

INTELLECTUAL PROPERTY DISPUTES – WHEN THE COOPERATION ENDS

I once read that most car accidents occur within 10 blocks of a driver's home. We see an analogous trend in Intellectual Property "crimes" - i.e. infringement of patents, trademarks, or copyrights; or misappropriation of a trade secret. Intellectual Property (IP) disputes between two parties that are strangers to one another are the exception, not the rule. More often than not, IP infringement suits are between parties that were formerly in some type of business relationship. The most typical relationships that go awry are license relationships, joint ventures, and dealerships or distributorships.

The licenses can be for trademarks, trade secrets, or patents. In a trademark license, the licensor (the trademark owner who is granting the license) should ensure that the agreement covers good will generated by the licensee. The license agreement should clearly state that good will generated by the licensee in the trademark inures to the benefit of the licensor, not the licensee. Additionally, the agreement should state that any registrations that the licensee seeks to obtain in its name either (1) will be deemed to be obtained for the benefit of the licensor or (2) can be voided by the licensor. Licensees who elect to part ways with the licensor should be careful not to infringe the licensor's trademarks going forward. Former licensees should discard or return to the licensor (check the agreement) all old parts lists, brochures, and marketing materials and start fresh with new materials.

In patent licenses, as well in joint ventures (JVs), the most common dispute is over improvements to technology. The license or venture agreement should spell out exactly what happens in the various scenarios of inventorship. The three possibilities are: (1) the licensor (or JV partner #1) creates the new technology; (2) the licensee (or JV partner #2) creates the new technology; or (3) the invention is truly jointly created by the licensor and licensee (or both JV partners). The license or JV agreement should state how the parties will handle inventions arising under each of these three categories.

An important provision is that each party should be under a duty to report all inventions to the other party, even if the reporting party believes it is the sole owner of the invention. Such an obligation ensures that the parties are fully disclosing their activities, and provides an additional legal claim (breach of contract) in addition to the IP infringement claims which might be available.

When dealers or distributors sever their relationship with a manufacturer; it is often because the dealer has decided to make its own products. The dealer must be careful to fully assess the manufacturer's IP rights. The dealer should consult with IP counsel to steer around those IP rights and avoid any infringement claims. From the manufacturer's perspective, the manufacturer should be careful to follow the procedures outlined in the dealer agreement. A court will not look favorably upon a manufacturer who failed to follow the procedures outlined in the dealer agreement; especially if the agreement is a form agreement drafted by the manufacturer.

A final consideration in disputes with former partners is that these disputes are often very emotional situations, and the scenario tends to be driven by personalities. It is important to remember that the dispute is simply another part of one's business and should be treated with sound business judgment. When possible to do so, the person making decisions about the dispute should be a person who was not directly involved in the earlier relationship. When cooler heads prevail, the terms of the "divorce" can be settled in a manner that allows everyone to get back to business.

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GEOGRAPHIC SCOPE OF THE NON-COMPETE STATUTE

In La. R.S. 23:921, Louisiana law states every contract or agreement or provision thereof by which anyone is restrained from exercising a lawful profession, trade, or business, of any kind, except as set forth in this Section shall be null and void. It is the Legislature's way of making the general statement that the state of Louisiana wants people working.

However, Section (C) of this statute does allow a person who is employed as an agent, servant or employee to agree with his or her employer to refrain from carrying on or engaging in a business similar to that of the employer within a specified parish or parishes, municipality or municipalities, or parts thereof, so long as the employer carries on a like business therein, not to exceed a period of two years from termination of the agreement. The statute requires that the parishes be specified and that the time period be for no longer than two years. Moreover, it requires that the employer carry on a like business therein. One question is what does it mean to carry on a like business in a particular parish?

This analysis seemed somewhat simple while businesses were carrying on from its four walls – a “bricks and mortar” method of operation. However, with advancing communication technology, especially the internet, the question must be asked, what does it mean to carry on a business in a parish? How has the information superhighway expanded the meaning of this term?

In *Moore's Pump and Supply, Inc. v. Laneaux*, 727 So.2d 695 (La. App. 3d Cir. 1999), the court addressed this issue in connection with a preliminary injunction and a former employee's argument that the non-compete agreement was invalid because it was geographically too broad. The court said Moore's had at least established a prima facie case that it solicited business in all parishes listed in the agreement. The fact that it did not have a project in a particular parish during Mr. Laneaux's tenure and/or did not have specific projects ongoing in all forty-three parishes

did not require a finding that it was not doing business. According to the Third Circuit, solicitation of business was enough to constitute “carrying on a like business.”

What about the internet? Does the fact an employer operates a website that extends into a specified parish constitute carrying on a like business? The answer is not known in the context of a non-compete agreement. However, the courts have been looking at on-line conduct to determine personal jurisdiction. If a business is operating over the internet through a highly interactive website, it may be deemed to be transacting business in a foreign state and subject to personal jurisdiction, without leaving the four walls of its building. The question is whether the answer will be the same when addressing the enforceability of a non-compete agreement. It is easy to see a situation whereby the business is physically located in a specific parish, and maybe even servicing some customers in an immediate outer lying parish, but otherwise simply soliciting business on the internet. The question will be is the employer carrying on business in more parishes and municipalities because it has an interactive website.

Our legislature has given some guidance as to what is a reasonable non-competition agreement as a matter of law. However, the question must be raised as to whether our methods of operation have outgrown the statute from a practical standpoint. Only time and a few rulings from courts will tell this tale.

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