Startups, Patents and Five Common Mistakes

December 4, 2018

presented by:
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A Patent ...

Gives the owner the right to exclude others from making, using or selling, offering for sale, or importing his/her invention.

Utility Patent  →  20 years from filing date
Design Patent  →  15 years from issue date
A Patent... (cont)

- Does **not** give its owner the right to make, use, sell, offer to sell, or import
  - (Common misconception)
- The right to make, use, etc. is the absence of non-licensed patents of others that the manufacture, use, etc. would infringe
Mistake #1

- Thinking that you **must** get a patent for your “secret sauce”
  - What are the barriers to copying the invention?
  - Trade Secret might be preferable
  - What are your business goals?
  - Consider commercial value of a patent
Ownership

- In the U.S., patent rights belong to the inventors by default.

- Assignment clause in employee/consultant agreement critical.

- Execute assignment document for every patent application, provisional and non-provisional.
Mistake #2

- Failing to Properly Ensure that Your Company Owns the IP
  - If you do nothing, the inventors own all the patent rights
  - Particular language used in employment agreement is critical
Employee/Consultant Agreement

- Consult IP attorney on Agreement

One take away:

**Do:**

I *hereby assign* to COMPANY all rights in the United States and throughout the world to inventions, discoveries, improvements, ideas, designs, processes, formulations, products, computer programs, works of authorship, databases, mask works, trade secrets, know-how, information, data, documentation, reports, research, creations and other products arising from or made in the performance of my employment.

**Don’t:**

I *hereby agree to assign* to COMPANY ....
Important Considerations for Entrepreneurs:

- Patents are expensive
  - Be smart about what you file on and where you file.
  - Make the most of the resources you have
## PATENT COSTS WORLDWIDE

<table>
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<th>Country</th>
<th>Prep.</th>
<th>Filing</th>
<th>Pros.</th>
<th>Issue/Grant</th>
<th>Ann./Maint.</th>
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Mistake #3

- Writing Your Own Patent Applications
  - Saves money in short term but long term value may be significantly compromised
  - A high quality patent application takes into account technical issues as well as legal issues
  - 50% might not be good enough!
  - Startups must consider how best to use their resources
Important Considerations for Entrepreneurs:

▪ Patents are time and activity sensitive
  o Keep it private!

▪ Action by Inventors
  o Public Disclosure
  o Publication
  o Public Use
  o Public Sale or Public Offer to Sell*
Mistake #4

- Accidental Disclosure
  - Not publishing is the easy case
  - Public talks or poster sessions
  - News articles
  - 3rd parties – prototype manufacturer, consultants, etc.
  - VC folks often won’t sign NDAs – balance risk/reward
Patent Process - Lifetime

Preparation and First Filing: $10-30K

PCT: $3-7K

International Phase: $0-50K

National Phase Filing: $30-250K

Examination: $7K-350K

Prosecution: WITHIN 30 Months

MAINTENANCE FEES: 3-5 YEARS

WITHIN 1 YEAR
Typical U.S. Patent Prosecution

Utility Application Filing

- Filing: $10-20K
- First Examination: $5K
- First Response: $6K
- Final Rejection: $5K
- Response/RCE: $7K
- Final Rejection: $33-43K

Timeline:

- 2 Years
- 3 mos.
- 6 mos.
- 3 mos.
- 1 Year
- 3 mos.
- 6 mos.
- 3 mos.

Total: 5 Years
Provisional Patent Applications

- File in the US
- Have up to one year to file a follow-up utility application and/or a PCT, other foreign applications
- If no subsequent filing, provisional never gets seen by anybody
- Follow-up applications treated as if filed on the day that the provisional was filed
- Relaxed legal requirements – no claims needed
Mistake #5

- Equating “Provisional” with “low quality”
  - Later-filed application must find support in the provisional
  - If not drafted with later claims in mind, might have very limited use or even be *useless*
  - We routinely prepare utility-quality applications and file as a provisional
  - Think about whether a provisional really makes sense
Patent Landscape – Vigilance and Diligence

- Be familiar with the Prior Art
- Carve out your Protection
- Know your Competitors
- Understand where others have secured Protection
- Evaluate Freedom to Operate
- Understand IP Strength, Risks
Questions/Discussion

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Trademarks
A Trademark Is A . . .

- Word
- Name
- Symbol
- Design
- Slogan
- Word/design combination
- Distinctive sound
- Color
- Product shape
- Scent

1. Make sure mark is not registered
2. Make sure mark is not generic
Trademark Selection

(-)  generic  descriptive  suggestive  arbitrary  fanciful  (+)

ASPIRIN  COPPERTONE  KODAK
ESCALATOR  HULA-HOOP  REEBOK
BOSTON BEER  APPLE
ARTHRITICARE  COMET