2023 Big Bang IP Workshop

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UC Entrepreneurship Academy – Intellectual Property

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An Introduction to DLA Piper

- A global law firm with lawyers located in 90+ offices in 40+ countries throughout the Americas, Europe, the Middle East, Africa and Asia Pacific
- 500 IP and Technology lawyers globally
- Global Open Source Practice
- Highly ranked nationwide leader in IP and ITC practices in the US, and a leading IP and technology firm globally by Chambers USA and Global, The Legal 500, IAM Patent, World Trademark Review, Managing IP and others
Overview

• So you want to start a company...
• What is the role of Intellectual Property (IP)
• IP in formation issues
• What are investors looking for?
Why should you care about IP?

Largest global companies by market cap in 2023:
- Apple
- Microsoft
- Saudi Aramco
- Alphabet
- Amazon
- 7 of the top 10 are in the technology sector
Intangible assets as key value driver

- Intangible assets are 90% of the value of S&P 500 companies
- Value of intangible assets in S&P 500 companies from 1975 to 2020 have tripled
- Biggest change from 1985-1995 where value doubled
- Global economy moving away from industrial foundation and moving to knowledge and services is likely driver of increased value of intangible assets
Intellectual Property is International

Treaties Facilitate International Protection

- Patent
  - Paris Convention
  - Unified Patent Court, Unified Patent, European Patent
- Trademarks - Madrid Protocol
- Copyrights - Berne Convention

IP Enforcement is country-by-country
## Common Types of Intellectual Property in US

### Patents
- Right granted to Congress in US Constitution to encourage inventors *(human inventors)* by giving exclusive right to inventions
- Duration: 20 years (15 years for designs) from filing
- Rights: make, use, sell, import, have made
- What can be protectable:
  - Inventions
  - Designs
  - Plants

### Copyrights
- Right granted to Congress in US Constitution to encourage authors *(human authorship)* by giving exclusive right to works
- Duration: Life of author + 70 years; 120 years after creation or 95 years after publication if corporation
- Registration not required
- Rights: reproduce, distribute, prepare derivative works, publicly perform, publicly display
- What can be protectable:
  - Photographs
  - Software
  - Web pages
  - Databases
Common Types of Intellectual Property in US (cont.)

Trademarks
• Identifies source and quality of goods and services
• Duration: 10 years from registration, renewable if in use
• Common law rights possible
• What can be protectable: strong, arbitrary marks; descriptive marks weak
• Managing risk of infringement by marks created with generative AI

Trade Secrets
• Non-public information that provides competitive advantage and efforts taken to maintain as a trade secret; beware use of generative AI
• Duration: theoretically forever
• Rights: Use and disclosure
• What can be protectable:
  • Secret Inventions
  • Methods
  • Customer Lists
  • Tools
  • Data
Starting a company
Starting a company

• When do you start your new venture
  • When do you leave your employer
  • Can you work on your new venture while you are still working for your current employer

• How do you leave your employer
  • Is there anything you can take with you
  • What do you need to remember
IP issues for founders

• What does your current employer own

  • Effect of employee proprietary information and inventions agreements (PIIA’s)
    ✓ Copyrightable works of authorship owned by employer as work for hire if developed by employee within the scope of employment
    ✓ Assignment of IP
    ✓ Confidentiality obligations

• Different treatment if you are a consultant or contractor

  ✓ Written agreement required for enforceable assignment
  ✓ Certain types of work commissioned from an independent contractor with a written agreement may be designated as “work for hire” owned by commissioning party
Restrictions on founders

• **Non-competes**
  - Not enforceable in California except for sales of business
  - Applies to employees and contractors
  - Proposed FTC ban on non-competes (new)

• **Non-solicitation**
  - Enforceability should be tied to protection of trade secrets
  - California does not adopt inevitable disclosure doctrine
    - Possession alone not sufficient, improper use or acquisition/misappropriation required

• **Ongoing compliance with PIIA; university policies**
IP Ownership/Protection for a Startup

- **Company** must own IP
  - Written assignments
  - Development and license agreements

- Duty of reasonable care
  - No public disclosure
  - Confidentiality agreements with all employees and consultants
  - Appropriate firewalls and e-mail security

Encrypted wireless communications
IP Ownership/Protection for a Startup

• Which IP protection applies
  
  • Patents v. trade secrets
    ✓ Business information is not patentable: market information, customer lists, pricing
    ✓ Challenges of software patents

  • Provisional patent application v. Utility patent application

  • Register copyright or not

  • Register trademark or not

• Where to obtain IP protection
Introducing Your Company

Non-Confidential Description (NCD)

- Reviewed by the inventor
- Brief, relevant technical details
- Business advantages
- Links to published patents/articles
- Patent status
Protecting Your IP

Treat everything as confidential

Carefully guard business and technical information:

• Ideas
• Technology
• Know-how
• Computer code
• Business information
• Marketing plans

Use Confidential Disclosure Agreements (CDA’s)
Establish an IP-Savvy Culture

• Management, scientists, engineers, business development team and finance professionals all on the same page

Education and Communication are Key

• IP is a valuable asset of company
• Company has an IP strategy
• Employees are aware of the IP strategy
• Company is implementing the IP strategy
• Employees understand that following IP strategy is critical to the company’s success
Investors’ Focus on Intellectual Property
What Questions Do Investors Ask (due diligence)?

• **Patents**

  • **Patentability**
    - Is your invention patentable?
    - Does it distinguish the prior art?
    - Do your patents cover your product(s)?
    - Do the patents cover design-arounds by competitors?

  • **Ownership**
    ✓ How many patents and applications do you have?
    ✓ Are the patents and patent applications properly assigned or licensed to the company?

• **Freedom to Operate**

  ✓ Does Invention infringe any third party patents
What Questions Do Investors Ask (due diligence)?

- **Copyrights**
  - Ownership
    - Employees v. contractors
  - Open source software

- **Trade secrets**
  - Protective measures
  - Disclosures of source code
  - Impact of generative AI
What Questions Do Investors Ask (due diligence)?

• Trademarks
  ✓ Registered v. common law
  ✓ Preserving value and goodwill, monitoring, quality control

• University and government funding/involvement

• Key agreements
Strategic IP Planning
Strategic IP Planning

• Business Strategy
  • Where is revenue and growth

• IP Strategy
  • Where to protect IP
  • What IP to protect

• Importance of alignment
  • Execute business strategy in a manner consistent with preserving IP rights and protection
Licensing Options

What type of license does company need?
- Exclusive vs. non-exclusive
- Geographic limitations
- Fields-of-use limitations
- Sublicense rights

Alternatives to a license
- Option agreement
  ✓ Limited rights
  ✓ Time-limited
  ✓ Some cost
  ✓ Pre-negotiate the license or license terms
  ✓ Advantages

- Evaluation agreement
  ✓ Fewer rights
  ✓ Usually no cost
  ✓ Advantages
Any Questions?

Feel free to contact:

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Reference slides
Patents and Trade Secrets

Both Patents and Trade Secrets protect ideas:

• New process
• New formulation
• New method of synthesis
• New software
• New device
Trade Secret or Patent?

Trade Secret:

- If invention cannot be easily discovered
- If the invention is not patentable
- Term—forever, if protected

Patent:

- If invention can be discovered or “reverse engineered”
- Term—20 years from utility patent filing; 15 years from grant of design patent
Types of Patents

**Utility** (most common)
- New, original, functional, invention

**Design** (becoming more important)
- New, original, ornamental designs for articles of manufacture
- Protects appearance not functionality

**Plant**
- Distinct new varieties
Types of Utility Patents

Provisional Patent Application

- No claims required— but they should be included!
- Do not skimp on your Provisionals
- Secures filing date for 12-months
- Must file corresponding non-provisional application within 12-months of filing provisional or lose all rights

Non-Provisional Patent Application

- Claims priority to the provisional patent application
- Maintains a priority date
Patent Claim Categories

Process

• A method or series of steps for producing a product or result

Machine

• An operable apparatus comprising a combination of elements

Composition of Matter

• A compound or mixture of ingredients

Article of Manufacture

• An object, a manufactured object
Patent Requirements

Useful
- Must have some utility; not against public policy

Novel
- Must be new, i.e., different from prior art

Non-obvious
- Subject matter as a whole would not have been obvious at the time to person of ordinary skill in the art

Adequate Disclosure
- Adequate written description to enable a person of skill in the art to practice the invention.
Patent Application Process

- Get a patent attorney or patent agent involved
- Application sent to the U.S. Patent Office
- Patent Office sends an Office Action rejecting claims
- Applicant responds with a claim amendments and arguments refuting the rejection
- Patent Office agrees/disagrees
- Interview with Examiner: get scientist involved
- Allowance or Appeal
- Grant of Patent
Good Patents Require Good Record Keeping

- U.S. patent policy rewards an inventor who is the first to invent
- Maintain good laboratory records
- Write out and explain experiments in a bound notebook
- Data may be maintained in separate folders referenced in the laboratory notebook
- Pages of the notebook should be dated and signed regularly and should be periodically witnessed
- Best if they are periodically witnessed, signed and dated by a knowledgeable colleague who is not likely to be named as a co-inventor
Critical Patent Deadlines

U.S. Patent Applications

• More than a year before filing
  ✓ Public use, sale or offer to sell in the U.S.
  ✓ Printed publication describing invention anywhere

Applications Outside the U.S.

• Absolute novelty—no one year grace period
Patent Costs

• U.S. provisional—$2.5K+
• U.S. non-provisional—$15K to $25K+
• Foreign—can be $100K+
• Maintenance fees/annuity fees
Patent Ownership

• Each inventor owns equal and undivided interest
• All inventors must sign declaration stating that they are an inventor
• Inventors assign their rights to company or university
• Ownership rights may be then be licensed
Copyrights
Copyrights

- Federal statutory right granted to an author for a work that is expressed in a tangible medium

- Examples:
  - text (i.e., publications)
  - data and software
  - music and video

- Protects the expression, not the content

- Registration not required for protection
Copyrights and Employees/Agents

Generally, author has ownership. Under Work for Hire doctrine:

Need written assignment documentation with all non-employees/agents