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Protecting Your Ideas and Brands with Patents and Trademarks

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Startups – Legal Pitfalls

- Budget for legal expenses
- Comply with gov't regulations
 - FDA, FCC, etc.; Exportation of technology
- Recognize your strengths and weaknesses
- Obtain insurance: product liability
- Your attorney as a business resource

Mitigate Risk

- Corporate Transparency (register owners by Dec. 31, 2024)
- GDPR / CCPA (website privacy policy)
- ADA-compliant website
- Copyrighted images on website and marketing materials
- Export regulations: sensitive defense technology controls
- Environmental, Social and Governance (ESG): resource shortage (water, electric, raw materials); harm to reputation, pandemic response

Startups – Legal Pitfalls

- Agreements
 - Founders’ agreement
 - Online legal forms
 - Watch for non-competes and trade secrets
 - Use contracts to avoid litigation
 - Indemnification clauses
 - Know when to have one
- As company grows, have a lawyer “audit” your business to check your contracts, corporate structure, title to assets, insurance, employment agreements, consultant agreements, etc.

Forming a Company

- Reasons to form a company
 - Insulate you from liability
 - 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)
 - 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
 - Simplifies Investment Process (exchange an interest in your company for \$\$)

Starting a Company

- Responsibilities of having a company
 - Maintain formalities
 - Don't commingle funds or assets
 - Company should not just be a shell

Types of Companies

- Sole Proprietorship (personal liability)
- General Partnership (personal liability)
- 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
 - No personal liability

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: articles of incorporation

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

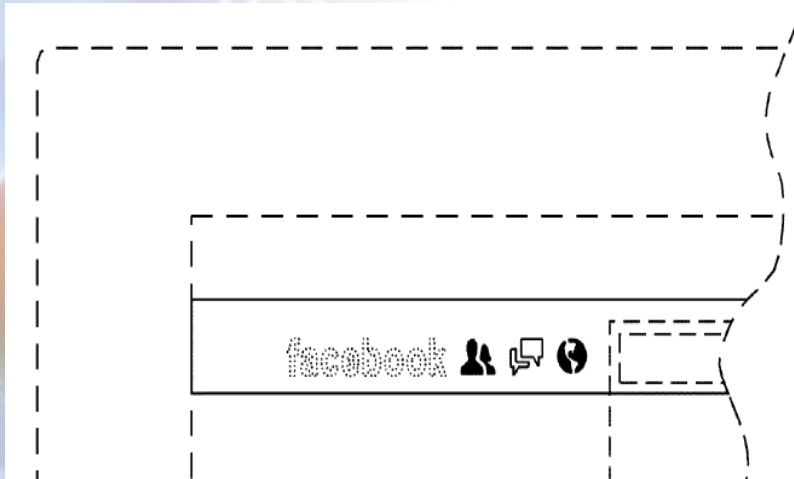
Types of Companies

- 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
 - Look into private pro bono assistance

IP Overview

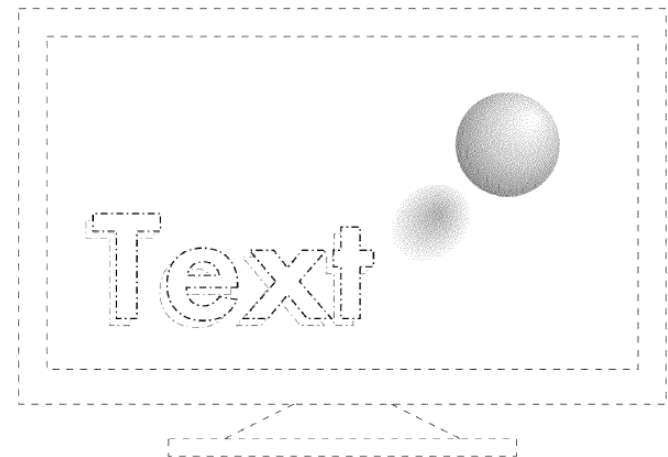
- **Patent**: protects the implementation of an idea for 20 years from filing
 - Design Patent: icons, type font, ornamental (non-functional) product features
 - Utility Patent: Device, machine, method, certain software
- **Trademark**: protects any word, name, symbol or logo that identifies your goods or services
 - Coke or Oreo
- **Copyright**: protects an expression fixed in a tangible medium (not the underlying idea)
 - Video, website, picture, song, source code, book, manual
- **Trade Secret**: proprietary confidential information
 - Customer information, pricing, marketing plans

Design Patent Examples



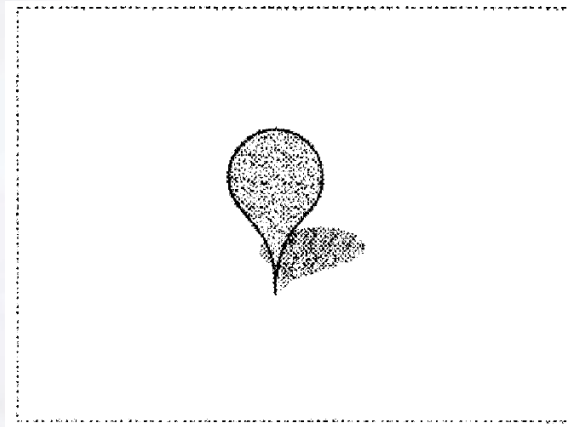
Display Panel of a
Programmed
Computer System with
a GUI (D653671)

Display Screen
with Icon
(D760281)



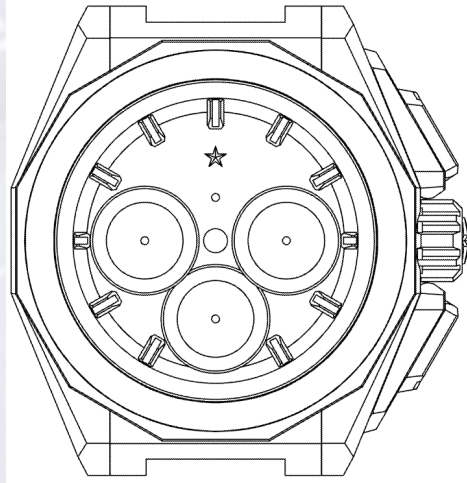
Design Patent Examples

Display Screen
With Icon
(D760797)

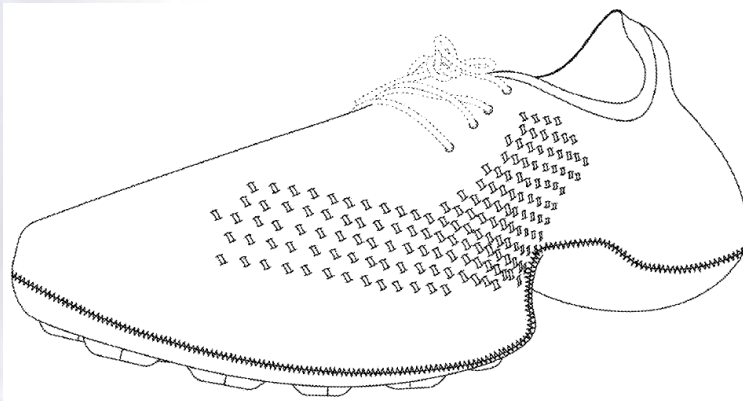


Google
(D620950)

Design Patent Examples



Watch
(LVMH: D981253)

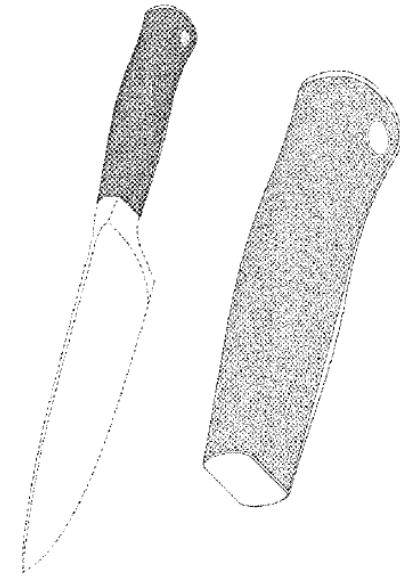


Shoe
(Givenchy: D981086)

Design Patent Examples



TELEPHONE HOLDER WITH LANYARD
(LVMH: D981391)



Handle for Kitchen Knives
(LVMH: D981189)

Utility Patents – What Can I Patent?

- Part 1: Subject Matter: does it qualify as patentable subject matter?
 - any new and useful process (*i.e.* method), machine, manufacture, or composition of matter, or any new and useful improvement thereof
 - Systems / devices
 - Software / website / phone app “might” be patentable
 - Method of making, method of using
 - Ornamental design (non-functional)
- What cannot be patented?
 - Abstract idea (certain software)
 - Laws of nature / discoveries

Utility Patent Standard

- Part 2: Is it patentable over what others have done?
 - Formal test: is the invention “obvious” to one of ordinary skill in the art based on the existing technology
 - Need not be a tremendous breakthrough
 - Practical test: any feature of your system / product / service that differs from the existing technology
 - Does it provide you with a commercial advantage?
 - Is it worth the time and expense?

Utility 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

- Advantages

- Rights: exclude others from practicing your invention
- 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 (may be most valuable asset for a start-up)
- Patent is “prior art” that prevents a competitor from patenting your process
- Provides leverage in industry
- Sets up possibility of cross-licensing technologies
- Rights can be licensed or assigned
- Positive reinforcement and establish culture of innovation

Patent

- Patent Disadvantages / Considerations
 - 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
 - Costs: substantial investment of time and capital
 - Territorial: must file in each country where protection is desired
 - 2-6 years to get a patent; or expedite for added fee
 - Costs: substantial investment of time and capital
 - Application (proprietary information) may be published

Patent Strategy – Do Not Disclose **

- STATUTORY BAR

- A single disclosure by you may forfeit rights in countries outside the U.S. 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, ordering a commercial quantity from a supplier
 - Non-disclosure agreements are not always a guarantee
 - But, may not fully preclude a patent if the disclosure was not enabling
- **Strategy: *file your application in the U.S. “before” you disclose the invention. That will preserve your right to file abroad later.***
 - Can't rely on an incomplete provisional application to preserve your rights

Patent Strategy

- STATUTORY BAR (cont.)
 - Common activities by start-ups / students / researchers that “may” trigger the 1-year U.S. grace period and preclude foreign protection:
 - Speaking: Venture Competition or fair;
 - Publication: Your research paper (dissertation) online or catalogued / indexed in school library is a publication;
 - Speaking: classroom discussion (possibly), poster session, speaking engagement;
 - Publication: An National Science Foundation grant proposal and Nat’l Institute of Health grant application can be a publication;
 - But, a publication disseminated by mail is not prior art until it is received by at least one member of the public;
 - And, a submission for review by a scientific committee prior to publication is not itself a publication.
 - Consult an attorney

Patent Pitfalls

- Failing to protect inventions!
 - Misperception of the standard of patentability
 - Does it provide a commercial advantage
- Don't delay
 - File “before” you disclose the invention
 - First-to-file system
 - 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
 - Collaborations raise ownership issues
 - Grants raise ownership issues

Patent Pitfalls

- Continuously update your patent portfolio
 - Patent those “improvements”
 - Record progress in log book
- The “authors” of a paper are not always the “inventors” of the invention
- A research publication can be used as a patent application
 - But include a basic discussion, drawings, and background of the invention
 - Also include features being developed, even if not yet tested or reduced to practice

Patent Pitfalls

- Mark products with patent numbers and “patent pending”; remove notice once patent expires
- Fail to apply for design patents
 - Do goods have any unique, ornamental or visible aesthetic shape, layout or design (*i.e.*, non-functional aspects)
- Foreign Protection
 - Extend protection into countries where you have a distributor, customers, manufacturer, subsidiary

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

Intellectual Property - Trademarks

- 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 based on an intent-to-use, 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
 - Trade Dress: for product configuration

Trademarks – Pitfalls & Strategy

- Forming a company may give you a state trademark, not a federal trademark
- A trademark is not necessarily available just because the domain is available
- 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
 - Do not describe the goods or services
 - EXXON[®] for gasoline

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

Intellectual Property - Copyrights

- Copyrights: protects expression, not underlying idea
 - Only protects against “copying”
 - Covers expression, not underlying idea
 - Protects literary, dramatic, musical, artistic expression or software
 - User manuals, articles, papers, photographs, website
 - © [owner name], [year]

Copyright Infringement

- **Beware of Inadvertent Infringement !!**
 - Don't use other people's photos or images; just because something is on Google Images does not mean that it can be put on your websites or even posted on your Instagram, Tumblr, or Facebook pages
 - Don't use HTML or other code from other developers
 - Obtain a license for pictures and code
- Damages can be significant
- Linking to third-party webpages should be OK

Trade Secret Protection

- Trade secret protection
 - Unlikely to be disclosed during normal business
 - Difficult to reverse-engineer
 - Take affirmative steps to protect the information as a trade secret
 - (e.g., password protect; limit access; mark as confidential, proprietary, and owner name; avoid entering in chatGPT; independent development of new products without trade secret, licensed know-how or copyrighted materials (cleanroom))
 - Employment agreements, consulting agreements
 - Risk of competitor developing independently and patenting
 - Risk of theft
- Generate “prior art” by publishing the invention

Links

- U.S. Patent & Trademark Office
 - www.uspto.gov
 - Search and file U.S. patents and published applications
 - Search and file trademarks
- Google Patents
 - Search patents: <https://patents.google.com/>
- PACER – search litigation
 - <http://pacer.uspci.uscourts.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 to do business in more than one state

Questions ?

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