of Northwestern School of Law. Todd will be talking about his experiences from the in-house side of the equation.

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¶10 Again, we are going to be talking about contracts. Todd does not have anything to do with the MLB case, but what we will do is, we will talk about that provision, which is not at all atypical in the way of these kinds of employment agreements and what goes into these employment agreements. And we will kind of deconstruct it, talk about it. Todd will be able to bring his perspective, again, from an in-house position as a person who wants these provisions in there, is wondering why these provisions are in there, to get inventor/employee inventions and then how practically do you go about enforcing those provisions and making decisions on these provisions because, at base, in part, you are saying, Well, there is some common sense associated with it. Yeah, there is, but there is common sense and then you end up in a lawsuit. That is basically what we are going to be talking about from the DDB perspective.

¶11 Todd, do you want to chime in here at this stage?

¶12 MR. DAWSON: When the case came across in one of our review services that we get flying across the internet on a daily basis, I was interested in it from a lot of aspects. Zimmer is a global company, has about 8,500 employees worldwide, primarily the United States, Europe, Japan, here and there, some in Germany. So inventorship law and employment agreements is something that we have dealt with continuously.

¶13 I saw the case and saw who was prosecuting the case, said, Hey, great, Mike, here is my employment agreement. Now that you have won or lost that case, make sure I'm okay. So that is where we are at. It is interesting. And from an industry standpoint, dealing with multiple jurisdictions, it becomes a little bit of a challenge.

¶14 MR. BANIAK: As part of what Todd was talking about, our evaluation of that agreement, I almost had to wear two hats. Because, one, we are dealing with the law as we are going to talk about, and the law is essentially as currently established in the DDB case. But I'm also in the process of trying to change that law, for reasons that we'll get into.

¶15 So it is like, Here is how things are today, but I could very well change that for you tomorrow along the way. We have that going for us. These assignment of rights clauses, in general -- you know, we have talked about patents, and for those that have taken patent law, patents are personalty, as it's called. They are things that you can own. Just like that computer, something you own and can carry around. So they are the attributes of personal property.

¶16 Assignments, should they be in writing, Todd?

¶17 MR. DAWSON: They should be in writing, yes. In fact, if you are going to record it in the Patent Office, you are going to have to have it in writing.

¶18 MR. BANIAK: Recording in the Patent Office is something that is important because what that does then is put people on notice that, Hey, so-and-so owns the patent, so it cuts off some unscrupulous person who might try to sell the patent twice to you. If the patent assignment is recorded, that situation can't happen because you could literally lose your rights. And there was an aspect of this DDB case that came up, and we will talk about it in the time we have -- maybe we don't -- which dealt with the question of recording of an assignment and the fact that what supposedly was owned by the employer/company had never been recorded but our client had, in fact, recorded an assignment based upon his understanding that he invented this.

¶19 So anyway -- he did invent it. What you want in these clauses is, of course, something that is very clear and unmistakable, in the sense that I'm assigning you and

this is what I'm assigning to you. It's one thing to say, I want to assign a patent. What else do we want to do?

¶20 MR. DAWSON: We assign all of the inventions, technologies. There is a long laundry list that you have in your slides. Anything that you are going to come up with when you are sitting in Zimmer, working in Zimmer, you are going to assign to the company.

¶21 MR. BANIAK: And it's important to make sure that you get all of the inventions in there, too, because the inventions could theoretically be different from, of course, the patent. The patent is only one aspect of an invention, one manifestation of what that invention is, and you may have all different patents that come out of a single invention disclosure.

¶22 Do you want to take this kind of from this point? Employee -- employed inventors. From your perspective at Zimmer, what do you want from these employed inventors? Because you actually do -- you hire people to invent?

¶23 MR. DAWSON: Yeah. We have roughly 2,000 engineers of some various levels, design engineers, manufacturing engineers, et cetera. So these folks, their main job -- Zimmer prides itself on being relatively innovative. We have several thousand U.S. patents and multiple foreign patents, so their main job on coming in is, A, make orthopedic implants, which we are one of the largest providers of hips, knees, shoulders, elbows in the world.

¶24 But along the way, if we don't come up with innovation, if they are not innovating, we are not being able to protect our market share.

¶25 MR. BANIAK: So what Zimmer does and what most companies do -- they are at the bottom of the slide, in the sense of they have employment agreements, and their agreements are going to say, Here is what you are going to do. You are employed to do something, perhaps invent, or you are just employed by the company. If you do manage to invent something along the way, here are your rights and here are your obligations, rights to assign, rights and obligations to execute various documents that will perfect these inventions, and assignments in the company, so we'll get to the employment agreements momentarily.

¶26 Outside of the employment agreements themselves, there are certain things that can kick in just under what we call the common law, noncontractual obligations that would exist -- that would require someone who didn't have necessarily a contract with Zimmer to assign the invention, no matter what.

¶27 MR. DAWSON: If you think about that, we have hundreds of machinists, as well, and some of which prototype and are truly artisans in their field. So we rely on the shop rights clause. Frankly, these guys do not have employment agreements when they walk into the door. They are generally high school and trade school educated, but we rely on the shop rights and we have relied on the shop rights clause on frequent occasions because a machinist or someone in the prototype shop has actually had to come up -- becomes a legal inventor. So we need to pull his rights in, as well.

¶28 MR. BANIAK: What are shop rights?

¶29 MR. DAWSON: It's just the common law right that says, You got paid by Zimmer to work on the product, you developed it while you were working at Zimmer on the product, and, therefore, we own it. If I was a law professor, I could define it better than that.

¶30 MR. BANIAK: You did a great job. It's a function of, you know, you are here and you are working in our time, and we are entitled to what you have done while you have been using our equipment, for example, working in our lab, even though you may not have necessarily been hired to invent, even though it may not necessarily relate to our business.

¶31 MR. DAWSON: So the difference would be, if Johnny Engineer goes home and comes up with the best implant known to man working in his own shop, I own that, regardless of where he does it.

¶32 What happens with my lathe operator who has his lathe in his office -- or his garage, which he can, and then invents something? Do I own that?

¶33 MR. BANIAK: What you do that --

¶34 MR. DAWSON: Now I'm getting free legal advice.

¶35 MR. BANIAK: You are. We'll see about the free part.

¶36 What you end up having is the right to use that invention internally, so you get a nonexclusive license. So what happens is your lathe shop operator still owns the invention. That is what we basically have is, in the absence of anything written or otherwise, the employee is going to own the invention. But then we see that there is circumstances where the employee may have to give you some rights or give you the entire invention so you would have the ability to, you know, use that invention, perhaps sell it even, not just use it, usually you want to sell it, too, but you are not going to have the ability to license that technology out. So it's solely for Zimmer under those circumstances.

¶37 If you have hired the individual to invent, no contractoring. You have hired the guy to come in and say, Look, I want you to work on this project and do this for me. And you pay the individual to do that. That is the hired to invent rule, and the company is going to own that, regardless of any contractual rights. It changes a little bit if you have an independent contractor. Then it can be different, and you better have a contract written up that says, You are going to give whatever you invent, whatever I'm paying you to solve, you are going to give that to me. Because, otherwise, the independent contractor is probably going to own that invention.

¶38 There may be a situation where there is a fiduciary duty. You are the president of a company, and you come up with an invention. Now, you have no contract that says that you have to assign it. In fact, that is not part of your job description, but you may, nonetheless, have an obligation to the company now that you run it to assign that invention to the company.

¶39 So we have gone through, you know, these various scenarios where the invention rights, either in the employee or under the circumstances that we described, end up in the company somehow, someway.

¶40 Now, I mentioned the clause that is in the DDB case is not all that different. It's not all that atypical of what you would tend to find in an agreement, and this is like the guts of this clause that shows up in our particular lawsuit. This is what my client ended up signing when he joined the company in this case, it was Schlumberger. While at Schlumberger, he is working on projects for that company. Schlumberger is in the business of oil well drilling and putting in oil well systems. As we are going to see, the invention that comes up by our client and his brother relates to a simulation. In fact, a simulation for simulating a baseball game. So we have oil well, on the one hand,

baseball simulation on the other. We will see how that comes into play. This is a fairly standard clause, something that, you know, is fairly common, right?

¶41 MR. DAWSON: I think this is almost identical to ours and probably every employment agreement.

¶42 MR. BANIAK: We have the provision. First, you have to furnish the company a complete record, a complete record of any and all technological ideas, inventions, improvements, et cetera, that you may come up with, conceive of, et cetera, during the period of employment with the company.

¶43 Now, note in that, there is nothing in there that says it has to have anything to do with the business of the company. So you have somebody that comes up with a fishing lure. Do you have any anticipation that that individual has to come to your office?

¶44 MR. DAWSON: Yes, they will. They should.

¶45 MR. BANIAK: Because even though it has nothing to do with his business at this point, the business of Zimmer and implants, that clause says, Hey, whatever you come up with, you have to provide us some information on that. In fact, you have to give us a complete record. We will talk about, what is a complete record. How much of a record do you really need? How much of a record do you really want from a practical standpoint?

¶46 And it has nothing to do with whether it's patentable or not. You just come up with an invention. You see the breadth of a clause like that. That is not all that atypical as these clauses go.

¶47 Next paragraph, so what do you do? I agree to grant and assign to the company or, you know, the entire rights, title, and interest to these ideas and inventions and improvements, coming within the scope of that previous paragraph. Here we have the provisos, which relate in any way to the business or activities of the company -- relate in any way to the activities or business of the company, which are suggested or result from any task or work of the employee.

¶48 And, lastly, Or which relate to the business or activities of affiliates of the company, you know, et cetera, et cetera. And then you'll execute specific documents associated therewith. So here is where the rubber kind of meets the road in these provisions, and that is the business activities of the company and which are suggested or result from any task of the employee for the company, so we have at least something here now that relates back to what the employee is ostensibly there to do.

¶49 Now, looking at some of these clauses, Todd, in your practice, let's take, for example, Relate in any way to the business or activities of the company. How do you deal with that?

¶50 MR. DAWSON: The problem -- I have seen some authors writing some articles recently that, what we need to do is define what "relates" means in the employment agreement and come up with a list of what relates.

¶51 I have been at Zimmer for 18 years, and what related 18 years ago, when you signed your employment agreement, versus what it would relate to now. We now have biologics. We are growing cartilage. We have an ungodly amount of technologies that never existed when you may have joined 20 years ago or when I joined 18 years ago.

¶52 I think you have to -- in my world and from my view, we are going to keep "relates" as relates to the business, and make it a point in time. When you invented it, did it relate to the business or what was the business at the time? And as we would probably

also extend it, not just relating to the business as far as what you-all see on the marketplace and what is getting sold, but it also relates to the business in directions that we are going to be going because, clearly, these guys are working with things that are 3 and 5 and 10 years out.

¶53 So we would extend that “relates” world -- the word “relates” is going to be pretty broad, pretty ambiguous.

¶54 MR. BANIAK: And as Todd just said, he wants to keep this fairly ambiguous in there. When we get to see what the Federal Circuit did and the Appellate Court did, it looks at this clause and it says, It’s inherently ambiguous because we don’t know what is “relates to.” It’s not like I go to an addendum and I go to that addendum and it tells me what the business of the company is. So now I understand. “Relates to” has to have something to do with biologics, hip implants, stems, things of that nature because the business changes, and it would be basically the obligation of legal, for example, to keep updating that. This is not an easy task.

¶55 It’s maybe even, perhaps, an impossible task to keep track of all of that and renew these contracts every year as the company’s business changed. You can’t just necessarily attach a year-end report of the company to these, and you have acquisitions that come up. You have acquired companies. So all of a sudden now, you have divisions that may not have existed before, new areas of business that have come into being.

¶56 MR. DAWSON: I think if you look at that, from a company’s perspective, the real -- you throw those two paragraphs together, and what are we really trying to say? You come up with something, come tell me about it. Let’s have an intelligent discussion because I want to have that discussion contemporaneously when you came up with it. There is absolutely no question, if you are inventing an orthopedic implant, it belongs to me. And we have had people come up and do all kinds of goofy things because if you are in patent law, you will inevitably see the fishing lures and golfing aids, and things like that.

¶57 I don’t care about that, but under your contract, I do care because I want to know about it, because I don’t want you to be making the decision. I don’t want other outside people to be making the decision. I want to make a decision with the management team.

¶58 MR. BANIAK: We’ll come back to that in a second, as to that management decision because Todd has now put a fairly substantial burden on yourself and your department, haven’t you?

¶59 MR. DAWSON: Yes. That is what I get paid for though. That’s okay.

¶60 MR. BANIAK: He said, Whatever you have come up with while you are here, regardless of whether you think it relates to our business or not or your employment, you have to tell me about it, and then we’ll make a call. And we’ll talk about, too, how do you make that call? What form do you take? Is this a conversation that occurs in the hallway? Is this a conversation that occurs over the phone? Do you do it by written documentation? And then if you are going to put that into practice, how do you record it?

¶61 Let’s talk about this last paragraph, Which relate in -- which are suggested by or result from any task or work of the employee. Okay. That seems to have a little more of a concrete aspect to it because we are talking about, suggested by or result from, result from any task that the employee is doing. Plainly, if you are there and you are working on something at Zimmer that has to do with an implant and you have developed an

implant, then that probably was a result of some task or work that you are doing for Zimmer, and in all likelihood, it belongs to Zimmer.

¶62 We get this “suggested by.” What is “suggested by”? That was actually an issue in the DDB case because, for example, the inventor, Barstow, had done work on simulations and had a computer literally. And so the judge was thinking, Well, he has a computer. Is this somehow -- this work suggested by coming up with the simulation, because he’s working with computers in his business now for Schlumberger, is that somehow resulting in being suggested, regardless of whatever the subject matter is? Suggested by. Once again, we have a question, suggested by the work that this individual is doing. How are you going to figure that out? Well, you have got to look for something outside of the agreement because, again, this agreement may not even say what you’re hired to do. And as time goes by, your job may change. And you have engineers whose job has changed over time, as they have evolved in the company.

¶63 MR. DAWSON: And I think we sign noncompetes every year, but I don’t think that we sign employment agreements every year. In fact, I know we don’t. We sign the noncompete every year.

¶64 Again, ten years later, what does “suggested, relate to” mean?

¶65 MR. BANIAK: There are some clauses. This is an agreement that has it in there, but there are some which, again, are fairly ubiquitous which also say, Which the company may be thinking about doing. It’s not even your business right now, but you have some department that is thinking, Hey, we might expand in this direction. And those kind of clauses end up in these agreements.

¶66 So while I’ll not selling fishing lures, I’m not selling fishing lures today, I may be selling fishing lures in the future and I have some people that are looking at that and applying some of our technology in implants to fishing lures somehow, someday.

¶67 You can see this starts to get fairly murky, from the standpoint of not only the inventors, as to what it is that I actually am obliged to assign, but even from perhaps as to what it is that is our business because when Todd’s department makes a decision, presumably that decision is final at that point in time, when he says, No, we don’t want this.

¶68 So, what, you have to have all pervasive knowledge of what is going on?

¶69 MR. DAWSON: Thankfully, I do. I’m omnipresent. Remember that deposition you gave?

¶70 MR. BANIAK: That’s right. With that kind of knowledge now, again, he’s imposing a fairly high burden on himself and his staff to know what the business is of Zimmer, and in the instance of the revision that I’m talking about, what it is that you may be thinking about down the road.

¶71 If you are working for a company like General Electric, notwithstanding the stock price these days, but if you are working for a company like that, again, that company has its fingers in many, many different pies. And for a business like this, becoming the more problematic because you may have someone who is working in one department, works in lighting at GE, has nothing to do with washing machines, which General Electric also makes. But yet if that individual comes up with a new and better washing machine, is that individual now obliged to assign to GE, even though that person is only working in lighting? What would you consider?

¶72 MR. DAWSON: Without a doubt. Because I have to tell you, I have been at those corporate conferences where everybody is talking about every product line and everything that goes on. We all share that information.

¶73 GE is a lot -- is much bigger. Maybe they sell more of something, but I'm sure GE would consider that they own that invention.

¶74 MR. BANIAK: Some case law has developed in that realm. Essentially, though, what it will do is, it will say, We have to have some fairness, we have to have some equity in here, so if that individual is, for example, working on Microsoft and that individual is designing children's programs or something and that individual then comes up with something entirely unrelated to what it is that he's there to do but it relates to Microsoft's business because Microsoft does everything in the world, it's like this is not fair because now Microsoft can potentially say, I own everything that this person can come up with because I do everything in the world.

¶75 In the case law, at least coming out of California, which is one of the more restrictive -- I'm sorry -- restrictive states in the sense of employer rights, they tend to contract employer rights, give more to the employees. They say, Well, you know what, I think what we are going to do is we are going to isolate your work to that department, so if you develop something that relates to what you are doing for that department, in coming up with children's programming, you don't have to assign the spreadsheet because that is entirely off limits.

¶76 But that is nothing that is set forth in these agreements. You have to figure that out. What we'd like to try to do is avoid lawsuits, if at all possible, even though that is what I do for a living.

¶77 Now, we kind of segue into the DDB case and what went down in this particular case. The employment agreement, as we saw, has, Agrees to and does hereby grant and assign to Schlumberger right, title, et cetera. As I mentioned, Barstow with his brother had come up with this invention on their own time. We are not talking about a shop right. We are not talking about anything that was done while he was on the job. This was entirely extracurricular. Schlumberger is in the oil well drilling and oil field services business.

¶78 So what does he do? He goes to his boss, his supervisor and he says, Here is what my brother and I have come up with. Is it anything that the company is interested in? Is it anything that the company thinks falls within my employment agreement? He even goes to legal and says to legal, Here is what I have come up with. And the answer that he gets back is, they said, No, no, that has to do with baseball. We don't do baseball. We do oil and oil well drilling. So we don't think it has anything to do with what you are doing here for us, Dave. Then time goes on.

¶79 MR. DAWSON: How do you get that answer? What was the form of the answer?

¶80 MR. BANIAK: The form of the answer?

¶81 MR. DAWSON: Yeah. Did we do it in writing? Did we do it -- can you say?

¶82 MR. BANIAK: I can. Because it's all of record in the case. This is all done orally.

¶83 So he goes, he talks to the department head. He talks to the legal representative. He even talks to other people about what it is because he's excited about it. This is kind of a fun project that he and his brother were working on, water cooler talk. So people generally knew what he had come up with, and he even filed a patent application while

he was there and apprised them and, I filed a patent application on it along with my brother.

¶84 So time passes. He eventually finishes his work with Schlumberger, goes on forms a company, assigns the patent rights, he and his brother to DDB, and as time passes, ultimately ends up suing Major League Baseball on Game Day, among other things. What we then have is in the course of this litigation -- and it's very late in the course of the litigation in the district court, Major League Baseball learns about the earlier employment, goes to his former employer, Schlumberger, and enters into an agreement whereby Major League Baseball buys all of the rights that Schlumberger may or may not have in the agreement.

¶85 So they basically say, You know what, Schlumberger, assuming that you own rights in this, we will buy those rights. We are in litigation with DDB at this point. And what happens is the case is dismissed. Why is it dismissed? It's dismissed because of a lack of standing.

¶86 In order to sue on a patent, if you have got two joint owners, and that is what just happened here because if Barstow -- if Barstow's rights were in Schlumberger and Schlumberger then assigns to Major League Baseball, then Schlumberger effectively should have been in the lawsuit to begin with, when we filed suit, so it had to be Schlumberger and the brother. The brother did not work for Schlumberger.

¶87 And in the absence of having both of the owners of the patent present, at the start of the lawsuit -- because you can't fix this after the fact. Without them in the lawsuit to begin with, then it's dismissed on the basis of you did not have standing to even start this lawsuit. Plainly, Major League Baseball has taken the position that, I don't know if he's right, but I am not suing myself, so lawsuit over, end of game, as it were at that stage.

¶88 It goes up to the Federal Circuit, which is the Court of Appeals for all patent appeals, and the question was the automatic assignment provision, one question. What about that automatic assignment provision? What are we talking about here? The automatic assignment provision deals with the clause that we saw in the beginning of the contract, which says, I do agree to assign and I hereby assign. Those become the magic words, "I do hereby assign" because it puts it in the present tense. And the Federal Circuit have developed case law that starts with the Film Tech case which basically says, You can go one of two ways on this. If you just had that language in there that said, I agree to assign, that puts it into the future, doesn't it?

¶89 MR. DAWSON: Uh-huh.

¶90 MR. BANIAK: Which says, I will now agree to do this in the future, but if I say, I do hereby assign, then it means I have done it. So even though I have not invented anything, because these contracts are entered into before someone invents anything obviously. Even though I have not invented anything, that becomes an automatic assignment provision, according to the Federal Circuit in affecting the assignment immediately.

¶91 So this is what happens in the circumstances of this case. I mean, literally, we have gone now almost 12 years or 16 years, depending on how you count it, from the time that this obligation came into being, from the time that he invented -- Barstow invented while at Schlumberger. 12 to 16 years have passed since that time, and Schlumberger is, in essence, effecting to make that automatic assignment happen at the setting. It's saying, You assigned it back then, even though 12 years, 16 years had passed, and Major League

Baseball has gone out and bought whatever it is that Schlumberger supposedly owns because it happened automatically, even though the inventor didn't know it at the time.

¶92 And even though -- and this is an interesting aspect of the case. Even though the people at the time said, We don't want it, it's yours, that has nothing -- that doesn't relate to our business, they changed their tune. Can you really do that? Well, according to the Federal Circuit case law, they said it's automatic, so we don't really care what those people said back then. It was automatically transferred at that time. Now, the dissent in this case says very stridently or strongly, I think, too, Wait a minute. We have a problem here to begin with. The problem is, we are talking about standing. And what has effectively happened is, you have decided who owns the patent. The district judges decided that matter saying, Our client does not own the patent, it belongs to this other company. And we were dealing at a very early stage of the litigation, we are just deciding a standing question. We are doing this without any jury, of course, and there are disputed issues of fact meaning, our client says, No, this is what happened then, and I can give you evidence as to what these individuals said at the time and told me it didn't relate.

¶93 And the judge can say at this stage, given, you know, the state of the law, You know what, I can decide this, and, in fact, on a jurisdictional issue, I'm supposed to decide this. And I can decide material issues of fact one way or the other. I can decide credibility at this stage. So there is the 7th Amendment, the right to a jury trial, that we thought was being seriously impinged upon here. Notwithstanding the question of, How can you adjudicate who owns this patent, based upon disputed facts in the record and those facts being intertwined? Ownership is intertwined with the question of standing, which is part of the lawsuit. There is case law that says that is supposed to go in the jury room. It's not a question where you can divorce this question of standing from the merits of the case. They are intertwined.

¶94 MR. DAWSON: I was just thinking if the employee had been pressing it enough and said, Well, you say now that you don't want it, but could you just assign me all of your rights that you may have in it, would that have been effective?

¶95 MR. BANIAK: Do you mean the employee had said that?

¶96 MR. DAWSON: Yes.

¶97 MR. BANIAK: Yeah, you know, if you thought about that, thought far enough ahead and said, Put that down in writing.

¶98 Todd will talk about how they actually do it at Zimmer, what is practical and what is impractical. Yes, getting such a waiver, shall we say, let's put that down.

¶99 That's not how it was done at Schlumberger. Schlumberger had a manual of procedures, shall we say, and the only thing it said, was, If you do this and you follow this, all you have to do is go to legal and advise legal of what it is and then legal makes the call. It doesn't say anything about it being in writing. It doesn't say the nature of it, how you are exposing it, none of the above.

¶100 One of the other things that occurred in the case was the Federal Circuit, on a case of first impression, this one, said, You know what, we think that these kinds of questions of ownership are governed by federal law, not state law. Federal law. Even if the contract was entered into and said, This is under Texas law or in your case, these agreements are entered into under Indiana law. Now, Todd has his own feeling about whether this is right or wrong.

¶101 The dissent says, You know what, these are creatures of state law, they are contracts, so they should be governed by whatever contractual law was binding the parties at the time.

¶102 MR. DAWSON: Actually, it was not right or wrong. I just like it. I have inventors in California and Minnesota, some of the most liberal, nonemployer-based states. I like this federal concept of taking patent rights. That works for me. I'm good with the federal law.

¶103 I mean, we have agreements all over. I don't know if it will hold, but if it does, that is good for me. But take your Microsoft example. Flip that around and make that a federal case. That ruling in California on Microsoft may not be different. It's good for the company.

¶104 MR. BANIAK: It makes his life easier, as he said, because now I have something that has basically put it on a common ground, so I don't have to deal necessarily with each states' different laws and how they may vary -- differ from one state to another, California, Minnesota, you know, Indiana.

¶105 But it really does look like it should be state law, and there are -- it was a predecessor panel. Panels at the Federal Circuit, which constitute three or perhaps sometimes five, sometimes they sit en banc which is the whole court, and then you speak with -- an en banc decision is going to be essentially controlling.

¶106 Panels are not supposed to disagree with one another. One panel cannot overrule another panel.

¶107 MR. DAWSON: Did the CAFC read that?

¶108 MR. BANIAK: No.

¶109 MR. DAWSON: Go over their history?

¶110 MR. BANIAK: No.

¶111 MR. DAWSON: You are the only one that knows that.

¶112 MR. BANIAK: No. They say that and they are telling you that and the chief judges will tell you, Yeah, that is how it all works around here. But there are way too many decisions that come out which are in conflict, so, for example, if we have -- as it shows you in this previous slide, we have this panel saying, Well, we find the case of first impression is going to be governed by federal law now. Whereas, the prior panel says, No, these are creatures of state, so it's supposed to be under state law.

¶113 Panels, when they see these kinds of situations come up and they don't like what a previous panel has done, what they tend to do is just ignore that case law, notwithstanding it is 180 degrees out of phase with what they are doing. You just find that they don't cite it, and they go off on their own with respect to how they want to decide this case.

¶114 So in this instance, the decisions that said state law, I guess those were just those particular panels.

¶115 Here is where the magic language comes in, "Agrees to and does hereby grant and assign." It was not merely an agreement to assign. It said, I hereby assign these rights, so it was automatic. And, therefore, the major -- the majority opinion said, Yep, we agree with the district court that this happened automatically, by operation of law. Schlumberger, therefore, owns this invention ab initio.

¶116 And what this did was -- now, we had these equitable arguments, equitable arguments in the sense of, My god, 12 years have passed since this happened. The

company has been built on the basis of what was said and done back then, and now the alleged infringer comes along, buys these rights and we just suddenly discover that all this inventor has done and this company that he has put together has done over all of these years, based upon these patent rights, is null and void.

¶117 There has got to be some remedy. It just seems to scream out, there has to be some remedy. But the district court said, If this is automatic, then those -- the statute of limitations which is long run, estoppel, waiver, all of those arguments, they are all gone, because they never existed. Once that invention came into being, your rights were extinguished, whether you knew it or not. So lo and behold, none of this kicks into play in the sense of statute of limitations, as I said, estoppel, as a waiver.

¶118 What the Federal Circuit did -- and this is what we alluded to when we started out. The Federal Circuit said, We see an essential ambiguity in these kind of clauses and, that is, you have to figure out what it relates to because these people back then, as Schlumberger said it didn't, apparently, we need you to go back to the district court. We need to have further evidence, if there is further evidence, brought forth to decide what "relates to" necessarily means and the fact that they said this was going to be highly relevant, if not dispositive, as to what the conduct of the parties was.

¶119 Did they really understand that this did not relate to the invention at the time, or do we look now to the present at what this company is doing? So from the standpoint of the clause that we are talking about here, Todd, I think that your position is you want that ambiguity in there.

¶120 MR. DAWSON: Absolutely. I mean, we are not that big of a mean of a company. We will talk about what we can do to fix all of this and how we handle it, but I would rather have the ambiguity. Let me argue it later.

¶121 MR. BANIAK: Why don't we talk about that now, since I have been rambling along here and you will be able to give me some respite.

¶122 So how do you deal with this practically? Now, you know, the Federal Circuit says, This is what we need to know. You got that clause. How do you deal with it?

¶123 MR. DAWSON: I think there is two -- and you look at it both sides and I tried to put myself on both sides of this table, from the inventor's perspective and from Zimmer's. From Zimmer's perspective, we absolutely want everyone to bring us their inventions, even if it is a golfing aid or something to that effect.

¶124 Quite frankly, inventions and patent law is confusing enough. The average person can't handle it anyway, so it's better to put it in our hands. So what do we do? This has happened over my period of time a couple dozen times. We will sit down and have a meeting with the inventor, Tell me what you are talking about. The funniest thing is they are always, Well, I don't want to tell you because you are an attorney and you'll take it. I don't get that, but that's okay. You'll catch that.

¶125 What we do is sit down and have a meeting. Describe it to me. I'll probably take some notes. If it's at all close, I'll go take -- have separate discussions, probably pull the inventor in with me with senior management people to help make that determination. Let's say it's the golfing aid, which we are never going to make golfing aids. What results from that meeting is, we would sit down and I would say, Hey, that is a good idea. If you need some patent attorneys, let me tell you how the patent system works. I will give you some patent attorneys in the community or in the area, but I'm going to write you a letter.

¶126 And the letter that I write is coming out of my letterhead, out of the legal department. It is going to say, Zimmer has no interest in the patent -- or in the invention that you have come up with, and I'll try to describe it. There is things, based on this case, that we can do differently in the future. But at least describe it enough to say, Here is my title, I'm the VP. This is outside of the interest of the company. You are free to go pursue and do what you will. God bless you. Good luck and American Pie.

¶127 I'll also send a copy of that letter to his employer and to the HR file because I represent big companies, but big companies like this one get ugly occasionally, and I want to make sure everybody knew that at one time we made a decision. This case -- it's not my case and I have only read it, but this case is just absolutely unfair. This should never happen.

¶128 So that is what we do from our side. If you want the practice advice, I have had attorneys -- patent attorneys call up me and say, My client said that you released this. Well, yes, I did. You know, can you confirm it or put it in writing? Well, I have already done it. Well, you know, it's a lawyer and lawyers like to do more writing, so he provides a letter back to me.

¶129 So they'll put a letter back to me, and I'll confirm it one more time. My goal is, I'm trying to foster innovation in the company -- my department tries to foster innovation in a company of 8,500 people. The worst thing in the world I think I can do is suddenly become this draconian guy that holds on to all of these great golfing aid inventions and never makes them and claims some rights. So we have got a clear process. It's process with a small P, not a capital P, but it's now, based on this case law, that it will become a capital P. We have a process that people can come in, have a chat with any one of the patent attorneys and sit down and get a resolution in a reasonable, timely manner.

¶130 Where it becomes really tricky is where it becomes really close to the industry. I'll give you a couple examples, but dog knees and human knees are not all that far apart. And, in fact, if you looked at a really small human knee and a large dog knee, they are pretty doggone close. Hey, I didn't know that.

¶131 MR. BANIAK: That was good.

¶132 MR. DAWSON: Note the pun, yeah.

¶133 We have had several people that said, I have got a really great design for an implant. Zimmer doesn't want to do it. I would like to do it in veterinarian. We wrestle with this a lot. We wrestle long and hard. We have occasionally -- it depends on what the technology is. If it's just a flat design of a knee, we'll probably let you go do it, but we are going to give you very strict -- we are not going to just release it and go do with it what you will. What we are going to say is, Well, we own the invention because it relates to our business because we make joints, and we do put joints in animals too. But it's for scientific purposes, not so Fluffy can keep running.

¶134 But what we are going to give you is a license back or a product license back. We'll let you go make a veterinarian implant, but we are going to have very, very restrictive rights on what you can go do. And the reason that I do that is because I never - - if I just absolutely release the invention and say, Yeah, I don't care, it doesn't mean you couldn't sell it to a competitor and a competitor couldn't make a human orthopedic joint out of it. When we do do that, we restrict it, and that is in a much lengthier letter and an agreement because we will have an agreement back to you to give you some rights back.

¶135 So we have seen that from all sides, and my practice tip, if you get to be representing -- if you ever get in patent law or you deal with patents and you have independent inventors, write the company and confirm it right away because the company has to make a decision on this and they probably already made one. And in this case, it's an oral decision. You feel bad for the guy. He should have never relied on oral decisions, and there is a patent attorney somewhere that should have confirmed that he had the rights to do what he's doing. That is why lawsuits are here, because somebody did not do all of the right things.

¶136 MR. BANIAK: We only get into this case after the fact.

¶137 MR. DAWSON: I didn't blame you.

¶138 MR. BANIAK: I just want to clarify that.

¶139 Let's talk about some practical stuff, since we are dealing with that right now. If you are going to have these kind of agreements, plainly you don't want to have the "agrees to assign" language in there because that then puts it into the future. Something has to be done.

¶140 And, you know, the Federal Circuit case law draws a big distinction there. And says, If it's an agreement to do something in the future, then frankly, if that had been the clause in this particular case, it wouldn't have come out this way, the way it is today. Because then equitable defenses would have kicked in because all that does is say, You have an equitable right to this patent. You don't have a legal right. Legal title has not changed hands yet, so with the passage of time, there would have been those defenses available, but the agreement that we are dealing with said, "Does hereby assign." So, again, there is no time that passes essentially. It happened automatically.

¶141 So you want to do this under the current case law, make sure you have that automatic language in there. Todd, you can talk about these points because they relate to what you are talking about now.

¶142 MR. DAWSON: Yeah. Every company should have some type of patent policy system. I would say that most of them do not have a detailed patent policy that will follow this case law. We have to update ours now. One of the takeaways is going to be, you know, I'm not sure how detailed my conversations are, when it is something that is clearly outside of the field.

¶143 I'm not sure how detailed the disclosure is when it is the canine knee, but I think that is going to be something that we are going to say, Hey, we almost do the invention disclosure in detail so we can all know what we are talking about. And that is really for protection of us both. As I said, I have no interest of creating hardships for employees. I have enough in my day job.

¶144 MR. BANIAK: Are the same invention disclosure agreement that -- for example, when an inventor comes up with something that does plainly relate to the business, do you expect the inventor to put this out in a form that you are going to be able to use for a patent, for example?

¶145 MR. DAWSON: We don't use them now. We write it down later, but I think we should use those. You might as well. We have the form. Everybody knows how to use it anyway, and we can just process it through the same system and then get the releases going out. It also requires a fair amount of detail. There's a fair amount of questions asked, and I think it would be at least a good place to start.

¶146 And then the next point is, you know, you designate a person. Unfortunately, I've been around long enough for everybody go talk to the IT department. I'm in the same building as manufacturing. I work on a daily basis with all of the heads of engineering. Between us we have created a system, again it's a small P, on who gets to decide. And to the extent that I bring the presidents of engineering in, they will either be signatories or I will record it to say, Based on a discussion with X-Y-Z we have agreed to allow this to go out.

¶147 MR. BANIAK: It's an anecdote in there with respect to the kind of disclosure. There was an argument made in this case that while Schlumberger had these very elaborate disclosure forms for -- essentially, what you would do if you were putting together a patentable invention and you are sending it to Todd's department for him to evaluate as to, Do we file on this? What do we want to do with this thing, which plainly relates to the business? The argument was made, Well, we should have known about something like that, which his supervisors said, Are you absolutely insane? If I had to see every one of those things for every fishing lure and golf glove and bowling implement, he said, I could never read it. I could never process that information. He said, No, I can't deal with it on that basis.

¶148 MR. DAWSON: That is why they get the pay. I don't know.

¶149 The other takeaway is for employees, you can't have oral conversations. First of all, none of our supervisors would be the people to make that decision. I mean, they are not budgetarily making the decisions anyway. It's kind of a weird setup. His attorney should have confirmed all of that.

¶150 Our invention disclosures don't go through a review panel. They just go right to our group. So we do a triage -- initial triage on everything anyway, and we get paid to read a lot of paper. So it's okay. I don't have a big issue with that.

¶151 MR. BANIAK: We have ad hoc conversations. Don't go there, don't do that. And how much detail do you want?

¶152 MR. DAWSON: You know, you and I were chatting about that at lunch. I don't know. Do I now want to start reading patent applications on golf aids and -- I would read the fishing lure one, but that's just a hobby.

¶153 I think it's incumbent on this. I am more worried about the ones that are close to the company, more than I am about the golf aid. If we ever do that, then we have more time -- if we ever go after that suit, we have a lot more time on our hands than I think we do.

¶154 I think to the extent that it gets very, very close to the business, and this may be a great example, the one that is at least close. I don't know how oil fields and baseball work together, but I think the close one is that you are probably more incumbent. I would even get to the point of writing, Show me the darn patent application. Let me read the claims. Let me read everything again. I would give it my initial blessing and then I would like to keep blessing it, if it's really close. That is really just for protection of everybody in the game.

¶155 MR. BANIAK: I think if you are advising someone in circumstances like you are describing, you say, Look, the more detail you can provide me, the better off you are going to be. Because then it is going to cut off argument later of, Well, you didn't tell me enough or I didn't understand, you know, exactly what it was that you were talking about.

¶156 So in this case, you know, more is better than less, so, you know, all of these practical takeaways, again, sort of get you to the common sense approach. How much do I need? It depends how close it is to the business, get it chronicled, get something in writing. Have a practical, practical approach to how you are going to process this information in the legal department. You can't set up something that is going to be just too burdensome and too unmanageable because then you have got to stick to it. You set up a protocol and you have to stick to it.

¶157 Otherwise, then all of a sudden now it's outside of the protocol and -- not for the inventor, for instance. This all right. I don't need that. Don't send that in. No big deal. All is well.

¶158 Now the inventor relies on that, and lo and behold, there could be a problem later on with that.

¶159 MR. DAWSON: We do a fair amount of patent inventor training and training on patent laws because we have so many inventors, and we are fairly aggressive with patent rights. I can imagine that I'm going to do this lecture, I'm going to talk about this case and I'm going to have like 35 fishing lures in the next week. I guarantee it. That is what is going to happen. So be it. That's okay. I'm not saying it's wrong. I'm just saying I feel it coming.

¶160 MR. BANIAK: You said you like to work. I think we have about five minutes left, if people want to have any questions to pose. Obviously, I could just continue to rattle on about this for hours and hours, but you would all be asleep by then.

¶161 AUDIENCE MEMBER: How does this generally compare with the university research setting? You hear about the scientists that start their own companies and end up making millions of dollars. Do the universities typically get the opportunity to file a patent and then they pass on it and they start their own company, or are the agreements looser in the academic type setting versus the private company?

¶162 MR. BANIAK: I'm going to answer that a couple ways, and you can chime in to the extent that you have got industry versus the interface. The first answer is going to be, Generally, the same. And my second answer I'm going to defer to one of my partners, who can probably answer that more closely because he works with a lot of universities and can speak to, Yeah, this is how the universities tend to be a little different or much the same.

¶163 MR. DAWSON: We work with a lot of universities around the world. In general, Kevin can jump in, but, in general, you start with some type of an assignment provision. The difference between -- if you take big general differences, usually an academic institution has some way that that inventor can actually get some income back out of it because that is how they bring in world class PhD's, because PhD's make money off inventions, so the licensing entities have the ability to license it out, if they are -- when we have many licenses with universities, I know that the base inventors get a share of the royalties, getting paid from that.

¶164 Then the other flip side is, a lot of places are now getting more liberal because they are trying to bring in these -- again, they are fighting for talent. I have seen several universities more recently, they have a more aggressive policy of allowing you to go do a start-up. University of Pennsylvania is huge on just doing start-up in -- go build your little start-up, we'll release it, and then you pay a portion back to the university, if you are successful.

¶165 But, in general, I think -- Kevin, correct me if I am wrong -- most of them start with, you at least got to bring it to us so we know what it is.

¶166 MR. BANIAK: This is our audience participation portion.

¶167 AUDIENCE MEMBER: I think the major difference is, at least in this country, a lot of it is subject to statute. There is the idea that we want to encourage university research and commercialize inventions. The government has its rights, and the universities are the first assignee of rights that -- students have the rights, and they have reporting requirements to the government and they have the right to pass on to the scientist or if the scientist doesn't like it, they have to give the government the right to pursue it. All of that is based on a fairly complex statute.

¶168 I agree with what Todd said, what happens is the more liberal you can be, the more you can allow professors to -- who don't make a lot of money, frankly, to take their inventions and who also have a passion, for not only doing the work but also seeing that work translate into real world benefit, such as on the biopharma side.

¶169 I think they do want to encourage, and, of course, the university gets some money that way, from licensing, and is -- at Argonne I think they have made hundreds of millions of dollars from some of those inventions, especially pharma inventions.

¶170 It's kind of a good thing all of the way around. And the inventors usually do get - - usually by some agreement, they get some percentage, 5 percent or up to 40 percent, depending on the institution of whatever the university gets. It's very much -- it's ancillary to the academic part, but it's also very highly regulated at the same time.

¶171 MR. DAWSON: One thing we didn't talk about. I assume it's obvious, but our inventors get paid zippity doo dah for an invention. It can be the best invention known to man, but we have a patent award program. We could make hundreds of million of dollars. They get \$1,000 for the patent work, which is another big difference.

¶172 MR. BANIAK: One dollar and other good and valuable consideration.

¶173 MR. DAWSON: I actually have a dollar plaque now that we give them. We put the dollar in there, and there is your plaque.

¶174 AUDIENCE MEMBER: I have a question about that. Have you noticed a tendency with that program for people to try to slice the invention baloney as thin as possible so they get as many of these as they can?

¶175 MR. DAWSON: Not yet. They have not gotten that clever.

¶176 I personally -- if you want my two cents, we did not have one for years. We implemented one five years ago. I think it makes absolutely no difference. I think inventive people invent and noninventive people don't invent. And unless your reward is -- we just bought a company in Bourdeaux, France. I'm working to get that trip, to go work on that. We bought a spine company in Bourdeaux, France, and their employment agreement actually gives you a share of the profits if your invention makes over -- I don't remember the numbers, but you get some bucks in there. It's still not like universities.

¶177 MR. BANIAK: I have seen it happen in situations where the company will provide actually like \$100 if we file on it and then if a patent issues and we commercialize and we give you another \$1,000 in those, and in those circumstances, yes, some of these inventors say, How about a divisional? Divisional here and continuation.

¶178 MR. DAWSON: And I cut all of that nonsense out. After you have invented it, all of the rest of the brilliance is my team's work. All the divisionals, continuations, that is us trying to get the best property.

¶179 AUDIENCE MEMBER: I had a question back to the universities. What about the graduates?

¶180 MR. BANIAK: That's an interesting -- it's funny. That is very interesting problem. If you're a PI and you have your contractual relationships with the universities, the students tend to be in a gray area.

¶181 That is where it really depends university to university, especially -- with graduate students, they usually support it, as well. The real problem is an undergrad. Somebody whose parents pay him \$25,000 a year and he's working in a lab and all of a sudden, what do you do then? It's not like you don't have the same kind of -- I think that is the biggest.

¶182 MR. DAWSON: We do a fair amount of due diligence on who actually invented this because we have been in more than one lawsuit where you have licensed it from one person and the grad -- I can't remember if it's a grad student or undergrad -- went out. We are commercializing it, and now they are fighting for inventorship with their university. It's a problem that is not very well addressed yet.

¶183 AUDIENCE MEMBER: It's not at all.

¶184 MR. DAWSON: Grad students are almost indentured servants at some level. I'm not sure what undergrads are at this point.

¶185 The contracts are not very good at this yet.

¶186 MR. BANIAK: It can be a huge problem because patents that have joint inventors, such as this grad student who turns up later and becomes a joint owner, just as in the situation with DDB and MLB, they own an entirety of the patent. So each of the joint inventors can then exploit the patent to the full extent and don't have to respond to the other joint owner. Literally, they can go out and license it for whatever they can get and don't have to pay anything.

¶187 So if this grad student shows up, all of a sudden the grad student owns, you know, what you thought was exclusively licensed to Zimmer and which you built a business on, and that person can go over to your competitor and say, Here, this is for you. Give me some money for that. So who has hooks in?

¶188 I think, as Kevin said, this is the very important question and issue from those of us on the outside.

¶189 MR. EWERDT: Thank you. I hate to cut this short, but Kellogg has class in here. But, yeah, I was told several times we have to be out of here by 5:00.

¶190 This concludes the fourth annual symposium of the journal. I would like to again thank all of our speakers and our sponsors, MBHB, and Knobbe Martens. Without them this would not be possible. Thank you.

¶191 (Applause.)

¶192 And I would like to thank all of you for attending.

¶193 Two quick announcements before we wrap. The first is for attorneys who have not picked up their CLU forms, please do.

¶194 Second, everyone is strongly encouraged to join us for the symposium reception upstairs on the third floor. We have open bar and hors d'oeuvres until 6:00 o'clock. We are in Room 362, instead of Room 540, so please follow the crowd or follow the signs up to the third floor. And, like I said, we have to get out of this room pretty soon. Thank you.

¶195