



## Intellectual Property Law

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### Importance of Intellectual Property ("IP") to a Company

- ▣ Increasingly important as a business asset
- ▣ May constitute the most valuable asset in early stage technology based companies




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### Why Do Companies Care About IP?

- ▣ Freedom to Operate - make sure someone else's IP will not prevent your company from carrying out its business objectives
- ▣ Competitive Advantage - protect your company's IP so it can be used to gain a competitive advantage in the marketplace through precluding others from utilizing the IP




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## Ways to Protect IP

- ❏ **Copyrights** - original works of authorship, including software
- ❏ **Trademarks** - word, symbol or device that identifies the source of goods
  - ❏ Company logos
- ❏ **Patents** - right to exclude others from making, using, or offering for sale the invention
- ❏ **Trade Secrets** - secret information that gives owner a competitive advantage
  - ❏ KFC's secret recipe



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## Hershey Kisses

This candy holds:

- ❏ A trademark for its shape (#1,584,608)
- ❏ A patent for its method of reducing fat levels in cocoa used (#5,464,649)
- ❏ A copyright for commercials made to advertise (PAU-697-741)
- ❏ A trade secret on its recipe for producing the milk chocolate candy



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## Copyrights - Original Works of Authorship

- ❏ A copyright is a form of protection offered by the government for "original works of authorship"
- ❏ Copyrightable works include:
  - ❏ *Software*, advertisements, art work, sculptures, photographs, speeches, teaching materials, etc.
- ❏ Fixed in a Tangible Medium of Expression
  - ❏ Can't be an impromptu work, it must be fixed
- ❏ It is the expression of an idea, *not the idea itself* that can be copyrighted



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### Copyrights

- Exclusive Rights of Copyright Owner
  - Reproduction
  - Prepare derivative works
  - Distribute copies
  - Public performance or display



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### Copyrights - Ownership of Work of Others

- Employers – gain copyright over works of employees if the work was created *within the scope of employment*
- Works for Hire – company commissioning the work becomes the owner
- Prudent to document these issues in a signed agreement as well



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### Copyrights - How to Gain Protection

- Protection exists from the date the work is created in fixed form even without publication or registration
- Marking a work with the © symbol provides notice to the world that the work is protected but is not required for newer works
- Registering a work with the U.S. Government provides the highest degree of protection, allowing for the recovery of statutory damages in addition to injunctive relief



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## Trademarks - Source of goods

- ▣ Trademark: a word, symbol or device that identifies and distinguishes the *source of goods* of one party from those of others
  - ▣ Service Mark - similar to trademark except that it identifies services as opposed to goods
- ▣ Allows first actual or constructive (i.e. federally registered) user to *prevent others from using the trademark* for goods or services on same or related goods or services



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## Trademarks - Items That Can be Protected

- ▣ Can protect:
  - ▣ product names and logos
  - ▣ the name Nike and the Nike swoosh
  - ▣ sales slogans
  - ▣ container shapes and distinctive packaging
    - ▣ Shape of a Coke bottle
  - ▣ Sounds
    - ▣ Intel chime



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## Trademarks - Obtaining and Keeping

- ▣ Perform a Search
  - ▣ Make sure the potential trademark is not already being used
- ▣ Avoid generic or descriptive terms
  - ▣ Arbitrary marks that have no relation to the product stand the best chance of being recognized as a mark
- ▣ Make wide use of the trademark and make sure that it is used and marked properly
- ▣ Register your trademark at the federal and state levels



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## Patents - Definition

- ❑ RIGHT TO EXCLUDE others from making, using, selling, or offering for sale the invention in the U.S. or importing the invention to the U.S.
- ❑ Can have a patent but not be able to use the invention if it would infringe on another patent
- ❑ Generally US patents last 20 years from when application filed with USPTO



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## Patents - Requirements

- ❑ Useful and fit into one of the following categories:
  - ❑ Process, machine, manufacture, composition of matter, ornamental design, or biological plant
- ❑ Novel - must not already be in the public knowledge or in public use
- ❑ Nonobvious in the view of prior art and knowledge to a person having an ordinary level of skill in the pertinent area



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## Patents - Issues Prior to Filing Application

- ❑ Is there already a patent or a patent pending for a similar device?
- ❑ What is the life-span of the invention?
  - ❑ A short life-span may make a patent impractical (i.e. software)
- ❑ Is a patent the appropriate protection?
  - ❑ Would disclosing the information required to patent give an advantage to competitors?
  - ❑ Would company goals be better served by holding the information as a trade secret?



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## Patents – Prior to Filing Application

- ❑ US a first to invent country (rest of world first to file)
- ❑ Documenting date of invention (conception and reduction to practice) important – use witnessed laboratory notebooks and invention disclosure forms



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## Patents – Bars to Patentability

- ❑ US Patent – must file U.S. application within one year of public disclosure of the invention
- ❑ Foreign – most foreign patent applications must be filed prior to public disclosure of the invention
- ❑ Use of nondisclosure agreements is important in order to prevent public disclosure
- ❑ Section 102 is complex and has bars to patentability that include printed publications, sales or offers for sale, public use, public knowledge, and invention by another – check with patent attorney prior to taking action with respect to potentially patentable invention



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## Patents – US Provisional Patent Application

- ❑ A lower cost option that can be utilized to avoid, for a certain time, loss of patent rights through public disclosure
  - ❑ Example: article containing enabling disclosure of the invention will be published in scientific journal
- ❑ Filing date as of the date of filing the provisional application
- ❑ Must file a regular application within one year or lose your filing date (and ability to obtain a patent if public disclosure made)
- ❑ Does not count against the 20 year term



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### Trade Secrets – Definition

- Any formula, pattern, device or compilation of information used in a business that gives the trade secret owner an *opportunity to obtain an advantage* over competitors who do not know it. The trade secret can not be public knowledge.
- Examples: KFC secret recipe, Coke recipe



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### Trade Secrets – Protection

- If information is secret and *reasonable measures are taken to keep it secret*, it will be protected by law
- The law does not create a monopoly for use on the secret like other protections of intellectual property, but it only *protects* the secret from being *improperly appropriated*
- Unlike patents, trade secrets may be “reverse engineered” and thus no longer secret



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### Trade Secrets – Protection

- Businesses need to take proper steps to ensure the security of their trade secrets
  - Security within the plant or office
  - Contractual safeguards with employees and business partners such as non-competition agreements and confidentiality agreements
  - Workplace controls to prevent the dissemination of trade secrets to individuals that do not need access to them



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## Licensing Issues

- ❑ Exclusive vs. Nonexclusive
- ❑ One or a few fields of use vs. all fields of use
- ❑ Territory – worldwide vs. geographic restrictions
- ❑ Right to sublicense
- ❑ Royalty rate and sharing of sublicensing revenues
- ❑ Term or duration



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## Licensing Issues in a University Setting

- ❑ Inventor in University setting required to disclose invention to University
- ❑ University will evaluate and decide whether to patent
- ❑ If University pursues patent it will become the owner of the patent



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## Licensing Issues in a University Setting

- ❑ University will frequently license the patent to startup company owned by inventor if the startup is serious about commercializing the technology
  - ❑ Be a company
  - ❑ Be capable of meeting market demand
  - ❑ Have written plan to commercialize the technology
  - ❑ Address conflicts of interest (time constraints for faculty, influence over students, influence on junior faculty, effect on research)



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### Licensing Issues in a University Setting

- ▣ Due Diligence milestones
- ▣ Minimum royalty payments
- ▣ Repayment of patent costs advanced by University
- ▣ Equity in startup to be taken by University?
- ▣ Issue fee
- ▣ License of trademarks
- ▣ [www.otm.uiuc.edu](http://www.otm.uiuc.edu)




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