EMPLOYEE IP FIELD MANUAL



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Protecting Company Information

Federal and state law protects the Company's confidential information from the use of improper means to acquire the information. These improper means include theft, bribery, and breach of a valid confidentiality agreement. All the Company needs to do to qualify for this protection is to take reasonable steps to protect the confidentiality of the information.

Reasonable steps include:

- Only disclosing the information subject to a written confidentiality agreement
- Physically securing the information
- Physically securing the premises where the information is kept
- Restricting visitors to the premises where the information is kept
- Marking documents containing the information as "CONFIDENTIAL"
- Password protecting files containing confidential information
- Securing networks containing confidential information
- Dividing confidential information and entrusting it to separate employees
- Restricting information on a need-to-know basis

Actions to take:

- 1. Keep Company information secure.
- 2. Avoid storing Company information on personal electronic devices.
- 3. Do not disclose Company information outside the Company without an appropriate confidentiality agreement.

Things to look out for:

- 1. Confidentiality agreements do not stop third parties from disclosing your information, they merely give the Company the right to sue, so don't disclose information you don't need to, and don't disclose information to someone you don't trust.
- 2. Don't assume that a confidentiality agreement is enough (if the third party to whom you make disclosures might make inventions related to the Company's business, you

may need a development agreement to address ownership/access to those inventions).

Protecting Company Innovation

Patents

The primary way to protect Company innovations is with a patent. A utility patent can protect products, machines, compositions of matter, and methods and processes. A U.S. utility patent has a term of 20 years from its filing date, provided that the Company pay maintenance fees 3½, 7½, and 11½ years after the patent issues.

A design patent can protect the aesthetic appearance of a product or a part of a product. A design patent has a term of 15 years from the date it issues.

The point of getting a patent is to be able to stop others from making, using, offering for sale, or selling the patented invention. A patent is not a license to make and sell the product, and getting a patent does not mean that the patent owner can practice its own invention — it is possible, although not common, that there is a prior patent that would be infringed by practicing the invention.

To be patentable, an invention must meet three requirements:

- 1. The invention must be useful.
- 2. The invention must be novel (i.e., new).
- 3. The invention must be non-obvious (i.e., more than an obvious variation of what was previously known the "prior art").

There is no requirement that the invention be important, or significant, or even better than the prior art. If there is a difference between the invention and the prior art, and there would be an advantage to the Company to be able to stop others from practicing the invention, then the Company should consider patenting the inventions.

In general, whether an invention is patentable depends upon whether it differs from the prior art. Sometimes the inventor or other Company employees are sufficiently familiar with the technology to make an assessment of patentability. Other times it may be worthwhile searching for prior art using the U.S. Patent and Trademark Office's databases, the European Patent

Office's database, Google patents, and even simple internet searching.

There are instances where it may not make sense for the Company to pursue a patent on a new invention. Sometimes the low chances of getting significant protection may not justify the cost and the full disclosure of the invention required to file the application.

Other times, the Company may find that it makes more sense to treat the invention as a trade secret. This is the case where it would be difficult to detect infringement of the patent, or where it would be difficult for competitors to reverse engineer the invention. Thus, trade secret protection might last longer than the 20 year patent term. The most common examples of this are secret manufacturing processes and secret formulas, such as the recipes for Coca-Cola or Kentucky Fried Chicken.

The Patent Application Process

Timing

The U.S. issues the patent to the first applicant who files an application or publicly discloses the invention, regardless of who may have made the invention first. In general, the Company should file its patent applications before any disclosure of the invention outside of the Company. This prevents someone else from learning about the invention and filing before the Company does, and it preserves the ability to get patents outside the U.S. because most other countries require that the invention not be public before the first patent application is filed. If the Company chooses to make disclosures before the application is filed, the Company must file the application within one year of the earliest disclosure or the application will be barred.

1. Any Disclosure	2. Company Disclosure does not affect filing, but is Risky	Filing		
Bars Filing	3. Third Party Disclosure/Filing May Bar Filing			
← One Year →				

- 1. Any Disclosure more than one year ago bars filing a patent application.
- 2. Disclosure by the Company less than a year before filing has no effect, but is risky because it allows third parties to "patent around" the disclosure.
- 3. Disclosures by Third Parties bar filing, UNLESS the disclosures were derived from the Company, or the Company disclosed the invention first.

Preparation and Filing

A patent application is a detailed description of the invention, usually accompanied by drawings, including how to make and use the invention. The applicant is required to disclose the best mode or version of the invention known at the filing date. The application concludes with one or more claims – numbered sentences that define what the patent covers. The Patent Examiner focuses on the claims in deciding whether the invention is novel and non-obvious, and after a patent issues, the courts focus on the claims to determine whether or not the patent is valid and infringed. While it is important that inventors review and become familiar with the entire application, it is critical that they understand what is and what is not in the claims.

Provisional Patent Applications

The U.S. has two types of patent applications: provisional patent applications and regular utility patent applications. Provisional patent applications have a reduced fee and allow the applicant to lock in a filing date. Provisional applications, however, cannot result in a patent, and a regular application must be filed within a year of the provisional filing date. While the provisional application can lock in an early filing date for the disclosed invention, it does not start the 20 year patent term, so it is often advantageous to file a provisional application as a first step toward patent protection. Where work on the invention is continuing, it may make sense to file a series of provisional applications to lock in filing dates for each new development, before filing a regular utility

application within one year of the first provisional application.

Publication

Utility patent applications are typically published (made public) eighteen months after their earliest effective filing date. Although the applicant cannot recover for infringements unless and until a patent issues, once the application is published, the applicant can put third parties on notice of its publication, and if a patent issues, can sue for damages for the period before issuance of the patent. An applicant can request early publication to take advantage of this right.

At the time of filing, the applicant can request non-publication of the application. This keeps the application and its contents secret unless and until a patent issues. However, to take advantage of this, the applicant has to waive the right to filing foreign patent applications. If the applicant changes its mind, it usually is possible to withdraw the non-publication request.

Prosecution of the Application

Once the application is filed, it will be assigned to one of the 8,000 examiners in the U.S. Patent and Trademark Office, who will examine the application and report back to the applicant in one or more "Office Actions." On average it takes 15.3 months to receive the first Office Action. If the application is rejected for any reason, the applicant is entitled to respond, amending the claims, presenting arguments, or both, to obtain allowance of at least one claim so that a patent will issue. The exchange between the Patent Office and the applicant, called the "Prosecution" of the application continues until the Examiner allows the application or makes the rejection final. A final rejection is not as final as the name implies, and the applicant has the option of appealing the final rejection, filing a continuation application or a request for continued examination.

Issuance

On average, a patent issues 24.3 months after filing. Once the patent issues, the Company should begin marking any products covered by the patent with the patent number. The failure to do so may limit the Company's ability to collect damages from infringers.

Important Dates

<u>Filing Date</u>: It is important to get a complete application on file as soon as possible.

Anniversary of First Filing: The anniversary of first filing is usually the deadline for filing foreign patent applications. If the first application was a provisional application, it is also the deadline for filing a regular utility application.

Eighteen Months from First Filing: Unless a non-publication request has been filed, the application will be made public. Applicant should consider whether there are any new filings that should be made before publication, or whether the application should be withdrawn to prevent disclosure.

Thirty Months from First Filing: If the application was published, this is the last day to file on subsequent developments before the published application becomes prior art.

Actions to take:

- 1. Keep records of invention development (to defend claims that the Company derived the invention from someone else) and any disclosures to third parties (to be able to show third-party derivation from the Company).
- 2. File an application before any disclosure of the invention.
- 3. File successive applications to get early filing dates for new developments.

Things to look out for:

- 1. Involving third parties (suppliers, vendors, or customers) in the development, who might become inventors and possibly co-owners of the patent.
- 2. Making pre-filing disclosures that bar patentability. (Any disclosure more than one year before filing can bar patentability. Disclosures that cause third parties to invent "around" the disclosure can limit patentability.)

Protecting Company Brands

The Company uses various trademarks to identify its products, and various service marks to identify its services.

Selection

The mark the Company adopts must not be confusingly similar to a mark already in use. Confusing similarity is determined by a number of factors, including:

- Similarity of the marks
- Similarity of the goods or services on which the mark is used
- Strength of the marks
- Overlap in customers and the channels of trade
- Intent of the second adopter

The mark that the Company adopts also should not dilute the prior mark, either by blurring its distinctiveness or tarnishing its image. Likelihood of confusion and dilution can be determined by conducting a search of prior marks. This can be conveniently done using the U.S. Patent and Trademark Office database to find prior applications and registrations, and the internet to find prior unregistered trademarks.

The Company should strive to select marks that are strong and protectable from the outset. Terms that are the generic name for the product or service are never protectable. Terms that merely describe the product or service are only protectable after customers have come to recognize the term as a mark and not merely a description. The ideal marks are those that are suggestive — ones that may suggest something about the goods or services, but do not describe them, so that the mark is immediately protectable. The strongest marks are arbitrary and fanciful marks — they have no apparent connection with the goods or services, so they are immediately protectable since competitors have no legitimate right to use them, although they can be harder to introduce to customers, since they do not relate to the products or services.

Protection

Trademarks and service marks are acquired through use. first user of the mark owns the mark in the territories where it was used first. Registration documents and extends these rights. A registration is obtained by filing an application with the U.S. Patent and Trademark Office. This use can be based upon actual use of the mark or on the applicant's intention to use the mark. The application is examined and, if the mark is found to be registerable, it is published for opposition. Anyone who believes that they would be harmed by the registration of the mark has thirty days from the publication to file an Opposition. If no one successfully opposes the mark, a registration or Notice of Allowance (for an intent-to-use application) is issued. The intent-to-use applicant has six months from the Notice of Allowance to file a Statement of Use that the mark is in use, or obtain an extension of time. The applicant can obtain up to five six-month extensions of time to file the Statement of Use to get a registration.

Maintenance

To maintain the trademark registration, between the fifth and sixth anniversary of registration, the registrant must file an affidavit that the mark is still in use. The registration also must file a renewal application before the tenth anniversary, and every ten years thereafter. The registration can be maintained for as long as the mark is still in use.

In addition to maintaining the registration on the mark, the Company must use the mark properly, and effectively police the mark.

Proper use of a trademark is simple:

- 1. A mark is an adjective that identifies a particular type of product or service, so the Company should only use a mark as an adjective. (If the mark becomes the name of the product, it is considered a generic term that is free for anyone to use. This is what happened to aspirin, kerosene, and escalator.)
- The Company should use the mark consistently. While variation is permitted, trademark rights are strengthened by consistent usage that is recognized by customers and potential customers.

- 3. Marks should be identified as marks. The Company can and should use TM to identify an unregistered trademark and $\ensuremath{\mathbb{B}}$ to identify a registered trademark.
- 4. Finally, marks should be used distinctively so they stand out from surrounding text. The Company should capitalize the mark, or use distinctive fonts, colors, or images to make the mark stand out.

It can be helpful to remember the ACID test of proper trademark use:

- Use the mark as an ${\bf A}$ djective
- Use the mark **C**onsistently
- Identify the mark as a trademark
- Use the mark **D**istinctively

In addition to using the mark properly the Company needs to police its marks. The Company should monitor trademark applications that are published for opposition and promptly contact infringers to prevent its rights from being diluted by other similar marks.

Company Advertising and Promotional Materials

All employees need to be vigilant to make sure that the Company's marks are identified and used properly. This includes making sure that the mark is not used in a way that weakens the mark by making it generic or descriptive.

Actions to take:

- 1. Only use a mark after it has been cleared.
- 2. Identify the mark with a TM if it is unregistered, and an ® if it has been registered.
- 3. Use marks consistently and distinctively.

Things to look out for:

- 1. Don't use TM until after a mark has been cleared.
- 2. Be aware of potentially conflicting marks adopted by competitors and take action before the owner gets attached to the mark.
- 3. Don't use the mark in a way that makes the mark descriptive or generic.

Protecting the Company's Creative Works

Literary, pictorial, graphic, and sculptural works are protectable by copyright, and such works prepared by the Company's employees in the scope of their employment belong to the Company. This protection arises automatically as soon as the work is fixed in some tangible form (written down, saved to a hard drive, etc.). Copyright gives the Company the exclusive rights to:

- Reproduce the copyrighted work
- Prepare derivative works based upon the copyrighted work
- Distribute copies of the copyrighted work
- Perform the copyrighted work publicly
- Display the copyrighted work publicly
- Perform the copyrighted work publicly by means of a digital audio transmission

The copyright arises automatically, but there are two steps the Company can take to have the strongest copyright protection. First, the Company should apply copyright notice to the work. Copyright notice consists of the word Copyright or the © symbol, the name of the copyright owner, and the year of first publication. For example, for a work first published in 2018, the notice would read:

© Company 2018

This is true even if the work is used or published in years after 2018.

The second thing that the Company should do is register the copyright with the Copyright Office. Prompt registration offers a number of important benefits, including a presumption that the registration is correct, and the availability of statutory damages and an award of attorneys' fees.

Works of Third Parties

Occasionally the Company may hire third parties to create works for it, for example photographs, advertising, packaging, instructions, etc. As a general rule, a work by a third party is not automatically owned by the Company, even if the Company pays for the work, unless there is a written assignment. Thus, care should be taken when hiring a third party to create works for

the Company to make sure that the Company owns all of the rights it needs to use the works it contracts for.

Actions to take:

- 1. Apply copyright notice to all copyrightable works made by employees or acquired from third parties.
- 2. Register the copyright for important works (works that someone would be upset if they were copied).
- 3. When contracting for works from third parties, make sure the Company acquires all the rights it needs to do what it wants.

Things to look out for:

1. Make sure the Company gets an assignment of copyrights in works it hires out.

Infringement by Third Parties

Infringement of the Company's intellectual property is a serious matter. If an employee suspects that the Company's rights are being infringed, the employee should promptly report the suspected infringement to the Company's counsel.

Before suing an infringer, it is common to send a cease and desist letter in an attempt to resolve the infringement. While a cease and desist letter may succeed, it carries with it a number of consequences that must be considered before it is sent.

First and foremost, the Company must consider whether the accused infringer has any counter claim against the Company (whether for intellectual property infringement or otherwise). Second, a charge of infringement may provoke a validity challenge, either in a court of the accused infringer's choosing, or in the USPTO. Third, an accused infringer may try to garner sympathy with the public, or generate adverse publicity for the Company. Finally, if the letter is not followed up promptly, the accused infringer can argue that the Company has waived its rights. For these reasons, the Company must be careful when it pursues infringement and may chose not to pursue certain infringements.

Third Party Intellectual Property

The Company has a right to develop products to successfully compete with competitor's products, so long as the Company does not infringe any of the valid intellectual property rights of the competitor.

The Court of Appeals for the Federal Circuit - the patent court of appeals - says that "[t]he ability of the public successfully to design around - to use the patent disclosure to design a product or process that does not infringe, but like the claimed invention, is an improvement over the prior art - is one of the important public benefits that justify awarding the patent owner exclusive rights to his invention. Designing around is the stuff of which competition is made and is supposed to benefit the consumer." Hilton Davis Chemical Co. v. Warner-Jenkinson Co., 62 F.3d 1512, 1519, 35 USPQ2d 1641, 1646 (Fed. Cir. 1995). Thus, designing around a patent is not just permitted, it is encouraged.

Designing around is "one of the ways in which the patent system works to the advantage of the public in promoting

progress in the useful arts." Slimfold Mfg. Co. v. Kinkead Industries, Inc., 932 F.2d 1453, 1457, 18 USPQ2d 1842, 1845-46 (Fed. Cir. 1991). However, careless language can sometimes turn a legitimate case of design around into one of apparent design theft. Internal references to "knocking-off" or even "copying" a competitor's product will come out in discovery and will portray the Company in an unfavorable light. The focus of all written and oral discussions, therefore, should be the development of a "non-infringing competitive product" and not knocking-off or copying a competitor's product.

Patents

The process of designing around a patent begins with a study of the patent and its claims. If an element of each of the claims can be eliminated, or replaced with an element that is not merely an equivalent to the replaced element, then infringement of the patent can be avoided. Patenting the new design around not only helps protect the design, it helps establish that the design around is different from the original patented technology.

The first step in designing around a patent is to assess the patent itself. Are the maintenance fees current? Of course, even if the patent has expired for failure to pay maintenance fees, one must consider that the patentee may be able to revive it. Did the patent issue more than two years ago? If not, there is a risk that the patentee might pursue a broadening reissue. The prohibition against recapture and the doctrine of intervening rights may provide some protection from broadening reissue. Is there a pending divisional, continuation, or continuation in part application? Even if the child application has not been published, it will usually be identified in the continuity tab in the USPTO's PAIR System. Are there other related patents? If so, their prosecution histories and particularly statements made by the patentee may affect the scope of the patent being designed around.

The AIA provides a new Post Grant Review procedure for patents issuing after March 16, 2013, which are subject to new Section 102 (i.e., that claim or ever claimed subject matter filed on or after March 16, 2013). A Post Grant Review must be initiated within nine months from the issuance of the patent. The Petitioner must establish a reasonable likelihood that he/she would prevail as to at least one of the claims challenged based upon documentary prior art. While Post Grant Review has an estoppel effect that may make it difficult for the petitioner

to mount a successful defense in the future, it confers two important procedural benefits to the challenger: the claims are given their broadest reasonable interpretation (rather than their narrower actual meaning), and the Petition has to show invalidity by a preponderance of the evidence (rather than the much higher standard of clear and convincing evidence applied in court).

Inter Partes Review can be instituted against any patent after the expiration of the nine-month Post Grant Review Period. The Petitioner must establish a reasonable likelihood that he/she would prevail as to at least one of the claims challenged based upon documentary prior art. While Inter Partes Review, like Post Grant Review, has an estoppel effect that may make it difficult for the petitioner to mount a successful defense in the future, it confers two important procedural benefits to the challenger: the claims are given their broadest reasonable interpretation (rather than their narrower actual meaning), and the Petitioner has to show invalidity by a preponderance of the evidence (rather than the much higher standard of clear and convincing evidence applied in court).

Ex Parte Reexamination remains unchanged by the AIA, allowing a challenger who can present a substantial new question of patentability to challenge the scope/validity of a patent based upon prior patents and printed publications.

A successful attack on the patent requires prior art. If you have prior art that makes the claimed invention unpatentable, you can consider a preemptive strike to try to invalidate the patent. If you have prior art similar to how you want to design around the patent, you can consider a challenge to the patent with a goal of getting the patentee to disclaim coverage of your design around.

If the prior art in the form of patents or other publications, these can be used in Post Grant Review, Inter Partes Review, and Ex Parte Reexamination. If the prior art is non-documentary, it can only be used in Post Grant Review proceedings.

Because of the estoppel provisions applicable to Post Grant Review and *Inter Partes* Reviews, the Company may not want to utilize these procedures until it is comfortable that it has a clear understanding of the relevant prior art, and is not overlooking a possible ground for invalidating the patent.

If the design around rests upon the conclusion that the patent is invalid, does the Company challenge the patent in advance, or does it wait? Post Grant Review Proceedings and Inter Partes Review Proceedings are supposed to be completed within a year, but they can take as long as eighteen months. If the Company has this much lead time, it may make sense to clear out the patent before proceeding. If, on the other hand, it does not have this much lead time, it could be risky proceeding while simultaneously challenging the patent. If the design around is on the market when a Post Grant Review or Inter Partes Review is concluded adversely to the Company, it may find itself in a difficult position because the AIA's estoppel provisions may make it difficult to defend an infringement claim.

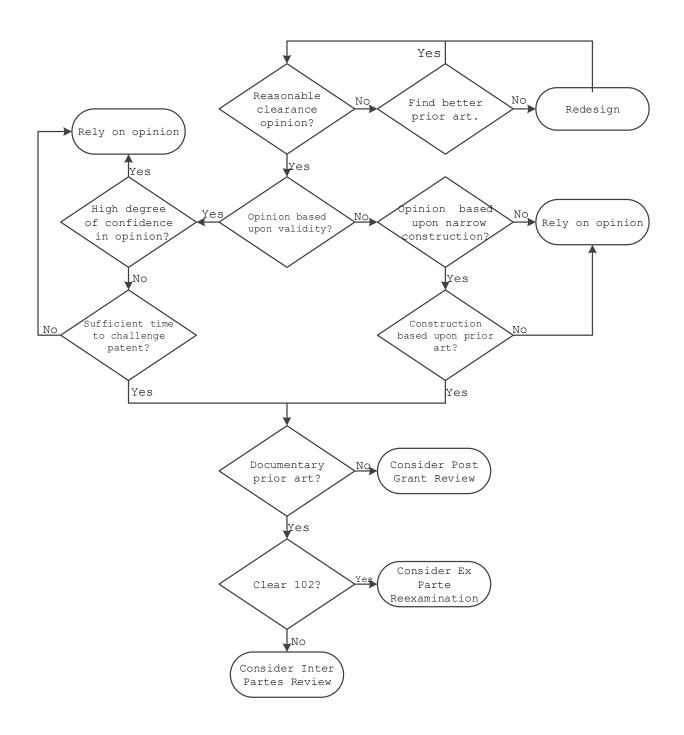
Estoppel is determined on a claim-by-claim basis, so one strategy would be to "test" the prior art against claims that the Company is not concerned about. If the challenge is successful, it can be repeated against the claims that the Company is concerned about. If the challenge is unsuccessful, the estoppel only applies to the claims that were not of concern.

If the only prior art the Company has is non-documentary, the only way to use this art is in a Post Grant Review. On the other hand, if the Company has a combination of documentary and non-documentary prior art, it may want to by-pass Post Grant Review and wait for *Inter Partes* Review. The estoppel provision would not apply to challenges based upon the non-documentary prior art, because these challenges could not have been raised in the *Inter Partes* Review.

Finally, Ex Parte Reexamination may still be the best alternative. The challenger trades the ability to participate in the challenge for freedom from estoppel effects against the same challenges and any others "that could have been made." If the prior art is particularly good, the Company may decide that it has the ability to participate in the proceeding is not as valuable as avoiding the estoppel effects of Post Grant Review or Inter Partes Review:

OPTIONS FOR ADDRESSING AN ISSUED PATENT				
Procedures	Indications	Pros	Cons	
Rely on Opinion of Non- infringement	• High level of confidence in opinion • Insufficient time to wait for results of challenge • Pending applications that might circumvent challenge	• Defers cost of challenge	• Uncertainty whether product will be challenged and whether challenge will be successful	
Post Grant Review	• Non- documentary prior art • Strong familiarity with the art (so that estoppel is not an issue) • Within nine months of issuance of a Post-AIA patent • Certainty required	• Certainty • Right to participate in challenge • Claims give broadest reasonable construction • Lower preponderance of the evidence standard	• Broad estoppel • Cost • Delay of 12-18 months	

Inter Partes Review	• Documentary prior art • Strong familiarity with the art (so that estoppel is not an issue) • Certainty required	• Certainty • Right to participate in challenge • Claims give broadest reasonable construction • Lower preponderance of the evidence standard • Narrower estoppel than Post Grant review	• Moderate estoppel • Cost • Delay of 12- 18 months
Ex Parte Reexamination	• Documentary prior art • Strong §102 art that needs little explanation	• Certainty • No estoppel	• Delay of 24- 20 months



Selecting a New Brand

When the Company selects a new brand, not only should the Company select a mark that is not generic or merely descriptive of the Company's product, but the Company must make sure that the mark is not confusingly similar to, and does not dilute the distinctiveness of, a mark already in use. In judging whether a mark is confusingly similar to a prior mark, one considers:

- Similarity of the marks
- Similarity of the goods
- Overlap in the channels of trade
- Overlap in advertising and marketing

When selecting a brand to compete with an existing product, the similarity of the mark is the principal concern.

Creative Works

When developing creative works, including advertising, marketing, and promotional materials, the Company must avoid infringing third party rights. Copyright law expressly includes a fair use exception, but this generally does not apply to commercial uses.

When hiring third parties to create works for the Company, the Company must make sure it acquires sufficient rights to do what it intends, and what it may want to do in the future. While the Company does not necessarily have to own the work, ownership is often the most practical option because it not only allows the Company to do whatever it wants, but it prevents the third party from allowing others, including the Company's competitors, to also use the work. Merely paying for the creation of a work does not convey ownership. There must be a separate, written transfer agreement.

Trade Secrets

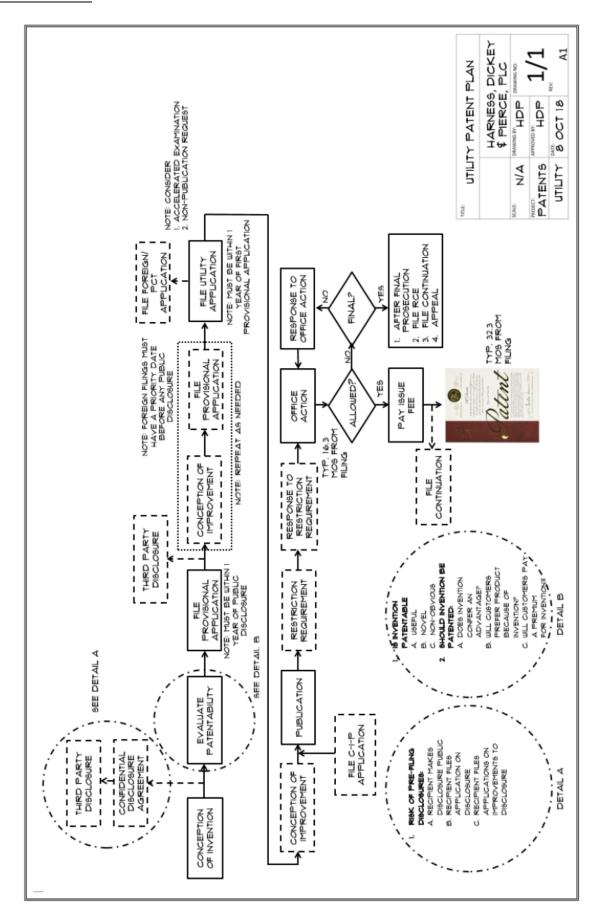
Trade secrets are not protected themselves. Rather they are protected from the use of improper means to acquire them. Importantly, "reverse engineering" is not an improper means. It is completely legitimate to dissemble a competitor's product to make a competing product. However, the Company must be above-board in its activities. Taking a sample without express or implied permission from a trade show, or obtaining information from someone the Company knows has an obligation of confidentiality, such as a customer or current or former employee, could be an issue.

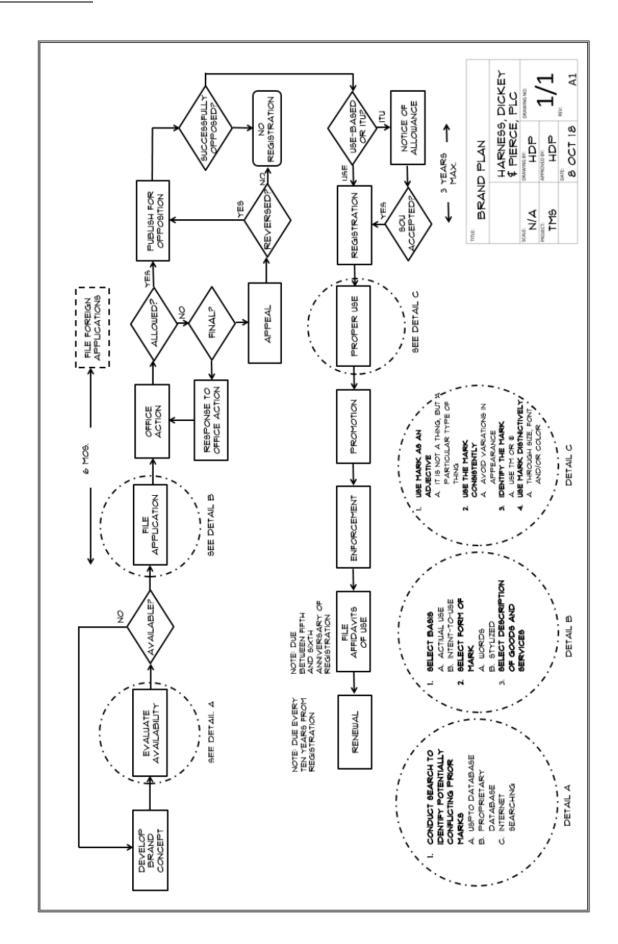
Employee Communications

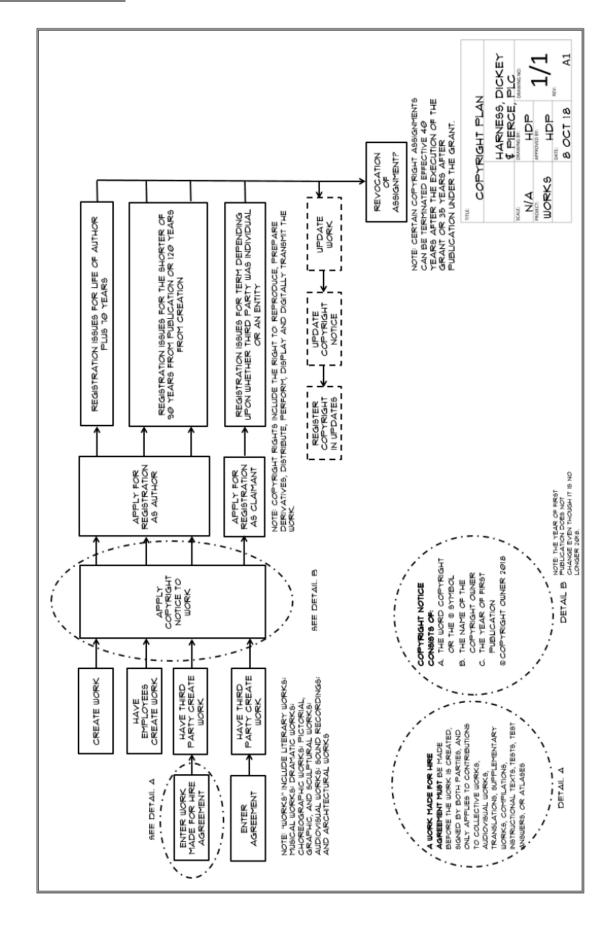
Keep the following points in mind while sending internal communications within the Company:

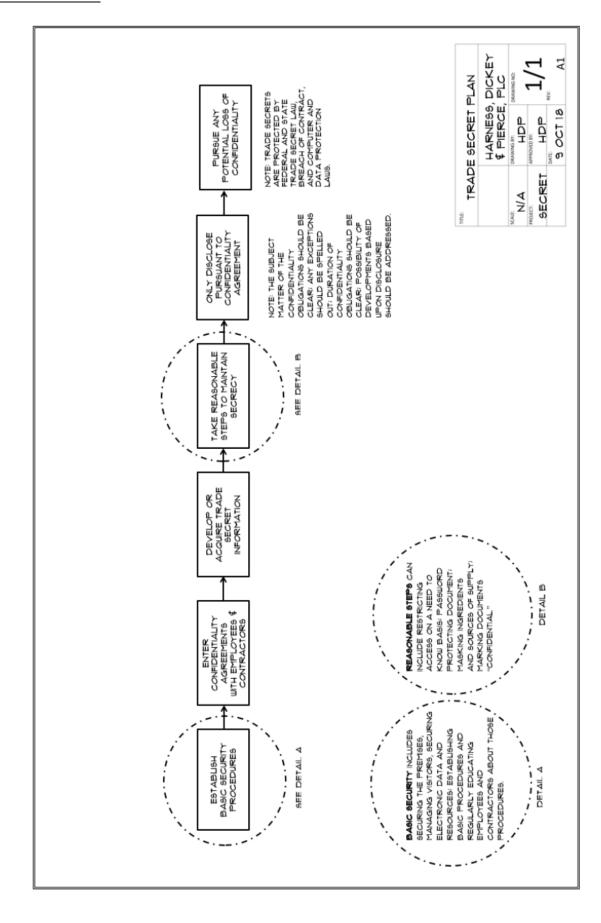
You should assume that every letter, fax and email that you send or receive will be turned over to an opponent in litigation.

- Keep business email professional.
- Write as if your mother were reading over your shoulder.
- Be factual; where opinion is called for, identify it as opinion, and make sure that it is germane to the issues; do not give opinion you are not qualified to give.
- Do not make mean or demeaning references to others.
- Make your point, but avoid extreme emphasis!!!!
- Keep business and personal messages separate.
- Consider how your characterization of the Company and its activities would be perceived by an outsider.











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