

IP and Legal Issues

Timothy J. Harris
Michael A. Stallman

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PATENTS

- Right to exclude others from making, using or selling inventions
- Basic requirements: novelty, utility and nonobviousness
- Duration of patent rights
- Types of Patents

WHAT IS PATENTABLE?

- Machine
- Methods
- Software
- Business Methods

MECHANICS

- Recordkeeping
- Search Prior art
- Invention disclosure form
- Provisional Patent Application
- Regular Patent Application
 - Contents
 - Do not need working embodiment
- Proceedings within the PTO
- Foreign protection

BENEFITS

- Injunctions
- Damages
- Licensing
- Marketing

DEFENSES

- Prior art/invalidity
- Non-infringement

- Non-Practicing Entities (Patent Trolls)

TRADE SECRETS

- Formulas, methods of assembly, customer lists, internal prototypes
- Economic value from secrecy

➤ Protection

- Secrecy, secrecy, secrecy
- Control access, marking, confidentiality agreements

➤ Benefits

- Often used to block an ex-employee
- Injunctions/Damages

➤ Contrast to Patents

TRADEMARKS

- Names/Logos/Product shape/Sound that designates the source of origin
- Goods and Services
- Strength:
 - Arbitrary versus descriptive
 - Use
- Duration: As long as you use it (correctly)

CREATION

- Search: Federal/State/Common usage
- File: Intent to use application
 - Search by Trademark office/Publication
- Actual Use, completion of registration
- Marking TM/ ®

➤ Benefits

- Stop competitors from using similar marks
 - Likelihood of Confusion
- Damages

➤ Preserving rights

- Must use correctly (as an adjective)
- Must police

COPYRIGHTS

Protects Expressions (not ideas)

Writings, music, movies, sculptures, computer programs

Must be original

- Duration
 - Life of author plus 70 years
 - Corporations (work for hire) 95 years from first publication

- Marking © 2009 Morrison & Foerster LLP

- Registration

- Benefits
 - Injunction/Damages
 - Substantial Similarity

- Fair Use
 - Purpose, commercial vs. non-profit
 - Amount of work used
 - Effect on value of copied work

Intellectual Property Issues at Formation

Prior Employer Rights:

- Proprietary Information and Inventions
Assignment Agreements
- Trade secret misappropriation
- Noncompete and nonsolicit covenants
designed to protect IP

Intellectual Property Issues at Formation

Contributing IP into the New Entity:

- Consideration
- Dynamic founders' group
- “As is” (no indemnification)

Intellectual Property Issues in Business Development

Inbound Licensing from Suppliers:

- Commercial licenses
- Freeware and open source licenses
- Collaborations

Intellectual Property Issues in Business Development

Outbound Licensing to Customers:

- Direct sales
- Indirect sales

Intellectual Property Issues in Business Development

Common Licensing Terms:

- Exclusivity
- Term (duration and termination)
- Field of use (geographic limitations)
- Derivative works
- Sublicense rights
- License fees (royalties)

Intellectual Property Issues at Financing

IP as a Value Enhancer:

- Proprietary advantage (ability to exclude)
- Demonstrate ability to innovate
- Thought leadership

Intellectual Property Issues at Financing

IP as a Value Detractor:

- Risk of infringement of third party rights (cost of litigation)
- Failure to aggregate IP into new entity
- Undue dependency upon third party IP
- Costs of maintenance and enforcement

Intellectual Property Issues at Financing

IP Due Diligence:

- Inventor interviews
- Prosecution file review
- Confidentiality and competitive concerns

Intellectual Property Issues at Financing

IP Reps and Warranties:

- Non-infringement of third party IP
- Completeness of assignments
- Sufficiency of IP to operate business
(actual or proposed)
- No meaningful remedy!

Intellectual Property Issues at Acquisition

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Intellectual Property Issues at Acquisition

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Intellectual Property Issues at Acquisition

IP Due Diligence:

- Buyer's assumption of liability for infringement of third party IP
- Buyer's assessment of value of IP (duration, claim strength, enforcement history) affects price negotiations
- Risk of loss of rights to third party IP upon change of control
- Buyer's IP strategy

Intellectual Property Issues at Financing

IP Reps, Warranties and Indemnity:

- Carveouts of IP reps from thresholds, survival periods and limitations on liability
- Special purpose IP indemnities (Google / YouTube)
- Very meaningful remedy