BACHMANN LAW GROUP

IP - Protecting your Inventiveness

Contracts, Ownership, and Patentability for Consultants

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Agenda

- IP Clauses in Contracts
- Who owns IP in a consultant agreement
- Patentability of Hardware and Software
- Best Practices and Pitfalls for obtaining Patent Protection
- Questions

IP Clauses in Contracts

- Types of Intellectual Property

1	Patents
2	Trademarks
3	Copyrights
4	Trade Secrets

IP Clauses in Contracts

- Most Important aspect of IP Clause

Get Contract in WRITING.

IP Clauses in Contracts

- A good contract has CLEAR definitions
  - The PROJECT – scope, materials, duration
  - Clear and Concise

IP Clauses in Contracts

- IP Ownership
  - Who will own the IP developed from the work
    - “Within scope of the engagement”
    - Joint IP (inventors on both sides)
  - Who will own trade secrets and know how

IP Clauses in Contracts

- IP Ownership
  - Who will own the IP developed PRIOR to the work
    - Identify clearly – protect previous rights!
    - Licensing
    - Sub-licensing

IP Clauses in Contracts

- Indemnification
  - Definition - Liability for infringement caused by developed work
  - Do not agree to indemnify
  - If must, set maximum to payment for work

IP Clauses in Contracts

- Derivative IP
    - Who will own derivative works and improvements
        - Probably the client
        - Specify compensation

IP Clauses in Contracts

- Other Issues in IP Clauses
  - Non-compete clauses (not valid in CA)
  - Assignment of patents and IP (competitors?)
  - Payment for subsequent IP work
    - Mutually agreed upon reasonable compensation

IP Ownership – consultant vs. client

- By default, IP is owned by the creator / inventor
- Express writing will transfer ownership
- Work for Hire
  - Work created by employee within scope of employment is considered owned by employer

IP Ownership – consultant vs. client

- Patent ownership
  - By default, patents are owned by inventors
  - Written assignment transfers rights
  - Exceptions if no written agreement
    - Hired to Invent – implied assignment (inventors can contest)
    - Shop Rights – employer protected from infringement (inventor can sell to competitor)

Patents

Patents

- Must be novel and nonobvious over the prior art.
- The invention is described in the detailed description and drawings.
- What others can be excluded from is described in the claims.
- Patents can cover utility or design of an invention.
- Provisional or non-provisional patents.

Patents – Why

Why patents are useful

- Attract Investment
- Prevent theft of Innovations
- Avoid Litigation

Patents – When

A start-up should consider whether to obtain patent protection:

- 2-4 months before trying to obtain VC or other funding

- Before disclosing technology or contracting with third parties

- When company success takes or is on track to take away competitor market share

Patents – Benefits

Entities that have filed for and obtained approved patents are more likely to be successful.

- Employment growth of 36% over 5 years.
- Sales growth increase of 51%.
- Increased likelihood to secure VC funding over next 3 years
- Doubled likelihood that company is eventually listed on stock exchange

-"The Bright Side of Patents," Joan Farre-Mensa, Harvard Business School, Deepak Hedgde and Alexander Ljungqvist of NYU Stern School of Business, February 2016, NBER Working Paper No. 21959

Patents - Requirements

- Key requirements for patentability of an invention in the US
  - Novelty (35 USC 102)
    - Invention cannot have been published or made public previously
    - must be new
  - Non-Obviousness (35 USC 103)
    - Invention cannot be considered obvious in light of prior art by person of ordinary skill in the art
  - Patentable Subject Matter (35 USC 101)
    - Invention must be a new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof

IP 101 – what is a patent?

Patents - Software

- Issue of whether software is patentable is attributed to whether software is “patent eligible subject matter” under section 101

- Judicial Exclusions
  - The following are recognized as not being patentable subject matter:
    - Laws of nature
    - Natural phenomena
    - Abstract ideas

Patents - Software

- Alice Corp. V. CLS Bank Int'l
  - Supreme Court case that addressed the patentability of software
  - Involved a computer implemented, electronic escrow service for facilitating and reducing risk in financial transactions.
  - Received lots of media attention – "software isn't patentable!!"

Patents - Software

- USPTO examples of abstract ideas (are not subject matter eligible)

Human Activities done by computer
Playing a game played by hand (bingo)
Meal planning for a diet plan

Mathematical formula
Mathematically organizing information
Formula for standing wave phenomena
Mathematical procedure for conversions

Well known economic and financial practices
Electronic escrow service
Hedging
Providing advertisements before desired content
Clearing house

Patents - Software

- Some concepts are simply not patentable
  - Implementing human activities on a computer
  - Financial and well known business practices
  - Pure or nearly-pure mathematical formula

Patents - Software

- USPTO examples of abstract ideas with elements that amount to **significantly more** (are subject matter eligible)
  - Improvements to another technology or technical field
  - Improvements to functioning of a computer itself
  - Inextricably tied to computer technology
  - Adding a specific limitation other than what is well-understood and routine
  - Adding unconventional steps that confine the claim to a particular useful application

Patents - Software

- Case Law affecting software patentability

DDR Holdings v. Hotels.com	Rooted in computer technology to overcome a challenge particular to the computer technology.
Enfish, LLC v. Microsoft, Inc.	Specific asserted improvement of computer functionality or operation.
Global Internet v. AT&T Mobility LLC	Non-conventional steps or arrangement of known pieces that confine claim to useful application.
McRo v. Bondai Namco Games America	Automated process differs from prior process and improves the technology.

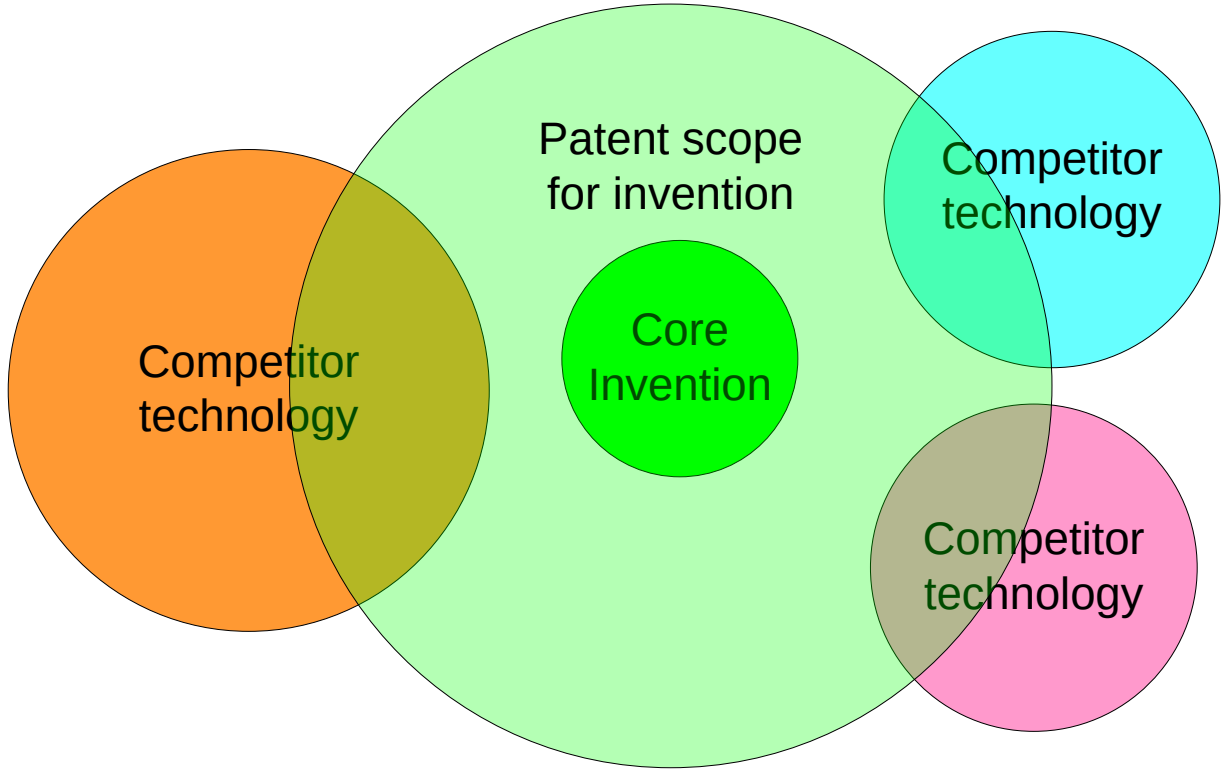
Patents – Likelihood of Patentability

- Not an exact science, but some things to consider:
  - Invention must not be publicly disclosed or offered for sale more than 12 months prior to filing of patent application
  - Invention must be NEW
  - Invention must not be OBVIOUS to one of OSITA
    - Not-obvious to try, has an unexpected result or advantage, novel combination of prior elements, long unsolved need
    - For software, the innovation should be based in technology

Patents – Best Practices

Patents – Best Practices

- Tip # 1: Keep patent applications as broad as possible

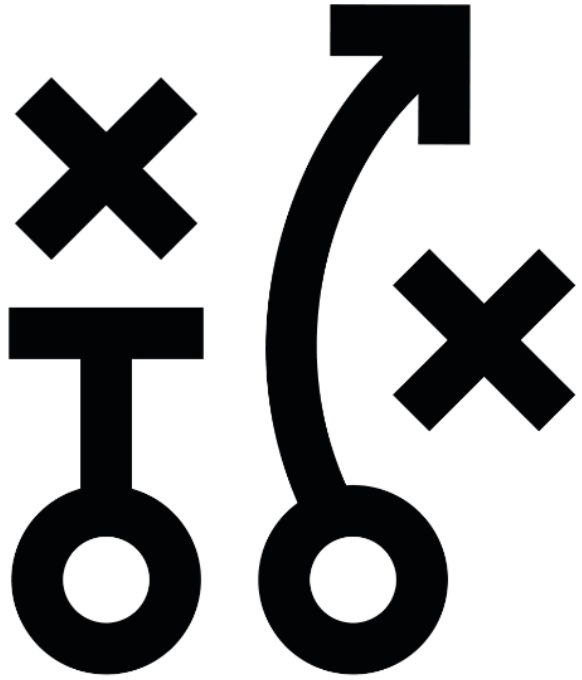


Patents – Best Practices

- Tip # 2: Interview the USPTO examiner handling the case
  - Educate
  - Negotiate
  - Personalize

Patents – Best Practices

- Tip # 3: Develop a IP Portfolio plan
  - Offensive or Defensive?
  - Types of IP
  - Budget
  - Timeline
  - Goals
  - Company Awareness



Patents – Pit Falls

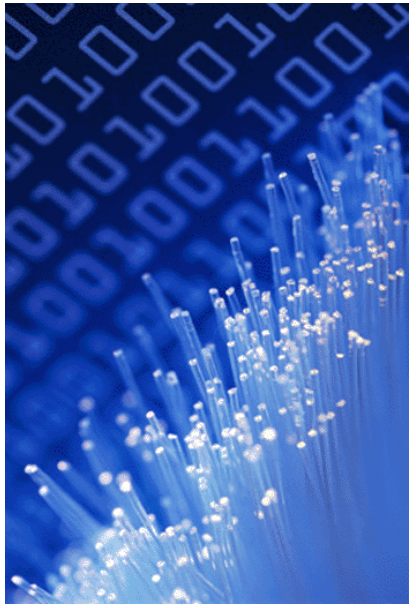
- **Public Disclosures** - avoid them!

- US - triggers 12 month, but First to File!
- Lose patent rights in foreign countries.

Patents – Pit Falls

- **Open Source** – know OS requirements and your use of software

- Can require source code to be made public.
- Implement a plan for managing types and use.



Patents – Pit Falls

- **Do it right the first time**

- Can be difficult or impossible to add new content later.
- Put in the time, money, and resources to do it properly.
- “Doing it right the first time is a lot easier (and cheaper) than having to go back and fix it.” – Steve Jobs

Questions

The End

Thank You

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