

ACS Small & Medium Business Webinar Series

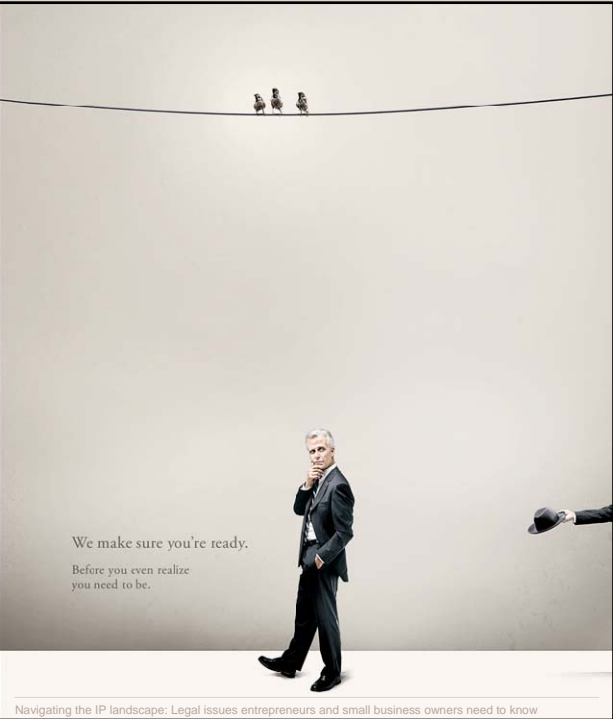
*Navigating the IP landscape: Legal issues entrepreneurs
and small business owners need to know*

Gianna Arnold | Webinar | November 19, 2009

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growing a business
can be an exciting
yet perplexing time...**

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you need to be.

Navigating the IP landscape: Legal issues entrepreneurs and small business owners need to know

Intellectual Assets

The majority of assets for the innovation based company are intangible. Examples include:

- Information (market lists, etc).
- Know-how.
- Innovation(s).
- Branding/Good will.



How Can Intellectual Assets Be Used?

Possibilities include:

- Freedom to operate & Barrier to other's entry.
 - ▶ Are you free to use or do what it is you wish?
 - Defensive Disclosure.
 - ▶ What barriers do you see?
 - Market, Government, etc.
 - ▶ Can you get over/around the barriers?
 - License, design around?
 - ▶ Can you keep others from using or doing the same thing?
- Revenue generation.
 - ▶ Licensing – Product sales.
- Accrue/preserve goodwill.
 - ▶ Branding.

This requires a Knowledge Strategy.



Developing the Knowledge Strategy

Considerations related to the Knowledge Strategy include:

- Protecting Intellectual Assets.
- Monitoring/Enforcing Intellectual Assets.
- Leveraging Intellectual Assets.
- Competitive Intelligence.
- Disclosure and Evaluation of Inventions.
- Employment Issues.
- Educating Employees.



Knowledge Strategy

Intellectual Asset Protection Tools:

- Patent.
- Copyright.
- Trademark.
- Trade Secret.
- Contract.



Patent

- Purpose: Protect one's intellectual work product from unauthorized use by others.
- Source: Article 1, section 8, clause 8.
- Term: 20 years from filing.
- Subject Matter: Useful Arts.
- Defenses: Non-infringement, invalidity, fraud.
- Pro: Prevents free riders and independent originators, furnishes strongest protection from competition.
- Con: Most difficult to get, limited duration, time bars, costly (time and money) to procure and to enforce.



Copyright

- Purpose: Protect one's intellectual work product from unauthorized use by others.
- Source: Article 1, section 8, clause 8.
- Term: 70 yrs > death of last author, or if work for hire, 120 yrs from creation date.*
- Subject Matter: Original works of authorship fixed in any tangible medium.
- Defenses: Invalidity, non-infringement, independent origin, non-forbidden use, fair use.
- Pro: Long term, low cost, protection once in tangible form.
- Con: ≠ ideas, ≠ facts, ≠ independent originators.



Trademark

- Purpose: Protect a company's goodwill.
- Source: Article 1, section 8 clause 3 and state/common law - US Code, Title 15, Chapter 22CFR, Title 37, Chapter I – TMEP.
- Term: Perpetual as long as the mark is used in commerce and registration is appropriately renewed.
- Subject Matter: Generally a name or a shape.
- Defenses: Invalidity, non-infringement, unclean hands, no likelihood of confusion.
- Pro: Could last forever, low cost.
- Con: Does not exclude others from copying so long as copying is not likely to cause confusion



Trade Secret

- Purpose: Protect one's intellectual work product from unauthorized use by others.
- Source: State/common law.
- Term: Potentially perpetual.
- Subject Matter: Useful arts and business information.
- Defenses: Independent origin.
- Pro: Could last forever, easiest to get (must take reasonable measures to ensure secrecy).
- Con: Weakest protection, no protection against independent creators.



Contract

- Purpose: An enforceable promise.
- Source: Mostly state and common law, but also federal law in some instances.
- Term: Generally defined by contract terms.
- Subject Matter: Any intellectual property.
- Defenses: Breach, antitrust violation, fraud.
- Pro: Ability to craft contract terms to suit particular situation.
- Con: Difficulty in negotiations, uncertainty of language.



Marking Requirements

- Patent: To Obtain Damages There Must be Either Actual or Constructive Notice That the Item/Method is Patented.
- So how do you mark?
 - ▶ U.S. Pat. Ser. No. X,XXX,XXX
 - ▶ Patent Pending, Ser. No. XX/XXX,XXX
- Copyright: Innocent Infringer Defense - No Liability for Infringement Occurring Prior to Notice.
- So how do you mark?
 - ▶ © Company Name, Inc. date of 1st publication
 - ▶ Copyright, Company Name, Inc. date
- Trademark: To have rights: marks must be "In Use" e.g. actually affixed to goods, or displayed in the sale or advertising of services. Mark can go generic or be deemed abandoned.
- So how do you mark?
 - ▶ Only federally registered marks may be designated ®
 - ▶ TM or SM is used to designate common law or state rights.
 - ▶ TM is used with a trademark; e.g. the mark represents a good such as a widget. SM is used with a service mark; e.g. the mark represents a service.



Proper Use - Marks

Trademark:

- The word must be properly spelled, punctuated, spaced and marked.
 - ▶ For example: Zoinks™
- Use the mark as an adjective followed by the generic product name. A mark is not a noun.
 - ▶ Correct: Zoinks™ data transmission is improving the quality of health care.
 - ▶ Incorrect: Zoinks is improving the quality of health care.
- Use the mark consistently, as each deviation creates a new, different mark. Do not use hyphenated variations or combine the mark with other words.
 - ▶ Correct: I then access the records using Zoinks™ data transmission.
 - ▶ Incorrect: I zoinks -access my records.



Proper Use - Marks

Trademark – Cont.:

- Use the mark distinctively (e.g., capitalize it or use a different font, style or color). A mark should always be written in a manner that distinguishes it from the rest of the text.
 - ▶ Correct: Zoinks™ technology.
 - ▶ Incorrect: zoinks technology.
- Do not use the mark in the plural or possessive form.
 - ▶ Correct: Zoinks™ data transmissions are private and secure.
 - ▶ Incorrect: Zoinks' data transmissions are private and secure.
- Do not use the mark as a verb. Marks are proper adjectives and should never be used as verbs.
 - ▶ Correct: The Zoinks™ data transmissions are more secure than alternate data transmissions.
 - ▶ Incorrect: I Zoinksed my account.



Contract

Strategic Alliance:

- An agreement between two or more entities stating that the involved parties will act in a certain way to achieve a common goal.
- Often entered into for:
 - ▶ Revenue generating
 - ▶ Access to Technology
 - ▶ Access to \$\$\$



Strategic Alliance Examples

- Technology license.
- Technology asset purchase.
- Clinical research.
- Joint research.
- Sponsored research.
- Cooperative research.
- Cooperative research & development.
- Distribution.
- Value Added Reseller.
- Material transfer.
- Joint development.
- Clinical Trial.
- Product Development.
- Assignment.



Strategic Alliance

For more meaningful negotiations:

- Establish realistic objectives and expectations.
- Establish clear lines of communication between parties and identify contract liaisons.
- Keep costs down by reaching an agreement in principle prior to reducing the agreement to writing.
- Identify the needs/goals of the other party – determine what is and is not negotiable.
- Understand your BATNA (best alternative to a negotiated agreement) – at what point do you walk away.
- One size does not fit all - use templates with caution.
- Negotiation may be constrained due to:
 - ▶ statutory and/or regulatory constraints.
 - ▶ your agreement may be a component within a larger relationship.
- Maintain an executed contracts file.



Employment Issues

- Preserve IP rights, avoid litigation
- Review corporate policies prior to hire
- Employee Agreement
- Ownership/assignment of IP rights.
- Confidentiality.
- Duties & responsibilities
- Policies re termination
- Employee Manual
- Corporate Policies
- Agreements with 3rd Parties



Educating Employees

- Entrance interview.
 - ▶ Briefing re policies, procedures, practices.
 - ▶ Trade secret issues.
- Periodic Seminars
 - ▶ Directed information to select audience.
 - Marketeers
 - Innovators
 - ▶ Confidentiality of proprietary information.
 - ▶ Guidelines re public disclosure.
 - ▶ Research documentation.
 - ▶ Marketing proprietary technology.



Confidentiality

- Why is this important?
 - ▶ Every disclosure gives others insight into the company, insight that they can use to their competitive advantage.
 - ▶ Every disclosure provides a risk to the protection and maintenance of intellectual property.
- Patent.
 - ▶ Time bars.
 - ▶ Strict novelty.
- Trade Secret.
 - ▶ Without confidentiality all rights are gone.
 - ▶ Duty to maintain reasonable level of secrecy.



Confidentiality

How:

- Non-disclosure agreements.
- Non-compete agreements.
- Procedures and policies in place to maintain secrecy.



Marketing Proprietary Information

Market Carefully:

- Ensure that patent applications are filed prior to disclosures OR offers to sell.
- Maintain brand recognition.
- Maintain the edge - keep confidential information confidential.
 - ▶ Want the customer to buy your product/service.
 - ▶ Do not provide the customer with so much information that they can provide the product/service to themselves.
- Do not unwittingly provide information to competitors.



Primary Goals

Goals:

- Protect yourself – Protect your assets.
- Preserve options – While deferring and controlling costs.
- Enforce.
 - ▶ Monitor others – Monitor yourself.
- Maximize ROI.
- Encourage creativity and disclosure within company.
- Diligence those that you deal with.
- An overall strategy.
- Use IP tools in coordination with one another.
- Periodic cost benefit analysis.
- If it is worth protecting it is worth monitoring, leveraging and/or enforcing.



Strategic Plan Review

The Plan is not Static – Review Includes:

- Evaluate scope, nature, strength, weaknesses of IP portfolio.
- Correct innovations being protected?
- Return on investment being maximized?
- Options being preserved?
- Limitations on use of technology due to government regulations?
- International opportunities being exploited?
- Appropriate employment policies in place?



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PRESENTER PROFILE

Gianna Arnold is a Principal with Miles & Stockbridge and is a member of the Corporate, Intellectual Property, and Life Sciences practice groups. Gianna is an experienced entrepreneur and corporate executive, having first hand knowledge and practice in matters such as formation, financing, business development, and merger/acquisition. Her experience and education focused on the intersection of science, business, and law. Gianna's practice directed to applying the policies, procedures and corresponding agreements needed to protect the intellectual assets of start-up and early stage companies.



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