



# Intellectual Property

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# WHY IS INTELLECTUAL PROPERTY IMPORTANT?

- Can amount to 80% or more of value of company
- Can generate publicity and good reputation
- Important factor in obtaining venture capital
- Can be potential revenue source (e.g., licensing)
- Can give you a competitive advantage
  - > Exclude competition, gain market share
  - > Identity or brand differentiation
- Potentially large liabilities if ignored
- Offensive and defensive strategies
  - > Leverage in negotiations and establishing business relationships
  - > Freedom to operate

# Basic Forms of IP

**Patents**

**Trademarks**

**Copyrights**

**Trade  
Secrets**

# IP Fundamentals High Level Overview

- **Patents** – Inventions (utility/functionality and design)
  - > e.g., computer chips, machines, business methods and software(?)
- **Copyright** – Expressions fixed in tangible medium (no functionality)
  - > e.g., software, publications
- **Trade Secrets** – Anything that is maintained as, and derives value from, being a “secret”
  - > e.g., Coca Cola formula, business plans
- **Trademarks** – Mark that distinguishes product from products of someone else and indicates product as being from a single source
  - > e.g., Google(TM) search engine

# Comparison of IP Types

	Patents	Trademarks	Copyrights	Trade Secrets
Applicable Law	<ul style="list-style-type: none"> <li>•Federal</li> <li>•Statutory</li> </ul>	<ul style="list-style-type: none"> <li>•Federal</li> <li>•State</li> <li>•Statutory</li> <li>•Common Law</li> </ul>	<ul style="list-style-type: none"> <li>•Federal</li> <li>•Statutory</li> </ul>	<ul style="list-style-type: none"> <li>•Federal</li> <li>•State</li> <li>•Statutory</li> <li>•Common Law</li> </ul>
Registration?	Required	Optional	Optional	No
Requirements	<ul style="list-style-type: none"> <li>•New</li> <li>•Useful</li> <li>•Unobvious</li> </ul>	<ul style="list-style-type: none"> <li>•First to use</li> <li>•Distinctive</li> </ul>		

# Comparison of IP Types (cont)

	Patents	Trademarks	Copyrights	Trade Secrets
Rights Start	Upon issuance of patent	<ul style="list-style-type: none"> <li>•Common law: upon use</li> <li>•Registration: upon issuance</li> </ul>	Upon fixing in a tangible medium of expression	Upon creation
Term	<ul style="list-style-type: none"> <li>•20 years from filing</li> <li>•Not renewable</li> </ul>	<ul style="list-style-type: none"> <li>•Common law: as long as used</li> <li>•Registration: 10 years, renewable</li> </ul>	•Varies, but 70 years at a minimum	Indefinite, if maintained secret

# Comparison of IP Types (cont)

	Patents	Trademarks	Copyrights	Trade Secrets
Pros	<ul style="list-style-type: none"> <li>•Strong</li> <li>•Covers independent development by others</li> </ul>	<ul style="list-style-type: none"> <li>•Some rights accrue automatically with use</li> <li>•Can be most valuable asset</li> </ul>	<ul style="list-style-type: none"> <li>•Rights accrue automatically</li> <li>•Inexpensive</li> </ul>	<ul style="list-style-type: none"> <li>•Lasts forever, so long as kept secret</li> <li>•Inexpensive</li> </ul>
Cons	<ul style="list-style-type: none"> <li>•Must disclose</li> <li>•Give up secrets</li> <li>•Expensive to obtain, maintain and enforce</li> </ul>	<ul style="list-style-type: none"> <li>•Need to ensure proper usage and police, or can lose</li> </ul>	<ul style="list-style-type: none"> <li>•Easy to design around</li> <li>•Does not cover independent development by others</li> </ul>	<ul style="list-style-type: none"> <li>•Hard to keep secrets</li> <li>•Once lost, lost forever</li> <li>•Does not cover independent development by others</li> </ul>

# IMPORTANT NOTES

- Laws vary with country
- For Trademarks and Trade Secrets, state laws and requirements vary
- There are a variety of international treaties
- Laws, requirements and strategies can quickly become complex, especially with patents and with respect to international strategies and efforts
- Laws and international relationships are constantly tested and changing

# Important Notes on Patent Timing

- **U.S. - Must file within 1 year of:**
  - > Public use in U.S.
  - > Sale or offer to sell in U.S.
  - > Publication describing invention
  - > Patent issued outside of U.S.
- **Law is Different Outside of U.S.**
  - > In U.S., granted to “first to invent”, but other countries it is “first to file”
    - > Proposed legislation to change to “first to file” in U.S.
  - > Many other countries do not grant 1-year periods described above

# Should You Patent?

- Do Benefits Outweigh Costs?
- \$ Costs to Obtain
  - > Disclosure of technology to public (versus Trade Secret)
  - > Novelty search and opinion: \$1,500 average
  - > Preparation of Utility Patent Application
    - > Minimal complexity: \$5,000 - \$8,000
    - > Complex electrical/computer: \$8,000 - \$13,000
  - > Various filings: \$1,500 average for each
  - > Issuance of patent: \$400 - \$800
  - > Maintenance fees: vary with time (hundreds to a few thousand)
- Litigation/Enforcement costs (very large)
  - > Median damages award in 2007 = \$5M
- Nature and “valuable life” of invention
- **Statutory Invention Registration** – Published by PTO without examination. It affords no rights, but is defensive

# 2007 AIPLA Survey Patent Infringement Suit Costs

<b>Amt. in Controversy</b>	<b>&lt;\$1M</b>	<b>\$1M-\$25M</b>	<b>&gt;\$25M</b>
<b>End of Discovery</b>	<b>\$461K</b>	<b>\$1.6M</b>	<b>\$3.3M</b>
<b>Through Trial</b>	<b>\$767K</b>	<b>\$2.6M</b>	<b>\$5.4M</b>

# Patent Infringement

- Large potential liability (\$ millions), especially if “willful” infringement is found
- Can get (from Patent Attorney)
  - > State of the Art Study – early in development
  - > “Freedom to operate” opinions from Patent Attorneys
    - > Can be helpful to defend against “willfulness”
    - > Can be expensive
  - > Validity Study – competitive product
- Patent searches should be done under the supervision of a Patent Attorney
  - > Avoid setting yourself for willfulness claims
- Be careful with communications on issue of infringement

# Helpful Questions to Ask Yourself

1. Have I developed a new product or a new/improved feature for an existing product?
2. Did my work produce results greater than expected?
3. Have I used a known technology or process in an unusual way?
4. Is my development a new step in a rapidly changing technology?
5. Did I make an improvement to an existing technology or process?
6. When I discussed my work with my coworkers, did they express surprise at the results achieved or the approach used?
7. Did my work result in something being better/faster/cheaper (e.g., a more efficient algorithm implemented in software)?
8. Did I implement a technical standard or open specification in an efficient, clever, or otherwise improved manner?

# DIY Resources

- [www.USPTO.gov](http://www.USPTO.gov)
- [www.google.com/patents](http://www.google.com/patents)
- [www.pat2pdf.org](http://www.pat2pdf.org)
- Delphion
- Foreign Searching
  - > WIPO
  - > ESPACE
  - > National Patent Office websites
- Private search services are available

# TRADEMARKS

FANCIFUL	VERIZON KODAK
ARBITRARY	APPLE (computers) GREY GOOSE (vodka)
SUGGESTIVE	DURACELL (batteries) COPPERTONE (sunscreen)
DESCRIPTIVE	PARK N FLY (airport parking) KENTUCKY FRIED CHICKEN
GENERIC	Apply (for sale of apples)

**STRONG**



**WEAK**

# TRADEMARKS

- **SEARCH**

- > **Preliminary (less expensive and quick)**

- > State and federal applications and registrations and Internet

- > To eliminate the obvious problems

- > **Full Clearance (more expensive and time consuming)**

- > Outside search company

- > Federal registrations

- > State registrations

- > Business names

- > Common law and Internet uses

- > Domain Names

- **Note: [www.uspto.gov](http://www.uspto.gov) (some DIY searches can be done from there)**

# TRADEMARKS

- **REGISTRATION**
  - > Domain Names: Secured through Domain Registries
  - > State Trademarks: Secured through Secretary of State
  - > Federal Marks: Secured through U.S. PTO
  - > Foreign Marks: Secured through foreign offices
- **Two ways**
  - > **File for registration before use (intent to use)**
    - > Gives some legal advantages (notice, priority date, prevent stealing, “test legal waters”)
  - > **Begin actual commercial use, and register later**
- **Registration can last 1 year. Foreign may be longer.**

# DOMAIN NAMES

- **“Cybersquatters” - reserves Internet domain name using word that person has not legitimate trademark or personal identification rights, for purpose of selling to someone with a trademark interest**
- **Arbitration governed by Uniform Domain Name Dispute Resolution Policy (UDRP)**
  - > **Domain name is confusingly similar**
  - > **Holder has no rights or legitimate interest in name**
  - > **Name has been registered and is being used in bad faith**
- **To coin a famous Chicago Mayor's line: “Register early and often”**

## Some Basic Rules for TMs

- Always use TM with its generic term
  - > e.g., IVORY soap
- Never use TM in plural form
  - > Improper: two “Band-Aids”
- Never use TM in possessive form
  - > Improper: Kodak's
- Never use TM as verb
  - > Improper: XEROXED report
- Always distinguish TM from rest of Text
  - > e.g., the XEROX copier
- Use ® only for federally registered TMs
- Can use TM for any mark (registered or common law)

# COPYRIGHTS

- Copyright Act grants rights to the copyright holder (owner/author) to
  - > REPRODUCE—make copies (scan, upload/download, etc.) & authorize others to make copies
  - > ADAPT the work by making DERIVATIVE works (e.g. Translations, updates, revisions)
  - > DISTRIBUTE copies of the work to the public
  - > PUBLICLY DISPLAY and PERFORM the work
- Registration required before filing a lawsuit
- Federal registration gives significant presumptive benefits
- What is NOT protected
  - > Ideas, facts, methods, letters, numbers, useful objects
- Form: [“©” or “Copyright” or “Copr.”][year][owner]
  - > Example: © 2009 Sun Microsystems, Inc.

# What are likely Defenses/Exceptions to Copyright Infringement?

- Fair Use
  - > Criticism, Comment, News Reporting, Teaching, Scholarship, Research or Parody
    - > NOT generally available for corporations and commercial entities
  - > Four factor test:
    - > Purpose of use
    - > Nature of copyright work
    - > Amount & substantiality of the portion of work that is used
    - > Economic effect
- Copyright misuse
- *De Minimis* use
- Innocent Infringement
- DMCA safe harbor exceptions for Internet service providers

# What Can Trade Secrets Be? Almost Anything

- Inventions
- Blueprints
- Prototypes
- Recipes
- Designs
- Source Code
- Lists
- Plans
- Cost/Price Data
- Vendor/Supplier or Customer Information
- Internal Financial or Business Information or Plans

# KEEPING TRADE SECRETS SECRET

- Keep in secure place
- Limit employee access
- CDAs
- Confidentiality Obligations in Employee Agreements
  - > Non-Disclosure and Non-Use of Trade Secrets vs Non-Compete Agreements
- Mark documents as confidential and proprietary

# Development and Ownership

- **Joint Development**
  - > Many good ideas arise in a collaborative environment. Disputes can often arise over authorship / inventorship.
  - > The default rules for jointly-owned IP are often not what the parties would have negotiated on their own.
- **Default Rules**
  - > **Patents:** each joint inventor is a co-owner of the entire patent, and can freely exploit the patent without accounting to others
  - > **Copyrights:** each joint developer is a co-owner of the work, but must account for use to other co-owners
- **Avoid the Default Rules and implement solid agreements before beginning work**
  - > Employees
  - > Subcontractors and vendors
  - > Business Partners / Joint Development

# Trends

- More patent applications, but more rejections by patent offices
- Consolidations among larger tech companies
  - > But, great opportunities for start-ups
- International disputes (e.g., U.S. v Asia and Eastern Europe)
- Piracy and counterfeiting
- Data Privacy and Security (more laws, more litigation)
- Cloud Computing
- Open Source Software
- Standard Setting issues
- Proposed legislative reforms – very polar, especially on damages/remedies
- More disputes/litigation
  - > Patents
  - > Trademarks (e.g., search engine advertising)



**- *Thank You* -**

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