

# PROTECTING YOUR INTELLECTUAL PROPERTY ASSETS:

How to Recognize and Leverage  
Untapped Value in Your Business

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May 1, 2014

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# Topics Covered:

- ▣ What is Intellectual Property?
- ▣ Establishing Ownership in Intellectual Property
- ▣ Perfecting Intellectual Property Rights
- ▣ Leveraging Intellectual Property Rights
- ▣ Other Considerations

# What is Intellectual Property?

- ▣ Patents
- ▣ Trademarks/Service Marks
- ▣ Copyrights
- ▣ Trade Secrets

# What is Intellectual Property?

## ▣ *Patents*

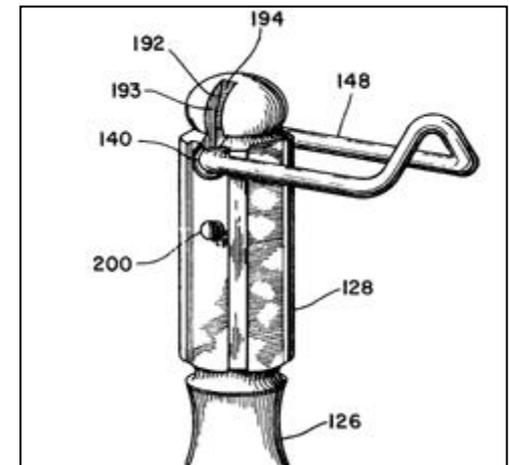
- **Protects:** Inventions and improvements to existing inventions
  - ▣ Types of Patents:
    - *Utility Patents:* Protects new and useful process, machine, article of manufacture, composition of matter, or any new and useful improvements thereof.
    - *Design Patents:* Protects new, original, and ornamental design for an article of manufacture.
    - *Plant Patents:* Protects newly invented strains of asexually reproducing plants. Tuber propagated plants and wild uncultivated plants may not be patented.

# What is Intellectual Property?

## ▣ *Patents*

- ▣ **Rights:** To exclude others from making, using or selling the patented invention.

 US005590575A	
<b>United States Patent</b> [19]	[11] <b>Patent Number:</b> <b>5,590,575</b>
<b>Ludy</b>	[45] <b>Date of Patent:</b> <b>Jan. 7, 1997</b>
[54] <b>LEVER TOOL HANDLE</b>	FOREIGN PATENT DOCUMENTS
[76] Inventor: <b>Andrew W. Ludy</b> , 17 Sherwood Way, Landing, N.J. 07850	579494 10/1924 France ..... 81/177.7 464760 7/1951 Italy ..... 81/177.7 180443 6/1922 United Kingdom ..... 81/177.7
[21] Appl. No.: <b>432,370</b>	<i>Primary Examiner</i> —James G. Smith <i>Assistant Examiner</i> —Joni B. Danganan <i>Attorney, Agent, or Firm</i> —Andrew W. Ludy
[22] Filed: <b>Apr. 28, 1995</b>	[57] <b>ABSTRACT</b>
[51] <b>Int. Cl.<sup>6</sup></b> ..... <b>B25B 23/16</b>	A lever handle, for a rotary hand tool such as a screwdriver
[52] <b>U.S. Cl.</b> ..... <b>81/177.5- 81/177.7</b>	



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# What is Intellectual Property?

- ▣ *Trademarks/Service Marks*      TM ® SM
- **Protects:** Words, names, symbols and devices which identify the source of a good or service.
  - **Rights:** To prevent persons from using marks which are likely to confuse others as to the origin of the goods or services associated with the mark.



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# What is Intellectual Property?

## ▣ *Copyrights:*

- **Protects:** The expression of works (i.e. literary works, musical works, dramatic works, choreographic works, pictorial, graphic, and sculptural works, audiovisual works, architectural works, and sound recordings) fixed in a tangible medium of expression.
- \*Copyright *does not* protect ideas.

# What is Intellectual Property?

- ▣ *Copyrights:*
  - **Rights:**
    - ▣ To prevent persons from reproducing, distributing, performing or displaying works which are substantially similar to the copyrighted work.
    - ▣ To prevent persons from making derivative works from the copyrighted work.



# What is Intellectual Property?

## ▣ *Trade Secrets*

- **Protects:** *Any* information which is not generally known to the public and which gives the owner a competitive advantage in the marketplace (e.g. technical, financial, marketing, sales information; customer lists).
- **Rights:** To prevent others from misappropriating (i.e. stealing) the trade secret information.

# Establishing Ownership in Intellectual Property

- ▣ *Do Not Assume Company Owns IP!*
- ▣ **Default Rule:** IP ownership rights vest with the inventor (Patents), author (Copyrights), user (Trademarks), if not *assigned in writing*.



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# Establishing Ownership in Intellectual Property

- ▣ **Agreements with Employees – A “Day One” Task**
  - **IP Assignments**
    - ▣ As a condition of employment have Employee execute general Assignment of all IP rights created during the duration of employment.
    - ▣ All patents, trademarks, copyrights and trade secrets will be the property of the company.



# Establishing Ownership in Intellectual Property

- ▣ **Agreements with Employees - A “Day One” Task**
  - **Non-Competition Agreements**
    - ▣ **Technical and Creative Personnel**
      - As a condition of employment, consider having all employees, but at least those engaged in technical and other creative activities, execute a non-competition agreement.
      - Non-competes should be limited in scope, duration, and/or geography.
    - ▣ **Sales Personnel**
    - ▣ **Higher Level Management/Supervisors**

# Establishing Ownership in Intellectual Property

- ▣ **Agreements with Non-Employees: Contractor, Consultant, Joint Development Agreements**
  - **Agreements with Contractors, Sub-Contractors and Consultants**
    - ▣ **IP Assignments**
      - Consider similar provisions in Contractor Sub-Contractor and Consultant Agreements.
      - Does the company intend to retain rights to a contractor's creations?
      - Will the contractor's work be a "work-made-for-hire?"
      - Will the contractor retain any ownership rights or be granted a license to the IP
      - Has contractor obtained written assignments from individuals working on project?

# Establishing Ownership in Intellectual Property

- ▣ **Agreements with Non-Employees:** Contractor, Consultant, Joint Development Agreements
  - **Non-Competition Provisions**
    - ▣ Consider provisions preventing Contractors from using IP developed during engagement for the benefit of competitors.



# Establishing Ownership in Intellectual Property

- ▣ **Agreements with Non-Employees: Contractor, Consultant, Joint Development Agreements**
  - **Joint Development Agreements**
    - ▣ **IP Assignments**
      - Obtain written assignments of IP rights from each individual working on project.
      - How will IP which is bought to the project by each party be treated during and after the joint development?
      - Who will own the “jointly developed” IP?
      - What will each party be able to do with the “jointly developed” IP?

# Establishing Ownership in Intellectual Property

- ▣ **Agreements with Non-Employees:** Contractor, Consultant, Joint Development Agreements
  - **Joint Development Agreements**
    - ▣ **Non-Competition Agreements**
      - Consider provisions preventing parties from using jointly developed IP for the benefit of competitors.

# Establishing Ownership in Intellectual Property

## ▣ Trade Secret Treatment

### ■ Establish Procedures for Maintaining the Confidentiality of Trade Secret Information

- ▣ Mark documents “Confidential.”
- ▣ Control access to “Confidential” documents.
- ▣ Keep visitor logs with time and dates.
- ▣ Control access of personnel and visitors within facilities.
- ▣ Obligate Employees to return all Confidential documents and things upon termination of employment.

### ■ Enter into Written Non-Disclosure Agreements with Third Parties.



# Perfecting Intellectual Property Rights

- **Conduct Intellectual Property Audit** – Know what IP you already have!
- **Preventive Due Diligence**
  - *Other People's IP*: Check to make sure your company's technologies and other IP do not infringe with those that are already claimed or registered.
    - *Patentability Searches*: Conduct patentability searches in specific databases and/or libraries.
    - *Trademark Clearance Searches*: Conduct trademark searches before adopting and using a new mark on a product or service to ensure that it will not infringe an existing mark in use.

# Perfecting Intellectual Property Rights

## ▣ Preventive Due Diligence

### ▪ Apply for Appropriate Intellectual Property Rights

#### ▣ *Patents*

- Patent Rights may only be obtained by preparing and filing a patent application with the United States Patent and Trademark Office (“USPTO”).
- The application is examined by the USPTO and either rejected or granted based upon subject matter, novelty and non-obviousness.
- Patent rights are established upon issuance (grant) of the patent (with the potential for obtaining damages for infringing activity as far back as the publication of the application).



# Perfecting Intellectual Property Rights

- ▣ Preventive Due Diligence
  - Apply for Appropriate Intellectual Property Rights
    - ▣ *Trademarks/Service Marks*
      - Rights in a trademark may be established by:
        - *Common Law (Unregistered) Rights* – Established by *using* the mark in connection with the goods or services. Rights limited to the geographic areas in which the mark was actually used.
        - *Registered Rights*

# Perfecting Intellectual Property Rights

- ▣ Registered Rights in Trademark Law
  - Trademark rights perfected by preparing and filing an application with the USPTO.
  - If a trademark registration is granted after examination of the application, the registrant's rights in the trademark are presumptively valid and have nationwide effect.
  - Applications may be filed with the USPTO prior to the actual use of the trademark in order to establish priority over third parties in the right to use the trademark.
  - Registered trademark rights are established upon issuance of the trademark registration although priority of use over third party use dates back to the filing date of the application.
  - Regardless of Registered trademark rights, rights based upon actual use of the mark (i.e. Common Law Rights) may always be relied upon.
  - Trademarks and Service Marks may also be registered with each individual state. State registrations have only statewide effect.

# Perfecting Intellectual Property Rights

## ▣ Preventive Due Diligence

### ▪ Apply for Appropriate Intellectual Property Rights

#### ▣ *Copyrights*

- Establishing Rights in a Copyrighted Work
- The Copyright in a work is established at the time the work is created (i.e. fixed in a tangible medium of expression (e.g. written down on paper, typed into a computer, painted on a canvass, sculpted, cast from a mold, photographed, videotaped, recorded, etc.))

# Perfecting Intellectual Property Rights

- ▣ **Applying for Appropriate Intellectual Property Rights, *Copyrights (cont.)***
  - Perfecting the Rights in a Copyrighted Work
    - ▣ Rights in a copyright may be perfected by registering the Copyright in the United States Copyright Office.
    - ▣ File a copyright application in the Copyright Office together with a deposit comprising a copy of the work to be registered.
    - ▣ Copyright Registration is effective as of the date of filing provided that the application is accepted by the Copyright Office.
    - ▣ Obtaining a Copyright Registration is a prerequisite to suing a third party for copyright infringement.
    - ▣ Filing for a Copyright Registration prior to an act of copyright infringement by a third party entitles a copyright owner to statutory damages.

# Perfecting Intellectual Property Rights

## ▣ Preventive Due Diligence

### ▪ Apply for Appropriate Intellectual Property Rights

#### ▣ *Trade Secrets*

- Rights in a Trade Secret are established upon the creation or formulation of the trade secret.
- Trade Secret rights subsist for so long as the subject matter of the trade secret does not become generally known to the public.
- Third parties may legitimately “reverse engineer,” develop, or otherwise create the trade secret information, or obtain the information from a third party, who has itself legitimately obtained the trade secret information.
- Trade Secrets are maintained by the trade secret “owner” and are not registered as trademarks and copyrights may be. In some cases, patent applications may be filed to protect trade secrets which fall into a patentable subject matter category (i.e. process, machine, article of manufacture, composition of matter, or improvement thereof) .

# Perfecting Intellectual Property Rights

## ▣ Preventive Due Diligence

### ■ Apply for Appropriate Intellectual Property Rights

- ▣ *Foreign Intellectual Property Rights* - Foreign IP rights are subject to the laws of each country. Generally, applications for patents and trademarks must be filed with the appropriate administrative agencies to establish IP rights in that country.



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# Perfecting Intellectual Property Rights

## ▣ Preventive Due Diligence

### ■ Maintenance of IP Rights

- ▣ Make sure perfected IP rights are maintained.
- ▣ File required documents with the United States Patent and Trademark Office or foreign administrative agency.
- ▣ Pay required maintenance, annuity and renewal fees.
- ▣ Use unregistered trademarks and service marks (at least in the US) in order to avoid abandonment of the mark.



# Leveraging Intellectual Property Rights

## ▣ Generating Revenue

### ■ Assignment

- ▣ Transfer all rights in the IP rights to another party. This is an irrevocable and absolute transfer of rights to a third party.
- ▣ **Revenue Generation:** Assignor/Owner usually collects a one time payment. However, any payment structure may be employed, including future payments based upon use of the IP (similar to royalty payments).



# Leveraging Intellectual Property Rights

## ▣ Generating Revenue

### ■ License All or a Portion of IP Rights

- ▣ **Exclusive License:** Use of IP by Licensee only to the exclusion of even the Owner/Licensor.
- ▣ **Non-exclusive License:** Use of IP by Licensee but Licensor may continue to use as well as other Licensees.
- ▣ Licenses of IP may be restricted to use in particular **geographic areas**, by **term**, **market**, or other limitation which does not violate the Antitrust Laws.
- ▣ **Revenue Generation:** Typically Owner/Licensor collects royalty payments from Licensee based upon usage of the IP. Guaranteed minimum payments may also be employed (particularly with Exclusive Licenses).

# Leveraging Intellectual Property Rights

## ▣ **Securing Financing**

- IP may be used to secure financing from lenders. IP owner grants a security interest in the IP to the lender. The security interest is recorded against the IP either in the United States Patent and Trademark Office, the United States Copyright Office and/or in a UCC-1 Statement.

# Leveraging Intellectual Property Rights

## ▣ Enforcing IP Rights against Competitors

### ■ *Types of infringement:*

- ▣ **Patent Infringement:** An unauthorized party has made, used or sold the patented invention.
- ▣ **Copyright Infringement:** An unauthorized party has reproduced, distributed, performed, displayed, or created a derivative work from the copyrighted work.
- ▣ **Trademark Infringement:** An unauthorized party is using a mark that is likely to confuse others as to the origin of the goods or services rendered.
- ▣ **Trade Secret Misappropriation:** An unauthorized use or “taking” of the trade secret information.

# Leveraging Intellectual Property Rights

- ▣ **Enforcing IP Rights against Competitors**
  - *Negotiated Resolution*
    - ▣ Parties may resolve a dispute by means of voluntary negotiated settlement.
    - ▣ IP owner often sends a cease and desist demand to the alleged infringer.
    - ▣ IP owner demands that infringing activity cease immediately in exchange for a release of all claims.
    - ▣ IP owner may also demand monetary settlement.
    - ▣ A formal settlement agreement is executed by the parties



# Leveraging Intellectual Property Rights

- ▣ **Enforcing IP Rights against Competitors**
  - *Mediation* – Formal Settlement Negotiations which employ an agreed upon third party mediator.
  - *Arbitration*
    - ▣ By contract or other agreement, the parties engage a third party arbitrator or arbitrators to adjudicate the dispute.
    - ▣ The parties negotiate the rules of the arbitration, usually using as a starting point rules established by an arbitration association, such as the Arbitration Association of America.
    - ▣ By agreement of the parties, the Arbitrator's decision may be binding or non-binding on the parties.

# Leveraging Intellectual Property Rights

## ▣ Enforcing IP Rights against Competitors

### ■ *Litigation*

- ▣ Seek resolution of dispute in federal or state court.
- ▣ Federal Courts have exclusive jurisdiction over Patent and Copyright disputes.
- ▣ Trademark and Trade Secret disputes may be adjudicated in federal or state court depending upon case specific circumstances.



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# Other Considerations

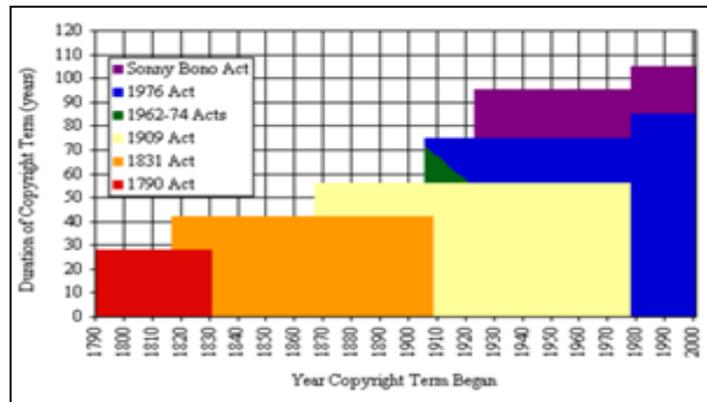
## ▣ *Patents:*

- Generally the best practice is to file for patent protection as soon as possible after conception/reduction to practice of the invention.
- The United States recognizes the **first to file** (as opposed to historical **first to invent**) doctrine.
- **For the U.S. Only:** If the invention is disclosed before filing an application, the patent application needs to be filed within one year.
- For the rest of the World: **Absolute novelty**. No one year grace period. Must file in most foreign countries prior to disclosure of the invention anywhere, or risk losing patent rights in those foreign countries.

# Other Considerations

## ▣ *Copyrights*

- Copyright vests upon fixation.
  - ▣ The term is usually the life of the author plus 70 years; or for corporations the term is 95 years from publication or 120 years from creation, whichever is shorter.



# Other Considerations

## ▣ *Trademarks*

- Rights in a trademark vest upon use or registration.
- When a trademark is registered in the U.S., current use of the mark *must* be shown between the 5th and 6th Anniversaries after the issuance of the registration. The registration *may* also be declared “incontestable” at that time.
- When a trademark is registered in the U.S., the registration *must* be renewed on the 10th Anniversary of the registration, and every 10th year thereafter.
- The term of a Trademark is potentially infinite so long as the usage of the mark continues.
- Marks are considered abandoned when:
  - ▣ There is a discontinuance of use of the mark with the intention not to resume use of the mark.
  - ▣ Abandonment may be presumed if the mark is not used for three years. The owner of the mark may rebut this presumption.

# Other Considerations

## ▣ *Trade Secrets*

- Lasts forever – So long as:
  - ▣ The information is kept *secret*; and
  - ▣ No one *reverse engineers* or otherwise independently creates or legitimately obtains the information from a third party.



# Contact Information

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