

IP Litigation in the Oil & Gas Industry

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YW&C

Scenarios We'll Examine

Breaking Up is Hard to Do

Typhoid Max, Travelin' Engineer

Whose Idea Was This, Anyway?

Breaking Up is Hard to Do

Engineer Max, leaving OilCo for Competico:

- Taking same position—chief subsurface tools designer
- Currently working for us on game-changing technology
 - Technology unknown in industry
 - Limited disclosure within the company
 - Need-to-know basis
 - Access restricted to models, computer files
- No non-compete in place
- Exit interview today

Breaking Up is Hard to Do

Management's view:

- technology very valuable
- highly likely Max will have to use it at Competico
- want to block Max's jump

Questions for legal:

- (1) applicable law?
- (2) game plan for exit interview?
- (3) game plan for investigation?
- (4) response to management?

Breaking Up is Hard to Do:

(1) Applicable law

Departing employee can take experience, skill, general know-how

Cannot use conf./prop. info to detriment of employer

- Common-law duty, survives termination

T-N-T Motorsports (Tex. App.—Hous. 1998)

Can we stop misuse before it starts?

- Inevitable disclosure doctrine

Breaking Up is Hard to Do:

(1) Applicable law

Inevitable disclosure doctrine

- Despite best efforts of new employer and employee...
- ...may be impossible to prevent disclosure of secrets

Typical factors considered:

- Is technology a trade secret?
- Did departing employee have access to it?
- Will it inevitably be used in new job?

Leading case: *PepsiCo v. Redmond* (7th Cir. 1995)

- Enjoined exec from taking new job for 5 months

Breaking Up is Hard to Do:

(1) Applicable law

Texas has not officially adopted inevitable disclosure doctrine

FMC v. Varco (5th Cir. 1982):

- *“Even assuming the best of good faith, Witt will have difficulty preventing his knowledge of [swivel joint trade secrets] from infiltrating his work.”*
- Enjoined new employer from “placing or maintaining Witt in a position that poses an inherent threat of disclosure or use of FMC’s trade secrets.”

Union Carbide v. UGI (5th Cir. 1984):

- Enjoined new employer from using employee in some situations

Breaking Up is Hard to Do: (2) Exit interview game plan

Exit interview:

- **Remind Max of conf. obligations**
- **Ask if he has taken our trade secrets**
 - Copied documents, downloaded files?
 - Emailed anything to home (or Competico) email address?
- **Assess honesty**
- **Provide/procure executed NDA**

Breaking Up is Hard to Do: (3) Investigation game plan

Investigate:

- **Typically, look for noncompete, NDA, IP assignments**
- **Interview co-workers and supervisor**
- **Consider forensic copy of computer**
 - **Looking for recent downloads of trade secrets . . .**
 - **. . . emails to home email, or Competico email**
- **Notify insurer?**
- **Are trade secrets implicated?**

Breaking Up is Hard to Do: (3) Investigation game plan

Q: Do we have a trade secret?

A: Apply the *In re Bass* factors

- To what extent is info. known outside the business?
- To what extent is it known inside the business?
- What measures were taken to guard info.'s secrecy?
- How valuable is info. to us? to competitors?
- What effort/money did we expend to develop info?
- How difficult would it be for others to properly acquire/duplicate info?

In re Bass, 113 S.W.3d 735 (Tex. 2003).

**Breaking Up is Hard to Do:
(4) Response to mgmt**

Continuum: lost playbook vs. mere disappointment

Facts may support injunctive relief

Enjoining Max's jump:

- **inevitable disclosure doctrine may be available**
- **will require strict proof**

Typhoid Max: Travelin' Engineer

We are counsel for Newco

Max (of Oilco and Competico) wants to join Newco

- Newco's founder, Doc, knew Max in grad school

Our mission: protect Newco if Doc hires Max

Typhoid Max: Travelin' Engineer

Protecting Newco:

- **What have Max and Doc discussed to date?**
- **What agreements (Oilco/Competico) is Max party to?**
- **Get reps and warrants from Max**
- **Plan to “prove up” Max’s work at Newco**
- **Keep Max out of discussions/meetings re Oilco/Competico**
- **Notify insurer?**
- **If sued, get Max separate counsel**

Whose Idea Was This, Anyway?

We are counsel for Servco

Considering filing suit on our latest patent

- **need “story of invention” from inventors:**
 - **Ted (“Tech. Excellence” group in Houston)**
 - **Oliver (field engineer located overseas)**
- **invention (method of treating a well) solved problem on overseas job Oliver ran for our customer (Custco)**

Whose Idea Was This, Anyway?

Question #1: If the invention disclosure form is detailed, why bother with “story of invention”?

- Inventors’ view of the invention
- Fill in gaps in invention disclosure form
- Verify no other contributors to the claims

Whose Idea Was This, Anyway?

Q. #2: Who else could have contributed to a claim?

- Lab tech
- Co-worker
- Customer rep at the job site?

Whose Idea Was This, Anyway?

Q. #3: What makes a contributor a co-inventor?

“co-inventors need not contribute to the subject matter of every claim, inventorship is determined on a claim-by-claim basis.” Gemstar (Fed. Cir. 2004)

“a contribution to the conception of the claimed invention that is not insignificant in quality, when . . . measured against the dimension of the full invention.” Caterpillar (Fed. Cir. 2004)

Whose Idea Was This, Anyway?

35 USC 256 creates cause of action to correct inv'ship

Defendant in infringement suit also may raise issue

Clear and convincing evidence, and corroboration, are required

Whose Idea Was This, Anyway?

Q. #4: What's the risk if an inventorship problem exists?

- “A patent is invalid if more or fewer than the true inventors are named.” *Gemstar* (Fed. Cir. 2004)
- *Ethicon* problem:
 - A true joint inventor, once added, could license D
 - Refuse to consent to suit, dismiss infringement claims

Ethicon v U.S. Surgical (Fed. Cir. 1998)

Whose Idea Was This, Anyway?

Procedure for curing inventorship problem:

- 35 USC 256: 3 statements and a fee payment
- Statement by new inventor: no deceptive intent
- Stmt by current inventors: agree w/ adding inventor
- Stmt by all assignees: agree w/ adding inventor

Wrap-up

Breaking Up is Hard to Do

**6-factor test for trade secrets
Inevitable disclosure doctrine**

Typhoid Max—Travelin' Engineer

Checklist of items to minimize risk to new employer

Whose Idea was This, Anyway?

**Get each inventor's "story of invention"
Confirm no unnamed co-inventors**

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