Thank you for joining:

**Getting Your Legal House in Order:**

*Patents, Trademarks, Corporate*

The webinar will begin shortly.

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Getting Your Legal House in Order: Patents, Trademarks, Corporate
Presented by: Peter S. Weissman, J.D. ‘96

May 22, 2012
12 pm – 1pm EDT
Being an Entrepreneur

• Using online legal forms
• Recognize your strengths and weaknesses
• Exportation of technology
• Contractual Pitfalls
  – Watch for non-competes and trade secrets
  – Warranties & disclaimers – implied
  – Use contracts to avoid litigation
  – Indemnification clauses
    • Know when to have one
Forming a Company

• Reasons to form a company
  – Establish ownership early for stakeholders
    • Vesting schedule: owners get 1/48th of total shares until fully vested in 4 years, but with 1-year cliff (don’t receive until after 1-year)
    • Maintain meticulous stock ledger
  – Establish ownership of assets and obligations
    • Tangible: equipment, real property
    • Intangible: customers, receivables, bank account, patent, trademark (secure ownership in consulting and employment agreements)
  – Have structure in place for board of directors
  – Insulate you from liability
  – Simplifies Investment Process (exchange an interest in your company for $$)
Starting a Company

• Responsibilities of having a company
  – Annual filings and fees
    • Put on your calendar
  – Maintain formalities
    • Don’t comingle funds or assets
    • Company should not just be a shell
  – As company grows, have a lawyer “audit” your business to check your contracts, corporate structure, title to assets, insurance, employment agreements, consultant agreements, etc
Types of Companies

• Limited Liability Company (LLC)
  – No tax advantage or disadvantage
  – Income is passed to owner, who pays tax
  – Few formalities: operating agreement suggested, but no annual meetings
  – Inexpensive to form
Types of Companies

• C-Corporation
  – Hold profits in company, so that company and owner each have lower income
  – But, company must pay tax on its income, and the owner pays tax on profits ("dividends") that it receives
  – Complicated to form
Types of Companies

• S-Corp
  – Profits must be distributed based on number of shares
    • Taxed on your reasonable employee salary
    • No employee tax on dividends
    • But, must have payroll and payroll tax
  – More formalities: file annual report, bylaws, minutes, annual meetings, stock, etc.
  – Some states require shareholders to be U.S. citizen or have residency status, and not own another LLC
Types of Companies

• Non-Profit
  – Protection against liability
  – Has a purpose which is not to make profits
    • The purpose must be permitted by law
    • Charities, trade unions, hospital, schools, political organizations, public arts
  – Does not:
    • Distribute its surplus (i.e., “profits”) to the owners (uses it to pursue its goals)
    • Issue stock or pay dividends
  – Can have paid employees and directors, though usually constrained
Types of Companies

• Non-Profit (cont.)
  – Types of non-profits
    • Tax exempt or not
      – For federal tax (under 501(c)), if religious, charitable, scientific, public safety, literary, educational, protect children / animals
    • Charitable or not (donors can deduct contributions)
      – Usually also have to be chartered
  • Chartered corporation
    – Board of Directors controls
What Is A Patent?

- **Subject Matter**: any new and useful process (i.e. method), machine, manufacture, or composition of matter, or any new and useful improvement thereof
  - Software, method of making, method of using
  - “Everything under the sun”
- **Rights**: exclude others from practicing your invention
- **Patentability**: is the invention “obvious” based on the existing technology
  - Practical test: does your system / product / service differ from the existing technology
    - Does it provide you with a commercial advantage?
Patent Protection

• Patent Advantages
  – Establishes ownership (also use employment and consulting agreements)
  – Investors want to see patent and trademark protection and knowledge of competition
  – Increased value of your company as a whole
  – Patent is “prior art” that prevents a competitor from patenting your ideas
  – Provides leverage in industry
  – Sets up possibility of cross-licensing technologies with a competitor
Patent Protection

• Patent Advantages
  – Territorial: must file in each country where protection is desired
  – Rights can be licensed or assigned

• Patent Disadvantages / Considerations
  – Patent doesn’t give you the right to make, use or sell
    • Could be infringing someone else’s patent
    • Still need to comply with relevant gov’t regulations (FDA, FCC, etc.)
  – Costs: substantial investment of time and capital
  – Application (proprietary information) may be published
  – 2-6 years to get a patent
The Provisional Application

• What is a provisional patent application?
  – Expire in one year
  – Does not become a patent
  – Is not examined
  – Lessened formal requirements – no claims

• Advantages of a provisional
  – You can say “patent pending”
  – Cheaper to file
  – Not factored into patent term
  – Can be filed quickly if danger of public disclosure or to beat potential bar date

• Disadvantages of a provisional
  – Dangerous to rely on !!!
    • Does it satisfy enablement, written description and best mode??
    • Your non-provisional will not benefit from the provisional if the provisional does not disclose each element claimed in the non-provisional
Patent Strategy

• STATUTORY BAR
  – A single disclosure may forfeit rights in foreign countries and starts a 1-year grace period in the U.S.
    • Disclosures include commercial use (even if secret), printed publication, public speaking, sale, offer for sale
    • Non-disclosure agreements are not always a guarantee
  – Strategy: file your application in the U.S. “before” the invention is disclosed. That will preserve your right to file abroad later.
Patent Strategy

• STATUTORY BAR (cont.)
  – Common activities by students / researchers that “may” trigger the 1-year U.S. grace period and preclude foreign protection:
    • Business Plan Competition
    • A research paper catalogued or indexed in Gelman Library is a publication
    • And, an National Science Foundation grant proposal and Nat’l Institute of Health grant application can be a publication if indexed in NSF’s published indices of grants and awards
    • But, it may not fully preclude a patent if the disclosure was not enabling or only partly disclosed the invention
Patent Takeaways

• Misperception of the standard of patentability
  – The invention doesn’t have to be a tremendous breakthrough
  – Provides a commercial advantage

• Don’t delay
  – First-to-invent (current system) vs. first-to-file (America Invents Act; March 16, 2003)
  – Early filing date helps in both cases
  – Invention doesn’t have to be reduced to practice

• Inventors should all be with your company
  – Avoid loss of rights in the event of disputes
  – Employment and consulting agreements should assign rights to your company
Patent Takeaways

• Continuously update your patent portfolio
  – Patent those “improvements”
  – Record progress in log book

• Statutory Bar
  – File your application “before” you disclose the invention
IP Risks – Mitigation Practices

• Before product launch:
  – Conduct a “clearance search” to reduce risk of patent / trademark infringement

• Maintain a patent portfolio
  – Patentability searches will reveal potential problems
  – Obtain patents to establish prior art and dates of commercial activity
    • Minimize possibility of being sued by a “patent troll”

• Maintain a “watch service”
  – Have an ongoing review of competitor patent portfolios (published applications and issued patents)
  – Potential risk of “willful” infringement
Trademarks: identifies the source of goods / services

- Distinguish goods (™) / services (SM) from your competitors
- Use ® when mark is registered
- A word, name, symbol, logo or device
- Just about every company is using a trademark of some sort
- You can apply now, and don't have to wait until you start making sales
- The strongest marks are those that are arbitrary, and not descriptive of the goods / services you provide
Trademarks – Pitfalls & Strategy

• Forming a company may give you state trademark rights, but you should still file for a federal registration

• Allows you to establish your brand and build goodwill
  – Think global – Chevy Nova means “no go” in Spanish
  – Distinguish your products and services from those of your competitor
  – Indicates a level of quality

• Select an arbitrary, fanciful or coined mark
  – EXXON® for gasoline
  – Do not describe the goods or services
Trademarks – Pitfalls & Strategy

• Obtain a search and opinion letter
  – Avoid inadvertent infringement and loss of goodwill

• Promptly file an application with the PTO
  – Use is NOT required to file application
  – File based on your intent-to-use

• File in foreign countries where you have distributors
  – Avoids dispute over ownership

• Use “TM” or “SM” before registration
• Use “®” after registration
• Maintain a watch service
Copyrights: protects expression, not underlying idea

- Protects literary, dramatic, musical, artistic expression or software
- User manuals, articles, papers, photographs, website
Trade Secret Protection

• Trade secret protection
  – Concept unlikely to be disclosed during the normal course of business
  – Difficult to reverse-engineer
  – Take affirmative steps to protect the invention as a trade secret
  – Employment agreements, consulting agreements
  – Risk of competitor developing independently and patenting
  – Risk of theft
  – What is the value of a trade secret?
• Generate “prior art” by publishing the invention
Links

• Join GWERT (GW Entrepreneurs RoundTable) on

• U.S. Patent & Trademark Office
  – www.uspto.gov
  – Search patents and published applications
  – Search and file trademarks
  – U.S. only; search patent offices in other countries

• PACER – search litigation
  – http://pacer.uspciuscourts.gov/

• U.S. Copyright Office – information and forms
  – www.copyright.gov

• Corporate Information
  – State websites walk you through how to form a company
  – May need to register in more than one state
Questions?

• For a copy of this presentation
  – weissman@blankrome.com
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• Join GWERT LinkedIn Group
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Peter S. Weissman, J.D. ‘96
Blank Rome LLP
(202) 772-5805

weissman@blankrome.com
http://www.linkedin.com/in/pweissman

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