

**Morgan Lewis**

A photograph of the Philadelphia skyline at dusk, featuring several prominent skyscrapers like the Comcast Center and the Liberty City Center. The sky is a mix of blue and orange from the setting sun.

**PHILADELPHIA**

# **STARTUP AND GROW SERIES**

**Ready for Launch – Protecting Your IP**

Michael S. Ryan | Anita B. Polott | Gene K. Park

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# Presenters



Michael S.  
Ryan



Anita B. Polott



Gene K. Park

# Overview

## *Topics Covered Today*

- IP Types
  - Trademark, Copyright, Patents, & Trade Secrets
- IP Fundamentals
  - Chain of Title, Scope, Freedom to Operate/Right to Use
- Protection of Business Ideas

## *Additional Materials*

- Registered versus Unregistered IP
- Licensing & Commercialization of Business Ideas
- IP Due Diligence

# TYPES OF IP

- Trademarks
- Copyrights
- Patents
- Trade secrets



# What is a Trademark?

- Any word(s) or symbol used to identify one's goods or services and distinguish them from the goods or services sold by others
- Signifies that all goods bearing the trademark come from or are controlled by the same source
- Signifies that all goods bearing the trademark are of the same quality
- Trademark Spectrum of Distinctiveness
  - Generic, Descriptive, Suggestive, Arbitrary, Fanciful

# What is a Trademark?

*Word*

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Lewis**

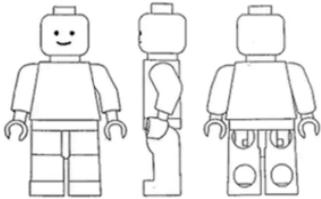
*Logo*



*Slogan*

***Nationwide is on  
your side***

*Shape*



*Color*



*Sound*



*Moving Image*



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# Trademark Clearance Searches

## Benefits of Searching Prior to Use:



Risk of infringing another's mark



Potential costs of changing name later



Chance of registration



Information regarding strength of mark

# Establishing Rights

- In the U.S.
  - First Use Counts
  - Use in Commerce
- Outside of the U.S.
  - First to Register

# COPYRIGHTS



# Copyright Overview



- “Bundle” of Exclusive Rights of Copyright Owner
  - Reproduction (Copies)
  - Create Derivative Works
  - Distribution
  - Publicly Display or Perform
- Copyright protection begins when the work is created and fixed in a tangible medium.

# Copyright Ownership

- Creator of a work
- Exception: Works Made for Hire
  - If Employee creates work (within scope of employment), Employer owns copyright
  - Beware of Consultant Ownership - must assign rights
- Assignments must be in writing

# Copyrightable Works

- Literary Works
- Pictorial, Graphic and Sculptural Works
- Motion Pictures / Other Audiovisual Works
- Musical Works / Sound Recordings
- Derivative Works
- Compilations (Selection & Arrangement)
- Graphical Portions of Trademark or Logo



# Not Protected under Copyright Law

- U.S. Works in the Public Domain
  - U.S. Government works
  - Expired works
  - By dedication
- Public Domain (not Publicly Available)
- Other Excluded Subject Matter
  - Individual words, short phrases, slogans, names, titles
  - Ideas and facts
  - Useful articles

# Copyright Notice

- Notice is voluntary but beneficial in establishing that defendant was not an “innocent infringer”
- Proper notice consists of:
  - © or Copyright
  - Year of first publication of the work
  - Name of the copyright owner
    - “© 2021 Morgan Lewis & Bockius LLP”
    - “© 2018 – 2021 Morgan Lewis & Bockius LLP”

# Establishing Infringement

- Ownership of a Copyright and Proof of Copying
  - Access
  - Substantial Similarity
- “Fair” Use – Who Knows?
  - Limitation on Exclusive Rights
  - Permitted for Limited Purposes (e.g., criticism, news, reporting, comment, scholarship, time-shifting)
  - “Transformative” Uses (compared to “derivative works”)

# PATENTS



# Patent Overview

- Limited Monopoly
  - Limited term
  - Territorial scope
  - Payment of fees
  - Disclosure of the Invention
- Negative Right
  - No right to practice
  - Right to exclude others from making, using, selling, offering for sale, importing

# Types of Patents

- Utility
  - Machine, Manufacture, Composition of Matter, Process
- Design
  - Ornamental Aspects of Utilitarian Objects

# Limited Term of Patents

- Utility Patents
  - Currently: 20 years from effective filing date
- Design Patents
  - 14 years from date of issuance

# Conditions for Patentability: Disclosure of Inventions

- Written description
- Enablement
  - manner and process of making and using [the invention], in such full, clear, concise, and exact terms to enable a PHOSITA to make and use the invention without undue experimentation
- Best mode
  - Contemplated by inventor or carrying out invention at time of filing

# Requirements for Patentability

- Utility – invention is useful and solves problem for which it is designed
- Novelty – new as compared to “prior art” (a.k.a. anticipation)
- Nonobvious – not obvious in view of “prior art” (a.k.a. inventive step)
  - Under review by U.S. Supreme Court

# What is Prior Art?

- Any public information including:
  - Publications (articles, posters, marketing brochures, grant applications, dissertations ...)
  - Issued patents
  - Published patent applications
  - Sales and/or offers for sale
  - Prior use

# Why Lab Notebooks?

- Swearing behind references
- Interference proceedings
- Identity of inventors
- Proof of experimental use
  - Can be exception to public use

# The Invention Process: What is Invention?

- Conception
- Reduction to Practice
- Diligence
- First to Invent
- Patent or Trade Secret?
- Under U.S. patent law, inventor is owner absent duty to assign

# TRADE SECRETS



# Trade Secret Overview

- Territorial scope by country/state
- Uniform Trade Secrets Act (UTSA)
- Includes an enormous amount of INFORMATION
- Under UTSA, “Trade secret” means information, including a formula, pattern, compilation, program device, method, technique, or process, that:
  - derives independent economic value, actual or potential, from not being generally know to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
  - (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy

# Trade Secret Law: Purpose

- Generally used to protect proprietary aspects of technology
- Examples:
  - Formulae
  - Manufacturing processes
  - Business strategies
  - Business management information
  - Customer/Vendor lists
  - Design concepts

# Trade Secret Law Varies

- Worldwide:
  - Trade Secret law varies from country to country and state to state
  - Most countries recognize some form of trade secret protection
  - Uniform Trade Secrets Act has helped create a more uniform body of law from state to state

# Theft of Trade Secrets May Be A Crime – U.S. Economic Espionage Act

- Two provisions that criminalize the theft or misappropriation of trade secrets:
  - Section 1831(a): Foreign Government Sponsored Espionage
  - Section 1832(a): Commercial Theft of Trade Secrets

# Fundamental concepts

- Two fundamental concepts:
  - Trade secret must be something that is used in business and which gives the owner a competitive advantage
  - The owner of a trade secret must take reasonable measures to maintain its secrecy
- Loss of a trade secret:
  - A single “unprotected” disclosure may result in loss of trade secret
  - Reverse engineering of a product to discover the trade secret

# Business rely on Trade Secret Protection

- Relatively inexpensive to obtain protection  
(but there is cost of implementing trade secret programs? maintaining?  
enforcing?)
- Unlimited duration so long as secrecy is maintained (double-edged sword) and  
not independently created
- But, no protection against independent creation and reverse engineering

# How to Protect proprietary info as trade secrets

- Implement a Confidential Information and Trade Secret Protection Program, requiring reasonable protection measures:
  - Employee agreements
  - Invention and assignment agreements
  - Confidentiality designations
  - Employee training
  - Documentation of significant trade secrets
  - Computer security and electronic and paper document control policy
  - Vendor, customer agreements
  - Disclosure, publication policies
  - General security measures (e.g., restricting access to facilities and information)
  - Employee exit procedures

# Patent or Padlock Trade Secret Dilemma

- Federal Government grants patent holder right to exclude others from making, using or selling your invention
- Quid pro quo – under patent law, you must disclose the invention
- You must choose between patent or “padlocking” the trade secret

# PROTECTION OF BUSINESS IDEAS

A photograph of a city skyline at dusk or dawn. The sky is a deep, dark blue. The buildings are silhouetted against the light, with some windows glowing. The text 'PROTECTION OF BUSINESS IDEAS' is overlaid in large, white, bold, sans-serif font on the left side of the image.

# What is a “Business Idea”?

- A concept which can be used for commercial purposes; typically centers around a product or service that can be sold for money
- Internally developed business ideas can be protected through various types of IP (as applicable)

# Protecting Business Ideas through Trade Secrets or Patents

## Trade Secrets

- Label documents that contain the confidential information
- Limit where the confidential information is stored and who has access
- Require passwords for access to computers containing sensitive information
- Nondisclosure agreements with employees, contractors, consultants, vendors, etc.

## Patents

- Submit a provisional patent application

# Protecting Business Ideas through Copyrights or Trademarks

## Copyrights

- Protection attaches when an original work is set in a “tangible” form
- Consider using copyright notices

## Trademarks

- Use in commerce
- Consider a use or intent-to-use based U.S. federal application
- Consider Madrid Protocol or coordinate with local counsel to file applications outside of the U.S.
- Enforcement

# Unsolicited Idea Policy

- Protection against unsolicited third parties' business ideas
- Clarifies that the Company does not accept or consider any unsolicited ideas, suggestions, proposals, comments or materials.
- Considers submission to be non-confidential and non-proprietary. The Company could use, redistribute, or disclose the Submissions for any purpose without compensation.
- Avoids potential misunderstandings or disputes when the Company's products, services, technologies, advertising, promotions, marketing strategies or content might seem similar to submissions.

# Biography



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Drawing on a background in electrical and computer engineering, Michael S. Ryan works with clients to protect and maximize the value of their intellectual property, preparing and prosecuting US and foreign patents, performing patent due diligence, and providing noninfringement and invalidity opinions and freedom to operate reviews in the business method/software, computer, and mechanical arts.

# Biography



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Anita B. Polott is the co-head of the intellectual property (IP) practice in the Washington, DC, office with a focus on trademarks, copyrights, and unfair competition. Anita works with clients to set and implement brand protection strategies and manages US and international trademark portfolios across many different industries. She advises clients regarding enforcement and litigation strategy; represents clients in federal court, the Trademark Trial and Appeal Board (TTAB) and the International Trade Commission (ITC); and handles the IP aspects of corporate transactions, trademark and copyright licenses, and related agreements. Anita is also a co-leader of the firm's insurance industry initiative.

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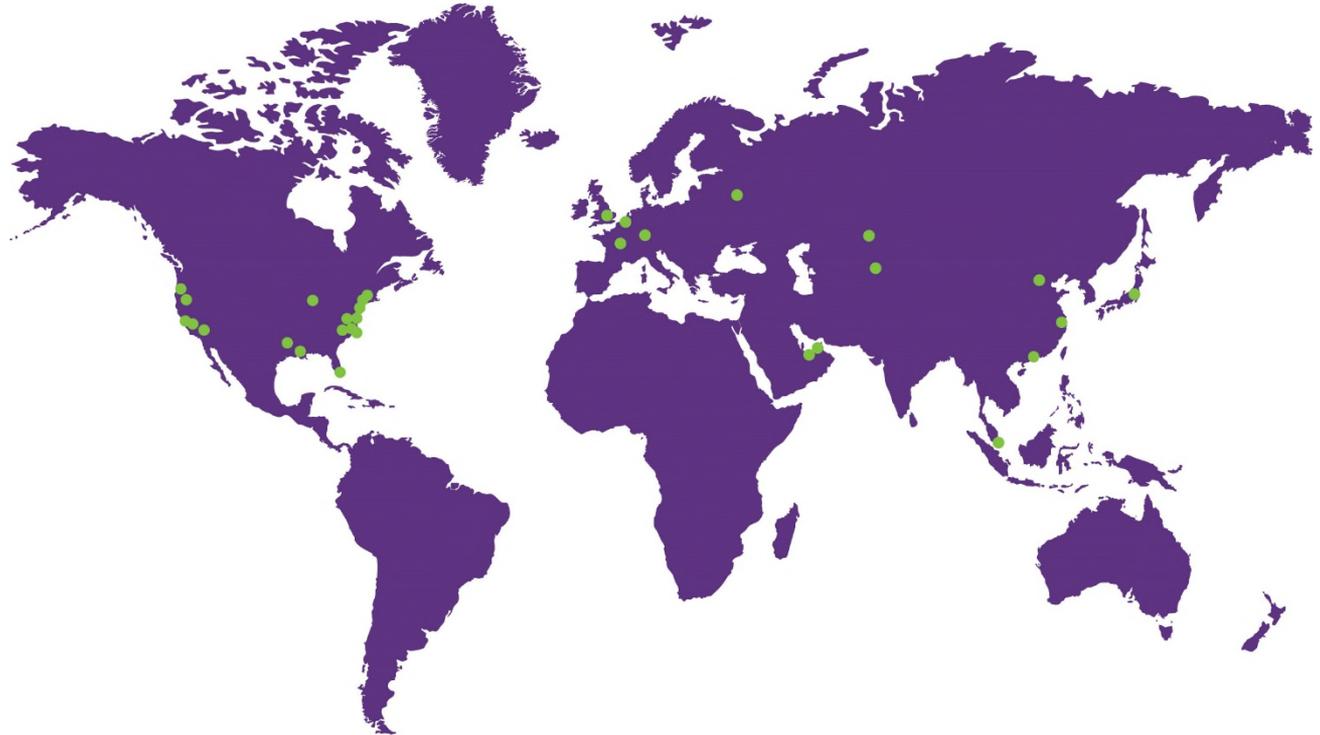
Gene K. Park counsels clients on the full range of trademark and copyright matters, including licensing, prosecution and portfolio management, and enforcement. Gene advises companies in the financial services, technology, pharmaceutical, and other industries, as well as non-profits and trade associations on IP matters related to mergers and acquisitions, licensing, and franchising. Gene also drafts and negotiates all forms of IP transactional, eCommerce, and software agreements.

## Our Global Reach

Africa  
Asia Pacific  
Europe  
Latin America  
Middle East  
North America

## Our Locations

Abu Dhabi  
Almaty  
Beijing  
Boston  
Brussels  
Century City  
Chicago  
Dallas  
Dubai  
Frankfurt  
Hartford  
Hong Kong  
Houston  
London  
Los Angeles  
Miami  
Moscow  
New York  
Nur-Sultan  
Orange County  
Paris  
Philadelphia  
Pittsburgh  
Princeton  
San Francisco  
Shanghai  
Silicon Valley  
Singapore  
Tokyo  
Washington, DC  
Wilmington



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# REGISTERED VERSUS UNREGISTERED IP



# Registered v. Unregistered IP

- Registered IP:

- Trademarks
- Copyrights
- Patents
- Domain Names

## **Unregistered IP:**

1. Common Law Trademarks
2. Proprietary Technology/ Software
3. Other Copyrightable Subject Matter
4. Trade Secrets
5. Social Media Handles

# Trademark Registrations

- Benefits of Federal Registration:
- Constructive Notice
- Important Presumptions of:
  - Ownership
  - Validity
  - Exclusive Right to Use
- Stop Later Users
- Domain Name Disputes
- M&A

## **Basis of U.S. Applications:**

1. Actual use in commerce
  - offer of “currently available” services
2. Bona fide intent to use
  - Upon registration, priority as of filing date
  - Evidence of use required later

# Common Law Marks

- In the U.S.:
  - Limited to geographic area of actual use
  - Can stop later users of confusingly similar marks in that geographic area (“Zone of reasonable expansion”)
- 
- Outside the U.S.:
  - Common law rights are not as common; rights are generally established through registration of the mark
  - If you sell or manufacture products under marks in international jurisdictions, then you should register those marks in those jurisdictions (before your local distributor does)
  - European Community Trade Mark (“CTM”)
  - Madrid Protocol (“International Registration”)

# Considering what to clear and/or register



- May not be commercially practical to register every mark
- Do Register:
  - New products or services before announcement or launch
  - Important marks of acquired companies
  - Other marks proposed for prominent and/or long-term use
- Carefully consider possibility of long-term use; potential latent success

# Copyright Registrations

- Not required for protection, but required for litigation
- Benefits of Federal Registration:
  - Notice to third parties
  - Presumptive evidence of validity of copyright
  - Potential for statutory damages and attorneys' fees/court costs

# Patent Registrations

- Benefits of Federal Registration:
- Prevents theft of the invention
- Higher profit margins (the ability to exclude others reduces the supply of the product or process in the marketplace)
- Reduce competition (may serve as a barrier to entry for competitors)
- Expanded market share (may be licensed to others in a different market (e.g., geographical))

# Patent Application Timeline

- Pre-Application Process
  - Conception
  - Reduction to practice
  - Diligence
  - Discussion with third parties prior to filing
- Invention Disclosure Form
  - Describe invention using information in laboratory notebook as support
  - Identify and describe prior art
  - Advantage over prior art
  - Sample invention disclosure form
- Patentability Analysis
- Generally takes 30-60 days to prepare and file a patent application

# Patent Application Timeline (cont'd)

- Filing Process – Example
  - July 1, 2020
    - File patent application (provisional or non-provisional)
  - July 1, 2021 (12 months)
    - File non-provisional and international applications (PCT)
  - January 1, 2023 (30 months)
    - File national phase applications based on PCT
- Filing process begins prosecution before patent office(s)
- Depending on Art Unit at least 2-3 years after filing until issuance of enforceable patent

# LICENSING & COMMERCIALIZATION OF BUSINESS IDEAS

A photograph of a city skyline at dusk or dawn, with various skyscrapers and buildings silhouetted against a dark, hazy sky. The text is overlaid on the left side of the image.

# Licensing & Commercialization of Business Ideas

- Three common situations:
- Where your company is the recipient of services.
- Incoming licenses, where your company is licensing certain rights.
- “Strategic Collaborations” where both sides are providing valuable intellectual property.

# Standard Services Agreements

- The company purchases services from a third party and the third party develops work product in connection with the services.
- Unless there is a specific deal to the contrary, the third party should own its “background technology” but should allow the company to own the work product otherwise.
- Be careful of definitions, especially “modifications and improvements” language that is baked into the definitions.
- For fallback positions on less sensitive work product, can try: (1) a license back to the work product, or (2) ownership by the provider with a broad license for the company to use the work product.

# Incoming License Agreements

- The company purchases a software or other licensed product from a third party.
- Typically, the third party should own all of its technology but should license its technology pursuant to certain terms and conditions (seat licenses, term license, enterprise license).
- Key issues are (1) making sure that “foot-faults” do not terminate our license rights, (2) ensuring that the grant is broad enough to achieve our goals, and (3) that the counterparty actually has the rights to license its products.

# Strategic “Collaboration” Agreements

- The most tricky style of agreement. I call them “Power Point Deals” because the worst versions are the ones that the “term sheet” is a Power Point presentation.
- Most important concepts:
  - Exclusivity (ugh)
  - IP ownership (note if you are reading this after the presentation...joint ownership = ugh)
  - Tacit right to terminate
  - Agreements to agree (marketing, development, commercialization)

# IP DUE DILIGENCE



# IP Due Diligence - General

- Chain of title of IP/Ownership
- Scope
- Validity
- Rights of use
- Infringement

# Importance of a Tailored Plan

- Nature of transaction
- Acquisition: share vs. asset; public vs. private
- Equity investment
- Collaboration: in-license; out-license; partnering
  
- Focus early on business objectives and value
- Importance of IP to business objectives
- Relative importance of specific categories of IP
- Determination of useful life of assets involved in deal

# Importance of a Tailored Plan (cont.)

- Time/budget constraints
- Competitive auction vs. exclusive negotiations
- Role of in-house counsel
  
- Acquiring less than entire business or contemplating post-acquisition divestitures?
- Focus early on whether IP can feasibly be split

# Importance of a Tailored Plan (cont.)

- Information available on public vs. private company
  - SEC and other public filings
  - Industry-specific filings/correspondence (e.g., FDA)
  - Discussion with and reliance on target's IP counsel and technical personnel
- Privilege issues
  - IP opinions
  - Buyer (investor syndicates)

# IP Diligence – Trademark Issues

- Pending/Registered

- Refusals, oppositions, cancellations
- Chain of title
- Outstanding security interests
- Maintenance deadlines
- Jurisdictional coverage

- **Unregistered**

- Is there a reason the Company has not sought registration?
- Clearance searches
- Geographic area, length of use
- Similar third party use
- Use of third party marks (e.g., partners, customers)
- Compliance with co-existence and settlement agreements
- Status of disputes

# IP Diligence – Copyright Issues

- Pending/Registered
  - Chain of title
  - Outstanding security interests
- Moral rights (outside U.S.)
- Identify material unregistered copyrightable subject matter
  - If proprietary software is a key asset, consider open source issues
- Development of unregistered copyrightable subject matter
  - Differences between employee and contractor development under U.S. law.

# IP Diligence – Patent Issues

- Patentable technology that is not currently the subject of a pending or issued patent
- Freedom to operate searches
- Chain of title, including inventor assignments
- Outstanding security interests

# IP Diligence – Trade Secret Issues

- Protection (policies, procedures, executed nondisclosure agreements, physical security measures)
- Notice requirements under the DTSA

# IP Diligence - Agreements/Licenses Issues

- Identify issues affecting value:
- Scope and transferability of IP licenses
- Sufficiency of IP licenses for future operations
- Impact of existing encumbrances on IP
- Quality control in trademark licenses
- Lurking franchises
- Registered user filings
- Intercompany licenses
- Enterprise agreements

# Existing Litigation/Latent Litigation

- Identification and assessment of infringement risks (including pending litigation)
- Pending litigation, claims, disputes
- Past litigation, claims, disputes
- Challenges in identifying potential claims