

# FENNEMORE CRAIG [ A HISTORY TO LEVERAGE ]



## *PATENTS 101*

Presented to

**NACET: Northern Arizona Center for  
Entrepreneurship and Technology**

by

**Susan Stone Rosenfield, Esq.**

**October 6, 2011**

© 2011 Rosenfield

## Presenter's Contact Information:

**Susan Stone Rosenfield, Esq.**  
Registered Patent Attorney  
Fennemore Craig, PC

Tel: 602-916-5317

Email: [srosenfield@fclaw.com](mailto:srosenfield@fclaw.com)

## Questions entrepreneurs should ask about intellectual property:

- What?
- Why?
- When?
- How?
- How Much?

# WHAT?

- Patents
- Trade Secrets
- Copyrights
- Trademarks and Trade Names
- Domain Names
- Related Contracts
  - Nondisclosure/Confidentiality
  - Employee
  - Independent Contractor

# WHY?

- Attract Investors
- Create Barriers to Entry/Legal Monopolies
- Build Value and Innovator Culture
- Attract Merger/Acquisition Opportunities
- Source of Income (Licensing)
- Bargaining Chip/Negotiating Power
- Protect Against Competitors
- Cross-Licensing and Added Value Opportunities
- Collateral

## WHEN?

- Early! Include intellectual property considerations in your business plan
- First-to-conceive; first-to-file (March 16, 2013)
- Before public use, sales, publications, and other disclosures available to the public, modified one-year-grace period (America Invents Act ("AIA"))
- Put in place critical written agreements with co-owners, employees and independent contractors

# HOW?

## *TYPES OF INTELLECTUAL PROPERTY*

- **Patents** (new and useful devices, machines, processes, chemical compositions, kits, business methods, plants)
- **Trade Secrets** (software, customer lists, chemical processes, manufacturing methods, formulations)
- **Copyrights** (expressions of ideas: software, written publications, sculptures, drawings, photographs)
- **Trademarks and Trade Names** (words and logos identifying source of company's products and services)
- **Domain Names**
- **Related Contracts**

# WHAT IS A PATENT?

- “Contract” with the government
  - Government grants rights to exclude others
    - From making, using, selling, offering, importing
    - For a limited time
    - In a limited geographic area
    - Rights defined by the “Claims”, analogous to a fence
  - In exchange, inventor fully discloses previously unknown invention to the world

# PATENTS – What can be patented?

“Anything under the sun that is made by man” that is:

- **Useful** – for some purpose
  - Laws of nature, physical phenomena, and abstract ideas are not patentable subject matter
  - Prohibition on human organism
  
- **Novel** – not already known or used
  
- **Not obvious** - sufficiently different that a person having ordinary skill in the area of technology related to the invention would say it was non-obvious

# TYPES OF U.S. PATENTS

- Utility Patent
  - Protects structure, function or composition
- Design Patent
  - Protects ornamental features
- Plant Patent
  - Protects new, distinct varieties of asexually reproducing plants (as distinguished from PVPs, which protect sexually reproducing plants)

# GETTING A PATENT

- Prior art (patentability) search and opinion
- Preparing application
- Filing application
- Patent prosecution process

# SEARCHING FOR PRIOR ART

- Prior art sources
  - Similar products in the marketplace
  - Pertinent work of others, including co-workers, that may be public
  - Information from co-pending applications
  - Prior art in related foreign applications
  - Information from related litigation

# PREPARING THE APPLICATION

- Types of Patent Applications
  - U.S. Provisional Application
  - U.S. Non-provisional Application
  - International Application (PCT)
  - Foreign Application (national and regional)

## Deadline for filing application

- ***PRESENTLY***, In U.S. or Canada, ONE YEAR following:
  - Public use
  - Public disclosure (oral or written)
  - Offer for sale
- Anywhere else:
  - Before public use or disclosure or offer for sale

# DOCUMENTING INVENTION

- What's needed to document the invention?
  - Engineering notebooks
  - Invention questionnaire
  - Witnessed by non-inventor
  - Other evidence
- Why document the invention?
  - Establishes who invented
  - Establishes what you were in possession of
  - Saves \$\$ and time
    - Assists patent attorney in preparing application

# TRADE SECRETS

- Arizona Uniform Trade Secrets Act §44-401
- A Trade secret is information that:
  - derives independent economic value . . . from not being generally known and not readily ascertainable, and
  - is subject to reasonable efforts to keep it secret

# TRADE SECRETS

- Must make “reasonable” efforts to preserve secrecy
- Valuable, because not generally known or readily ascertainable
- *Examples*: customer lists, know-how, marketing plans, software source code, manufacturing processes
- *Limitations* - outside U.S. there is not necessarily trade secret protection

# “Reasonable Efforts” To Protect a Trade Secret

- Procedures to maintain secrecy are implemented and reviewed
- Access on need-to-know basis
- Employees trained
- Nondisclosure agreements inside and outside
- Computers and embodiments of info are safeguarded
- Exit interviews
- Passwords changed regularly

# TRADE SECRETS

- It can, but need not be, patentable
- *Examples:* Formula for Coca-Cola<sup>®</sup>, Recipe for KFC<sup>®</sup>
  - Upside: Coke formula secret for more than 100 years
  - Downside: have to maintain secret
  - Reverse engineering is allowed
- If secret is disclosed, it no longer is a trade secret

# Violation (“Misappropriation”) of Trade Secrets

- Reverse engineering is allowed (so sometimes patents are better)
- Injunction, monetary damages, criminal liability may result

# COPYRIGHTS

## WHAT IS COPYRIGHTABLE?

- A creative, original work of authorship
- In a tangible medium of expression
  
- Copyright protects the specific expression (but not the idea or data within the expression)
  
- *Examples of copyrightable works:* software (source code, object code); user manuals; writings; drawings; videos; photos; etc.

# COPYRIGHTS

- Owner has exclusive rights to make copies, distribute, display and revise (derivative works)
- Own works by employee
- Do not own works by independent contractor

# COPYRIGHTS

- Copyright Notice: © ***Fennemore Craig, P.C. 2008***
  
- Registration is not required, but provides enhanced protection
  - Early registration is key
    - Statutory damages
    - Attorneys' fees
  
- Term
  - Life of the author + 70 yrs. (1977 forward)
  - Works made for hire: 95 yrs. from the yr. of 1<sup>st</sup> publication or 120 yrs. from creation, whichever expires first

# RELATED CONTRACTS

Are critical for ownership and protection

- Nondisclosure/Confidentiality
- Employee agreements and handbooks
- Independent contractors
- Technology and/or product development
- Licenses

# Nondisclosure/Confidentiality Agreements

- Critical to ask everyone (investors, suppliers, etc.) to sign before revealing information
- *If too late*, try to have them signed after you disclose, with acknowledgement that the info. you disclosed was confidential
- Specify limitations on use of info disclosed

# Employee Agreements and Co-Owner Agreements

- Inventions, designs, processes, written work, etc. produced by employee are owned by company
- Should be clear and comprehensive
- Include specific language assigning IP ownership rights to company
- Include confidentiality requirement
- Non-competition (must be reasonable)
- Non-solicitation (must be reasonable)

# Independent Contractor

- If I paid for it, I own it, RIGHT? Not necessarily!
- You own works by an employee, but not by an independent contractor
- Absent specific agreement, if a non-employee creates certain types of works, including software, the creator owns it, and the creator can exploit it
- So, include provisions re:
  - Confidentiality
  - Assignment

# TRADEMARKS

- A trademark or service mark is a word, name, symbol or other device used to identify the source of goods or services
- “Other devices” may be a color, a scent or a sound.
- Examples: Coke, Coca-Cola, Circle K, the color pink for fiberglass insulation, the Microsoft windows opening sound
- Trademark rights can potentially last forever (if not abandoned)
- Meaning of “®” vs. “TM” or “SM”

# Obtaining Trademark Rights

- **In US, trademark rights stem from a party's *use* of a particular trademark, i.e. common law rights are obtained even without registration. Enhanced rights are obtained by registration.**
- **In most other countries, trademark rights are obtained by *registering* the trademark.** Some countries do not require actual use of the trademark in order to obtain a registration.
- US (federal) registration registering a trademark requires use in interstate or foreign commerce, but application may be based upon a bona fide intent to use the trademark in commerce.

# Protection of Trademarks

- Use of an identical or similar trademark on or in connection with the **same or related** goods or services, in a manner in which it is **likely to cause confusion**, is prohibited.
- Use of an identical or similar trademark on goods or services that are **not the same and not related** to another's goods or services may also be prohibited, if the trademark sought to be protected is famous, due to weakening/dilution of the strength (association with the owner) of the famous trademark.

## TRADE NAMES and TRADE DRESS

- **Trade name:** Similar method of protection for business name
- **Trade dress:**
  - Overall distinct impression imparted by the product, service or entity
  - Distinctive colors or shapes used on packaging or in presentation of business (ex. Wonder Bread packaging; Subway shop color scheme, TGI Fridays awnings)

## Domain names and websites

- There are dispute resolution mechanisms by which trademark owners can obtain transfer of domain names consisting of the owner's trademark, under certain circumstances.
- Use of another party's trademark as a key word or metatag is considered by some but not all courts to be a trademark usage and therefore actionable

## Domain Names Using Marks

- Some cases recognize “initial interest confusion”
  - *Brookfield Comm. Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999)
- Confusion establishes trademark infringement
- Uniform Domain Name Resolution Policy (UDRP)
- Anticybersquatting Consumer Protection Act
  - Liability under federal law can include statutory damages “in the amount of not less than \$1,000 and nor more than \$100,000 per domain name, as the court considers just.” 15 U.S.C. § 1117(d).

# HOW MUCH?

- Invest resources very early on to make certain that IP is protected, proper agreements in place, etc.
- Get cost estimates very early on and budget accordingly
- Patenting is most expensive process of securing IP protection (excluding litigation)
- Patents:
  - Geographic considerations
  - Time considerations
- Patent freedom-to-operate/validity/infringement investigations

# A SAMPLING OF CONSIDERATIONS RE THE NEW PATENT LAW (America Invents Act)

- Harmonizes US law with worldwide patent laws by instituting first-to-file, rather than first-to-invent system
- No more 1 yr grace period, with limited exceptions
- Derivation investigation proceeding—within 1 yr after publication
  - Keep detailed records of anyone and everyone who the invention is disclosed to
- File applications as early as possible
- 3<sup>rd</sup> party submissions during prosecution

Any Questions??

**Susan Stone Rosenfield, Esq.**

Registered Patent Attorney  
Fennemore Craig, PC

Tel: 602-916-5317

Email: [srosenfield@fclaw.com](mailto:srosenfield@fclaw.com)