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**BUSINESS AND PROFESSIONS CODE - BPC**

**DIVISION 8. SPECIAL BUSINESS REGULATIONS [18400 - 22949.92.2]** ( *Division 8 added by Stats. 1941, Ch. 44. )*

**CHAPTER 17. Invention Development Services Contracts [22370 - 22395]** ( *Chapter 17 added by Stats. 1975, Ch. 967. )*

**ARTICLE 5. Financial Requirements [22389 - 22391.1]** ( *Article 5 added by Stats. 1975, Ch. 967. )*

**22389.** Every invention developer rendering or offering to render invention development services in this state shall maintain a bond issued by a surety company admitted to do business in this state. The principal sum of the bond shall be 5 percent of the invention developer's gross income from the invention development business in this state during the invention developer's last fiscal year, except that the principal sum of the bond shall not be less than twenty-five thousand dollars (\$25,000) in the first or any subsequent year of operations. A copy of such bond shall be filed with the Secretary of State prior to the time the invention developer first commences business in this state. The invention developer shall have 90 days after the end of each fiscal year within which to change the bond as may be necessary to conform to the requirements of this section.

(*Added by Stats. 1975, Ch. 967.*)

**22390.** The bond required by Section 22389 shall be in favor of the State of California for the benefit of any person who, after entering into a contract for invention development services with an invention developer is damaged by fraud or dishonesty or failure to provide the services of the invention developer in performance of the contract.

(*Amended by Stats. 1982, Ch. 517, Sec. 56.*)

**22391.** (a) When a deposit has been made in lieu of a bond pursuant to Section 995.710 of the Code of Civil Procedure, the person asserting a claim against the deposit shall, in lieu of Section 996.430 of the Code of Civil Procedure, establish the claim by furnishing evidence to the Secretary of State of a money judgment entered by a court together with evidence that the claimant is a person described in Section 22390.

(b) When a person has established the claim with the Secretary of State, the Secretary of State shall review and approve the claim and enter the date of approval thereon. The claim shall be designated an "approved claim."

(c) When the first claim against a particular deposit account has been approved, it shall not be paid until the expiration of a period of 240 days after the date of its approval by the Secretary of State. Subsequent claims that are approved by the Secretary of State within the same 240-day period shall similarly not be paid until the expiration of the 240-day period. Upon the expiration of the 240-day period, the Secretary of State shall pay all approved claims from that 240-day period in full unless the deposit is insufficient, in which case each approved claim shall be paid a pro rata share of the deposit.

(d) When the Secretary of State approves the first claim against a particular deposit account after the expiration of a 240-day period, the date of approval of that claim shall begin a new 240-day period to which subdivision (c) shall apply with respect to the amount remaining in the deposit account.

(e) After a deposit account is exhausted, no further claims shall be paid by the Secretary of State. Claimants who have had their claims paid in full or in part pursuant to subdivisions (c) and (d) shall not be required to return funds received from the deposit for the benefit of other claimants.

(f) When a deposit has been made in lieu of a bond, the amount of the deposit shall not be subject to attachment, garnishment, or execution with respect to an action or judgment against the invention developer, other than as to an amount no longer needed or required for the purpose of this chapter which would otherwise be returned to the invention developer by the Secretary of State.

(g) The Secretary of State shall retain a cash deposit for two years from the date the Secretary of State receives written notification from the assignor of the deposit that the assignor has ceased to engage in the business of an invention developer or has filed a bond pursuant to Section 22389, provided that there are no outstanding claims against the deposit. The written notice shall include all of the following: (1) name, address, and telephone number of the assignor; (2) name, address, and telephone number of the bank at which the deposit is located; (3) account number of the deposit; and (4) a statement whether the assignor is ceasing to engage in

the business of an invention developer or has filed a bond with the Secretary of State. The Secretary of State shall forward an acknowledgment of receipt of the written notification to the assignor at the address indicated therein, specifying the date of receipt of the written notice and anticipated date of release of the deposit.

(h) This section shall apply to all deposits retained by the Secretary of State.

(i) A judge of a superior court may order the return of the deposit prior to the expiration of two years upon evidence satisfactory to the judge that there are no outstanding claims against the deposit or order the Secretary of State to retain the deposit for a sufficient period beyond the two years specified in subdivision (g) to resolve outstanding claims against the deposit.

*(Amended by Stats. 2002, Ch. 784, Sec. 8. Effective January 1, 2003.)*

**22391.1.** (a) The Secretary of State shall enforce the provisions of this title that govern the filing and maintenance of bonds and deposits in lieu of bonds.

(b) The Secretary of State shall charge and collect a filing fee not to exceed the cost of filing the bond or the deposit in lieu of a bond pursuant to Section 995.710 of the Code of Civil Procedure.

*(Added by Stats. 1996, Ch. 633, Sec. 2. Effective January 1, 1997.)*