



CLOSELY HELD
BUSINESS
Conference

MAY 16, 2017



Intellectual Property Breakout Group

Brad Evans



Introductions



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Angela Doughty



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North Carolina State Bar Board
Certified Specialist in Trademark Law
Leads Ward and Smith's Intellectual
Property practice

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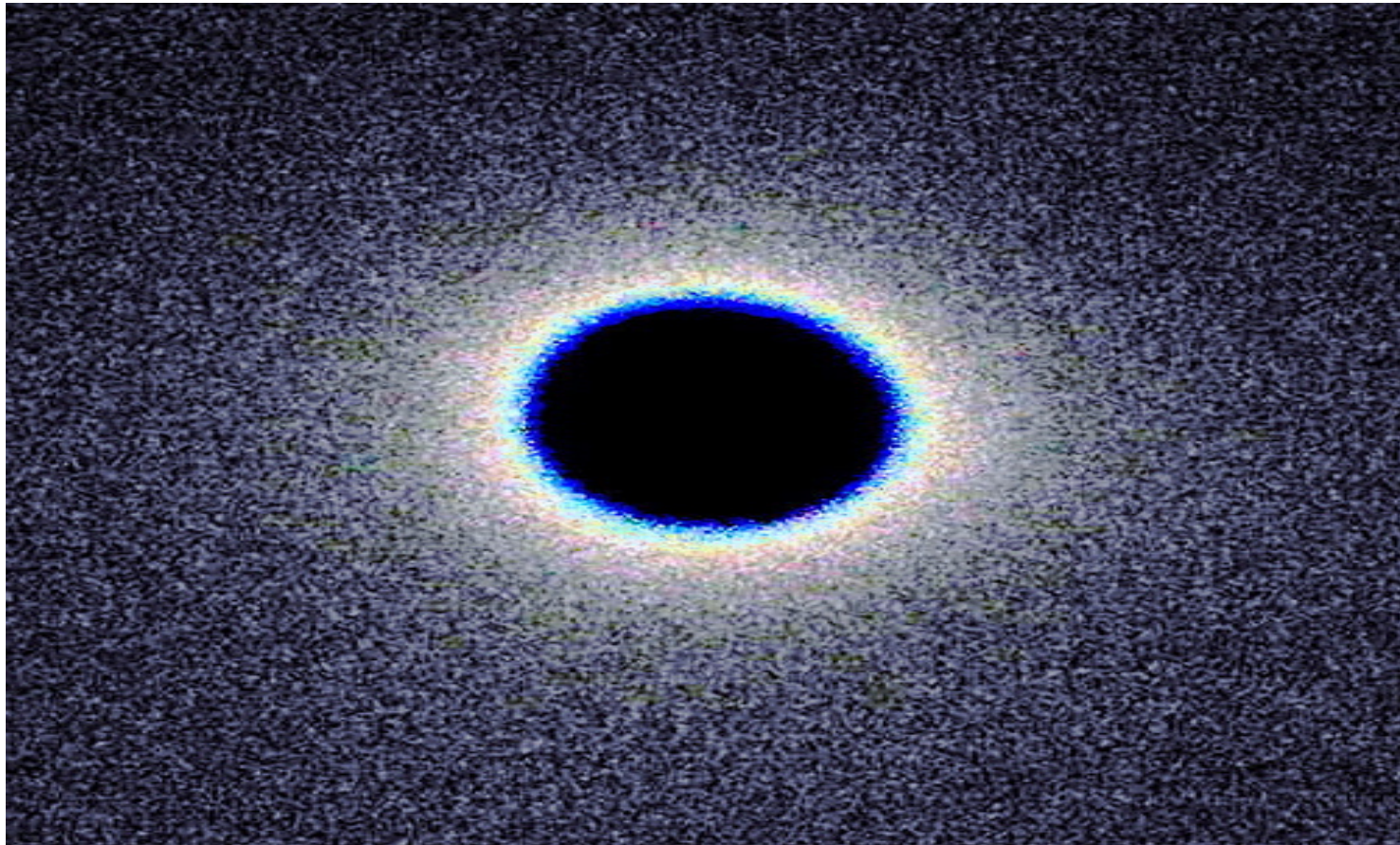
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Ward and Smith Patent Attorney
Serves as outside patent counsel to
pharmaceutical and biotechnology
management teams and universities where
she engages in the formulation and
implementation of global patent strategies

The Black Hole of Intellectual Property



IP Rights Comparison and Identification

	Patents	Trademarks	Copyrights	Trade Secrets
Protects	Inventions	Designations of origin	Expressions of ideas	Information used in business
Applicable U.S. law	Federal, Statutory	Federal and State, Statutory and Common Law	Federal, Statutory	Federal and State (Statutory and Common Law)
Registration	Required	Optional	Optional	No
Requirements	New, useful, and unobvious	First to use, distinctiveness	Originality	Confidential, used in business
Exclusive rights start	Upon issuance of the patent	Common law: upon use. Registrations: upon issuance.	Upon fixing in a tangible medium of expression	Upon creation
Term of exclusivity	20 years from filing, not renewable	Common law: as long as used. Registrations: 10 years, renewable.	Varies, but 70 years at a minimum	Indefinite if maintained secret
Pros	Strong rights. Covers independent developments by others	Some rights accrue automatically with use.	Rights accrue automatically. Inexpensive.	Lasts forever, so long as kept secret. Inexpensive.
Cons	Must disclose. Give up secrets. Expensive to procure, maintain, and enforce.	Need to police infringements or may lose rights.	Easy to design around. Does not cover independent developments by others.	Hard to keep a secret. Does not cover independent developments by others.



IP Rights Converge

- Coca-Cola is a classic example of overlapping IP protection:
 - Federal trademark registration obtained on name in 1893 and contour bottle in 1960, enabling safeguarding of name and bottle design indefinitely.
 - Use of copyright has been invoked for advertising and promotion materials.
 - The Coca-Cola formula has remained one of the world's top trade secrets.
 - Design patent first granted in 1923 for the "hobble skirt contour bottle" (that was recognizable even in the dark). Patent had limited life.

The image shows the classic Coca-Cola logo in its signature script font. The letters are black with a white outline, and the 'C's are particularly large and stylized. The logo is positioned in the bottom right corner of the slide.

Secure IP Ownership

Who owns what?

Current Employees

Vendors

Subsidiaries

Parent Company

Independent Contractors

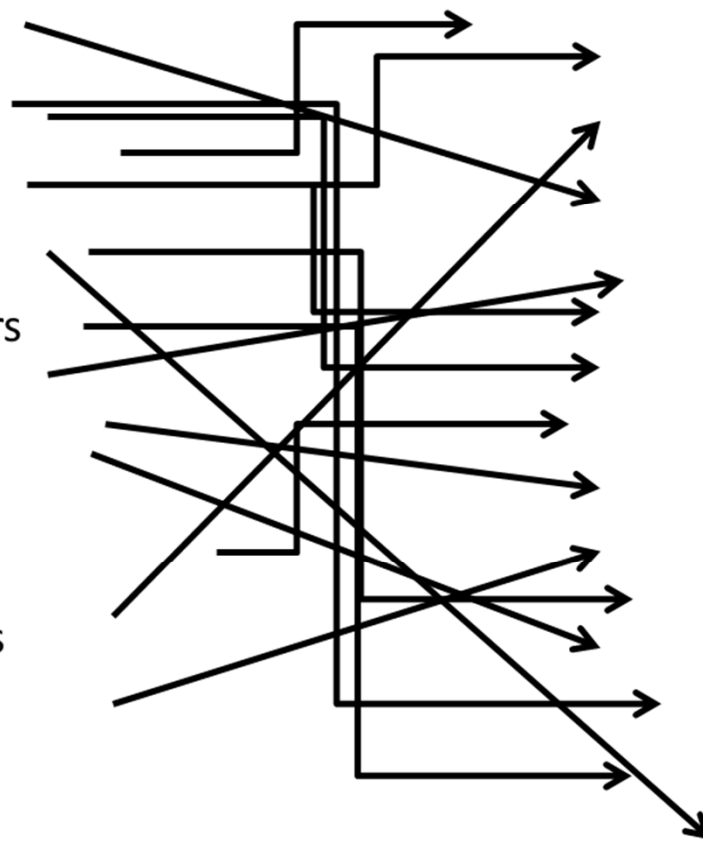
Customers

Prior Employees

Public Domain

Advertisement Agencies

Social Media Platform



Domain Name

Website Layout

Company Name

Product Packaging

Photographs

Customer Lists

Formulas

Inventions

Social Media

Software

Designs

Company Logo/s



Trademarks

- Trademark Identification and Selection
 - Avoid using descriptive (misdescriptive)/generic trademarks
 - Ensure proper screening and availability
 - Logo ownership
- Trademark Use
 - Understand scope of trademark rights (common law vs. registration)
 - Comparative Advertising
 - Licensing and Co-Existence Agreements
- Trademark Enforcement
 - Ensure all marks are appropriately monitored and enforced to avoid losing trademark rights
 - Cyber squatters



Domain Registrations and Social Media Accounts

- The policies for domain name and social media account registrations (first-come, first-served) do not correspond with the traditional rules for the creation of trademark rights (first to use).
- There is no requirement that domain registrars or social media companies check or confirm trademark ownership prior to issuing a domain registration.



Copyright Considerations

- Most copyright infringement is unintentional, but this does not mean there is not liability.
- Paying a third-party to create material does not result in copyright ownership and use can result in infringement.
- License Restrictions and Rights Management Companies
- Joint Ownership Issues



Common Copyright Misconceptions

- Material posted without a copyright notice is not protected by copyright law.
- Copyrights must be registered with the federal government.
- Publically available materials (e.g., materials on the internet) are in the Public Domain and free to use.
- Physical ownership of a work is the same as owning the copyrights.
- Attributing to the author is sufficient.



Trade Secrets

Three components of a trade secret:

- Information (formulas, processes, recipes, etc.)
- Derive economic value from not being generally known (has a competitive advantage by not being known to others)

AND

- Owner has made reasonable efforts to keep secret



Trade Secrets

Defend Trade Secrets Act of 2016 ("DTSA")

- The DTSA amends the federal Economic Espionage Act of 1996 (EEA) to now provide trade secret owners a private right of action to sue in federal court for misappropriation of a trade secret not just the US Attorney General.
- DTSA includes an immunity provision for whistleblowers who disclose confidential information to the state or federal government solely for the purpose of reporting or investigating a suspected violation of the law.

Uniform Trade Secrets Act ("UTSA")

- Virtually all states have adopted a portion of or modified version of the Uniform Trade Secrets Act.

North Carolina Trade Secrets Protection Act

"Trade secret" means business or technical information, including but not limited to a formula, pattern, program, device, compilation of information, method, technique, or process that:

- a. Derives independent actual or potential commercial value from not being generally known or readily ascertainable through independent development or reverse engineering by persons who can obtain economic value from its disclosure or use; and
- b. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.



Trade Secrets

Reasonable precautions should be taken to guard the trade secret

- Written policies
- Confidentiality agreements
- Confidentiality/proprietary labeling
- Code names
- Restricted access or "Need to Know" basis
- Proper notification of Government agencies

Protection is lost when the trade secret becomes publicly known.

Remedies for infringement of a trade secret include damages, profits, reasonable royalties, and an injunction.



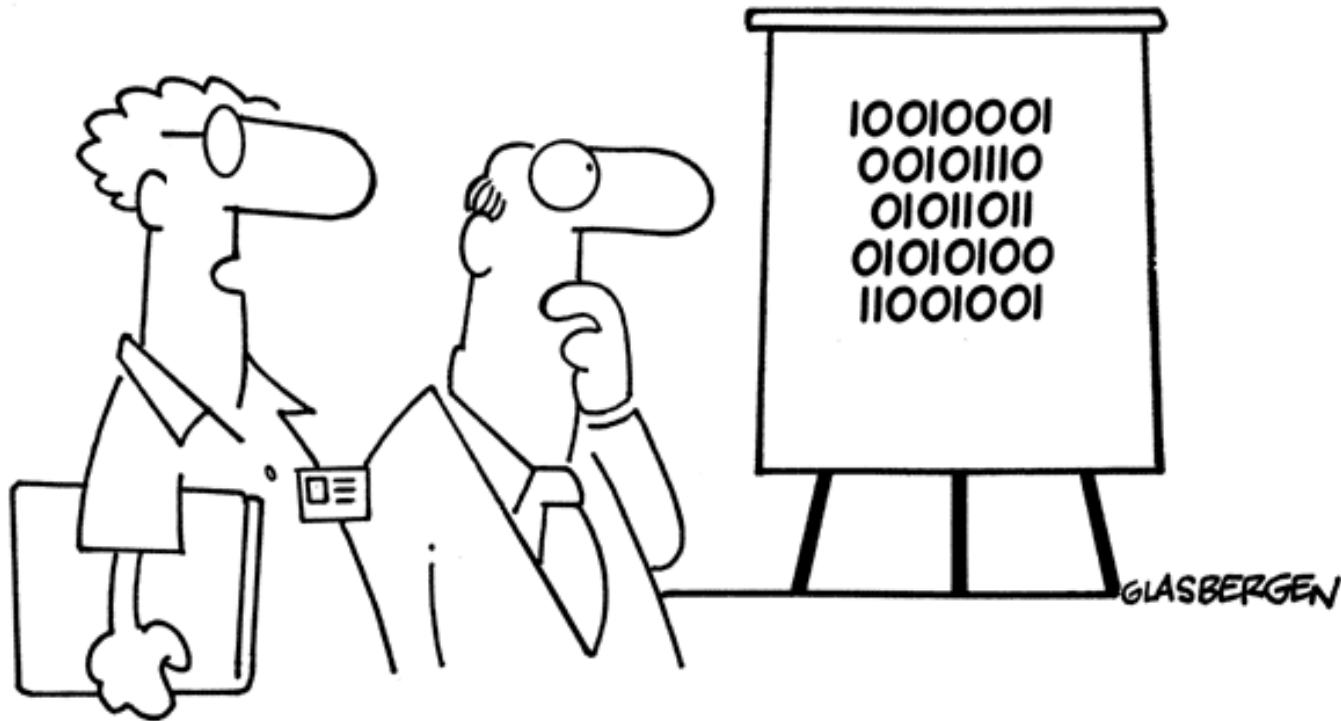
Trade Secret Dangers

- The trade secrets are not documented and are just residing in the employees' heads.
- Minimal or no efforts to maintain trade secret information as secret.
- Lack of trade secret policy or, if a policy exists, the employees not familiar with them.
- Employee agreements without appropriate confidential information/trade secret provisions.
- Use of vendors and contractors without appropriate confidentiality agreement.



Trade Secret Dangers

Copyright 2003 by Randy Glasbergen.
www.glasbergen.com



**“We’ve devised a new security encryption code.
Each digit is printed upside down.”**



Patents

The
United
States
of
America



The Director of the United States Patent and Trademark Office

Has received an application for a patent for a new and useful invention. The title and description of the invention are enclosed. The requirements of law have been complied with, and it has been determined that a patent on the invention shall be granted under the law.

Therefore, this

United States Patent

Grants to the person(s) having title to this patent the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States of America or importing the invention into the United States of America for the term set forth below, subject to the payment of maintenance fees as provided by law.

If this application was filed prior to June 8, 1995, the term of this patent is the longer of seventeen years from the date of grant of this patent or twenty years from the earliest effective U.S. filing date of the application, subject to any statutory extension.

If this application was filed on or after June 8, 1995, the term of this patent is twenty years from the U.S. filing date, subject to any statutory extension. If the application contains a specific reference to an earlier filed application or applications under 35 U.S.C. 120, 121 or 365(c), the term of the patent is twenty years from the date on which the earliest application was filed, subject to any statutory extensions.

James W. Dudas

Director of the United States Patent and Trademark Office



Patents

Types of Patents in the U.S.

- Utility Patents
 - Covers new and useful machines, processes, or compositions of matter (structural or functional features)
- Design Patents
 - Covers new, original and ornamental design for an article (ornamental features of appearance)
- Plant Patents
 - Covers new varieties of asexually reproduced plants



Patents

Utility Patent

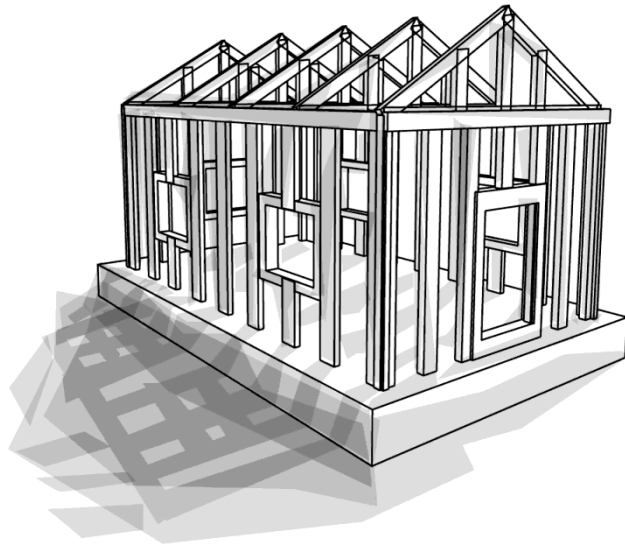
- Directed to the structure and functionality of an invention
 - Provisional U.S. applications
 - Are not examined for issuance as a patent
 - Reserves filing date for 12 months
 - Can be very informal, and therefore filed quickly
 - Protection only for what is disclosed
 - "Regular" U.S. applications
 - May claim priority to one or more provisional applications
 - Includes "continuing" applications-- Continuations and Divisionals
 - Successful prosecution results in a patent



Patent Basics

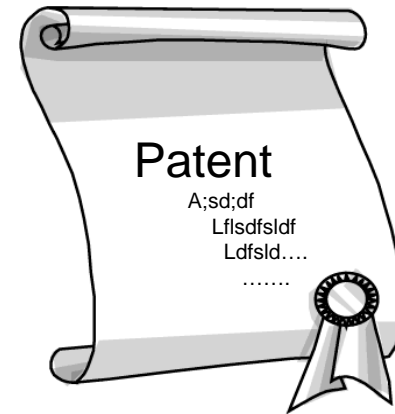
Provides a right to exclude

Not a right to "do" but rather a right to "exclude." Say what?!



Deed to home allows you to:

- Exclude others, and
- Live there



Patent allows you to:

- Exclude others



Patent Basics

Claims define property right

- Focus on what you can prevent others from doing
- Claims can be much narrower or much broader than the "invention"

Geographic limitations

- Patent right covers making, using, offering to sell, selling, importing, and exporting components for use/assembly abroad
- Generally, must patent in each country



What Can be Patented?

Patent-eligible subject matter

"any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof"

Non-eligible subject matter

- Laws of nature (*e.g.*, law of gravity)
- Natural phenomena (*e.g.*, wild animal)
- Abstract ideas (*e.g.*, unapplied mathematical algorithm)

*Natural principles and naturally occurring products



Patents

T. A. EDISON.
Electric-Lamp.

No. 223,898. Patented Jan. 27, 1880.

Inventor
Thomas A. Edison
for Lemuel W. Serrell

WITNESSES:
Charles Smith
Geo. P. Mackay

B. B. OPPENHEIMER.
Fire-Escape.

No. 221,855. Patented Nov. 18, 1879.

WITNESSES:
Henry N. Miller
C. Sadgorick

INVENTOR:
B. B. Oppenheimer
BY *Merrill*
ATTORNEYS.



Patent Issuance

- Patent term begins at issue and terminates 20 years from filing date (plus any PTO-based adjustment or Patent Term Extension)
- Patent Term Adjustment (PTA)
 - Patent term is extended for PTO delays beyond certain limits.
- Patent Term Extension (PTE)
 - Restores some of the time lost while awaiting premarket government approval from a regulatory agency.
- Maintenance fees are due in the first three 4-year intervals after issuance
 - 3-3½, 7-7½ and 11-11½ years after issuance.



Why Seek Patent Protection?

- **Exclude others from marketing the product or method of use**
- **Force competitors to design around patent**
 - Add cost to their product development efforts
 - Prevent competitors from practicing invention even if you choose not to practice it
- **License rights to make, sell or use the product**
 - Generate royalty income
 - Bargaining chip in licensing with competitors (cross-license)
- **Build value (real or perceived) of company**
 - Asset to license or sell
 - Investors
- **Stake a claim prior to non-confidential discussions**
- **Create perception of innovation**
 - ("our patented product")



Considerations for not Pursuing Patent Protection

- Patentability issues (*e.g.*, obviousness issues)
- Cost
- Easily designed around/equally sound techniques in the prior art
- Narrow protection
- Low sales/volumes predicted
- Value is of limited duration – technology may become obsolete in a short time
- More beneficial to maintain as a trade secret
 - Duration of a trade secret is potentially unlimited



General Patent Filing Strategy

- Protect Key Inventions Broadly
- Selective Filing on Less Key Inventions
- Limit or Don't File Foreign When:
 - No commercial product
 - Other design options exist
 - Limited sales in foreign jurisdictions
 - Limited resources
- Consider When and Where Protection Valuable
 - Some countries have extended prosecution or may not be realistic enforcement options at this time



Patents - Timing

- There are strict time deadlines for establishing patent rights, which if missed may result in the irreversible loss of patent rights
 - U.S. allows a one-year grace period after disclosure and offer for sale
- Most foreign countries are absolute novelty
 - Public disclosure (written or oral) bars patenting
- U.S. and most foreign countries are now first-to-file systems



Patents - Ownership

- A company's patent may be one of, if not its most, valuable asset, but only if the company actually owns the patent!
- The inventor(s) is presumed to be the initial owner of a patent or patent application until otherwise assigned.



Patents - Ownership

- Ensure you own what you think you own!
 - Inventions developed prior to company formation
 - IP assignment clauses in employment agreements and contracts with third parties (vendors, consultants, or other contractors)
 - Properly record all assignments with U.S. Patent and Trademark Office ("USPTO") showing a clear chain of title going back to the inventors



Patents - Ownership

- Failure to do so may result in the loss of a valuable asset, inability to enforce the patent against competitors, and/or having to pay significant sums to later acquire the patent rights





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Thank you for joining us!