
Starting New Ventures

64-361.202

Chap 12. The Importance of Intellectual Property

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The Four Key Forms of Intellectual Property

Patents

Trademarks

Copyrights

Trade Secrets

Patents

- Patents
 - A patent is a grant from the federal government conferring the rights to exclude others from making, selling, or using an invention for the term of the patent as many as 20 years.
- To obtain a patent, an invention must:
 - Be novel
 - Not be obvious to a person of ordinary skill in the field
 - Be useful

Can a Company Patent How it Makes a Sandwich?



You be the Consultant

- Amy Rozinski owns a small optics firm named Northland Optics. About 11 months ago, the company invented a new product that has sold extremely well to consumers in a localized area. Amy has decided to wait a year to see how the product does and will then apply for a patent if the product appears to have a good future. Is this a good strategy? Why or why not?

Three Forms of Patent Protection

Type of Patent	Types of Inventions Covered	Duration
Utility	New or useful process, machine, manufacture, or composition of material or any new and useful improvement thereof	20 years from the date of the original application
Design	Invention of new, original, and ornamental designs for manufactured products	14 years from the date the patent is granted
Plant	Any new varieties of plants that can be reproduced asexually	20 years from the date of the original application

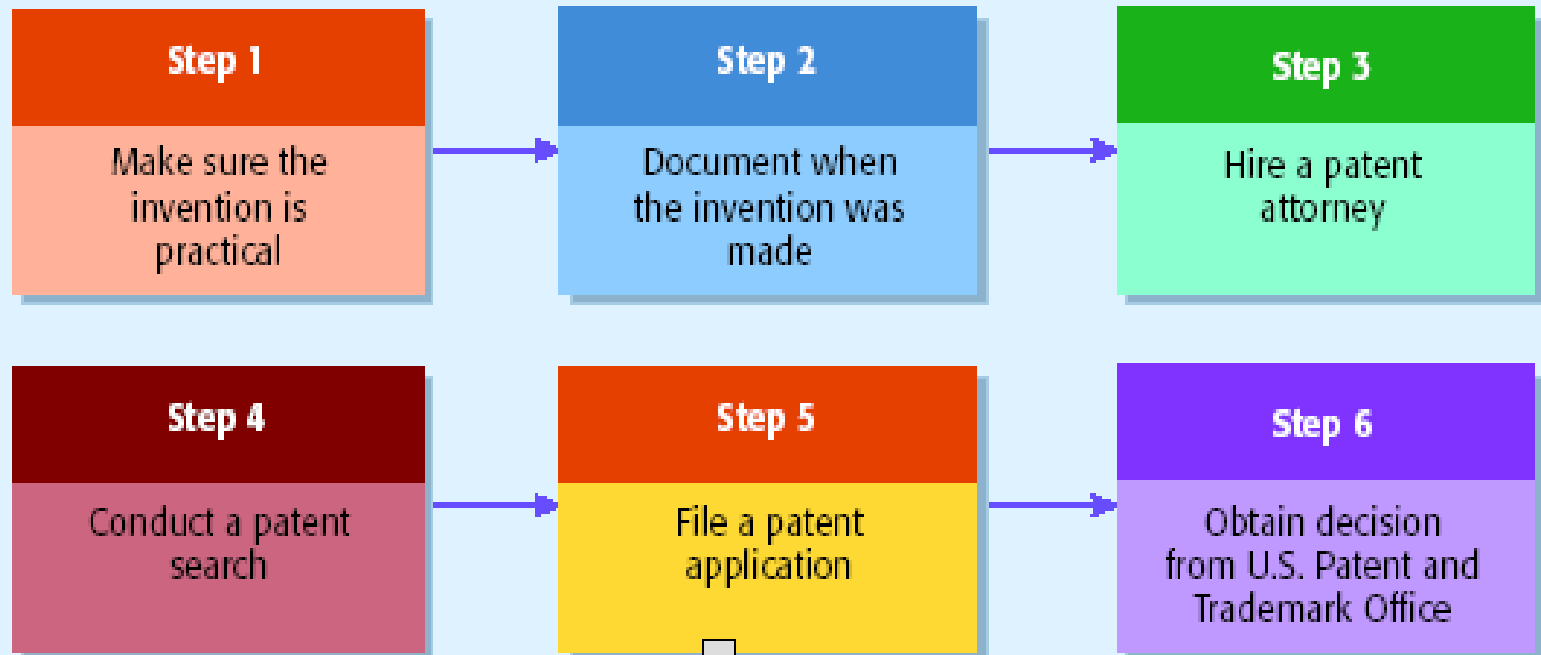
You be the Consultant

- Pete Aguilar just invented a new computer mouse that helps relieve the stress that people sometimes feel in their hand after using a computer all day. A friend told Pete to apply for a design patent in order to protect the functionality of his device. Is Pete's friend right?

What Can You Patent?

- Process
 - Machine
 - Manufacture
 - Chemical formula
 - Design
 - Plants
- Business Method Patent
 - A business method patent is a patent that protects an invention that is or facilitates a method of doing business.
 - Amazon.com's one-click ordering system,
 - Priceline.com's "name-your-price" business model
 - Netflix's method for allowing customers to set up a rental list of movies to be mailed to them.

The Patent Process



- File a Provisional Patent Application
- File an application with the U.S. Patent and Trademark Office
- Determine prior art
- Determine the set of claims

Advantages of Patents

- Provides a monopoly right
- Raises the cost of imitation
- Helps to raise capital by demonstrating competitive advantage
- Prevents a second party from using the invention as a trade secret
- Cross-licensing (with potential royalties or joint profits)

Disadvantages of Patents

- Requires disclosure of the invention
- Provides only 20 year monopoly
- Can be circumvented
- Difficult and costly to defend
- Less effective for most types of technology
- Can be irrelevant if technology is fast moving
- Requires world-wide patent application



Key patent issues

- US converted from “First to Invent” to “First to file” in 2013
- US recognizes any filing in any WTO country as establishing the same priority as if it was filed in the US.
 - Title 35 USC Section 119 (a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, or in a WTO member country, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed.

Patent Considerations

- Could naturally occurring genetic sequences be patented?
- Could DF patent its DNA amplification technique (scientific process)?
- Could the sequence of events constituting the test be patented?

- Before 2013 genes could and were patented in the US
- After 2013 naturally occurring DNA could NOT be patented.
 - Synthetic “complementary DNA (cDNA)” however could be
 - cDNA does not occur in nature

US Gene Patent Issues

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EU Gene Patent Issues

- Simple discovery of an element of the human body is not patentable
- However, such sequences might be patentable if they were isolated from the human body and an industrial application disclosed.

Process Patent Issues (Biotech)

- US: New and useful process can be patented
 - Method of making
 - Method of using
 - Any law of nature, natural law, or abstract idea is excluded
- EU: useful, novel, & involved an inventive step(non-obvious)
 - Excludes: contrary to public order or morality
 - Cloning, human stem cells, human genetic modification, industrial use of embryos

Trademarks

- A trademark is any word, name, symbol, or device used to identify the source or origin of products or services and to distinguish those products or services from others.

Trademark

- What does trademark law protect?
 - Pam Tarver just opened an information technology consulting company and has thought for a long time about what to name it. She finally settled on the fictitious name Infoxx. Infoxx is not a word; it is just a bunch of letters that Pam thought looked good together and her customers would remember. Is Pam's made-up word trademarkable?
 - Rick Sanford lives in a small community in northern Minnesota. He is planning to open the only fried chicken restaurant in his area and would like to trademark the words "fried chicken." Because of his special circumstances, can he do this?



What can be Trademarked?



← Name is trademarked

← Symbol is trademarked

← Slogan is trademarked



What can be Trademarked?



Yang



Boudier No. 11 Chateau Flowers

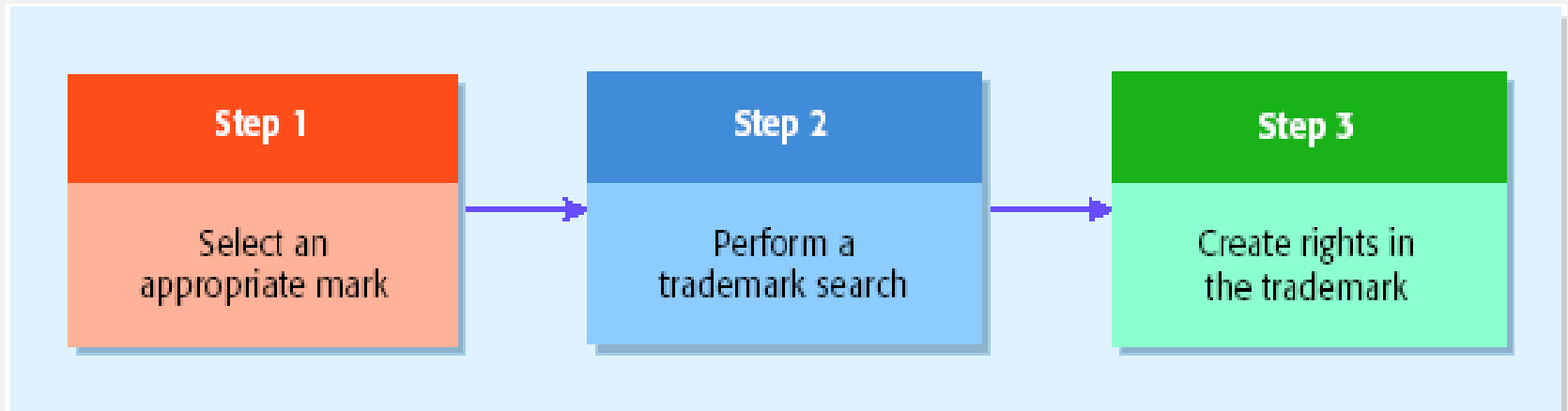


Trademark Law Protects:

- Words
 - Excluding:
 - Pure description of a product/service
 - Deceptive marks
 - A mark consisting primarily of a surname
- Numbers and letters
- Designs or logos
 - Must be distinctive rather than generic
- Sounds – Distinctive
- Fragrances – Cannot enhance the use of the product
- Shapes – No impact on the product's function
- Colors – not functional
- Trade dress
 - The manner in which a product or a business is “dressed up” to appeal to customers is protectable.



The Process of Obtaining a Trademark



- Technically, a trademark does not need to be registered to receive protection and to prevent other companies from using a confusingly similar marks.
- So why to register a trademark with the USPTO?

Why Register a Trademark?

- National priority
- Use of registration mark ®
- Block import of infringing products
- Improve prospects in legal action for damages



Copyrights

- Copyrights
 - A copyright is a form of intellectual property protection that grants to the owner of a work of authorship the legal right to determine how the work is used and to obtain economic benefits from the work.
 - *What is Protected by a Copyright?*
 - *Literary works*
 - *Musical compositions (and derivative works)*
 - *Dramatic works*
 - *Pantomimes and choreographic works*
 - *Pictorial, graphic, and sculptural works*



How to Obtain a Copyright

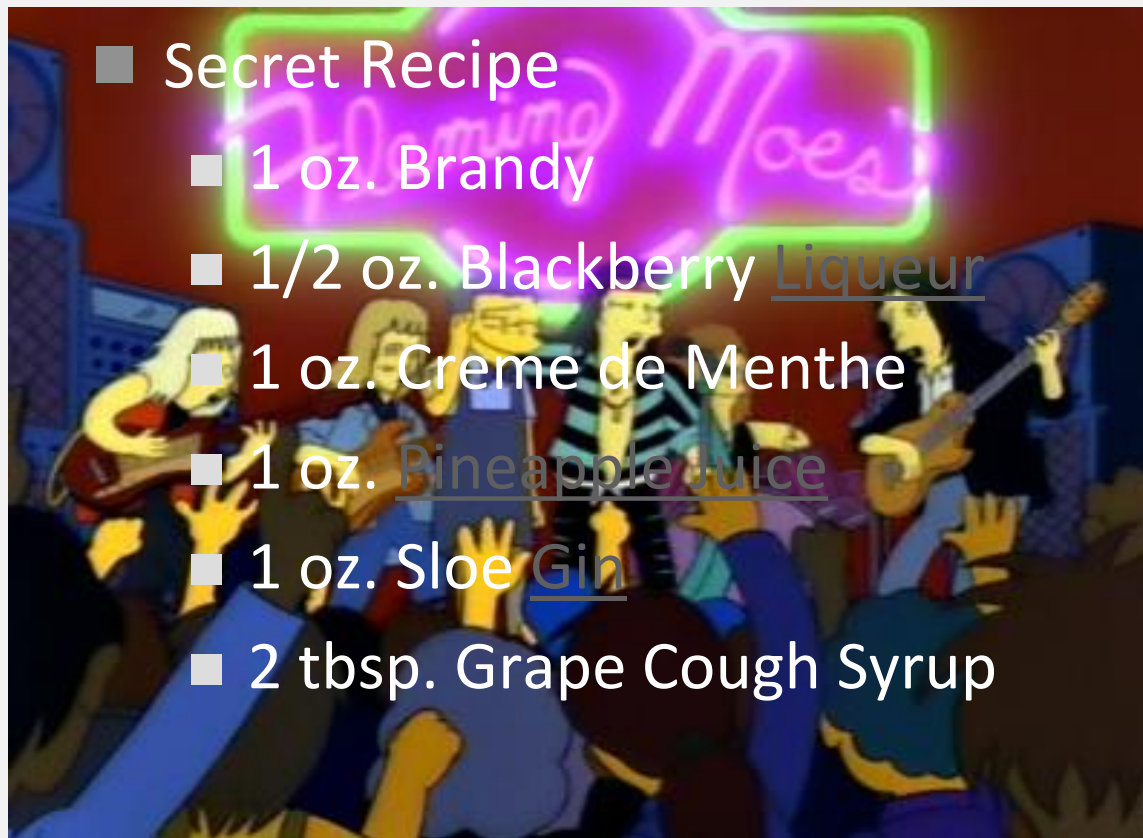
- Copyright law protects any work of authorship the moment it assumes a **tangible** form. Technically, it is not necessary to provide a copyright notice or register work with the U.S. Copyright Office.
- The following steps can be taken, however, to enhance copyright protection.
 - Copyright protection can be enhanced by attaching the copyright notice, or “copyright bug” © to something.
 - Further protection can be obtained by registering the work with the U.S. Copyright Office.

Characteristics of Patents, Trademarks, and Copyrights

IP Type	What It Covers	Time Required	Cost
Copyright	Works of original authorship	About 2 weeks	About \$35-65
Trademark	Logos, names, etc.	6 months to 1 year	\$900-1500
Design patent	The look of an original product	Up to 2 years	\$5000-20000
Utility patent	How an original product works	2-5 years	\$5000-20000
Business method patent	A business process or procedure	2-5 years	\$5000-20000



Flaming Moe



Trade Secrets

- A piece of knowledge that confers an advantage on a firm and is protected by non-disclosure
- Protect a competitive advantage without disclosing how an underlying technology works
- Disadvantage
 - Must be kept hidden to remain valuable
 - Doesn't provide a monopoly right
 - To enforce and claim damages in court, must show a loss of competitive advantage

What Qualifies for Trade Secret Protection?

- Is not known outside the company
- Is known only inside the company on a “need to know” basis
- Is safeguarded by stringent efforts to keep the information confidential
- Is valuable and provides the company a compelling competitive advantage
- Was developed at great cost, time, and effort
- Cannot be easily duplicated, reverse engineered, or discovered.



Coca Cola keeps its formula in a vault



What Qualifies for Trade Secret Protection?

- Jack Young is the CEO of a small graphic design company in Orlando, Florida. Several months ago, he spent an entire day searching the Web site of Dolphin Graphics, a larger graphics design firm in Miami. From its Web site, Jack was able to put together a list of Dolphin's major customers and is using the list to prospect new customers for his firm. After discovering what Jack is doing, Dolphin has threatened to sue Jack if he doesn't stop using its customer list, which it claims is a trade secret. Is Jack infringing on Dolphin's trade secrets?



How to Protect Trade Secrets

- Restricting access
- Labeling documents
- Password protecting confidential computer files
- Maintaining logbooks for visitors
- Maintain logbooks for access to sensitive material
- Maintaining adequate overall security measures
- *Asking the employees to sign nondisclosure and noncompete agreements.*

Intellectual Property Audit

- An intellectual property audit is conducted to determine the intellectual property a firm owns.
 - whether its intellectual property is being properly protected.
 - remain prepared to justify its valuation in the event of a merger or acquisition.
- The Process
 - The first step is to develop an inventory of a firm's existing intellectual property, and how to protect them.
 - The second step is to identify works in progress to ensure that they are being documented and protected in a systematic, orderly manner.