

INTELLECTUAL PROPERTY CONSIDERATIONS

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Angel Investing

Association of the Bar of the City of New York

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Overview

- Types of Intellectual Property
- Evaluating a Venture's Intellectual Property Position
- Preserving One's Intellectual Property Rights

Types of Intellectual Property

- Patents
- Trademarks
- Copyrights
- Trade Secrets

Patents

- Awarded to a person who invents or discovers any new, useful and nonobvious article of manufacture, machine, process, compositions of matter and improvements thereof.
- The patent holder is the inventor. A business entity may only obtain rights via assignment by the inventor.

Rights of Patent Holder

- A patentee has the right to prevent others from making using, selling, offering to sell or importing into the United States the claimed invention from the time of issuance until for the most part 20 years after the patent application was filed.
- A patentee may obtain from an infringer royalties, lost profits and/or obtain an injunction against an infringer.

Procedures for Obtaining Patent Protection

- File patent application with the U.S. Patent and Trademark Office which contains
 - Written/enabling description of the invention
 - Description of best mode for carrying out the invention
 - Claims-legally define the invention protected by the patent
- Examination of application by Patent Examiner to determine if all requirements have been met
- Response by applicant

Procedures for Obtaining a Patent

- Further action by U.S. Patent and Trademark Office or issuance of patent
- Average pendency-2-3 years
- Cost-at least \$10,000-filing fee alone is at least \$405

Patentable Subject Matter

- Machines
- Chemical compounds, formulations and methods for obtaining and using such compounds
- Biotechnology
 - Isolated genetic material (DNA/RNA)
 - Genetically modified organisms (transgenic plants, animals)
- Computer software-operating systems, application programs, operating systems used to program a computer
- Business methods (automated business data processing)-as long as mathematical algorithm is applied in a practical manner to produce a useful result

Marks

- Used to identify source of goods (trademark/tradename) or services (service mark)
- May be enforced under common law remedies in geographic area where the business is conducted
- May be registered federally or in a particular state

Registration Requirements

- Cannot be generic
- Can be a common word as long as it suggests something about the product or is arbitrary-cannot be merely descriptive
- Has not been previously registered or used in the United States by another

Trademark Applications

- Application must contain date of first use or intent to use, the manner of use, goods on which the mark is used.
- Application is examined to determine if requirements are met. If registrable, is published.
- Registration may be opposed by third parties within 30 days of publication.

Rights of Mark Holder

- Prevent a third party from using in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or cause mistake or to deceive
- Prevent a third party from making such a reproduction, counterfeit, copy or colorable imitation of a registered mark
- Term: 10 years, renewable in 10 year increments
- Remedies: Monetary damages, injunction

Subject Matter Protectable by Marks

- Word, name, phrase, symbol, sound, smell, shape, color and/or design used to identify and distinguish goods or services
- Also includes domain names as long as domain name functions as “source identifier”.

Copyrights

- Protects expression of ideas in original literary works, including software, music, drama, pictures, graphics, movies and other audiovisual works, sound recordings and architectural works from unauthorized copying by others.
- Does not protect facts, but compilations of facts-may protect databases

Requirements for Copyright Enforcement

- Must be registered with the U.S. Copyright Office -merely requires submitting a registration form, two copies of item to be copyrighted and \$20.00.
- Can only be enforced by creator or owner of “works for hire”
- Need to prove copying-a third party can independently develop a similar or the same idea

Copyright Term

- Life of author +50 years after the last surviving author's death
- Work for hire-lesser of 75 years from the date of publication or 100 years from the date of creation

Remedies for Copyright Infringement

- Damages and Profits
- Injunction
- Willful: maximum penalty of \$250,000 and /or 1 yr. in prison

Trade Secrets

- Anything secret that gives one an advantage over competitors in the marketplace
- Requires that owner undertake reasonable efforts to maintain its secrecy
- Term is indefinite

Trade Secrets-Protectable Subject Matter

- Financial, business, scientific, technical, economic or engineering information, patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, software programs or codes

Misappropriation of Trade Secrets

- Monetary damages
- Injunctions
- Economic espionage act-makes it a federal offense to steal trade secrets-must show intent to economically gain

Determining the Strength of Intellectual Property Protection

Scope of Intellectual Property Protection

- Types of intellectual property protection obtained
- Scope of Coverage

Patent Issues

- Patent term
- Scope of claims-do they cover the product, method of making and use?
- Ease of designing around
- Validity of patent(s)
- Patentability of invention disclosures

International Coverage

- US IP protection only covers the US
- If want protection outside the US, must get protection in other countries
- Look at where product or technology will be marketed and/or manufactured
- Determine if IP protection could be obtained for product or technology

Ownership of Rights

- Make sure assignments have been made
-verify chain of title
- Make sure any agreements cover
assignment or licensing of rights
- Make sure that all maintenance fees have
been paid
- Make sure that there are no liens or
encumbrances

Impact of Third Party Rights

- Conduct patent and trademark searches for any relevant third party patents, patent applications, trademarks and/or trademark applications
- Patents-review for literal infringement and infringement under the Doctrine of Equivalents
- Make sure that there is not misappropriation of trade secrets

Preserving Intellectual Property Rights

- Obtain maximum intellectual property protection on the product or technology
- Resolve intellectual property ownership issues
- Have procedures for submission and evaluation of invention disclosures
- Have procedures for periodic review of intellectual property portfolio
- Have procedures for publicly disclosing research
- Competitive intelligence policy

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