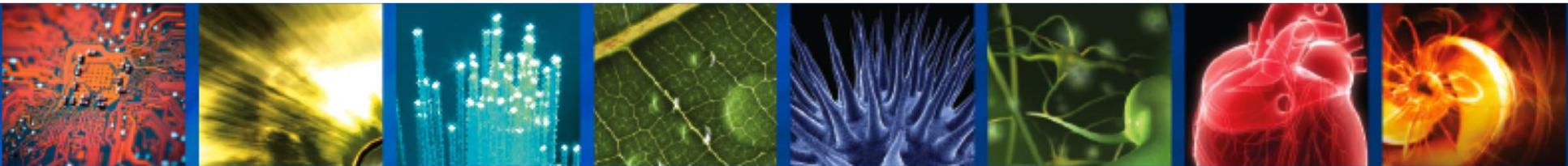


Class 6: How to Avoid Losing Patent Rights

TVE2 IP Series

Thursday, July 25, 2013

Russell Jeide & Scott Cromar

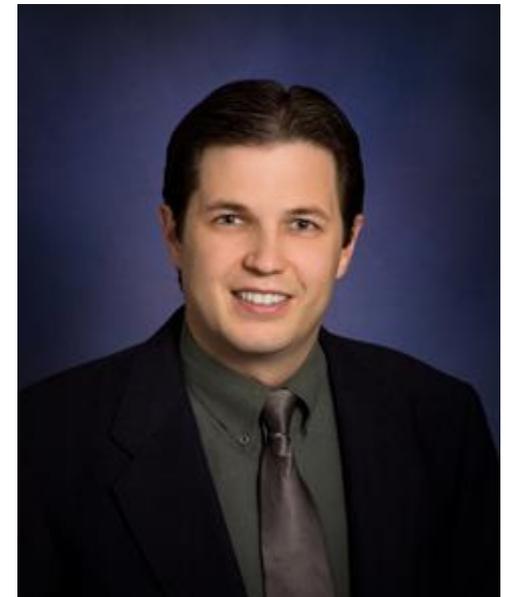


TVE2 Intellectual Property (IP) Series

- **Class 1:** "What intellectual property is, and why it may be important to your startup"
 - ~~Class 2:~~ "How to enter the patent world strategically and economically"
 - **Class 3:** "How to file for a patent"
 - **Class 4:** "The meaning of patent infringement and patent litigation"
 - **Class 5:** "How to use copyrights, trademarks, and trade secrets to your advantage"
 - **Class 6:** "How to avoid losing patent rights"
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Russell Jeide

- Patent Attorney for 12 years
- Partner at Knobbe Martens
- B.S. Electronics Engineering Technology
- Specializes in patent prosecution, legal opinion work, and licensing
- Experience in telecommunication systems, computer architecture, computer software, Internet business methods, and mechanical devices



Scott Cromar (absentee)

- Patent Agent for 3 years; Patent Attorney for 1
- Associate at Knobbe Martens
- B.S. Electrical Engineering; M.S. Electrical and Computer Engineering
- Specializes in IP counseling and patent preparation and prosecution
- Experience with software, computers, electronics, and semiconductors



Disclaimer

- **This presentation is for information purposes only and does not constitute legal advice.**
- **This presentation does not establish any form of attorney-client relationship.**

Today:

- **Today's Main Topic:**
 - How to Avoid Losing Patent Rights

- **May Cover:**
 - What is Intellectual Property (Class 1 Redux)?
 - Making Use of Trade Secrets (Catch-up from Class 5)

What Is Intellectual Property (IP)? (Class 1 Redux)

Intellectual Property (IP)

- Refers to a category of exclusive rights created by statute, including:
 - Copyrights
 - Trademarks
 - Trade Secrets
 - Utility Patents
 - Design Patents
- Others: Trade Dress, Mask Works, ...

Nature of the Exclusive Right

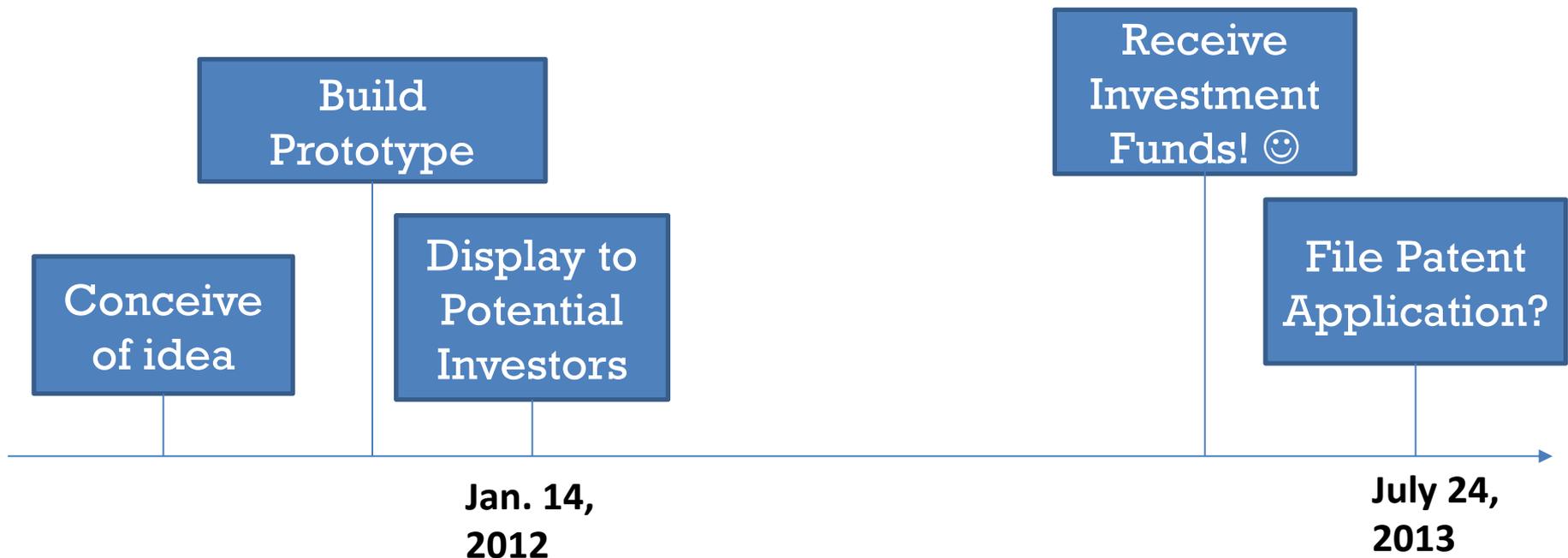
- Typically the right to exclude or prevent someone from doing something
- Usually req. gov't registration; Enforce it in court
- As business tools:
 - **Copyrights:** protect content; expression
 - **Trademarks:** enhance marketing strategies
 - **Trade Secrets:** keep proprietary info confidential
 - **Patents:** obtain exclusivity in your market niche
 - **Utility:** functionality; **Design:** appearance

How to Avoid Losing Patent Rights

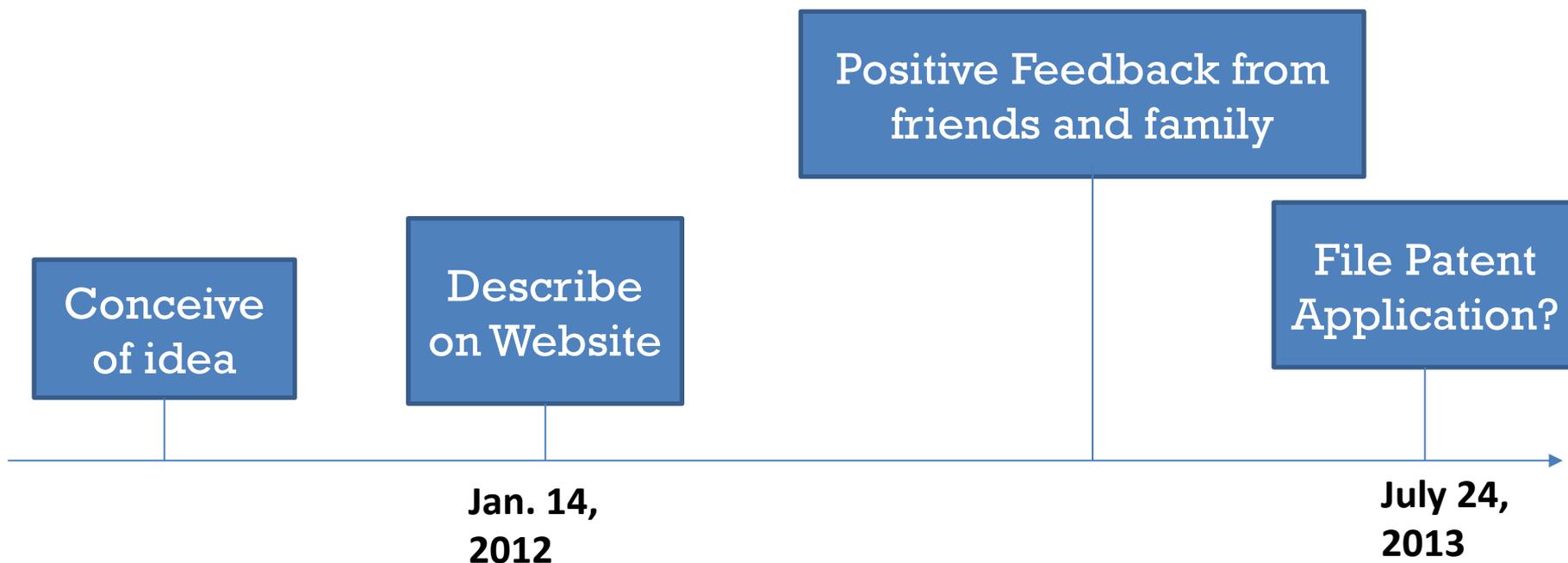
How Patent Rights Are Lost

- Premature disclosure
- Failure to recognize invention
- Problems with joint development agreement
- Employee disputes over IP

Example Scenario 1:



Example Scenario 2:



Accidental Disclosure

- If you disclose your invention before filing...
 - Lose most (or all) foreign rights!
 - Maybe lose U.S. rights!

Accidental Disclosure (cont.)

- As of March 16, 2013
 - First to file generally entitled to patent
 - Must file **before** first sale, offer for sale, publication, or public use of the invention **by others, anywhere in world**
 - Uncertain 1 year grace period for filing in U.S.
 - Must file within **one year** of first sale, offer for sale, publication, or public use of the invention **by inventors, anywhere in world**
 - Must be same subject matter!

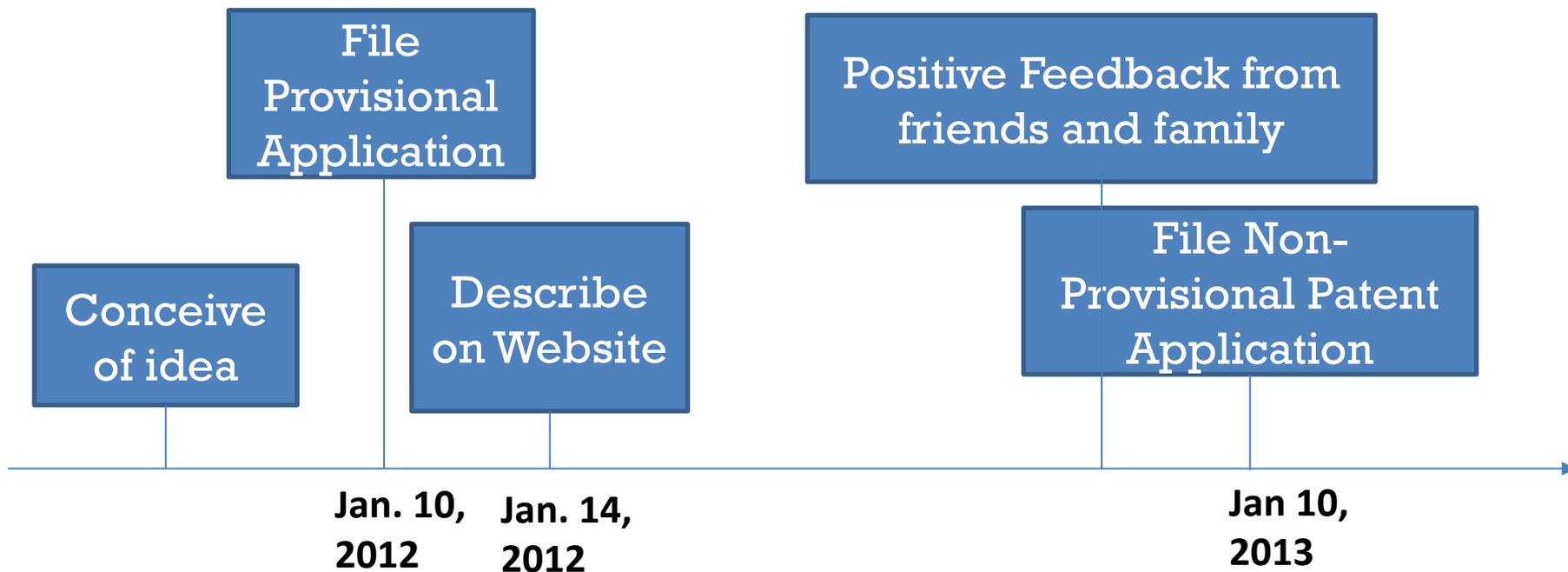
Accidental Disclosure (cont.)

- Company or inventors “accidentally” disclose product details before patent application filed
- Examples:
 - Marketing department discloses details of new product to potential customers
 - Inventor includes invention in academic paper or in a public presentation
 - Company releases beta version of product without NDA
 - Invention is disclosed to potential investors without an NDA (See sample NDA)

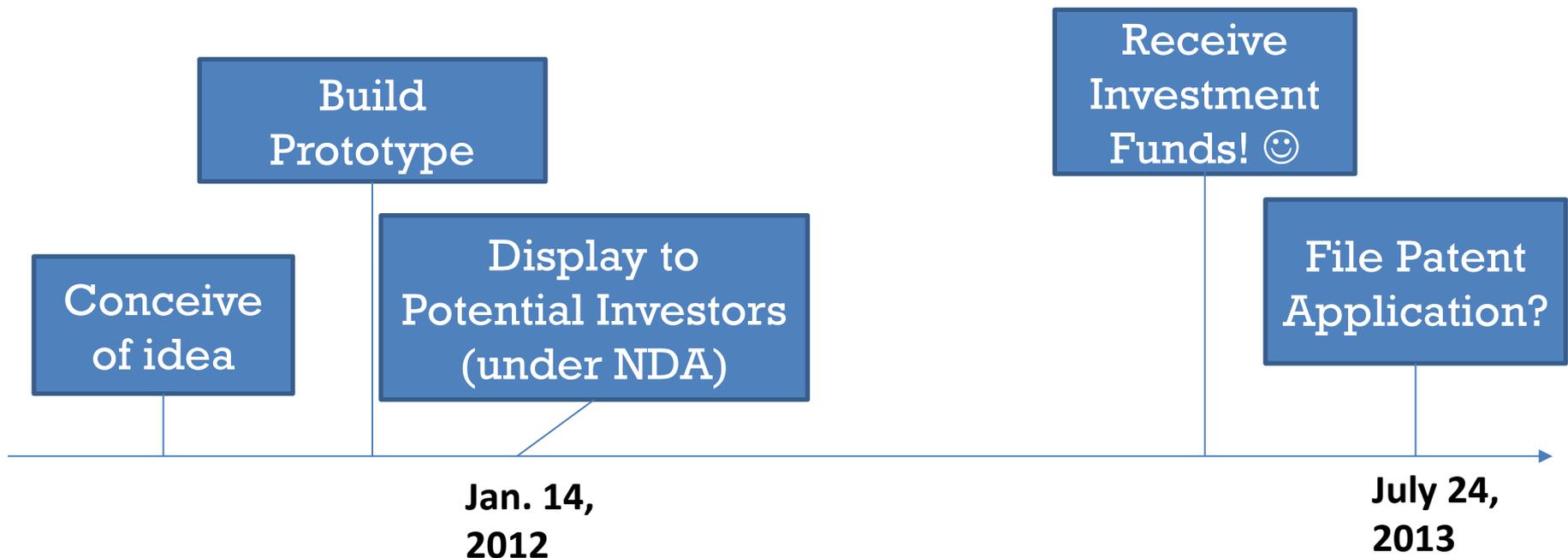
Accidental Disclosure (cont.)

- How to avoid losing rights:
 - Best course of action = file before you disclose
 - Consider filing one or more provisional applications
 - Inexpensive
 - Establishes a date of priority
 - Need not be a “complete” patent application
 - One year to file regular application

Example Scenario 3:



Example Scenario 4:



Sample NDA Confidentiality Language

- Recipient agrees to **hold** said Confidential Information, and any previously disclosed Confidential Information, **in confidence** and **not to use the Information commercially** for its own benefit or the benefit of anyone else, and **not to use the Information for the purpose of developing or improving a product** or method for anyone except Discloser. Recipient agrees to **limit dissemination of and access to the Confidential Information** only to persons within Recipient's immediate organization (and not to subsidiary, parent or affiliated entities), and then only to those persons who have a need for access to the Information for the above-described purposes, and who have signed this Agreement.
- **This is an EXAMPLE of only one portion of an NDA – You should consult with an attorney for a suitable NDA for any disclosure you need to make.**

Provisional vs. Non-provisional

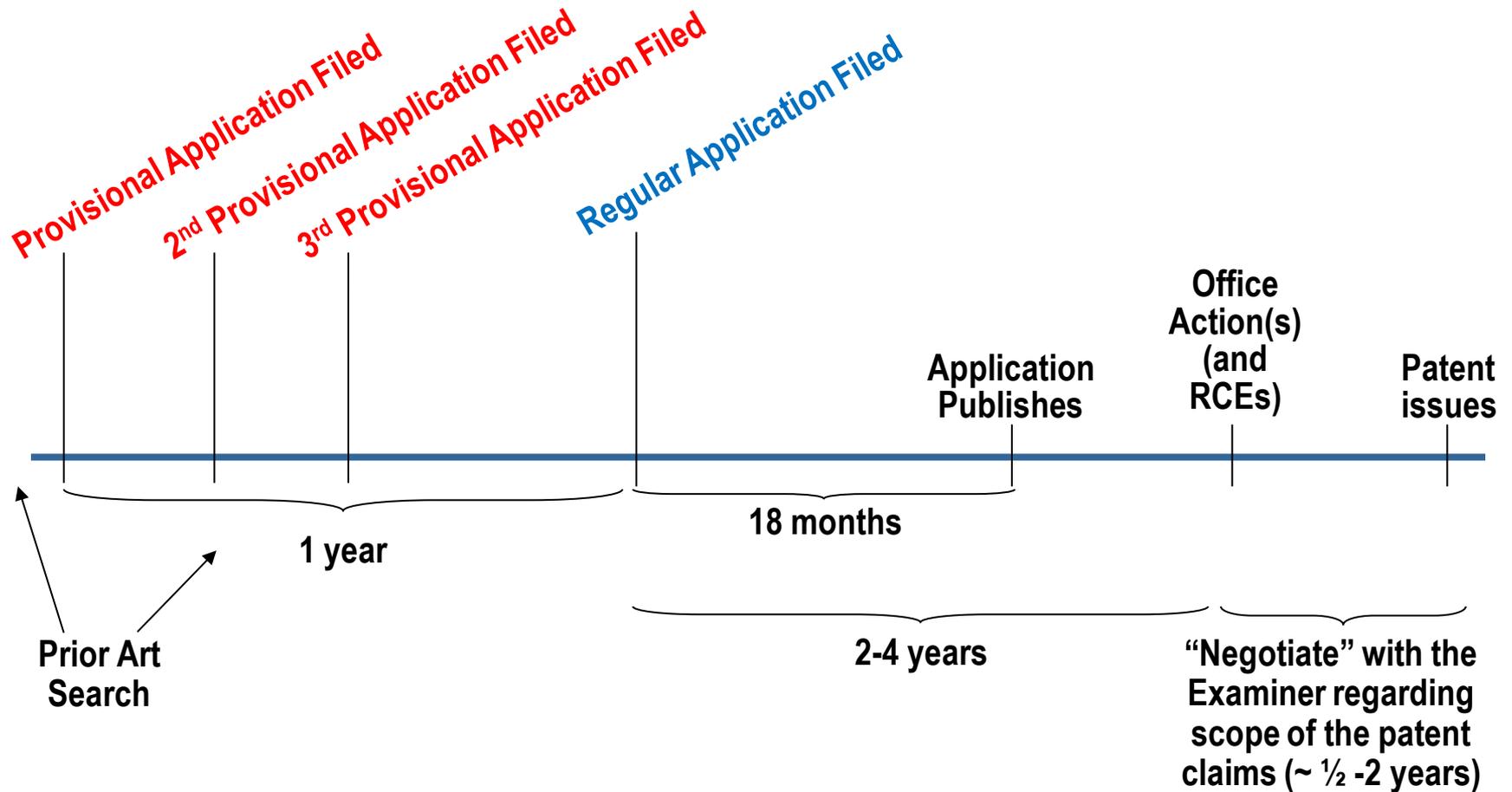
PROVISIONAL

- Not published
- Expires after 12 months
- Cannot become a patent
- No formatting guidelines
- Claims not required
- Contributors identified
- Costs from \$500-\$4,000

REGULAR (NON-PROVISIONAL)

- Published unless request for non-publication is filed with application
- Remain pending until reviewed by the PTO
- Can become a patent
- Strict formatting
- Claims required
- Inventors identified based on claims
- Costs from \$9,000-\$20,000

Example U.S. Patent Prosecution Timeline



Tips for Filing

- You can and should file a patent application as soon as you can describe a valuable invention
- You don't need to develop a product or a prototype before filing
- **You do need to provide an enabling disclosure (only protects subject matter that is enabled)**
- You can lose patent rights by waiting even when there is no deadline
- When two inventors file for the same invention, the patent office usually awards the patent to the first to file

Patenting of Improvements

- A final note:
 - If certain innovations are time barred, there may still be opportunities to protect improvements to the product/idea that have been developed and are not yet launched (or possibly disclosed within the previous year)

U.S. Patent Apr. 4, 2006 Sheet 2 of 9 US 7,021,556 B2

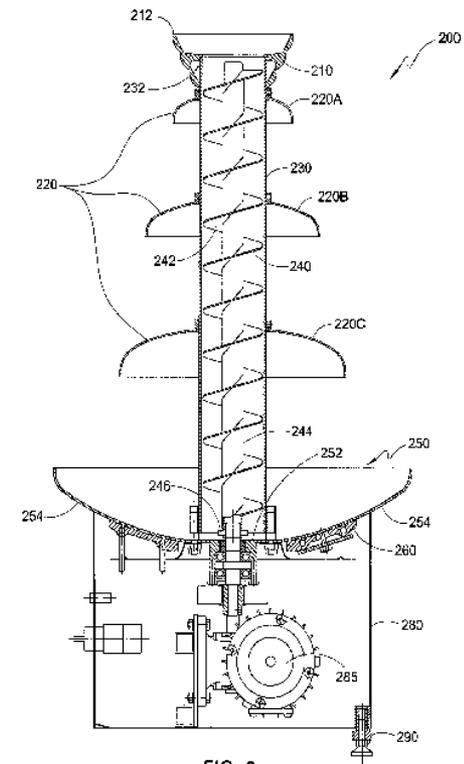


FIG. 2

How Patent Rights Are Lost

- Accidental disclosure
- **Failure to recognize invention**
- Problems with joint development agreement
- Employee disputes over IP

Failure to Recognize Invention

- Valuable patent rights may be lost if inventions are not identified
- What can you do about it?

Failure to Recognize Invention (cont.)

- Be aware of the value of “minor” improvements on existing technology
 - These improvements are often patentable
 - Patentability searches may help identify patentable improvements
- Consider brainstorming sessions
- Consider using an invention “scorecard” to decide what patents to pursue

How Patent Rights Are Lost

- Accidental disclosure
- Failure to recognize invention
- **Problems with joint development agreement**
- Employee disputes over IP

Problems with Joint Development Agreement

- Joint development agreement may lack favorable IP ownership terms
 - May not address IP at all
- May not be an issue until company/product has some positive track record...
 - But then it can be very expensive (legal fees to resolve dispute & possible loss of royalties to a joint owner)

Problems with Joint Development Agreement

- How to avoid problems:
 - Make the ownership clear in agreement
 - Assign everything early

Problems with Joint Development Agreement

- **Examples:**
 1. One party owns everything developed by both/all parties
 2. Parties jointly own any jointly developed IP
 - Important terms: sublicensing; royalty sharing; transferability; etc.
 3. Each party owns IP developed by its employees; jointly developed IP is jointly owned
 - May be difficult to determine inventorship
 - Could result in dispute down the road

How Patent Rights Are Lost

- Accidental disclosure
- Failure to recognize invention
- Problems with joint development agreement
- **Employee disputes over IP**

Employee Disputes Over IP

- **Myth:** I paid for it, therefore I own it
- Make sure employee agreements have clauses assigning inventions made for employer, to employer
- Make use of
 - Employee Agreements & IP Assignments/Licenses
 - NDAs & Confidentiality Agreements
 - Independent Consultant Agreements

- russell.jeide@knobbe.com
- scott.cromar@knobbe.com



Orange County



San Diego



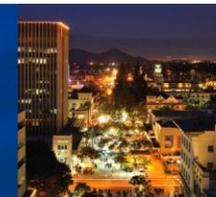
San Francisco



Silicon Valley



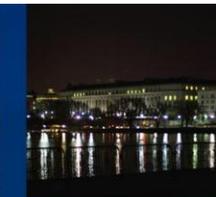
Los Angeles



Riverside



Seattle



Washington DC

Trade Secrets

(Catch-up from Class 5)

Trade Secrets

- Tools for keeping proprietary information confidential
- Just keeping it secret
 - NDAs, confidentiality agreements
- Make sure you can keep it secret!
 - Once the cat is out of the bag...

Trade Secrets

- Any formula, pattern, device, or compilation of information which is used in one's business and gives competitive advantage
- Comparison with other forms of protection:
 - Trade secrets are immediately protectable.
 - Uniqueness is not important; only competitive advantage.
 - Patent/copyrightable protection requires disclosure of confidential information.

Requirements of a Trade Secret

- **Have Value in your Business**
- **Not Generally Known**
- **Subject to Reasonable Measures to Maintain Secrecy**

Creating Rights in a Trade Secret

- Did the owner take reasonable precautions to keep the information secret?
 - Notification: Imperative the program be written and all key employees know. A Non-Disclosure Agreement can serve as the basis for recovery.
 - Identification
 - Security
 - Exit Interviews

Trade Secrets vs. Patents

- **Considerations:**
 - **Independent Development**
 - **Reverse Engineering**
 - **Duration**
 - **Employees' General Knowledge and Skill**
 - **Federal Remedies**
 - **Cost**

Trade Secrets vs. Patents (cont.)

- Disadvantages of Patents
 - Cost
 - Publication
 - 18 Months from Filing Date
 - Can be prevented

Trade Secrets vs. Patents (cont.)

Trade Secrets

Protect innovative ideas,
but not all trade secrets are
patentable



Confidential information



Does not protect against
independent
development and use of
the idea by others

Patents

Protect innovative ideas by
law



Public information
(If patent is filed
early enough)



Can exclude others
from using same idea,
even if independently
developed

General Recommendations

- Patent Technology of Any Value
- Use Trade Secret Laws to Protect Against Disloyal Employees
- Use NDAs, Consultant Agreements (confidentiality & assignment of IP)
- Combine Aggressive Marking and Use of NDAs with Aggressive Patent Portfolio

Avoiding Liability for Misappropriation

- **Situations:**
 - **Hiring Employees from Competitors**
 - **Leaving Employment and Starting a Competitive Business**
- **General Principles:**
 - **An Employee Can Take His or Her General Knowledge, Skill, Experience**
 - **Cannot Take Anything Tangible Belonging to the Employer**