Overview of US and Foreign Intellectual Property for Small Business

PROTECT YOUR BUSINESS AND IDEAS

Considerations for protection of patents, trademarks, copyrights and trade secrets of new businesses

May 26, 2016
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Why Intellectual Property?

- All businesses create and own intellectual property.
- Supports all facets of your business—innovation, marketing, licensing, partnerships, manufacturing, business planning.
- IP critical to show ownership of your business.
- Enables emphasis on unique aspects of your business.
- Protects these aspects and your business.
- Possible Investors needed for startup, distribution, ramp-up, R&D
Intellectual Property

- Patents
- Trademarks
- Copyrights
- Trade Secrets
Protecting International intellectual property

• Patent Cooperation Treaty (PCT) – The International Patent System
• Madrid Protocol – The International Trademark System
• Hague – The International Design System
• Berne Convention for the Protection of Literary and Artistic Works -180 countries
Patents

- Inventions that are useful, novel and non-obvious. Inventions must have function.
  - Invention has elements A-B-C-D-E and the Prior Art only has elements A-B-C-D, then invention may be novel and non-obvious due to element E
  - US examination may take 2-3 years till patent is issued
- Provides monopoly to exclude others for 20 years from filing date.
- Biological, business methods, chemical, software, and plant patents are permitted
Patent considerations for small businesses:

- Time is always of the essence; do not sit on inventions; US is a first-to-file system. → First to file patent obtains priority to that invention.
- Public disclosure or offers to sell/license may impact rights.
- No need for “working example” or proof of success.
- Keep documentation, records of failed attempts, different embodiments.
- Patent must issue to enforce rights. Initial filing does NOT guarantee patent.
- May place “patent pending” on articles after initial filing.
- Design patents are not the same as utility patents.
- Patent process is complex and not cheap. One gets what one pays for.
- Consult with a registered patent attorney that is admitted to practice before the USPTO.
Uses of Patents

- **Create Barrier To Stop Competitor**
  - Apple v. Samsung

- **Generate Income**
  - Licensing & Patent trolls
  - Motorola selling patents to Google
  - If going out of business, patents are potential source of revenue

- **Defensive Cross-Licensing**
  - Reciprocal agreement to license each other patents within defined scope
Reasons for Building a Patent Portfolio

- Attract Investment
- Preserve Market Exclusivity
- Generate Revenue
- Defense Against Competitors
- Increase Valuation of the Company
- Generate Publicity
Novelty Searches, Freedom-to-Operate, and Clearance Searches

- Novelty searches check for any patents that will prevent you from obtaining a patent
- FTO searches check for any patents that will prevent you from entering the market place
- Identify patent strategies of competitors
- Identify design-around requirements
- Prototype or product updates are outside relevant patents
PCT – The International Patent System

- **Seeks** patent protection in 148 countries by filing one international application.
- The PCT system:
  1. Postpones the major costs associated with international patent protection;
  2. Provides you with a strong basis for patenting decisions;
  3. Used by the world’s major corporations, research institutions, and universities.
- National phase applications due within 30-31 months of filing US provisional/nonprovisional application.
Why are foreign patents sought?

- US enterprises wish to sell, export, license in selected other countries or potentially do business globally.
- R&D, manufacturing, clinical approval, or design centers in a foreign country
- Country laws, costs, and priorities impact decision on which foreign patents to file
- US, EPO, China, Japan, & Korea account for 90% of the world’s patent filings
PCT - national stage

• National Stage Filing prosecution is necessary for perfection of patent rights in the respective designated state.

• Applicant must be careful in choosing countries for national stage.
  – Manufacturing, sales, competition, cost/benefit

• Highly variable in complexity and costs

• Legal services and governmental fees and translations can be costly.
European Patent

- European patent for possible 36 member states
- Expensive with Validation fees and Annuity fees
  - ~$5000 just to file and then annual payments due after the 3\textsuperscript{rd} year
- Translation of Claims and Patent into validated country
- Oppositions are possible
Patent Prosecution Highway (PPH) - Fast Track Examination of Applications

• Under the Patent Prosecution Highway (PPH), an applicant receiving a ruling that at least one claim in an application filed in one country is patentable may request that another Foreign Patent Office to fast track the examination of corresponding claims in corresponding applications filed in the first country.

• PPH will leverage fast-track examination procedures to obtain corresponding patents faster and more efficiently.

• Australia, Canada, China, Denmark, European Patent Office, Israel, Japan, Korea, Russia, Singapore, US, & UK are participating countries.
Trademarks

- Identify goods and services coming from a particular source.
- Means of attracting customers and building goodwill.
- Trademarks, service marks, certification marks.
- Must register the trademark with the USPTO in order to use the ® symbol.
- Name may be denied if there is a similar trademark already filed or registered.

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Trademark Considerations for small business

- Advertising, brand recognition, product promotion, customer awareness.
- No need to register mark to receive protection with common law rights™.
- Mark may be word, name, symbol, phrase, shape or even color.
- Mark may not be descriptive or functional (different than patent).
- May register mark as “intent-to-use” to receive rights before actual use.
- Uniqueness of mark important so as to create a separate commercial impression.
- Various state and federal ways of enforcement.
- Mark does not grant a “monopoly” in usage.
- Relatively inexpensive but need to select proper classification and specimen of use.
- Recommend a clearance search before selecting any name; state corporate listings are not a good search engine.
Madrid – The International Trademark System

• Register your trademarks in multiple countries by filing one international application.

• The Madrid system:
  1. Saves you time and money;
  2. Covers 113 countries;
  3. Enables you to manage and renew your marks through one centralized system.
Uniform Domain-Name Dispute-Resolution Policy (UDRP)

- A complainant in a UDRP proceeding must establish three elements to succeed:

  1. The domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights;

  2. The registrant does not have any rights or legitimate interests in the domain name; and

  3. The domain name has been registered and the domain name is being used in "bad faith".

- ~$4000 to file complaint
Copyrights

- Rights in the method of expressing an idea but not in the idea itself.
- Others may express idea, even in the same way.
- May not copy the original author’s idea.
- No need to register; rights attach upon creation;
- Registration with Copyright Office bestows benefits on author.
  - Statutory damages, federal court
Copyright Considerations for small businesses:

• Many items qualify for copyright protection; pictures, brochures, guides, class materials, instruction manuals, websites; please visit loc.gov for more information.
• Publication important; keep records of all publications.
• No real need for searches such as for patent and trademark.
• Registration process inexpensive.
• Work must be original, fixed in a tangible form, can be reproduced.
• Facts and research may not be eligible for copyright.
• Others may express same idea in same way independently.
• Authors may control reproduction rights.
International copyright treaties

- **Berne Convention**: US copyright gets automatic protection in other countries signed to the Berne Convention
- **WIPO Copyright Treaty**: computer programs and databases are protected by copyright
- **Trade Related Aspects of Intellectual Property Rights (TRIPS)**: national laws have to make the effective enforcement of IP rights possible
Copyright situations

- Creation of website
- Hire software company to develop computer program, database, or system
- Create training materials
- Advertisements
- Newsletter or fact sheets to distribute to clients, post on social media, etc.
Design Patents

- Whoever invents any new, original, and ornamental design for an article of manufacture may obtain a patent. (35 U.S.C. § 171)
- Design patents have been obtained for consumer goods, medical devices, and computer displays and icons
- Advantageous to file for utility patent protection on the functional aspects of an invention, and design patent protection on the ornamental aspects of the invention.
- Cheaper and faster route to issued patent
Hague – The International Design System

- Register industrial designs in multiple countries with a minimum of formalities and expense.
- The Hague system:
  1. Replaces multiple registrations with just one;
  2. Lets you register up to 100 industrial designs with one form;
  3. Makes management of your registered designs easier record changes or renewals through a single step.
Stop IP infringing imports

- US customs & Border Protection prevents illegal importations
- To be eligible to record with Customs
  1. Trademarks must be registered with the USPTO
  2. Copyrights must be registered with the US Copyright Office
  3. Once recorded, Customs has authority to deny entry or to seize goods that infringe upon the recorded IP right
U.S. International Trade Commission (ITC)

- IP cases involving imported goods under Section 337 of the Tariff Act of 1930.
- 90% are patent infringement disputes
- Section 337 cases can keep imported goods out of the U.S. market or preserve an importer’s continued access to U.S. consumers.
- Once Customs receives a 337 case, then goods will be subject to seizure
Trade Secrets

- Any formula, pattern, device or compilation of information that is used in one’s business, and which gives one an opportunity to gain an advantage over competitors who do not know or use it and is kept confidential.
- Potentially very powerful, such as formula for various sodas.
- Unauthorized use of trade secrets is an unfair practice and violation of trade secret law, contract law, or commercial espionage.
- Sales methods, distribution methods, consumer profiles, advertising strategies, lists of clients, and manufacturing processes.
Trade Secret vs. Patent protection and other considerations for small business:

• No monopoly; once trade secret is known, then no longer “secret.”
• Patent applications are held in secret until published. Published patents are considered “in the public domain” for trade secret purposes.
• Should provide a competitive advantage and have present value.
• Never assume other party will keep your secrets secret. Use non-disclosure agreements or contract language to ensure duty to keep information secret.
• Non-compete and employment agreements - should be in plain language and reasonable.
Defend Trade Secrets Act of 2016

- Signed into law on May 11, 2016
- Federal cause of action for trade secret misappropriation
- Creates an ex parte seizure procedure where the party against whom the seizure is ordered “would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person....”
- Protects whistleblowers from retaliatory accusations of trade secret misappropriation
Licensing IP: What is a License?

- A contract between licensor and licensee.
- Licensor grants to licensee the right to practice the technology claimed in the licensed patent, trademarks, or copyrights.
- Licensor agrees not to sue licensee for infringing licensor’s patent, trademark, or copyrights.
- Licenses can be embedded in Distribution or Manufacturer agreements, Software agreements.
Other Considerations: NDA’s

- **Non-Disclosure Agreements:**
  - Essential for small business: gives one a feel for doing business with another party.
  - Have NDA’s signed before **ANY** confidential information is exchanged.
  - A lot of boilerplate agreements, but each situation is unique. Beware using generic language and clauses.
  - Why? How long?-Duration of agreement must be reasonable for industry. Does agreement cover employees, contractors, subsequent owners? What I.P. is considered part of agreement or is entire company’s I.P. accessible?
  - Should be specific and not open-ended agreement.
Other Considerations: Employment agreements

- Ownership of Intellectual Property:
  - Very critical issue for any business.
  - For patents and copyrights, ownership initially resides with the inventor/author and must be assigned to company.
  - Employee agreements may be enough but formal assignments pertaining to the intellectual property is preferable.
  - Unavailable or non-cooperative inventors for patents.
  - Works made for hire for copyrights.
IP TRIGGERS

• Starting up, investing in, buying or selling a business
• Selecting a name or logo for a product, service, or company
• Developing a new product or service (biotechnology, software, devices, and instruments)
• Improving an existing product or service
• Entering into a government, academic, or corporate collaboration
• Bringing on a key employee or contractor for design, research, or development work
• Providing business or technical information to suppliers, customers, partners or investors
• Launching a major sales effort or marketing initiative
• Maintaining or expanding a customer list
• Searching for advantages in a competitive market
• Setting up a website for your business
IP Management Tips

• Integrated management at all levels to think about IP
• Allocate responsibility: Manager or COO
• Conduct research: don’t waste time reasoning why something shouldn’t be patented
• Create, maintain, and enforce rights
• Careful timing of decisions
• Budget planning for expensive actions: cost projections
• Avoid liability and ownership disputes: knowledge of potential IP liability should be evaluated regularly
Summary

- Do not sit on intellectual property, especially inventions; use provisional applications if needed to secure filing dates.
- May place patent pending on items after an initial patent filing.
- Trademarks preferably are unique to create a commercial impression.
- Trademarks and copyrights do not require federal registration; may already enjoy IP rights.
- Use IP to emphasize uniqueness of business.
- Keep notes/publications/materials for reference and proof of rights.
- Use assignments to transfer rights and provide proof of ownership to third parties.
- Use non-disclosure agreements to ensure rights.
- Never assume IP rights are understood or recognized by others.
- When in doubt, consult an attorney; consult a registered patent attorney for patent matters.

www.RosenbaumIP.com
How to reach us

Our office is in Northbrook, IL between 294 and 94
Skype and Zoom video conferencing available
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