

BUSINESS AND COMMERCE CODE

TITLE 4. BUSINESS OPPORTUNITIES AND AGREEMENTS

CHAPTER 52. INVENTION DEVELOPMENT SERVICES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 52.001. SHORT TITLE. This chapter may be cited as the Regulation of Invention Development Services Act.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.002. DEFINITIONS. In this chapter:

(1) "Customer" means:

(A) an individual who enters into a contract with an invention developer for invention development services; or

(B) a firm, partnership, corporation, or other entity that enters into a contract with an invention developer for invention development services and is not purchasing those services as an adjunct to the traditional commercial enterprises in which the entity engages as a business.

(2) "Invention" means a discovery, process, machine, design, formulation, product, concept, idea, or any combination of these, regardless of whether patentable.

(3) "Invention developer" means an individual, firm, partnership, or corporation, or an agent, employee, officer, partner, or independent contractor of one of those entities, who:

(A) performs or offers to perform invention development services for a customer; and

(B) is not:

(i) a federal, state, or local government department or agency;

(ii) a nonprofit, charitable, scientific, or educational organization organized under the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes) or formed under Title 1 and Chapter 22, Business Organizations Code, or described by Section 170(b)(1)(A), Internal

Revenue Code of 1986, as amended;

(iii) an attorney acting within the scope of the attorney's professional license;

(iv) a person registered to practice before the United States Patent and Trademark Office and acting within the scope of that person's professional license; or

(v) a person, firm, corporation, association, or other entity that does not charge a fee, including reimbursement for expenditures made or costs incurred by the entity, for invention development services other than payment made from a portion of the income a customer received by virtue of an act performed by the entity.

(4) "Invention development services" means an act done by or for an invention developer for the invention developer's procurement or attempted procurement of a licensee or buyer of an intellectual property right in an invention, including:

(A) evaluating, perfecting, marketing, or brokering an invention;

(B) performing a patent search; and

(C) preparing or prosecuting a patent application by a person not registered to practice before the United States Patent and Trademark Office.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.003. APPLICABILITY OF CHAPTER TO CONTRACT FOR INVENTION DEVELOPMENT SERVICES. This chapter applies to each contract under which an invention developer agrees to perform invention development services for a customer.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.004. WAIVER BY CUSTOMER PROHIBITED. A waiver by a customer of a provision of this chapter is void.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

SUBCHAPTER B. FINANCIAL REQUIREMENTS OF INVENTION DEVELOPERS

Sec. 52.051. BOND REQUIRED. (a) Except as provided by Section 52.053, an invention developer performing or offering to perform invention development services in this state shall maintain a bond issued by a surety company authorized to transact business in this state.

(b) The principal amount of the bond must equal at least the greater of:

(1) five percent of the invention developer's gross income from the invention development business in this state during the invention developer's last fiscal year; or

(2) \$25,000.

(c) The invention developer must file a copy of the bond with the secretary of state before the date the invention developer begins business in this state.

(d) Before the 91st day after the last day of the invention developer's fiscal year, the invention developer shall change the amount of the bond if necessary to conform with this section and Section 52.052.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.052. BENEFICIARY OF BOND; CLAIM AGAINST BOND. (a) The bond required by Section 52.051 must be:

(1) in favor of this state; and

(2) for the benefit of any person who, after entering into a contract for invention development services with the invention developer, is damaged by fraud, dishonesty, or failure to provide the invention developer's services in performance of the contract.

(b) A person making a claim against the bond may bring an action against the invention developer and the surety. The

aggregate liability of the surety to all persons for all breaches of conditions of the bond required by this section is limited to the amount of the bond.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.053. CASH DEPOSIT INSTEAD OF BOND. Instead of furnishing the bond required by Section 52.051, the invention developer may provide for, in an amount equal to the amount of the bond required:

- (1) cash deposited with the secretary of state;
- (2) a certificate of deposit payable to the secretary of state and issued by a bank that is:
 - (A) transacting business in this state; and
 - (B) insured by the Federal Deposit Insurance Corporation;
- (3) an investment certificate of a share account assigned to the secretary of state and issued by a savings and loan association that is:
 - (A) transacting business in this state; and
 - (B) insured by the Federal Deposit Insurance Corporation; or
- (4) a bearer bond issued by the United States government or this state.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

SUBCHAPTER C. INVENTION DEVELOPMENT SERVICES CONTRACT

Sec. 52.101. WRITTEN CONTRACT REQUIRED; CUSTOMER COPY. (a) A contract for invention development services must be in writing.

(b) The invention developer shall give a copy of the contract to the customer at the time the customer signs the contract.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.102. MANDATORY CONTRACT TERMS. (a) A contract for invention development services must contain in boldfaced type of not less than 10-point size:

- (1) the payment terms;
- (2) the contract termination rights required by Section 52.104;
- (3) a full, clear, and concise description of the specific acts or services that the invention developer agrees to perform for the customer;
- (4) a statement of whether the invention developer agrees to construct, sell, or distribute one or more prototypes, models, or devices embodying the customer's invention;
- (5) the full name and principal place of business of the invention developer;
- (6) the name and principal place of business of any parent, subsidiary, or affiliated company that may engage in performing any of the invention development services;
- (7) if the invention developer makes an oral or written representation of estimated or projected customer earnings, a statement of estimated or projected customer earnings and a description of the data on which the estimation or projection is based;
- (8) the name and address of the custodian of all records and correspondence pertaining to the invention development services described by the contract;
- (9) a statement that the invention developer:
 - (A) is required to maintain all records and correspondence relating to performance of the invention development services for the customer until the second anniversary of the date the contract expires; and
 - (B) on seven days' written notice will make the invention development services records and correspondence available to the customer or the customer's representative for review and copying at the customer's reasonable expense on the

invention developer's premises during normal business hours; and

(10) a time schedule for performance of the invention development services, including an estimated date by which performance is expected to be completed.

(b) An invention developer is a fiduciary to the extent that the description of specific acts or services required by Subsection (a)(3) gives the invention developer discretion in determining which acts or services will be performed.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.103. MULTIPLE CONTRACTS. If it is the invention developer's normal practice to seek more than one contract in connection with an invention or if the invention developer normally seeks to perform services in connection with an invention in more than one phase with the performance of each phase covered in one or more subsequent contracts, the invention developer shall give to the customer at the time the customer signs the first contract:

(1) a written statement describing that practice; and

(2) a written summary of the developer's normal terms, if any, for subsequent contracts, including the approximate amount of the developer's normal fees or other consideration that the developer may require from the customer.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.104. PAYMENT FOR SERVICES; OPTION TO TERMINATE CONTRACT. (a) For purposes of this section, delivery of a promissory note, bill of exchange, or negotiable instrument of any kind to the invention developer or to a third party for the benefit of the invention developer is payment, regardless of the date or dates appearing on the instrument.

(b) Notwithstanding any contractual provision to the contrary, payment for invention development services may not be required, made, or received before the fourth working day after the

date the customer receives a copy of the contract for invention development services signed by the invention developer and the customer.

(c) Until the payment for invention development services is made, the parties to the contract have the option to terminate the contract. The customer may exercise the option to terminate by refraining from making payment to the invention developer. The invention developer may exercise the option to terminate by giving to the customer a written notice of the invention developer's exercise of the option. The written notice becomes effective when the customer receives the notice.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.105. COVER NOTICE REQUIRED. (a) A contract for invention development services must have attached a conspicuous and legible cover sheet that contains:

(1) the name, home address, office address, and local office address of the invention developer; and

(2) the following notice in boldfaced type of not less than 10-point size:

THIS CONTRACT BETWEEN YOU AND AN INVENTION DEVELOPER IS REGULATED BY THE STATE OF TEXAS' REGULATION OF INVENTION DEVELOPMENT SERVICES ACT. YOU ARE NOT PERMITTED OR REQUIRED TO MAKE ANY PAYMENTS UNDER THIS CONTRACT UNTIL FOUR (4) WORKING DAYS AFTER YOU SIGN THIS CONTRACT AND RECEIVE A COMPLETED COPY OF IT.

IF YOU ASSIGN EVEN A PARTIAL INTEREST IN THE INVENTION TO THE INVENTION DEVELOPER, THE INVENTION DEVELOPER MAY HAVE THE RIGHT TO SELL OR DISPOSE OF THE INVENTION WITHOUT YOUR CONSENT AND MAY NOT HAVE TO SHARE THE PROFITS WITH YOU.

THE TOTAL NUMBER OF CUSTOMERS WHO HAVE CONTRACTED WITH THE INVENTION DEVELOPER SINCE (year) IS (number). THE TOTAL NUMBER OF CUSTOMERS KNOWN BY THIS INVENTION DEVELOPER TO HAVE RECEIVED, BY VIRTUE OF THIS INVENTION DEVELOPER'S PERFORMANCE, AN AMOUNT OF MONEY IN EXCESS OF THE AMOUNT PAID BY THE CUSTOMER TO THIS INVENTION DEVELOPER IS (number).

YOU ARE ENCOURAGED TO CONSULT WITH A QUALIFIED ATTORNEY BEFORE SIGNING THIS CONTRACT. BY PROCEEDING WITHOUT THE ADVICE OF A QUALIFIED ATTORNEY, YOU COULD LOSE ANY RIGHTS YOU MIGHT HAVE IN YOUR IDEA OR INVENTION.

(b) The invention developer shall complete the cover sheet by providing the proper information in the blanks of the cover sheet. In the first blank the invention developer shall enter the later of the year that the invention developer began to transact business or May 7, 1981. The invention developer may round the numbers the invention developer enters in the last two blanks to the nearest 100 and, in computing the numbers, may exclude persons who have contracted with the invention developer during the three calendar months preceding the date of the contract. If the number to be inserted in the third blank is zero, the invention developer shall enter a zero in the blank.

(c) The cover sheet may not contain anything other than the information required by Subsection (a).

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 2.01, eff. April 1, 2009.

Sec. 52.106. QUARTERLY REPORTS TO CUSTOMER REQUIRED. At least once each calendar quarter during the term of a contract for invention development services, the invention developer shall deliver to the customer at the address specified in the contract a written report that identifies the contract and contains:

(1) a full, clear, and concise description of the services performed up to the date of the report and of the services to be performed; and

(2) the name and address of each person to whom the subject matter of the contract has been disclosed, the reason for each disclosure, the nature of the disclosure, and copies of all responses received as a result of those disclosures.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 2.01, eff. April 1, 2009.

SUBCHAPTER D. ENFORCEMENT

Sec. 52.151. CONTRACT VOIDABLE. A contract for invention development services is voidable at the option of the customer if the contract:

(1) does not substantially comply with this chapter;
or

(2) was entered into in reliance on any false, fraudulent, or misleading information, representation, notice, or advertisement of the invention developer.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.152. PRIVATE CAUSE OF ACTION. (a) This section applies only to a customer who is injured by an invention developer's:

(1) violation of this chapter;
(2) false or fraudulent statement, representation, or omission of material fact; or
(3) failure to make all disclosures required by this chapter.

(b) A customer to whom this section applies may recover in a civil action against the invention developer:

(1) the greater of:
(A) the amount of any actual damages sustained by the customer; or
(B) \$1,000;
(2) court costs; and
(3) attorney's fees.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.153. DECEPTIVE TRADE PRACTICE. The following acts, omissions, or failures by an invention developer constitute a deceptive trade practice under Chapter 17:

(1) a violation of this chapter;
(2) an omission of material fact; or
(3) a failure to make a disclosure required by this chapter.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.154. MUTUALLY EXCLUSIVE REMEDIES. Remedies available under Sections 52.152 and 52.153 are mutually exclusive.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.155. PRESUMPTION OF INJURY. For purposes of Sections 52.152 and 52.153, a rebuttable presumption of injury is established by:

(1) a substantial violation of this chapter by an invention developer; or

(2) a customer's execution of a contract for invention development services in reliance on a false or fraudulent statement, representation, or an omission of material fact.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.156. ENFORCEMENT BY ATTORNEY GENERAL. (a) The attorney general shall enforce this chapter.

(b) The attorney general may:

(1) recover a civil penalty not to exceed \$2,000 for each violation of this chapter; and

(2) seek equitable relief to restrain a violation of this chapter.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. 2278), Sec. 2.01, eff. April 1, 2009.

Sec. 52.157. APPLICATION OF OTHER LAWS. This chapter does not nullify or limit any obligation, right, or remedy that is applicable or available under the law of this state.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 885 (H.B. [2278](#)), Sec. 2.01, eff. April 1, 2009.