

By Michael L. Antoline, J.D.

Patently Fair

If you don't know about patent laws, the equipment you purchase for your spa can buy you a tubful of trouble.

TALK ABOUT TROUBLE COMING OUT OF THE BLUE: Madeleine had just purchased an expensive, high-tech, hydrotherapy massage table manufactured by a company based in Singapore. Priced at \$10,000, the table cost several thousand dollars less than a competing table manufactured in the United States. Shortly after the purchase, Madeleine received a registered letter naming the precise make and model of her new hydrotherapy massage table and claiming that her use of it constituted patent infringement.

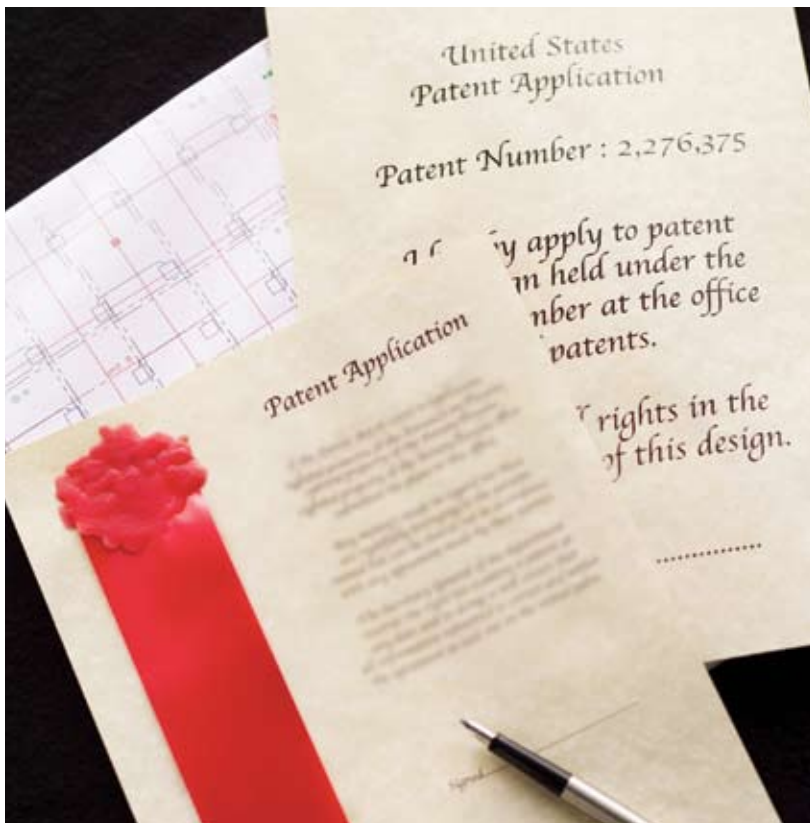
Huh? Madeleine didn't understand why she'd received the notice. After all, she hadn't made the device; she'd just bought it from a supplier for use

in her spa. How could that purchase turn her into a patent infringer?

Before we answer these and other questions, let's talk a little about patent laws. Most of the patents we hear about in the contemporary media deal with new, cutting-edge innovations in the sciences. Based on this, one might assume that patent law is a relatively recent development. Not so. Patent law in the United States has its beginning in a no less auspicious document than the U.S. Constitution. In the document, Article I, Section VIII sets forth the powers of Congress, which include the power to lay and collect taxes, to borrow money on the credit of the United

States, to coin money and to declare war. It appears the Founding Fathers intended to pack all of the important stuff into Article I, Section VIII because one of the things they also chose to include was the authority to "promote the progress of science and useful arts, by securing for limited times, to authors and inventors, the exclusive right to the respective writings and discoveries."

So, even the Founding Fathers in 1787 understood the importance of allowing inventors to benefit economically from their inventions. However, what's rarely understood about the patent law is that it doesn't give the inventor the right to manufacture his device—though it does give him or her the right to exclude others from making, selling or using the invention. If this sounds a bit odd, consider that a patent is actually a property right. Ownership of property means you have the right to prevent others from using it. You can tell others to stay off of your





Choosing to buy from a large, well-known company could help lower your risk of purchasing patent-infringing equipment.

lawn without your permission or else be guilty of trespass. Just as you have the right to exclude others from your home, the inventor has the right to prohibit the use of his or her invention. This is where Madeleine unwittingly ran afoul of the law.

Picky Purchasing

How can you as a spa owner avoid losing your right to use an expensive piece of equipment you've just purchased or, at worst, face a patent infringement lawsuit? This is a task not so easily accomplished. Intellectual property rights extend not only to hardware, but also to software: methods of doing business, trade names, works of art, photographs and writings, for example. All of these things usually belong to someone and they have the right to prevent others from using them without permission.

First, to avoid or lessen the chance of infringement, know that **bigger is usually better**. If you buy a product from a large, well-known corporation, you know the chance of that corporation infringing on other inventors' patents is significantly lower than when you purchase technology from a smaller

company. Bigger companies have the wherewithal to hire attorneys to file patents, and to make sure before they invest lots of money in developing and marketing a product that the product isn't already covered by a patent. Smaller companies just don't have the resources and may choose to risk it.

Second, ***purchasing technologies from overseas always increases the risk*** that you'll be facing patent infringement problems. Sometimes inventors choose to file their patents only in the United States and unless the matter is covered by treaty, people in other countries may manufacture and sell the device within their own territories. However, they can't import or sell the device in the United States. Regrettably, there are lots of overseas manufacturers that ignore U.S. patent laws even though their products infringe. There may be court actions against them, yet they continue to ship and sell infringing products in the United States.

This is illustrated by a court case that occurred in the United States District Court for the Western District of Pennsylvania. The inventor of the dry hydrotherapy

LEGAL PAD



Ask for an indemnity clause in your purchase contract to protect you from high court costs.

bed, Dominic Ricchio, found that a Canadian company was manufacturing beds that infringed on his patent. He went to court and won a permanent injunction against them. The injunction reads in part: *Effective September 21, 2005, a permanent injunction is hereby entered against Ocean Wave Massage Beds, Robert Chamberlain, David Davis, Pacific Alliance Marketing Group, Richard Moore, Ayaz Shah, Ocean Massage Beds, LLC, Robin Larson and Dede Larson (Non-Signing defendants) their officers, directors, employees, divisions, subsidiaries, agents, parents, successors and assigns, and all who act in concert therewith, or participate with them, who receive actual notice of this Order, precluding them, within the United States or its territories, from making, using, selling or offering for sale the Ocean Wave Massage Bed, including any other unit, which provides dry hydrotherapy having a plurality of water jets that can operate individually or simultaneously which shoot water and/or a water air mixture against an underside of a film, membrane or surface, and which supports an individual, including the so called Aqua Massage, Neptune*

and Cloud IX versions and all improvements to the Ocean Wave Massage Bed.

So it's clear that no spa owner should be purchasing any of the above-named versions of a dry hydrotherapy bed. Because it's easy to change the name of a piece of equipment, spa owners should investigate that they're buying the genuine article no matter what the name.

Quadruple Indemnity

One way you may avoid the damage associated with patent infringement is to require the seller of the technology to **include in your purchase contract an indemnity clause**. In an indemnity clause, the seller agrees to protect the purchaser against any damage he or she might experience in a patent infringement lawsuit arising out of purchase or use of the product.

If your purchase contract does contain an indemnity clause, your inquiry isn't over because there are many types of indemnity clauses. Let's take one example: *Widget Corporation agrees to indemnify you and hold you harmless against any damages you suffer by virtue of a judgment in a lawsuit against*

Practice good sense and caution, and deal with manufacturers that enjoy financial strength and a good reputation.

you. This sounds like pretty good language and may, without your knowing more, increase your comfort level. However, this indemnity clause is very, very weak and somewhat deceptive. Let's dissect this language and see how it doesn't fully protect you.

A patent infringement lawsuit can be terribly expensive to defend just in terms of legal fees. It has been estimated that the average cost of litigating a patent infringement suit is \$1.2 million. The indemnity sentence above wouldn't even cover your attorney's fees. After all, who cares if the seller agrees to pay

your damages when the attorney fees alone would bankrupt most spas? A better clause would read: *Widget Corporation agrees to indemnify and defend you and hold you harmless against any damages you suffer by virtue of a judgment in a lawsuit against you.* That would cover your legal fees. But this new indemnity clause still doesn't cover you completely.

Under the patent law, you can be required to pay the other side's legal fees, which still isn't covered in the above statement. Let's modify the clause further to solve that problem: *Widget Corporation agrees to indemnify and defend you and hold you harmless*

against any damages you suffer, or cost or fees you are required to pay, by virtue of a judgment in a lawsuit against you." Pretty good, but does this cover all of the bases? Not quite, because this indemnity clause takes effect only if a court renders a final judgment. What happens if you want to settle the lawsuit? You would have to do so at your own expense.

Here's the indemnity clause that may solve that problem: *Widget Corporation agrees to indemnify and defend you and hold you harmless against any damages you suffer, or cost or fees you are required to pay, by virtue of a judgment in a lawsuit against you. of infringing use.* This last clause takes care of that problem but still doesn't cover every contingency.

We've talked about indemnity clauses only in the context of patent infringement, but it's important to know that indemnity clauses can be included in most contracts for goods or services. Look for them in the next contract you read. (And we know you read every contract you're asked to sign, don't we?) If they're not there, ask for them.

As far as the problem of patent infringement, your new understanding of patent law will make you better equipped to avoid the unnecessary stress and cost of this potentially huge problem. Practice good sense and caution, and deal with manufacturers that enjoy financial strength and a good reputation. There's usually a reason they got that way. ●

*DAYS*PA editorial advisory board member **Michael L. Antoline** is a legal affairs writer and Champaign, IL-based attorney. Information in this column is general. Seek legal counsel for specific cases.