

Understanding Intellectual Property Law

IP Strategy Group

May 8, 2002

Dave Ashby

<http://ipstrategygroup.com>

© 2002 IPSPG, P.C.

What's The Big Deal?

- Intellectual Property Is An Important Corporate Asset
 - 78% of S&P 500 value is intellectual assets (PWC) – April 2000
 - Startups with strong patents have 23% greater chance of striking deals with incumbents (NCPA) – 2001 study
- Intellectual Property Increases Company Valuation
 - Particularly in Financing Rounds, Acquisition or IPO
- Intellectual Property Provides Exclusivity in Certain Products, Services, Markets or Geography
 - Reduced Competition
 - Higher Profit Margin on Products and Services
- Intellectual Property Allows The Company Freedom To Operate
 - Less Chance of Becoming a Infringement Defendant
 - Better Ability to Cross-license Rather Than Pay License Fees
- Intellectual Property Can Be a Source of Licensing Revenue
 - License Non-core Technology To Others

Intellectual Property Law Overview

- Patents (Federal Law)
 - Protects Structure and Function
 - Foreign Countries (country by country)
- Trade Secrets (State Law)
 - Economic Value From Not Being Generally Known
 - Subject of Reasonable Steps To Maintain Secrecy
- Copyrights (Federal Law)
 - Protects Expression Only
 - Must Register Within 3 Months of First Publication to Retain All Rights
- Trademarks (Federal and State Laws)
 - Protects Established Relationship Between Seller and Buyer
 - Includes Provisions Prohibiting Unfair Competition

Patent Law

- Legal Basis
 - US Federal Law (based on US Constitution)
 - Foreign Laws (country by country, can also include utility models)
 - Patent Cooperation Treaty (international treaty, notable exception Taiwan)
- Applies to Structure
 - Machines and Computers
 - Software Structures
 - Chemical Compositions
- Applies to Function
 - Process Methods
 - Software Functions
 - Business Methods (sort of)
- Duration (Most Countries)
 - 20 Years From Earliest Priority Date
 - Must Pay Maintenance Fees to Keep Patent Enforceable

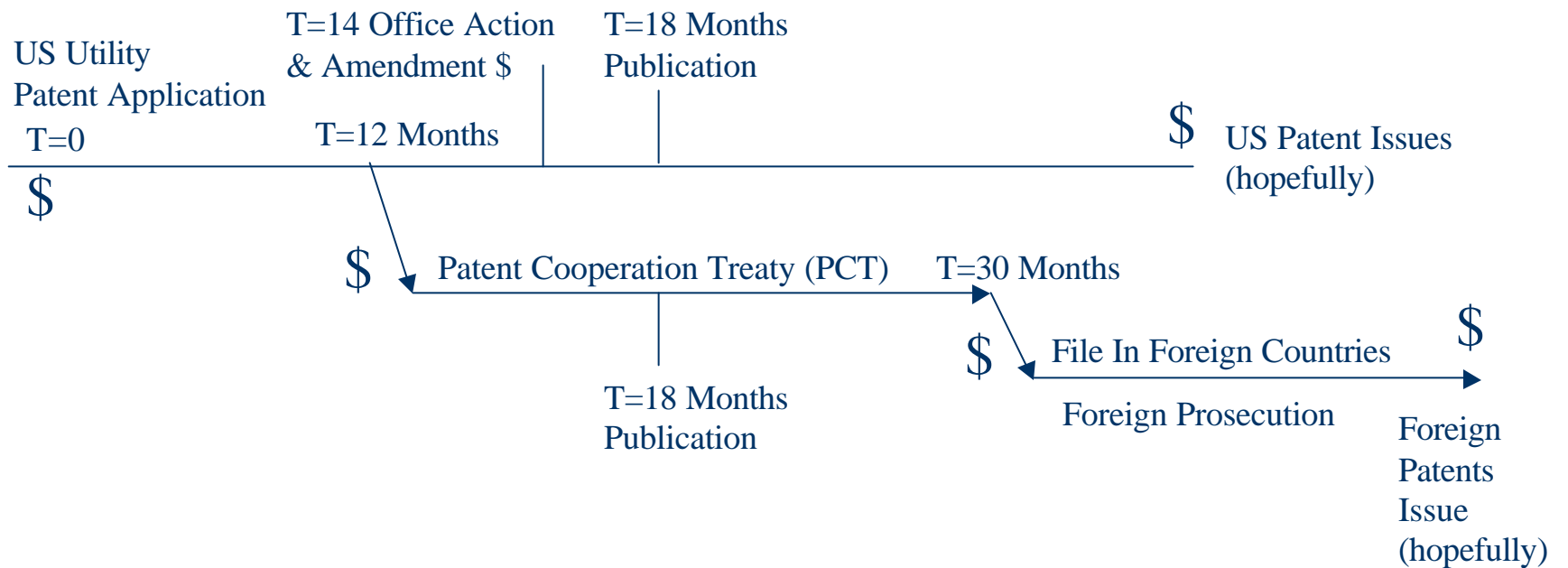
Patent Law Requirements

- Utility
 - Must Be Patentable Subject Matter, Prior Slide
- Novelty
 - Must Be Different Than Prior Art
- Non-Obvious
 - Must Not Be Obvious to One of Ordinary Skill in the Art With Access to Prior Art
- Timely
 - Conception + Diligence In Pursuit of Reduction To Practice (actual or constructive)
 - Patent Application Filed Before Prior Art Prevents Patentability
- Completeness
 - Patent Application Description Must Satisfy Completeness Requirements
 - Teach a Person of Skill in the Art to Make and Use the Invention

Patent Procedures

- Intellectual Property Guidelines
 - Inventor Completes an Invention Disclosure
 - Inventor Forwards the Disclosure to the Patent Review Committee
 - PRC Meets Regularly to Review Submitted Disclosures
 - PRC Decides How to Proceed With Disclosure
 - Mark Products (e.g. with patent numbers) To Preserve All Potential Legal Damages
- Patent Award Program
 - Employee Incentives to Submit Invention Disclosures
 - Rewards Employees Who Submit Invention Disclosures That Lead to Patentable Inventions

Patent Timeline Estimation



Trade Secret Law

- Legal Basis
 - State Law
 - Uniform Trade Secrets Act
 - Adopted By Most States, but May Vary From State to State
- Legal Definition
 - Economic Value From Not Being Generally Known
 - Subject of Reasonable Efforts to Maintain Secrecy
- Applies To
 - Machines, Methods, Processes
 - Customer Lists, Business Information
- Duration
 - Indefinite (e.g. Coca-cola formula)
 - Product Capable of Reverse Engineering Has Short Duration
 - Product or Process Not Capable of Reverse Engineering May Have Long Duration

Copyright Law

- Legal Basis
 - US Federal Law (based on US Constitution, conformed to Berne Convention)
 - Foreign Laws (most countries belong to the Berne Convention)
- Applies to Expression in a Fixed Medium
 - Written Documents & Pictures, Sound Recordings, Sculptures
 - Not Ideas or Functions
 - Software (decomposition, filtration & abstraction test)
- Prohibitions
 - Cannot Copy From, Derive From or Perform Copyrighted Subject Matter
 - Fair Use Exception (e.g. libraries, teaching)
- Duration
 - Individual – Life of Author + 70 Years
 - Corporation (work for hire)
 - Published – 95 Years From Publication
 - Unpublished – 120 Years From Creation

Copyright Law – Work For Hire

- A "work made for hire" is-
 - (1) a work prepared by an employee within the scope of his or her employment; or
 - (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.
 - For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

Copyright Law – Fair Use

- There are no clear-cut rules for deciding what's fair use and there are no "automatic" classes of fair uses. Fair use is decided by a judge, on a case by case basis, after balancing the four factors listed in section 107 of the Copyright statute. The factors to be considered include:
 - The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes -- Courts are more likely to find fair use where the use is for noncommercial purposes.
 - The nature of the copyrighted work -- A particular use is more likely to be fair where the copied work is factual rather than creative.
 - The amount and substantiality of the portion used in relation to the copyrighted work as a whole -- A court will balance this factor toward a finding of fair use where the amount taken is small or insignificant in proportion to the overall work.
 - The effect of the use upon the potential market for or value of the copyrighted work -- If the court finds the newly created work is not a substitute product for the copyrighted work, it will be more likely to weigh this factor in favor of fair use.

Copyright Law – Fair Use

- What's been recognized as fair use?
 - Criticism, comment, news reporting, teaching, scholarship, research and parodies.
 - In addition, in 1984 the Supreme Court held that time-shifting (for example, private, non-commercial home taping of television programs with a VCR to permit later viewing) is fair use. (*Sony Corporation of America v. Universal City Studios*, 464 U.S. 417 (1984, S.C.))
 - Space-shifting or format-shifting - that is, taking content you own in one format and putting it into another format, for personal, non-commercial use. For instance, "ripping" an audio CD (that is, making an MP3-format version of an audio CD that you already own) is considered fair use by many lawyers, based on the 1984 Betamax decision and the 1999 Rio MP3 player decision (*RIAA v. Diamond Multimedia*, 180 F. 3d 1072, 1079, 9th Circ. 1999.)
 - Making a personal back-up copy of content you own - for instance, burning a copy of an audio CD you own.

Trademark Law

- Legal Basis
 - US Federal Law (based on US Constitution) & State Law
 - Intended to Recognize Relationship Between Seller and Buyer
 - Federal Registration Grants Certain Rights, Remedies and Defenses
 - Foreign Laws (country by country)
 - International Treaty Allows 6 Month Time to Foreign File
- Federal Law
 - Can Register, But Not Required for Enforcement (but registration adds rights)
 - Includes Both Trademarks & Service Marks (no distinction other than classification)
 - Federal Registration Provides Nationwide Constructive Use
 - Intent To Use Application Provides Nationwide Constructive Use
- State Law
 - Can Register, But Typically Not Required for Enforcement
- Foreign Laws
 - EP Community Trademark

Federal Trademark Law

- Categories of Trademarks & Service Marks
 - Arbitrary or Fanciful (strongest mark)
 - New Word (e.g. Pepsi, Chevy)
 - Registration on Principal Register
 - Suggestive
 - Suggestive Word (e.g. AutoTown, KnowledgeGate)
 - Registration on Principal Register
 - Descriptive
 - Descriptive Word or Phrase (e.g. Best Beer in America)
 - Registration on Supplemental Register
 - Can Petition For Principal Register After 5 Years of Exclusive Use
 - Generic
 - Generic (e.g. Hot Water)
 - Cannot Register
- Trademark Marking
 - Use “TM” Until Registered, Once Registered Use “®”