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A Sieve or a Safe? How Solid is Your IP?



NJTC BOOTCAMP 2011

“A SIEVE OR A SAFE” HOW SOLID IS YOUR IP?

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INTELLECTUAL PROPERTY (IP): WHAT IS IT?

- Category or “buzzword” for several areas of law that are often grouped together
 - Patents
 - Trademarks
 - Copyrights
 - Trade secrets
- Each area is different. For example, copyright law is the primary method of protecting content online

INTELLECTUAL PROPERTY FUNDAMENTALS

- What is a Patent?
- What is a Trademark or Service Mark?
- What is a Copyright?
- What is a Trade Secret?

WHAT IS A PATENT?

A patent for an invention is the grant of a property right to the inventor, issued by the Patent and Trademark Office (www.uspto.gov). The term of a new patent is 20 years from the date on which the application for the patent was filed in the United States or, in special cases, from the date an earlier related application was filed, subject to the payment of maintenance fees. US patent grants are effective only within the US, US territories, and US possessions.

The right conferred by the patent grant is, in the language of the statute and of the grant itself, “the right to exclude others from making, using, offering for sale, or selling” the invention in the United States or “importing” the invention into the United States. What is granted is not the right to make, use, offer for sale, sell or import, but the right to exclude others from making, using, offering for sale, selling or importing the invention.

PATENTS: POINTS TO REMEMBER

- Federal law (int’l treaties), 35 U.S.C. § 1 *et seq.*
 - Protects “inventions” — not ideas
 - “...process, machine, manufacture, or composition of matter, or any...improvement thereof...” 35 U.S.C. § 101
 - Must be new, useful, and not obvious to one skilled in the art
 - Business method patents
 - *Bilski*

WHY SEEK A PATENT?

- “Sword”
 - Sue any one with same or equivalent invention
- “Shield”
 - Helps to defend against a patent infringement suit
- “Trading Chip”
 - Trade technology rights with other patent owners
- “Walk the Walk”
 - Additional credibility for investors
- Approach:
 - Initial review with patent attorney
 - Conduct a patent search
 - File a patent application when appropriate

COMPONENTS OF PATENT DUE DILIGENCE

- Freedom to Operate
- Scope of Intellectual Property Protection
- Chain of Title
- IP Agreements
- Other: e.g., patent strategy development, competitive landscape assessment.

STARTING MATERIALS

- Detailed Description of the technologies and/or products that are key to the valuation
- Copies of the patents and patent applications that are owned by or licensed to the target company
- Copies of patentability searches and opinions relevant to the target company's patents and patent applications
- Copies of ‘Freedom to Operate’ searches and opinions
- Copies of material IP agreements (e.g., licenses) or other technology transfer agreements
- Access to technical and legal personnel involved with the target company

FREEDOM TO OPERATE

Can an entity sell a product or service without infringing another party’s intellectual property?

- Patents
- Trade Secrets
- Copyrights
- Trademarks

NON-INFRINGEMENT/VALIDITY ANALYSIS

- Freedom to Operate Searches (focus on third party patents and patent applications)
- Jurisdictions for Typical Freedom to Operate Study
 - U.S.
 - Non-US regions (e.g., EU, Pacific Rim)
- Patentability searches (focus on patents, applications, articles, speeches, sale of goods, etc.)
- Legal Research

- Analysis and Written Opinion
- Avoiding Willful Infringement

CHAIN OF TITLE

- Are patents/technology assigned or licensed to the company?
- Do all key inventors/employees/consultants have duties to assign or license?
- Can an inventor assign to third party?
- Has company licensed technology to any third party?

IP AGREEMENTS REVIEW

- Are necessary rights granted?
- What are payments in license?
- Can rights be terminated by licensor?
- What obligations/milestones does target company have?
- Has target company met its obligations/milestones?
- Are there change of control provisions?

BENEFITS OF FREEDOM TO OPERATE AND PATENT DUE DILIGENCE

- Freedom to operate adds tremendous value to an entity
- Identify possible vulnerabilities and possible solutions to solidify patent position
- Use intelligence gathered during due diligence to add value to target company post closing of funding or other transaction
- Confirm patent strategy
- Identify competitors

WHAT IS A TRADEMARK OR SERVICE MARK?

A trademark is a word, name, symbol or device which is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. A service mark is the same as a trademark except that it identifies and distinguishes the source of a service rather than a product. The terms "trademark" and "mark" are commonly used to refer to both trademarks and service marks.

Trademark rights may be used to prevent others from using a confusingly similar mark, but not to prevent others from making the same goods or from selling the same goods or services under a clearly different mark. Trademarks which are used in interstate or foreign commerce may be registered with the Patent and Trademark Office (www.uspto.gov).

TRADEMARKS: POINTS TO REMEMBER

- Federal law (15 U.S.C. § 1051 *et seq.*) co-exists with state law and common law
- International treaties
- Protects "...any word, name, symbol, or device, or any combination thereof...to identify and distinguish his or her goods...from those manufactured or sold by others and to

indicate the source of the goods, even if that source is unknown" 15 U.S.C. § 1127

- Includes domain names
- Owner's rights limited to particular goods and services
 - "York" is a good mark for heaters, peppermint patties, barbells

WHAT IS A COPYRIGHT?

Copyright is a form of protection provided to the authors of "original works of authorship" including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. The 1976 Copyright Act generally gives the owner of copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies or phonorecords of the copyrighted work, to perform the copyrighted work publicly, or to display the copyrighted work publicly.

The copyright protects the form of expression rather than the subject matter of the writing. For example, a description of a machine could be copyrighted, but this would only prevent others from copying the description; it would not prevent others from writing a description of their own or from making and using the machine. Copyrights are registered with the [Copyright Office of the Library of Congress \(www.copyright.gov\)](http://www.copyright.gov).

RIGHTS UNDER COPYRIGHT LAW : POINTS TO REMEMBER

- Applies to any expressive "work" that is "fixed in a tangible medium"
 - Text, 2D & 3D artwork, photos, software, architecture, and other things
- "Exclusive Rights" -- Copyright owner may
 - Reproduce the copyrighted work
 - Prepare derivative works based upon the work
 - Distribute copies
 - Perform the copyrighted work publicly (where applicable)
 - Display the copyrighted work publicly (where applicable)
 - Perform the copyrighted work publicly by means of a digital audio transmission (sound recordings)

DEFINITIONS: WHAT IS A "WORK"

- A few definitions under § 101
- "Work"
 - Item protected by copyright law
 - E.g., architectural work, audiovisual work, literary work, work of visual art
- "Derivative Work"
 - Work based upon one or more pre-existing works
 - E.g., translation, dramatization, fictionalization, etc.
 - Any other form in which a work may be recast, transformed, or adapted

DEFS (§ 101): COPIES AND FIXATION

- “Copies”
 - Material objects in which a work is fixed
 - Any method now known or later developed
 - From which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device
- “Fixed” in a tangible medium of expression
 - Embodiment of a work in a copy or phonorecord
 - Under the authority of the author
 - Sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration

§ 102: IDEA/EXPRESSION DICHOTOMY

- Copyright law protects *expressions* of ideas
 - “Copyright protection subsists ... in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device”
- Underlying ideas, functionality not protected
 - “In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work”

COPYRIGHT TERM AND NOTICE

- Term -- Copyright lasts either
 - Life + 70 years for individuals
 - 95-120 years for “works made for hire”
- Copyright notice optional, but recommended
 - © 2011 Bea Jones

COPYRIGHT REGISTRATION

- Easy process to file copyright applications
 - May file online or in hard copy (see <http://www.copyright.gov/eco/>)
- Filing fees range from \$35 to \$65
- Registration necessary to sue an infringer
- If you register before the copyright is infringed, you will have better remedies than if you file after the copyright is infringed
- If you make a mistake on an application, you may correct it later

AUTHOR AND OWNER

- “Author” and “Owner”
 - Author is person (deemed) initial creator and owner of that work

- Owner is person who owns some or all copyright exclusive rights in a work at a given point in time
- Two types of “author”
 - Individual creator of work; or
 - “Works made for hire” (a/k/a work for hire)
- Copyright transfer (“Assignment”)
 - Requires written document signed by author or owner

WORKS MADE FOR HIRE (§ 101)

- Two definitions of “works made for hire”
 - *Employment*: Employer is deemed author of works created by employee within “scope of employment”
 - Applies to all kinds of copyrighted works
 - No contract needed (automatic)
 - Regardless of where, when created
 - *Independent Contractor*: Party that pays for creation of work is deemed “author” of work
 - Limited to 9 specific types of works
 - Requires signed written agreement
- When in doubt, get an assignment



WHAT IS A TRADE SECRET?

- Uniform Trade Secrets Act (UTSA)
- Under UTSA, “trade secret” means information, including a formula, pattern, compilation, program device, method, technique, or process, that:
 - derives independent economic value, actual or potential, from not being generally know to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
 - is the subject of efforts that are reasonable under the circumstances to maintain its secrecy

MANY BUSINESSES RELY UPON TRADE SECRET PROTECTION

- Relatively inexpensive to obtain protection (but there is cost of implementing, maintaining and enforcing trade secret programs)
- Unlimited duration so long as secrecy is maintained and not independently created
- But, no protection against independent creation (e.g., reverse engineering)

HOW CAN YOU PROTECT YOUR PROPRIETARY INFORMATION THROUGH TRADE SECRETS?

Implement Confidential and Trade Secret Protection Program Including:

- Require reasonable protection measures
- Employee agreements
- Confidentiality designations
- Employee training

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- Documentation of significant trade secrets
 - Computer security and electronic and paper document control policy
 - Vendor, customer agreements
 - Disclosure, publication policies
 - General security measures (e.g., restricting access to facilities and information)
 - Employee exit procedures



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