Barley Snyder

Intellectual Property Law Update November 2013

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Sal Anastasi nominated by the American Intellectual Property Law Association

Sal Anastasi, Chair of the Intellectual Property Practice Group of Barley Snyder, has been nominated by the American Intellectual Property Law Association, to become a member of the AIPLA Fellows for his outstanding service to the Association, prominence within the intellectual property profession and observation of the highest standards of ethical conduct. Besides the personal satisfaction that Sal derives in advancing the role of intellectual property in society, Barley Snyder clients benefit from Sal's service to the Association by his access to intellectual property service providers around the world in many diverse disciplines.

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Technology Licensing: A Cost Effective Way for Small Businesses to Grow

By: Andrew L. Ney

What is technology licensing?

Technology licensing is the buying and selling of rights to use patents and trade secrets and the knowledge relating to the technology embodied in the licensed patents and trade secrets. The seller (licensor) authorizes the buyer (licensee) to make, have made, use, and sell a product covered by the licensed patent and the licensed trade secret and to use a process covered by the licensed patent and licensed trade secret. A technology license is very similar to a real estate rental agreement. The licensee (tenant) has the right to use the licensed technology (rented property) in the same way that the tenant has the right to occupy the rented property.

It should be noted that we use the word *license* to define these transactions because licensing is the most commonly used form of granting rights to use the technology. The transfer of rights to use the technology can be in the form of an outright sale of all ownership rights and interests to the technology, namely an assignment, which is the technology licensing equivalent to a real estate deed when the real estate is being sold rather than leased.

Why get involved with technology licensing?

Licensors license others to derive income, to exploit new markets for their products or services, to satisfy multiple-source requirements of customers, and to establish or enhance an equity position in a venture. The following are examples. A university research laboratory licenses out its technology to a business to derive income. A business licenses out its technology abroad when it lacks the resources to produce or market its products in a foreign country or to do so would be impractical. A business licenses out its technology to competitors when the customer of its products will not accept the business as the sole source of the products. A business licenses out its technology to a joint venture with another party as its capital contribution to the joint venture.

Licensees license from others to enhance existing product lines, to diversify, and to improve manufacturing methods. The following are examples. A business licenses in technology to offer customers products that are improvements over its existing products, to expand the existing product line or to fill gaps in the existing product line. A business licenses in technology to offer its customers an entirely new product line that often complements its existing product line. A business licenses in technology that improves the way its products are made, resulting in better performance of the products or reduced manufacturing costs.

How does technology licensing work?

The technology licensing process can be started by either the prospective licensor or the prospective licensee looking for someone to deal with. It is most important that whomever starts the process must understand why a collaboration will be mutually beneficial. The prospective partner must be sold on the collaboration. Once the two parties are satisfied that pursuing a collaboration is in their best interests, the deal is negotiated, a contract is signed, and the parties hopefully live happily after.

It is important that a prospective licensee, when seeking a license to diversify, look for only commercially proven technology because a diversification involves entering into a new business with which the licensee has no experience and, therefore, is unable to judge the potential merits of commercially unproven technology as might be available, for example, from a university research laboratory. On the other hand, when a prospective licensee is seeking a license, for example, to expand a product line, both commercially proven technology and commercially unproven technology should be of interest because the prospective licensee, experienced in the business, should be fully able to assess the potential merits of commercially unproven technology.

Unfounded myths about technology licensing.

Two myths about technology licensing should be blown away. First, technology licensing is not limited to high tech. Rather, all levels of technology are likely subject matter of a technology license. One must take up licensing opportunities on a case-by-case basis rather than generalize. Second, technology licensing deals are not done only by large corporations having super sophisticated managements. Rather, start-ups, small and medium size businesses, and large businesses participate in technology licensing.

Importance and widespread use of technology licensing.

Because of a lack of legal reporting requirements in the United States and in most other countries, there are no reliable national or international figures that can adequately report the size of the intellectual property marketplace. Therefore, we cannot quantify the benefits and rewards to licensees of the technology licensing deals that they have entered into. However, based on certain reports made by individual countries to the

International Monetary Fund, it is believed that in America alone, annual technology licensing revenue in the mid 2001-2010 decade was around $45 billion, and annual worldwide technology licensing revenue was around $100 billion, and growing fast.

What we know for certain is that the technology licensing way of doing business --- whether to enter a new business or market, or to establish or enhance an equity position, or to contribute to earnings, or to enhance a product line --- has had a significant impact on industry in the past, continues to have a significant impact on industry today, and will have a significant impact on industry in the future. There are over 11,000 members of the Licensing Executives Society International (LESI), with over 4,000 in the United States and Canada alone, busy doing technology licensing deals every day. We can add to these numbers, members of the Association of University Technology Members (AUTM) and individuals not members of either LESI or AUTM.

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Shifting Strategies: Public Disclosure Under the AIA

By: Christopher S. Dodson

The final phase of the America Invents Act ("AIA") was implemented on March 16, 2013, and marked the end of the transition from the old first inventor to invent system to the new first inventor to file system. This monumental change has far reaching implications concerning the role of public disclosure, and may require future patent applicants to shift their overall patenting strategies.

Under the pre-AIA's first to invent system, the critical date for determining what constituted prior art was the date of conception of the invention. The inventor could rely on the date of conception of the invention to antedate intervening prior art by "swearing back" to the conception date. Additionally, inventors had a 12 month grace period exception before they filed their patent applications, where they could publically disclose their invention, without the disclosure becoming prior art against themselves.

Under the AIA, an inventor is entitled to a patent unless the claimed invention is already patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the *effective filing date*. The critical date for applicants has now become the effective filing date, not the date of conception. The effective filing date is the date on which a patent application is filed. A public disclosure before the effective filing date becomes prior art against the applicant's invention, unless subject to an exception, regardless of when the applicant conceived of the invention.

However, similar to the old system, the AIA also provides a 12 month grace period exception, whereby inventors can publically disclose their inventions and still be permitted to file patent applications. Provided the inventor's disclosure was made within the grace period, it will not be counted as prior art against the inventor. However, the inventor's disclosure can serve as prior art against other inventors applying for a related patent. Importantly, the grace period exception only applies to disclosures made by the inventor, or disclosures by another who obtained the subject matter from the inventor. The grace period exception does not apply to disclosures made by independent third parties. Disclosures by independent third parties made prior to the effective filing date will still count as prior art against the inventor.

The rules for what constitutes a patented or printed publication have remained the same. Under both the old and new

systems, any patent or printed publication anywhere in the world can serve as prior art. However, public use and on sale definitions have greatly expanded. Under the old system, public use and on sale could only serve as prior art if they occurred *in the US*. Under the AIA, the definition has been expanded to include anywhere in the world. Additionally, prior art has been expanded to include any disclosures *otherwise available to the public*, encompassing any form of public disclosure.

Consequently, there may be strategic advantages to publically disclosing an invention prior to filing a patent application, with the first being that they are more cost effective than filing a provisional patent application and very cost effective compared to filing a non-provisional patent application. An inventor merely has to make the information accessible to the public. The second is that the inventor can choose the timing and method of disclosure in an offensive or defensive manner, based on the competitive landscape. No form or content requirements exist for a public disclosure, so inventors are free to choose the most advantageous method for their situations.

A number of disadvantages accompany public disclosures. Any public disclosure will trigger the 12 month grace period, so the invention needs to be at a stage whereby a patent application can be filed with a broad enough scope to offer meaningful protection. Additionally, a public disclosure precludes the ability to pursue a trade secret strategy, and will eliminate obtaining patents in many foreign countries that prohibit filing a patent application if the invention has been disclosed publically anywhere before the patent application is filed.

Another problematic issue is that the prior art generated against competitors from a public disclosure is limited to the scope of the disclosure. In evaluating a patent application, the subject matter of the first inventor's public disclosure and the subject matter of a second inventor's intervening disclosure will be compared, and any differences become *prior art against the first inventor*. Thus, in order to maximize the gain from a disclosure, the disclosure should be as full and complete as possible.

Clearly, this may be challenging in highly competitive fields where full disclosure may divulge too much information to competitors, allowing them to adapt their strategies to include competing solutions. The 12 month grace period also gives savvy competitors the opportunity to generate targeted prior art against the disclosure, by releasing their own public disclosures of further variations. The net effect would be that original inventors would be faced with newly generated prior art before they had a chance to file their patent applications, and thus the scope of the patent claims would be limited to the content of the original disclosure.

Interested third parties will likely challenge a patent on the grounds of a defective grace period. For applicants choosing to use public disclosures, meticulous record keeping is essential. Not only must an applicant be able to produce documentation on the content of the disclosed subject matter, but also the facts surrounding the disclosure. Remember, while the grace period applies to public disclosures by the inventor, it also applies to public disclosures by third parties who obtained their subject matter from the inventor. Having documented evidence, such as a list of attendees at a seminar or the names on a email listserve, can be equally important as the content of the public disclosure itself.

Accordingly, we recommend that you discuss your options with patent counsel on the best patent strategies for public disclosures under the AIA. The highlighted advantages and disadvantages depend on which side of the equation you are on, and patent counsel can assist you in effectively using them in both offensive and defensive ways.

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Intellectual Property: Did you know...

By: Andrew L. Ney

The Constitution of the United States specifically calls for the enactment of the patent and copyright laws of the United States.

The trademark law of the United States is not specifically called for by the Constitution of the United States but is based on the *commerce clause* in the Constitution of the United States that deals with regulating interstate commerce. The first United States patent was issued on July 31, 1790 to Samuel Hopkins for a process of making potash, an ingredient used in fertilizer, and was signed by President George Washington.

Benjamin Franklin invented bifocals, a urinary catheter, the lightning rod, the Franklin wood-burning stove, and other products --- all before the United States had a patent law
--- at a time when anyone seeking a patent needed to obtain one from each individual British Colony in the Union.

The first registered trademark in the United Kingdom was for the Bass Pale Ale logo and red triangle. The mark received registration number 1 in 1875 and is still in force today as the oldest known registered trademark in current use.

American Family Life Assurance Company has a trademark for the sound of a duck saying "AFLAC."

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