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ASSEMBLY COMMITTEE ON COMMERCE & LABOR

OPENING REMARKS REGARDING

ASSEMBLY BILL 2

SUMMARY—*LIMITS RIGHT OF EMPLOYER TO OWN CERTAIN
INTELLECTUAL PROPERTY DEVELOPED BY EMPLOYEE.*

BY

ASSEMBLYMAN JOHN OCEGUERA, VICE CHAIRMAN

GOOD MORNING
~~GOOD AFTERNOON~~ MR. CHAIRMAN AND MEMBERS OF THE
COMMITTEE. FOR THE RECORD, I AM JOHN OCEGUERA
REPRESENTING ASSEMBLY DISTRICT NO. 16 IN
CLARK COUNTY. I AM PLEASED TO APPEAR BEFORE YOU
TODAY AS THE SPONSOR OF ASSEMBLY BILL 2, AS
AMENDED, AND THANK YOU FOR THIS OPPORTUNITY TO
PRESENT THIS BILL AND AMENDMENT TO YOU AND THE
MEMBERS OF THE COMMITTEE.

I WOULD VENTURE TO GUESS THAT MOST OF YOU ARE
UNAWARE OF *NEVADA REVISED STATUTES* (NRS) 600.500,
THE STATUTE THAT A.B. 2 SEEKS TO AMEND. UNTIL MY

ENROLLMENT IN AND PARTICIPATION IN AN INTELLECTUAL PROPERTY CLASS AT UNLV'S BOYD SCHOOL OF LAW, I, TOO, WAS UNFAMILIAR WITH THE STATUTE, WHICH WAS JUST ENACTED AS A RESULT OF THE 2001 SESSION.

SINCE YOU ARE LIKELY UNFAMILIAR WITH NRS 600.500, LET ME READ IT TO YOU IN ITS ENTIRETY:

“EXCEPT AS OTHERWISE PROVIDED BY EXPRESS WRITTEN AGREEMENT, AN EMPLOYER IS THE SOLE OWNER OF ANY PATENTABLE INVENTION OR TRADE SECRET DEVELOPED BY HIS EMPLOYEE DURING THE COURSE OF THE EMPLOYMENT THAT RELATES DIRECTLY TO WORK PERFORMED DURING THE COURSE OF THE EMPLOYMENT.”

NOW THAT YOU HAVE BEEN READ THE STATUTE, LET ME POSE THIS HYPOTHETICAL:

YOUR HYPOTHETICAL 16-YEAR-OLD SON WORKS AT McDONALD'S, AS A COOK. HE HATES THE SPATULA HE HAS TO USE TO DO HIS JOB BECAUSE HE IS LEFT-HANDED AND THE SPATULA DOES NOT CONFORM TO HIS HAND CORRECTLY, AND BECAUSE THE SPATULA GETS REALLY HOT FROM THE HEAT OF THE GRILL WHILE HE IS USING IT. SO YOUR HYPOTHETICAL SON, BEING THE

INGENIOUS CHILD THAT HE IS, TAKES A SPATULA FROM YOUR KITCHEN, MODIFIES THE HANDLE TO FIT HIS LEFT HAND, DIPS THE SPATULA IN SOME HEAT RESISTANT MATERIAL HE CONCOCTS, AND TAKES IT TO WORK. THE MODIFIED HANDLE WORKS. IT WORKS REALLY WELL. YOUR HYPOTHETICAL SON SOON REALIZES THAT HE HAS INADVERTENTLY INVENTED SOMETHING WORTHWHILE—SOMETHING PATENTABLE. SO THE QUESTION BECOMES, DOES HE, AS OPPOSED TO McDONALD'S, OWN HIS INVENTION?

WELL, WHAT DOES NRS 600.500 PROVIDE? LET ME READ IT TO YOU AGAIN:

“EXCEPT AS OTHERWISE PROVIDED BY EXPRESS WRITTEN AGREEMENT, AN EMPLOYER IS THE SOLE OWNER OF ANY PATENTABLE INVENTION OR TRADE SECRET DEVELOPED BY HIS EMPLOYEE DURING THE COURSE OF THE EMPLOYMENT THAT RELATES DIRECTLY TO WORK PERFORMED DURING THE COURSE OF THE EMPLOYMENT.”

NOW, DO YOU AGREE THAT NRS 600.500, AS WRITTEN, GIVES McDONALD'S SOLE OWNERSHIP OF YOUR HYPOTHETICAL SON'S MULTI-MILLION DOLLAR INVENTION?

OR DO YOU BELIEVE THAT NRS 600.500, AS WRITTEN, DOES NOT APPLY TO THIS HYPOTHETICAL SITUATION?

WHAT I AM ATTEMPTING TO ILLUSTRATE, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, IS THAT MOST PEOPLE WOULD LIKELY CONCLUDE THAT NRS 600.500 APPLIES NOT ONLY TO THE HYPOTHETICAL I JUST GAVE YOU, WHICH WOULD MEAN THAT McDONALD'S IS GIVEN SOLE OWNERSHIP OF YOUR HYPOTHETICAL SON'S PATENTABLE INVENTION, BUT THAT IT APPLIES TO **EVERY EMPLOYER/EMPLOYEE SITUATION IN WHICH AN EMPLOYEE DEVELOPS A PATENTABLE INVENTION OR TRADE SECRET "DURING THE COURSE OF THE EMPLOYMENT THAT RELATES DIRECTLY TO WORK PERFORMED DURING THE COURSE OF THE EMPLOYMENT."**

WHILE YOU WERE CONSIDERING THE HYPOTHETICAL I JUST GAVE, DID IT EVER CROSS YOUR MIND, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE THAT NRS 600.500 WAS ONLY INTENDED TO APPLY TO HIGH-TECH INDUSTRIES? THAT THE PURPOSE OF NRS 600.500 IS TO ATTRACT HIGH-TECH INDUSTRY TO NEVADA BY GIVING TECH-TECH EMPLOYERS SOLE OWNERSHIP OF PATENTABLE INVENTIONS OR TRADE SECRETS DEVELOPED BY THEIR "PAID-TO-INVENT" EMPLOYEES?

IF YOU WERE TO REVIEW THE LEGISLATIVE HISTORY CONCERNING NRS 600.500, YOU WOULD UNDERSTAND THAT, DESPITE HOW THE STATUTE READS, IT WAS ONLY INTENDED TO BENEFIT HIGH-TECH EMPLOYERS WHO EMPLOY "PAID-TO-INVENT" EMPLOYEES.

SO, IN THE HYPOTHETICAL SITUATION I GAVE YOU EARLIER, THE CORRECT ANSWER WOULD BE THAT YOUR HYPOTHETICAL SON HAS SOLE OWNERSHIP OF HIS PATENTABLE INVENTION—NOT McDONALD'S. I ASSURE YOU, HOWEVER, THAT GIVEN HOW NRS 600.500 READS AND CAN ARGUABLY BE INTERPRETED, YOU WOULD HAVE HAD TO HAVE SPENT HUNDREDS OF THOUSANDS OF HYPOTHETICAL DOLLARS IN ATTORNEY'S FEES AND COSTS TO DEFEND A LAWSUIT BROUGHT BY McDONALD'S CONCERNING OWNERSHIP OF YOUR HYPOTHETICAL SON'S PATENTABLE INVENTION BEFORE PREVAILING.

IF A STATUTE CAN LEGITIMATELY BE READ BEYOND ITS INTENDED PURPOSE, IS IT REALLY GOOD LAW?

OR IF LEGITIMATE DISAGREEMENTS CONCERNING INTERPRETATION OF A STATUTE ENCOURAGE COMPLEX AND TAXING LITIGATION—WHICH IS HOW PATENT

LITIGATION CAN BE CHARACTERIZED--IS IT REALLY GOOD LAW?

~~IS~~ IT ~~IS NOT~~ UPON US, AS LEGISLATORS, TO MAKE NECESSARY AMENDMENTS TO OUR EXISTING LAWS—WHETHER SIMPLE OR COMPLEX--SO THAT THE MEANING AND INTENT OF OUR LAWS ARE CLEAR? SO CLEAR THAT LITIGATION OVER INTERPRETATION IS DISCOURAGED, IF NOT UNHEARD OF?

I SUGGEST TO YOU, MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, THAT A VERY SIMPLE AMENDMENT TO NRS 600.500 WOULD ACHIEVE THE GOALS OF CLARITY IN MEANING AND DISCOURAGEMENT OF LITIGATION OVER INTERPRETATION. ALL THAT IS REQUIRED IS ILLUSTRATED IN THE HANDOUT EACH OF YOU HAS PREVIOUSLY BEEN PROVIDED WITH.

SPECIFICALLY, THE DESCRIPTOR "PAID-TO-INVENT" WOULD BE INSERTED BEFORE THE TERM "EMPLOYEE," AND THE DESCRIPTOR WOULD BE DEFINED IN A NEW SUBSECTION TO FOLLOW NRS 600.500 (NRS 600.5001).

NOW, THERE MAY BE ^{Some} ~~A DOZEN OR SO~~ WITNESSES HERE TODAY, WAITING TO TESTIFY IN OPPOSITION TO A.B. 2. ~~SOME, IF NOT ALL, ARE THE SAME WITNESSES WHO~~

TESTIFIED IN SUPPORT OF S.B. 558 DURING THE 2001 SESSION. LIEUTENANT GOVERNOR LORRAINE HUNT, FOR INSTANCE, AND BOB SHRIVER, EXECUTIVE DIRECTOR OF THE COMMISSION ON ECONOMIC DEVELOPMENT, AND PATENT ATTORNEY KENNETH D'ALESSANDRO, AND INVENTOR AND PRIVATE CITIZEN, GIL HYATT.

I WOULD LIKE TO SUGGEST, MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, THAT YOU POSE A SINGLE QUESTION TO EACH OF THESE WITNESSES:

1. HOW DOES A.B. 2, AS AMENDED, WEAKEN THE ORIGINAL PURPOSE AND INTENT OF S.B. 558?

I CAN ONLY HOPE THAT WHILE YOU ARE CONSIDERING THEIR TESTIMONY IN OPPOSITION TO A.B. 2, YOU WILL RECALL YOUR INITIAL RESPONSE TO THE HYPOTHETICAL QUESTION I POSED TO YOU:

DO YOU AGREE THAT NRS 600.500, AS WRITTEN, GIVES McDONALD'S SOLE OWNERSHIP OF YOUR HYPOTHETICAL SON'S MULTI-MILLION DOLLAR INVENTION? OR DO YOU BELIEVE THAT NRS 600.500, AS WRITTEN, DOES NOT APPLY TO THIS HYPOTHETICAL SITUATION?

IF YOUR FIRST REACTION, OR "GUT FEELING," WAS THAT NRS 600.500 GIVES McDONALD'S SOLE OWNERSHIP OF YOUR HYPOTHETICAL SON'S PATENTABLE INVENTION, I DOUBT YOU WILL BE CONVINCED BY ANY TESTIMONY IN OPPOSITION TO A.B. 2, AS AMENDED. I KNOW I WON'T.

THAT CONCLUDES MY PRESENTATION OF A.B. 2, AS AMENDED, MR. CHAIRMAN. THANK YOU FOR YOUR CONSIDERATION. I WILL DO MY BEST TO ANSWER ANY QUESTIONS YOU, OR THE COMMITTEE MEMBERS, MAY HAVE.