Ten Common Intellectual Property Mistakes

September 19, 2016

by David E. Rogers

Mistake No. 1

Not Obtaining an Obligation to Assign Inventions From Employees and Contractors

Example: Employee/contractor agreements do not: (a) assign rights to you in inventions made for you; (b) require the timely disclosure of such inventions to you; or (c) require the employee/contractor to assist you in obtaining intellectual property protection.

Result: May not obtain rights to new inventions made by your employees or contractors, or may obtain merely a "shop right." The general rule is that the one who invents owns. Exceptions to the general rule are when: (a) a contract between the parties specifies who owns inventions; (b) the employee/contractor was hired to invent; or (c) the employee/contractor owes a fiduciary duty to assign inventions to you. A "shop right" means that the employee or contractor, and not the employer, owns the invention and can use it and license it to others. The employer retains a "shop right," which is perpetual, non-transferable (except with the sale of the employer's business), royalty-free license to use the invention.

Solution: Employee/contractor contracts should include provisions to: (a) assign rights in new inventions related to your business or project to you; (b) require a written disclosure to you of any new invention upon its conception; and (c) require the employee/contractor to assist, for no further remuneration, in securing intellectual property rights in your favor.

Mistake No. 2

Failure to Check Employees' and Contractors' Prior IP Obligations

Example: Hiring a new employee or contractor without: (a) checking the employee's/contractor's prior agreements for invention assignment and confidentiality provisions; and/or (b) not including a provision in your employment/contractor agreement that the employee/contractor will not knowingly use the trade secrets, confidential information, or patented technology of others in performing services and creating deliverables for you.

Result: May lose ownership rights, or have contested rights, to deliverables because prior agreements may grants rights to the prior employer/contracting party. You may also be enjoined from, and pay damages for, using the trade secrets, confidential information, or patented technology of others.

Solution: If possible, review the prior agreements of each new employee. Include a warranty and indemnification provision in each of your employment/contractor agreements requiring the employee/contractor to not knowingly use or include the trade secrets, confidential information, or patented technology of others in: (a) performing services for you, or (b) your deliverables.

Mistake No. 3

You Disclose an Invention Without a Confidentiality Agreement or Pending Patent Application

Example: Without having an executed a confidentiality agreement (or "non-disclosure agreement" or "NDA"), or having a patent application on file covering your invention, you do one or more of the following: (a) have someone manufacture a prototype of your invention; (b) disclose your invention to an investor; (c) publish an article or advertisement describing the invention; (d) place the invention on your website; (e) make a public presentation of the invention (such as at a trade show); or (f) offer to sell the invention.

Result 1: Actions (a)-(e) probably immediately negate the ability to obtain foreign patents in most countries, and start the running of a one-year grace period to file for patent protection in the U.S., Canada, and Mexico. Action (f) starts the running of a one-year grace period to file for patent protection in the United States, but does not affect foreign rights if the inventive concept is not disclosed.

Result 2: There is no contractual obligation preventing: (a) the disclosure of your invention to others (such as competitors or foreign manufacturers); (b) others from copying the invention, or improving upon the invention and patenting the improvement.

Result 3: If you have no patent application pending, the unscrupulous could file a patent application covering your invention.

Solutions: (a) Execute a confidentiality agreement (or NDA) with everyone to whom you disclose confidential information, such as a new invention. (b) The best protection is to have a patent application on file prior to any disclosure of a new invention.

Mistake No. 4

Waiting Too Long to File a Patent Application

Example 1: You have confidentiality agreements in place, but wait to file a patent application until after: (a) having someone manufacture a prototype of your invention; (b) disclose your invention to an investor; (c) publishing an article or advertisement describing the invention; (d) placing the invention on your website; (e) making a public presentation of the invention (such as at a trade show); or (f) offering to sell the invention.

Result: You could potentially lose rights to another who invented after you, but filed for patent protection before you, if the invention was not derived (stolen) from you. The first to file is presumptively awarded rights to the invention and any related patent.

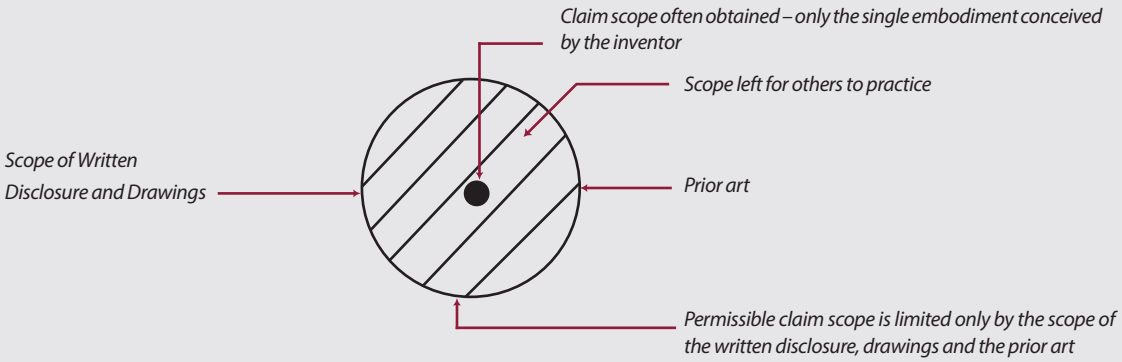
Solution: File for patent protection as soon as you conceive an invention in sufficient detail to teach others how to make and use it.

Mistake No. 5

Your Patent Fails to Capture The Full Scope of Your Invention

Example: Describe and claim only the single embodiment conceived by the inventor.

Result : The resulting patent would likely not prevent others from designing around the claimed invention, thereby limiting or negating its potential value, as illustrated below:



Solutions: Capture as much of the entire inventive scope as possible by brainstorming beyond the single embodiment conceived by the inventor. The broader the protection, the more difficult it is to design around the patent, and the more valuable the patent.

Mistake No. 6

Relying on a Low-Cost Provisional Patent Application

Example 1: You prepare and file a sketchy, low-cost provisional application (allegedly to save money). You believe your invention is protected.

Result: A provisional application never matures into a patent - its only purpose is to establish a priority filing date for later-filed patent applications. To the extent structural detail or method steps are not included in the provisional application, a priority claim by a later-filed U.S. utility application or foreign application would fail if challenged. Also, if you disclose a sketchy provisional application to others, they can learn from it, expand upon the inventive concept, and potentially patent features not covered by the provisional application.

Solution: A provisional application should be as thorough as a utility application if time permits. It should contain multiple claims or specific examples of the invention.

Mistake No. 7

Failing to Claim Larger Devices or Systems in Which the Invention Can Be Used

Example 1: The specific inventive concept is an improved inflation device for use in an airbag assembly, wherein the device increases the inflation speed. You claim only the device, which sells for $10. You could have also claimed the assembly including an airbag *and* the device, which sells for $300.

Result: Damages (whether lost profits or a reasonable royalty) are presumptively available for only the $10 device, and not for the $300 assembly.

Example 2: The specific inventive concept is a rotor used in a pump, wherein the rotor doubles the pump's output. You claim only the novel rotor, which sells for $500. You could have also claimed the pump including the novel rotor, which sells for $15,000.

Result: Damages (whether lost profits or a reasonable royalty) are presumptively available for only the $500 rotor and not for the $15,000 pump.

Solution: Claim the larger devices or systems (in these examples, the airbag assembly and the pump) in addition to the novel components.

Mistake No. 8

Describing Your Invention to Those "Skilled in The Art"

Example: Your patent describes the invention at a level appropriate for the inventor's peers, e.g., engineers or scientists. Technical terms that could be subject to more than one meaning are undefined.

Result: Less predictable outcome in litigation involving a lay judge and jury. Undefined technical terms may be subject to competing interpretations of experts.

Solution: Define technical terms in your patent application and write using standard English. To the extent possible, write your application so a lay person can understand it.

Mistake No. 9

Failing to Protect Your Invention Outside of the U.S.

Example: Major markets for your invention are outside of the United States.

Result: Foreign markets will be lost to competitors if there is no patent protection.

Solution: File for patent protection in the largest markets in which the invention will be *sold*.

Mistake No. 10

Technology Licenses Cannot be Freely Assigned

Example: You obtain an inbound license for the use of another's technology that is a key input in your product or service (e.g., an ingredient or component, or method for making an ingredient or component). The license cannot be assigned, or can only be assigned with written consent of the technology owner.

Result: Potential setback when selling your company or business unit that relies on the licensed technology.

Solution: Inbound technology licenses for technology important for producing your product/service should be freely assignable, or the conditions for assignment should be reasonable and set forth in the license. Assignability should not be left in the sole discretion of the licensor.

Summary

Intellectual property is about going for the money, so be smart, thorough, and protect all of the intellectual real estate you can. A small upfront investment in protection can lead to millions in downstream profits.

David Rogers
602.382.6225
drogers@swlaw.com

David Rogers practices patent, trademark, trade secret and unfair competition law, including litigation, patent and trademark preparation and prosecution; trademark oppositions, trademark cancellations and domain name disputes; and preparing manufacturing, consulting and technology contracts.