Setting Up IP in Small Legal Departments

Presented by:

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Why bother with IP?

UAVs R US

“B1000”

6 months later

UAV CLONE US

“B1001”
Missed IP protections

Manufacturing machine

Product

Name

B1000

Software

Data

Suppliers

Customers

Pricing

Method

Step 1: Cut metal
Step 2: Activate flux capacitor
Step 3: Paint metal

Design (ornamental)

Material

B1000

Step 1: Cut metal
Step 2: Activate flux capacitor
Step 3: Paint metal
What went wrong?

- Don’t know they should
- Don’t know how
- No incentive

Invents

Directs

Protects
Where else it could go wrong

- New employee
- Current employee
- Former employee
- Surprise!
Can we fix that?

- Establish Intellectual Property Program
  - Commitment to IP by management
  - IP Policy
  - Protecting your own IP
  - Respecting IP rights of others

- Implementation

- How to handle external threats
Implement your IP program

- S1: Get management on board
- S2: Set up internal protocols
- S3: Rollout
Get management on board

- **Education**
  - Protect market.
  - Slow/stop competitors.
  - Marketing tool.
  - Potential revenue stream.
  - Defensive nukes.

- **Commit to resources**
  - Patents: $$$, time, specialist
  - Trade secret: $$/$, vigilance
  - TM/®, ©: $
Start with Written IP Policy

- Know your culture
- Articulate the value of IP to the company
- Provide policies for the use, management, and generation of IP
- Provide agreements regarding IP ownership
- Emphasize lawful use of other’s IP
- Install mechanisms for compliance

Appendix
Articulate the value of IP to the company

- Intellectual Property ("IP") is an area of substantial importance to the COMPANY. The purpose of defining this IP policy is to:
  - encourage the generation of IP by employees and other relevant parties;
  - to ensure the COMPANY’S IP rights are owned by the COMPANY;
  - to ensure the COMPANY’S IP rights are not misused; and
  - to prevent against misuse of IP by employees and other relevant parties engaged by the COMPANY.
Questions?
The Daily Grind
Trademarks generally

- Trademarks identify a source
- They are often the most valuable asset the company owns
  - The goodwill of the company is often tied directly to the trademark
- Therefore it is critical for in-house legal to ensure proper use, and to help select strong marks.

AVAYA  Dropbox
Trademark – selection

- Before use of new mark, contact legal

- ‘Clear’ use of new brand name, service name, label, etc.
  - Specialist
  - Searching is tempting to skip, but it is relatively inexpensive, and can save a lot in the long run
    - Ask for multiple options
  - Risk tolerance
  - The earlier legal is consulted the easier it is to adjust course
Trademark – usage policy

- Define appropriate uses of your trademarks for internal users and third parties
  - Consistent usage
  - Identify the mark
    - ™ Unregistered marks
    - ® Registered marks
  - Make mark stand out
    - Different color, text size, capitalization, etc.
  - Use mark as an adjective qualifying a noun
    - send by FEDEX courier NOT send a FEDEX
Trademark – policing

- Hire a vendor to automatically monitor applications for registration of your mark
- Especially if you are a B2C business, engage your customers via social media
  - Your customers will report possible violations on their own
- Internal policy of bringing improper uses to the attention of legal
Trademark – loss of rights

Watch out for:

- Improper use
- Genericide
- Non-use
- Failure to police
- Improper assignment or licensing
Trademarks come with a high administrative burden, but most of the administration can be easily passed to outside counsel.

Minimum in-house management:
- Record next due date in spreadsheet and calendar

All in approach:
- Several vendors provide docketing systems to track dates, and even allow outside counsel to enter the data for you
Trademarks must be used for all goods or services for which the mark is registered.

- Helpful to collect example uses of mark to prove use when needed.
Questions
Trade Secrets- generally

- Spying
- Former employee
- New employee
- Joint Development
...technology and inventions may be in various states of development, including anywhere from oral concept discussions, schematics, test beds, prototypes, etc. Such technology ABC-Corp considers all such technology and information to be trade secret, and thus Confidential Information.

Employees may not discuss, disclose, distribute, or disseminate to any third party the Confidential Information until such time as ABC-Corp may authorize its release to the public ... These obligations shall survive any employees’ departure from ABC-Corp.
Trade Secret – protection

- Identify key trade secrets

- Keep them secret (multi-layer, reasonable)
  - Restricted access
  - Physical security
  - Employment contracts and NDAs
Trade Secret – third party

- See up a plan for compliance
  - Limit access to third party trade secrets
  - Ensure third party trade secrets are used as contemplated by agreement.
  - Be prepared to return any documentation of the trade secret
  - In some cases, you might need to show independent development of a technology that did not rely upon third party trade secret

- Don’t agree to terms in an agreement that you can’t comply with
Your company may need to share portions of its trade secrets with a third party partner.

- Make sure to identify the material as including a trade secret and not merely confidential information.
- Carefully craft the agreement to provide no greater use of the secret than needed.
In addition to defining the Intellectual Property you are bringing into the collaboration it is essential to carefully think through ownership of jointly developed IP.

- Who should own?
- How will disputes be handled?
- Will both sides own or have rights?
Questions?
- Novel (new)
- Nonobvious
  - More than routine combination of “prior art”
Ownership of Intellectual Property; Assignment of Inventions.

– Any Invention that Employee, either alone or with others makes, discovers, devises, conceives, reduces to practice, or otherwise possesses while employed by Company .... Employee further agrees to assign, and does hereby irrevocably assign..

– Additionally, both while employed by Company and afterwards, Employee agrees to execute and deliver at Company’s expense any documents that Company may reasonably consider necessary or helpful to ...

– Identify what is “theirs” before they start
Patents – identifying inventions

- Have inventions come to you:
  - Distribute invention disclosure form*
  - Educate employees of importance of IP
  - Incentivize invention submissions through:
    - Rewards, recognition, etc.

- Go find inventions:
  - Talk with managers involved with new products or releases
  - Read your marketing materials
  - Search document management systems for information

- Use outside counsel for patent mining, secondments, audits.
Patents – deciding what to file

- Cost
- Decide on evaluator (owner, committee, GC, expert, etc.)
- Criteria to evaluate inventions
  - Important to company?
  - Relevant to market?
  - Could you detect copying?
  - Can the invention be avoided?
  - Search?
  - Better as a trade secret?
Rely on outside counsel

In-house:

- (Min) Assign each application an identifier: P1, P2, etc.
- (Mid) Record next due date in spreadsheet and calendar
- (All in) Several vendors provide docketing systems to track dates, and even allow outside counsel to enter the data for you
Common use of “open source”

Software that is licensed:

- To the public
- In source code form
- Under a standard royalty-free license that permits
  - Use, inspection, modification, and re-distribution
Designing an open source policy

- Two pieces
  - In-bound: associated with using open source software
  - Out-bound: associated with contributing to the open source community
Designing an open source policy

- Identify your motivation
  - Why re-create? Just re-use
  - Help maintain
  - Good open source participants
  - Retain and attract talent
  - Promote your platform
### Potential in-bound issues

<table>
<thead>
<tr>
<th>IP</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Secrets</td>
<td>None</td>
</tr>
<tr>
<td>Copyrights</td>
<td>Ownership when multiple contributors</td>
</tr>
<tr>
<td>Trademarks</td>
<td>Generally not licensed</td>
</tr>
<tr>
<td>Patents</td>
<td>What rights are you receiving? Can those rights terminate? If so, when and how?</td>
</tr>
</tbody>
</table>
Designing an in-bound open source policy

- **Key**: understanding what triggers open source license requirements
- How are you going to define acceptable uses
- How are you going to communicate policies
- How are you going to learn about use
- How are you going to track use
- How are you going to provide notice
### Potential out-bound issues

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<tr>
<td>Trade Secrets</td>
<td>Gone upon release</td>
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<tr>
<td>Trademarks</td>
<td>Existing 3\textsuperscript{rd} party trademark rights?</td>
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<tr>
<td>Patents</td>
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Designing an out-bound open source policy

- Who is responsible for approving?
- How do you learn about out-bound contributions?
- What types of contributions are okay: existing vs. new projects?
- Ownership (company vs. employee)
- Balancing open source and patents
- Do you establish a default license?
Questions?
Rollout the Message

- Group/Company Presentations
- Brown Bags
- Intranet Portal
- Email Blast
- New Hire Orientation
- Security Training

KEEP CALM AND TRUST YOUR LEGAL DEPARTMENT
Manufacturing machine

Step 1: Cut metal
Step 2: Activate flux capacitor
Step 3: Paint metal

Product
Name
Software
Material

Method

Design (ornamental)

Message: let legal know about
Questions?
The Wake Up Scenario, Round 2

6 months later

UAVs R US

UAV CLONE US

6 months later
Asserting IP Rights - Trademark

- Fully investigate offending use
  - Is it causing confusion?
  - Want it gone to keep your brand strong?
- What do you want to have happen?
  - Stop use
  - Stop registration
  - License
- What is your strategy
  - Opposition/Cancelation action at TTAB
  - Negotiate
  - Trademark Infringement Lawsuit
Asserting IP Rights - Patents

- What do you want to achieve?
  - Injunction?
  - Damages? (is it worth it?)

- Investigate (prove your case)

- Are you prepared to risk your patent?

- Are you prepared to face counter claims?

- Are you prepared for the cost?

- Negotiate

- Patent Infringement Lawsuit
Playing Defense, Round 2

UAVs R US

UAV CLONE US
A good option for building a defensive patent position

- Acquisition is often at cost of prosecution... most of the value, less risk, same cost.
- Licensing and cross licensing can take large portfolios of patents off the table as possible threats
  - Make sure the license runs with the patents if they are sold.
Defending against IP threats

- Determine potential impact
- Inform management
- Interview and hire outside counsel
- Would you be willing to settle?

- Can you design around the patent, can you discontinue use of TM?
- Identify and enlist internal experts
- Non-infringement opinions
- Review your IP for possible counterclaims

- If sued... timing?
Questions?
Panelists

- **Gideon Myles, Dropbox**
  - Director, Intellectual Property
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- **Laura Jones, Avaya**
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  - <swatkins@polsinelli.com>
Appendix: IP 101

- IP Basics – short overview
- Scenarios and strategies
- Some other insights to consider
Intellectual Property

- What is IP?
- Brands (trademark)
- Original expressions (copyright)
- Inventions/discoveries (patent)
- Specific forms of secrets (trade secret)
Trademarks

- **Lanham Act (15 USC)**
  - trademark registration (before or after use in commerce)
  - goods or services linked to the mark
  - goods or services with mark as used in commerce
Trademarks

- Lanham Act (15 USC) exceptions:
  - Merely descriptive or deceptively misdescriptive
  - Geographically descriptive (with exceptions)
  - Primarily geographically deceptively misdescriptive
  - Primarily merely a surname
  - Comprises any matter that, as a whole, is functional
Trademarks

- Word, phrase, symbol or design
- Source identifying function
- Generally, a brand
Trademarks

- Different types of marks for different purposes
  - Service mark
  - Trademark
  - Certification mark

  – *Consorzio del Formaggio Parmigiano-Reggiano v. Rienzi & Sons, Inc. (NDNY 1999)*
Trademarks

- Trademarks protected at state, federal and international levels
- Rights exist when mark is “used”
- Different protections are offered in exchange for formally registering a mark
- Six (6) months from domestic filing to leverage U.S. priority for filing
17 USC § 102(a)

- Statutory categories
- “works” fixed in a tangible medium
- “original works of authorship”
17 USC § 102(b), but:

– “In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.”

– *Hart v. Dan Chase Taxidermy Supply Company, Inc.* (2nd Cir. 1996)
Copyright

- Literary, musical, dramatic, and choreographic works
- Pictorial, graphic or sculptural works
- Includes images and audiovisual works
- Original to the creator
- Generally, expressive content
Different types of copyrightable works for different forms of expression

- Books, articles
- Pictures
- Movies
- Sculptures
Copyright

- Works protected under common law, federal and international levels

- Rights exist when work is “fixed in a tangible medium”

- Different protections are offered in exchange for formally registering a work
35 USC § 101

“whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof”
35 USC §§ 102, 103, 111, 112

- Must be novel
- Must be non-obvious
- Must be sufficiently described
Patents

- Utility
- Design
- Plant
- First to file

- Generally, inventions and discoveries
Contact Patent Attorney w/ new idea
- Must file US w/in 1 year of use, sale, offer for sale, publication, etc.. (Grace Period)
- Must file Foreign before. (No Grace Period)
- 4-6 weeks: Draft and file patent application
- 1 year filing anniversary: Foreign file
- $$$$  
- 2-4 years: Negotiate with Patent Office
- => Patent granted (or give up)
- 20 Year from filing term
Patents

- Inventions protected under federal and international laws
- Different protections are offered in exchange for formally filing a disclosure about the invention
18 USC § 1839

“all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing”
18 USC § 1839, if:

- Owner takes “reasonable measures to keep such information secret” and

- “the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means ...”
Trade Secrets

- Defend Trade Secrets Act of 2016
- Proprietary, commercially valuable, information
- Technologies not protectable by patent
- Generally, secrets
Trade Secrets

- Different types of business information for different aspects of secrets
- Confidential manufacturing process
- Formulae
- Customer lists
- Business plans/strategies
Trade Secrets

- Trade secrets protected under state and federal laws
- Rights exist when information is not generally known
- Efforts are reasonable under the circumstances to maintain secrecy
Open Source: How is it different than traditional software?

- **common use of “open source”**
  - software that is licensed:
    - to the public
    - in source code form
    - under a standard royalty-free license that permits
      - use, inspection, modification, and re-distribution
Open Source: How is it different than traditional software?

- proprietary (commercial, traditional) software:
  - distributed under a license agreement
  - permits use of the software
  - does not permit
    - inspection,
    - modification, or
    - re-distribution
# Open Source: How is it different than traditional software?

<table>
<thead>
<tr>
<th>Open source licensing</th>
<th>Proprietary software licensing</th>
</tr>
</thead>
<tbody>
<tr>
<td>licensed to general public under <strong>standard, non-negotiable licenses</strong></td>
<td>licensing <strong>terms</strong> may be <strong>negotiable</strong> and <strong>vary</strong> by provider, customer, product, and use</td>
</tr>
<tr>
<td><strong>source code</strong> provided and licensed for source or binary use</td>
<td><strong>binary</strong> provided and licensed for <strong>binary use</strong></td>
</tr>
<tr>
<td>licenses <strong>generally permit modification</strong> (subject to conditions)</td>
<td>licenses typically <strong>prohibit reverse engineering</strong> and <strong>modification</strong></td>
</tr>
<tr>
<td>licenses <strong>generally permit royalty-free redistribution</strong> (subject to conditions)</td>
<td>licenses typically <strong>prohibit</strong> or impose <strong>royalty fees</strong> on redistribution</td>
</tr>
<tr>
<td>licenses generally include <strong>explicit disclaimers of warranty and liability</strong></td>
<td>licenses <strong>may</strong> include <strong>warranties</strong> and <strong>indemnification</strong></td>
</tr>
<tr>
<td><strong>ownership</strong> may be <strong>distributed among multiple contributors</strong></td>
<td><strong>ownership</strong> typically <strong>single entity</strong></td>
</tr>
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</table>
Open Source Licensing: Two Philosophies

‣ “open source software” | 10 license criteria
  ▶ Open Source Initiative (opensource.org)
  ▶ license must be royalty-free, cover source code, permit copying and distribution, and cannot discriminate against persons, groups, uses or technologies

‣ “free software” | the “Four Freedoms”
  ▶ Free Software Foundation (fsf.org)
  ▶ license must grant right to run, copy, distribute, and modify
Open Source Licensing: Categories

- permissive
- copyleft
Open Source Licensing: Categories

- **permissive**
  - “attribution” licenses
  - give me credit
  - if you distribute, provide notice
  - examples: BSD, MIT, Apache

- **copyleft**
Open Source Licensing: Categories

- **permissive**
- **copyleft**
  - reciprocal or hereditary
  - *if you distribute, use the same terms and provide source code*
    - applies to software *combined with* the copyleft software
  - “tainting” effect
Open Source Licensing: Categories

- permissive
- weak-copyleft
  - give me changes
  - if any code in a library is weak-copyleft, all must be
  - can dynamically link to proprietary code
  - examples: LGPL, MPL, EPL
- strong-copyleft
  - give me everything
  - if any code in a program is strong-copyleft, all must be
  - no linking to proprietary code
  - examples: GPL, AGPL, Creative Commons Share-Alike (CC *-SA-* )
Open Source Licensing: Categories

- **permissive**
  - give me credit
  - examples: BSD, MIT, Apache

- **weak-copyleft**
  - give me changes
  - examples: LGPL, MPL, EPL

- **strong-copyleft**
  - give me everything
  - examples: GPL, AGPL, Creative Commons Share-Alike (CC *-SA-* )
Open Source Licensing: Categories

- prohibitive
  - forbid specific uses
  - Examples:
    - Creative Commons Non-Commercial license (CC *-NC-*) prohibits commercial use
    - Oracle Binary Code License Agreement prohibits modification or use on dedicated hardware
    - Microsoft Limited Public License (MS-LPL) prohibits use on non-Windows platforms
    - JSON license prohibits using the software for evil
Challenges

- Serve business objectives
- Make sound legal decisions
- Manage costs
Challenges

- Businesses don’t have legal problems; businesses have business problems
- Businesses don’t have IP issues; businesses have business problems
IP Challenges

- How to manage IP creation
- Control cost of formal IP protection
- Consider steps to avoid IP litigation
IP Generally

- Always a tradeoff
- Define issues for today; consider future needs
- Self-help – document your IP
- Key differentiators for business help to define IP strategy
Tradeoffs

- Value to company vs. cost of procurement
- Short term vs. long term
  - Trademarks (immediate, near term, long term)
  - Patents (industry specific; generally long term)
  - Copyrights (both short and long term)
  - Trade Secrets (both short and long term)
Issues for Today/Tomorrow

- **Patents**
  - For startups, long term except if there is a “marketing” advantage that outweighs cost

- **Trademarks**
  - Relatively inexpensive, minimal downside on a cost basis

- **Copyrights/Trade Secrets**
  - Prevents direct copying of public info/protects non-public info; but enforcement comes at a cost
Trademarks

Costs and channels when using mark

Continually gather evidence of distinctiveness
Document your IP

- Patents
- *People involved with development*
- Detailed notes about advancements and setbacks during development
Document your IP

- Copyrights
- People involved with creation
- Dates and variations
- Publication – how was the work used/promoted and where
Document your IP

- Trade Secrets
- People involved the creation and improvement of the “secret” information
- Dates and variations
- *Costs incurred and secrecy efforts*
Hiring in view of IP rights

- Document IP rights
- Understand potential issues at early stages of hiring
- Exit interview to confirm understandings
- Non-disclosure agreements
IP rights and budgets

- Patents – time consuming and expensive
- Trademarks – reasonably affordable and less time consuming
- Copyrights – inexpensive and fairly quick
- Trade Secrets – reasonably affordable
Software is eating the world

- Open Source Software
- Subject to license restrictions
- Decisions need to be made before using open source
Software is eating the world

- http://choosealicense.com/licenses
- Investors consider open source software in company’s tech stack
- Less restrictive licenses like Apache 2.0 helpful depending on how software used/inciporporated
Post-grant challenges

- Expensive and time consuming
- Less expensive than litigation
- IPR, CBM, PGR, *ex parte* reexamination
  - PGR only certain patents and within 9 months of issue date
Non-litigation trademark tools

- Opposition proceedings
  - Challenge trademark before registration
  - Expensive

- Cancellation proceedings
  - Challenge trademark after registration
  - Expensive

- Intent-to-use trademark applications
Takeaways

- Document IP (self-help/low cost)
- Manage tradeoffs to manage IP costs
- Understand implications of open source software licenses
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