



Merchant & Gould
An Intellectual Property Law Firm

Intellectual Property & Intellectual Capital

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Intellectual Capital

- A. Includes but is more than just intellectual property
- B. Consists of all the intangible assets of a firm
- C. A significant part of IC does not appear as intangible assets (patents copyrights & trademarks) on a balance sheet, for example
 1. general knowledge
 2. skill & experience of employees
 3. organizational culture & structure
 4. learning ability
 5. technological leadership
- D. IC is essentially all company knowledge and information

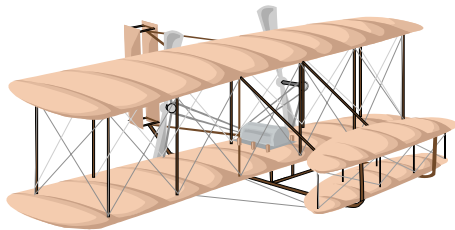
INTELLECTUAL PROPERTY?

The Fruits of Your Genius

(“Starts With Creations”)

Works of Authorship (Copyrights)

Inventions
(Patents)



Goodwill
(Trademarks)



Patent – What is it?

A. Patent Basics:

1. A patent is a government granted right to exclude others from making, using, selling, importing or offering for sale the invention for 20 years.
2. It is **NOT** a right (or a requirement) for the inventor or owner to make, use or sell an invention.
3. What Can be Patented?
 - a. Things (articles of manufacture)
 - b. Ways of making things
 - c. New materials (compositions of matter)
 - d. Software architecture

Types of Patents

- Utility patents-
 - **Scope** -Protects function of devices or processes. They essentially protect a new and useful process, machine, manufacture, or composition of matter.
 - **Term** -The term lasts for 20 years from the filing date.
 - **Patent Document** - Description of the invention that is sufficient to teach one of ordinary skill in the art how to practice the invention. At the end of the description, the bounds of the invention are claimed. The claim describes what the applicant considers to be the invention.
- Design Patents
 - **Protects the way something looks.**
 - **Term – 14 years from the issue date.**
 - **Application consists of drawings that show the various views and features of the design.**

How are patent obtained?

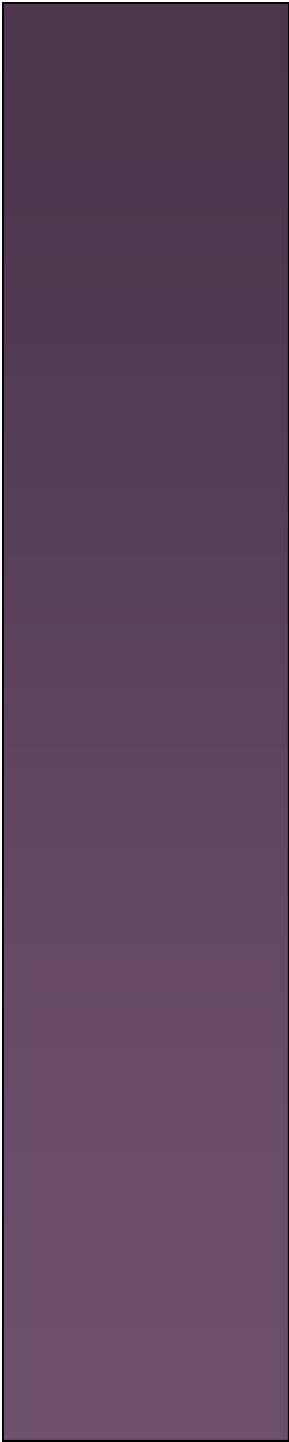
- File patent application with USPTO
- Requirements for obtaining a patent
 - Inventions must be (a) New; (b) Useful, and (c) Novel (i.e. non-obvious)
 - The invention has not been offered for sale, publically disclosed or used previously anywhere in the world more than one year before the filing date.

Why should you obtain patents?

- preserve market exclusivity for new technology.
- strategic tool against competitors
- develop licensing revenue streams
- build value in business by creating assets
 - set up company for investment/acquisition

Trade Secrets – What are they?

- confidential information that has value from not being generally known
- Has protection only as long as secret is kept
 - coca-cola formula
 - kfc – 11 herbs and spices
 - taco cabana – business procedures
 - source code
 - customer and supplier lists



How are trade secrets obtained?

- you own as soon as you create - no formal filing process
- maintain secrecy generally of company technical and business data
- control access
- consider a log for most significant secrets

Why obtain trade secrets?

- build value in business – proprietary formulas/processes
- preserve market advantage
 - keep secret forever – can't with patents

Duration of trade secrets?

- perpetual – if it can be maintained as such
- as long as the rabbit stays in the hat
- coke formula – no one has re-constructed or reverse-engineered

Trade secrets - best practices

- use confidentiality policies (“CP’s”)
- employees should acknowledge CP in writing
- use NDA’s whenever possible with vendors/partners
- mark “confidential” materials as such
- restrict access to, and use of, sensitive materials (or facilities)

Trademarks – what are they?

- trademark gives you right to exclusive use as brand for specified goods or services
- trademark rights protected based on use in the marketplace – no use, no protection
- protection exists at U.S. federal and state level (statutes – registration and common law)
- all countries have trademark systems - though processes and rights vary.



Why obtain trademarks?

- preserve market exclusivity for brands – unique association
- promote customer loyalty (TONY THE TIGER)
- prevent customer confusion
- strategic tool against competitors
- build value in business – ®



trademarks examples



- word mark: EXXON
- stylized word mark: *Kellogg's*[®]
- design mark: TONY THE TIGER
- color: yellow for sticky note pads (“Post-Its”)
- product shape: the Coke bottle

Duration of trademarks?

- rights last as long as mark remains in use
- registrations can be indefinitely renewed
- marks can die – ASPIRIN, ZIPPER, DRY ICE, ESCALATOR (generic terms)



copyrights

- protects writings/images/sounds
- inexpensive to register
- protection lasts over 100 years
- register soon after public release
- protected by U.S. statutes
- good for company code, manuals, images



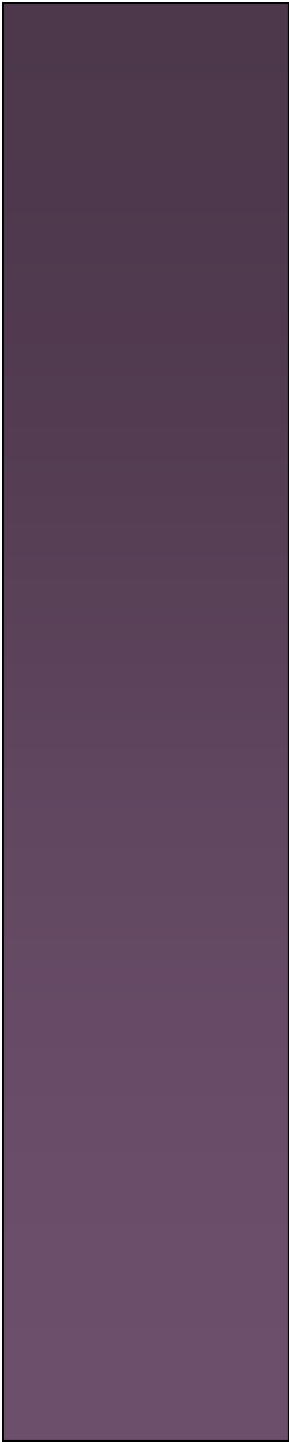
Do Involve IP Counsel Early

- Hire an IP attorney prior to launching your product and prior to any public disclosure of your technology.
- If you wait until after disclosures have occurred and/or barring deadlines have passed, you may have irreparably lost valuable IP rights.
- The bottom line: protect your IP rights early.



Do Develop an IP Strategy

- Work with your IP counsel in developing an overall IP strategy. Identify the goals of your IP portfolio and develop a global strategy that works toward those goals.
- The IP strategy should include a budget and filing schedules and should also identify those technologies to be protected.
- The IP strategy should also identify the types of IP (e.g., patents, trademarks, copyrights, or trade secrets) that will best protect your products and other IP assets.
- A company can waste time and money by randomly trying to protect IP that does not confirm to a clear strategy.



DO CONDUCT PATENT, Trademark Availability and Domain Name Clearance Searches

- Starts-up typically believe that they are the first to come up with a new idea
- Conduct prior art searches to determine if the idea is truly novel; conduct patent clearance searches to make sure that you are not infringing another's patent
- Start-ups are surprised to find that they do not have the right to use their selected corporate, product, or domain names.
- Conduct trademark, service mark, and domain name availability and clearance searches early on, before a change in your company or product names involves significant expense and loss of goodwill.



Do Consider All Forms of IP

- In addition to patents, consider trademarks, copyrights, and trade secrets as potentially valuable components of your IP portfolio.
- For example, a company's trademarks and service marks, and the goodwill that goes with them, can sometimes have much greater value than a company's patents.
- In addition, trademark rights are far less expensive to obtain and maintain.



Don't File Perfunctory Provisional Patent Applications

- Provisional patent applications can be valuable components of a company's overall IP strategy. However, avoid the temptation to file provisional patent applications “on the cheap.” While such a strategy may save you legal fees initially, it is more important to carefully describe inventions in a way that supports later non-provisional applications.
- An improperly drafted provisional patent application can do more harm than good in the long run. The best policy is to involve IP counsel in the preparation of any provisional patent application to ensure that your application covers the full scope of your inventions.



Don't Focus Your Patent Applications Solely on Your Specific Technology

- Start-up companies sometimes file patent applications that are narrowly directed to the company's specific technologies or on a specific commercial product or core process. However, a better practice is to draft your patent applications to cover various alternative embodiments aside from the company's specific product.
- It is often the case that the market ultimately adopts an alternative solution that the start-up company did in fact have in mind but which was not detailed in the patent application. Make sure that your company's patent applications cover the "big picture" and cover alternative embodiments you would not want your competitors to practice.



Don't Ignore Competitor's Patents

- Don't assume that your company is entitled to market and sell your product just because you own a patent or maintain a trade secret related to the product. Instead consider your freedom to operate (FTO) before you design your commercial products, and monitor this FTO over time.
- Other companies may own patents on one or more features of your product. For instance, even though a company may hold a patent on the LCD screen and display driver used in a cell phone, other companies may (and probably do) hold patents that cover processor, memory, video adapters, etc.
- Budget both time and money to identify competitor patents that may impact your ability to sell your product.

Don't Overlook the Details

- Make sure that the company, not the employees or principals, own the IP. This means that all patent applications should be explicitly assigned to the company as early as possible.
- Make sure clear chain of title is maintained.
- Failing to tie down and maintain IP rights (e.g., by the proper use of assignments, nondisclosure agreements, employment agreements, and vendor agreements) can cost your company valuable IP rights.

THE END

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