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Patent Bar Date Dangers, Provisional Applications, NDAs, Inventors and Patent Ownership, Copyright, and Trademark

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We advance and protect the world's most valuable brands and innovations.

Trade Secret or Patent for Company Information and Technology

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- Trade Secret Pros and Cons:
  - No third party costs
  - Potentially last indefinitely
  - Not an option if information is obtainable or may be reverse-engineered
- Patent Pros and Cons:
  - Generally considered the strongest form of IP
  - Provides a reverse monopoly for 20 years from filing
  - Can increase company value significantly for core patents and licensing models
  - Potentially significant costs

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Trade Secret Basics

- All forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if:
  - (A) the owner thereof has taken reasonable measures to keep such information secret; and
  - (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information.
- 18 USC § 1839(3)

What Is a Trade Secret?

- A trade secret can be almost any secret information that is confidential and gives you a competitive advantage.

- Examples:
  - Customer information
  - Technological “know-how”
  - Software processes
  - Proprietary business plans
  - Proprietary business analyses
  - Proprietary business methods

Reasonable Efforts to Protect Secrecy

- A trade secret owner must use reasonable efforts under the circumstances to protect the secrecy of the subject information
- Evidence of reasonable efforts might include evidence that the trade secret owner:
  - Had relevant persons sign confidentiality agreements
  - Put employees on notice of the trade secret and its status as such
  - Restricted access to the secret
  - Password protected secrets stored on computers

Trade Secrets – Take Aways

- Know what your Trade Secrets are
- Know where you Trade Secrets are kept
- Restrict access to your Trade Secrets
- Know who has access to your Trade Secrets (and who does not)
- Know what security measures are in place to protect your trade secrets (*e.g.*, passwords, safe, confidentiality and non-disclosure agreements, etc.)

Patent Basics

- What is a patent?
- What is required for a complete patent application?
- When should an entity consider filing a patent application?
- When is an invention ready to patent?
- Non-Disclosure Agreements
- Provisional Patent Applications
- Inventorship Issues

What Is a Patent?

- A patent is a (reverse) monopoly granted for a specific period of time on an invention that is:
  - Novel
  - Non-Obvious (to one skilled in the art)
    - Does not have to be pioneering
    - May be an improvement
  - Useful
- (Reverse) Monopoly Term
  - Utility patents: 20 years from earliest priority date
  - Design patents: 15 years from date of issue

What Can Patents Protect?

- Process/Method of Use
- Machine/Apparatus
- Composition of Matter/Product/Manufacture
- Designs

Why Obtain a Patent?

- Used to gain market entry
- Used to gain market exclusion
- Used as a marketing tool to promote unique aspects of an innovation
- Sold or licensed, like other property
- Generally considered the strongest form of Intellectual Property

What to Patent

- Seek patents on core technology advantage
- Typically want to cover own products – specifically the products that make money
- Quality of patents is important
- Searching is preferred, but not required
- Searches may be performed online (Google Patents, USPTO.gov, etc.) or by using professional searchers

Considerations for Patent Filing

- Identify your valuable information
  - What sets you apart?
  - What is your core technology?
- Ensure appropriate agreements are in place:
  - Ownership of inventions
  - NDAs
  - Joint Development Agreements
- Patent application strategy:
  - Is the right to exclude worth disclosing your information?
  - Will others be able to reverse-engineer your product?
  - How quickly is the technology developing? (Will patent be old news by the time you obtain it?)
  - Do you need patents to attract investors, financing?

Requirements for a Patent Application

- In general, in exchange for the monopoly being granted, the patent filer must fully disclose the invention details and clearly define the protection sought:
  - Background
  - Specification
  - Claims

Patent Application Must Be Enabled

- Enablement
  - Must disclose sufficient detail to enable a person of ordinary skill in the art to practice the invention
- No “undue experimentation”
  - ”Predictable arts," such as mechanical inventions and software inventions, very little description is required
  - Flow chart of a piece of software, for example, is adequate (source code not required)
  - “Unpredictable arts,” such as chemistry and pharmaceuticals, a very complete description is required

Patent Application Must Include a Complete Written Description

- Must provide a "written description" of the invention, sufficient to demonstrate that the inventor actually possessed the invention at the time of filing
- Enablement – must describe the invention adequately to practice it
- Written description – must disclose what is patented
- Lots of examples help to expand written description

When to Patent – Preparing A Patent Filing Strategy

- Preferably file before you have lost control of dissemination of information about your technology
- What activities create patent filing concerns that could cause you to lose your patent rights to your invention?
  - Public Disclosure of the Invention
  - Sale of the Invention
  - Offer for Sale of the Invention

When to Patent

- In the United States:
  - You must file your application within **one year** from the date of your first disclosure, sale, or offer for sale
- In most of the rest of the world:
  - You must file your application **before** the date of your first disclosure, sale, or offer for sale
- The United States joined the rest of the world in adopting a First-to-File rule – we are no longer First-to-Invent, as we were in the past

When to Patent

- If possible, always file before first public disclosure
  - Any disclosure outside of your company is a public disclosure
- If possible, always file before you have lost control of dissemination of information about your technology
- Consider your strategy early on – as soon as you have sufficient information about your invention to proceed
- Consider using Non-Disclosure Agreements

Non-Disclosure Agreements - Uses

- Non-Disclosure Agreements are a good option to preserve the secrecy of information for unpatented inventions or trade secrets
- Use Non-Disclosure Agreements whenever possible – they are inexpensive.
- Make your Non-Disclosure Agreement specific and individualized enough so that there is no debate regarding what material is covered
- Non-Disclosure Agreements do prevent the “public disclosure” timing issues described above from commencing

Non-Disclosure Agreements - Problems

- Many companies and investors will not sign Non-Disclosure Agreements.
- Do you trust the receiver of your information?
- If the Non-Disclosure Agreement is breached, your remedies may be limited, and will be contract remedies only.
- Breached Non-Disclosure Agreements trigger all patent disclosure timelines.
- Breached Non-Disclosure Agreements result in the complete loss of trade secrets
  - Remedy is only against the breacher, not against third parties that received the information from the breacher.

Non-Disclosure Agreements – Take Aways

- Use Non-Disclosure Agreements liberally, but understand their limitations
- Understand that many individuals and companies will not sign them
  - Consider Provisional Applications for such situations.
- Understand that you may have little recourse if your Non-Disclosure Agreement is breached
- Understand that it may be difficult to determine if your Non-Disclosure Agreement is breached, and the U.S. is a First-to-File country

Provisional Applications – Benefits

- Provides a one year window during which you may file a Non-Provisional Application that claims the priority date of the Provisional Application
- Enables you to state you are “patent pending”
- Not reviewed by the Patent Office
- Enables you to more safely disclose your invention to Investors or Advisors
- Enables you to test the market for your invention before you dedicate significant resources
- Provisionals do not affect your patent term

Provisional Applications – Dangers

- Expires and remains confidential if no non-provisional application is filed claiming priority
- Protects only the information in the provisional application, not other aspects of your invention that you did not include in the provisional – if you file a 5 page provisional and later a 30 page non-provisional, 25 of those pages are likely not protected
- Danger of over-disclosing because the provisional protection was viewed too broadly
- Many foreign countries view Provisional Applications very skeptically

Provisional Applications – Take Aways

- Always consider using Provisional Applications, but remember their shortcomings and dangers
- Provisional Applications can save you money, but don't make them too thin or they will lose their value
- Expect seasoned investors and advisors to want to review your provisional applications to ensure they are properly written
- Even a thin Provisional Application is better than nothing at all

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Inventors and Ownership of U.S. Patents

Inventors and Ownership of U.S. Patents

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- Who should be listed as an inventor on a patent?
- What rights does the inventor have?
- Example Scenario

Who Should Be Listed as an Inventor on the Patent?

- An inventor is a person who contributed to the conception of the invention defined in at least one claim in the patent
- The claims are the enumerated sentences at the end of a patent that legally define exactly what the invention is
  - A patent typically has multiple claims.
- Incorrectly listing inventors is grounds for rejecting a pending patent application and invalidating an issued patent

Example Patent Claim

- What is claimed is…
  - 23. A method for validating a computer-based local transaction using a first user device and a second user device, the method comprising:
  - receiving localization information from one or more of the first user device or the second user device;
  - processing the localization information so as to determine whether the first and second user devices are in proximity to each other; and
  - allowing the first and second user devices to conduct the local transaction if the first and second user devices are determined to be in proximity to each other.
- U.S. Patent Application Publication No. US2019/0057373A1

Who Should Not Be Listed as an Inventor on the Patent?

- One who merely assists in reduction to practice of the invention (e.g., one writes the code implementing the invention according to specific direction and supervision)
- One who merely suggests a desired result rather than determining the means of accomplishing it (e.g., one simply says “Wouldn’t it be nice if it could do this?”)

Who Should Be Listed as an Inventor on the Patent?

- Job title, contractor/vendor status, or position in company is irrelevant (project manager, group lead, technical lead, founder, CTO, CEO, etc.)
- Co-inventors may exist even where one inventor contributed a majority of the work; however, there must be some amount of collaboration or connection between the co-inventors

Who Should Be Listed as an Inventor on the Patent?

- Inventorship can change during the patent application process as claims are added, deleted, or amended
- The Patent Office and courts usually presume the named inventors are the correct inventors as long as there is no disagreement

What Rights Does the Inventor Have?

- Without a license or assignment of rights from the inventor(s), ***the inventor(s) own all the rights*** in the patent application and resulting patent
- Each co-inventor owns an ***equal and undivided*** interest in the ***entire*** patent

What Rights Does the Inventor Have?

- Patent right is a right to exclude others from making, using and selling the invention claimed in the patent
  - Does not include the right to make, use and sell the invention when another (broader) blocking patent exists
  - Simple example: the inventor of new type of airplane wing may not have the right to use that wing in an airplane if there exists a broader patent covering the invention of the airplane

What Rights Does the Inventor Have?

- Each co-inventor may freely grant licenses to third parties to exploit the patented invention all without the consent of and without accounting to the other co-inventors
  - Granting of exclusive license not possible unless all co-inventors agree not to grant any other licenses and to not work the invention themselves
  - A co-inventor can impede another co-inventor's ability to sue infringers by refusing to voluntarily join in such lawsuit

What Rights Does the Inventor Have?

- Inventor(s) can assign or license their patent rights to others (*e.g.*, company employees often assign patent rights to employer in the employment agreement)
- Joint ownership (as with ownership rights of co-inventors) applies to entire patent – joint ownership is not split up according to individual claims in the patent
- Where community property laws apply, there may be joint ownership by both spouses of a patent acquired during the marriage by one spouse

Example Ownership Scenario

1. While working at an AI company (Company A), Annie comes up with a new idea for an AI system
2. Annie leaves Company A and starts Company B with co-founder Barney
3. Annie and Barney hire Cathy who sets up the AI models, gathers training data and codes the new system to implement the invention under direction from Annie and Barney
4. Company B pays for and files for a patent application for the AI invention naming Annie as sole inventor

Who owns the patent rights in the AI invention?

Example Ownership Scenario

- Does the scope of any previous assignment of patent rights from Annie to Company A matter?
- Does it matter for patent ownership that company A develops in the same AI technology area the patent applies to?
- Does it matter for patent ownership that Company B filed the patent application and paid for the patent application to be filed?
- Does it matter for patent ownership that Barney is a co-founder of Company B?
- Does it matter for patent ownership that Cathy set up the AI model, gathered training data, and coded the new system to implement the invention?

Ownership – Take Aways

- Sort out IP ownership rights as early as possible between co-founders, co-inventors, employees, contractors and collaborators
- Look into previous employment and potential previous IP assignments and licenses, NDAs, and existing IP obligations of all parties involved
- File patent application(s) as early as possible in names of actual inventors to stake claim in that IP
- Make sure co-founders, co-inventors, employees, contractors and collaborators have written agreements that assign or license their IP rights to the company

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Copyright Basics

Copyright Basics

- What is a copyright?
  - IP protection granted to original works of authorship fixed in a tangible medium of expression
- What is the scope of copyright protection?
  - Exclusive rights to reproduce, display, perform, sell the work, and to create derivative works

Copyright Basics

- When does copyright protection begin and end?
  - A work is copyright protected the moment it is created and fixed in a tangible medium of expression
  - Term: the life of the author + 70 years
- Is registration necessary?
  - Author has rights regardless of federal registration
  - BUT: important reasons to consider registration

Who Owns a Work?
The Work-for-Hire Doctrine

- Employee creates the work
  - A work prepared by an employee within the scope of employment is a work made for hire.
  - What is “within the scope of employment”?
    1) Work is of the kind which the employee was hired to create;
    2) Work created substantially within authorized time and space limits; and
    3) Work created in service of the interests of the employer.

Who Owns a Work?
The Work-for-Hire Doctrine

- Employee creates the work within the scope of employment → work made for hire → employer is considered the author and owns the copyright
- This can be altered by written agreement between the employee and employer

Who Owns a Work?

- Non-Employee creates the work (covered by statute)
  - Statute includes certain categories of works specially ordered or commissioned for certain uses
  - Requires written agreement
  - Business is the author and owns the copyright
  - Leaves out many types of works relevant to a business
- Non-Employee creates the work (not covered by statute)
  - Example: Creative agency, freelance artist, software developer
  - Commissioned work owned by the author, not business
  - Assignment to convey ownership

Copyright – Take Aways

- Copyright statute has different ownership outcomes for works created for a business by an employee, or by a commissioned artist
  - Utilize work-for-hire or written assignments to ensure copyright belongs to the business

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Trademark Basics

Trademark Basics

- What is a trademark?
  - Any word, name, phrase, symbol, design, or a combination of these used to identify the source of your goods or services and to distinguish from others' products
- What is the scope of trademark protection?
  - Particular goods and services
  - Territorial
  - Priority rights

Trademark Basics

- When does trademark protection begin and end?
  - When using the mark in connection with offering goods or services to consumer
  - Three years of non-use may result in abandonment
- Is registration necessary?
  - No, owner has rights regardless of federal registration
  - BUT: important reasons to obtain a registration

Trademark Basics

- Typical life cycle:
  - Screening and clearance searching
  - Application
  - Prosecution/Registration
  - Enforcement


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