

IN-HOUSE TEXAS

REVIEW IP CHECKLIST BEFORE THE PRODUCT LAUNCH

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When a company launches a new product or service, the general counsel needs to give early attention to intellectual property issues.

Here's a checklist of important and often overlooked legal issues GCs must manage:

- *Get ownership in writing:* Avoid ownership disputes and other headaches by having written agreements in place with all of those working on inventions for the company. These agreements should include a duty of assignment, requiring the inventor to assign his rights to the company even if he quits or is fired. They should also contain a clause requiring cooperation in the execution of necessary documents. This will prevent a recalcitrant inventor from refusing to sign, for example, the patent application if the company decides to file one. This applies to employees, as well as contractors and consultants.

The company may own employees' inventions and works of authorship — including software — depending on those employees' status. For example, a staff programmer who writes software for her company does not need to sign a separate ownership agreement; the software is a work made for hire that the company already owns. However, this is not true for independent contractors. Problems can arise when executives at the GC's company assume they own a worker's inventions without bothering to check the worker's status as employee or independent contractor. A pre-employment agreement will prevent disputes over whether an employee was hired to invent and/or whether the employee developed the invention at work.

In contrast, without a written agreement to the contrary, independent contractors and consultants will usually own rights to patents and copyrights — not the GC's company. When reviewing the people who need to sign written agreements, do not forget persons — notably, software developers — who contract their services by the hour. Courts can still consider them independent contractors who do not owe a duty of assignment, absent a written agreement.

- *Patent pending?:* Four different issues in the patent arena need attention from the general counsel whose company is rolling out a new product or service.

First, look into the possibility of obtaining design or utility patents. When considering whether to apply for a patent, remember that inventors can obtain utility patents for computer software and business methods, particularly business methods implemented using a computer. On the other hand, a design patent protects the ornamental design of a product, rather than the way the product works. In some cases, a company can obtain a design patent and a utility patent. This can create a one-two punch making it difficult for a competitor to avoid infringement.

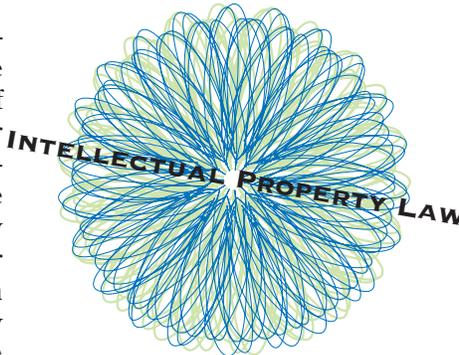
Second, consider the pros and cons of provisional patent applications. These are informal applications with lower filing fees. However, patent examiners at the U.S. Patent and Trademark Office never examine them, and the provisional patent applications will not result in a patent. Provisional applications do provide priority for a later-filed regular patent application, if filed within one year of the filing date of the provisional application.

The value of a provisional application is no better than the level of detail put into it. Nevertheless, one good use of provisional patent applications is to file one to submit a contemplated article or other publication. This will prevent the article or publication from being viewed by a court as prior art.

Third, remember that time limits are critical. A U.S. patent application cannot be filed more than one year after the invention has been described in a publicly available publication or placed commercially "on sale" in the United States, as defined in 35 U.S.C. §102 and subsequent case law. Lawyers sometimes overlook the fact that the "on sale" clock starts at the first *offer* for sale, not the first successful sale.

Fourth, know the rules governing foreign patents. In almost all foreign countries — other than Canada and Mexico — the GC's company cannot obtain a patent if the patent-seeker has disclosed the invention publicly any time before the priority date. If foreign patents are a possibility, file a U.S. application before any disclosure.

- *Avoid infringement:* To avoid infringing patents owned by others, especially competitors, conduct a patent search. Take particular care to search patents assigned to known



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competitors. Also search patents issued to persons known to be inventors for competitors, since these patents may be licensed, rather than assigned. Licensed patents may not list the competitor as assignee.

If the search turns up an infringement concern, get an opinion from a patent attorney before proceeding with the new product or service rollout. Infringement of a patent carries the prospect of an injunction, substantial damages, and possibly treble damages and attorneys' fees if a court finds the infringement was willful. It may be possible for company engineers to redesign the product to avoid infringement. Redesign is best done early during product development, so the GC should ensure the patent search happens early on.

NONPUBLICATION REQUEST

- *Keeping secrets:* Keep in mind the options regarding nonpublication of patent applications. By law, the U.S. Patent and Trademark Office publishes regular, nonprovisional U.S. patent applications 18 months after the patent seeker files the application, unless the applicant requests nonpublication at the time of filing. Although there are some advantages to permitting publication — including the possibility of pre-issuance damages in limited cases — nonpublication can maintain uncertainty on the part of a competitor about what the patent will and will not cover during the period when the application is pending. Since a patent applicant can rescind a nonpublication request but cannot later decide to shift a regular application to nonpublication status, when in doubt, request nonpublication. Caveat: A patent seeker cannot request nonpublication if it intends to or does actually file foreign applications.

Also, determine whether trade secret protection is available. In some cases, particularly with processes or complex software, the GC's company may be able to rely on trade secret protection. Some trade secret protection may even be available as to aspects of a process or software that are not otherwise disclosed in a patent. Although trade secret rights will not prevent independent development of a similar product or service by the competitors of the GC's company, an advantage of trade

secret rights over patents is that patents will expire 20 years from filing but a trade secret can theoretically last forever.

- *What's in a name?:* Don't just leave the selection of trademarks and service marks to the company's marketing department. When choosing a new name for the product or service being rolled out, consider the following tips to simplify the process:

Don't wait until the last minute. Have a search performed on the desired trademark at an early stage to determine if it is available. Do this before printing 10,000 brochures and labels.

Don't put all the company's eggs in one basket. Have a list of several trademarks before searching. Less extensive knockout-type searches can eliminate trademarks that clearly are unavailable, which means the commercial search firm will have to perform full searches on only the remainder. Product launch can be delayed if these search firms find that only the mark searched is unavailable, which can make the GC's office highly unpopular with the rest of the business units.

Reserve a domain name. The Internet is crowded with domain names, and someone may be using or may have reserved the one the company wants. Start the search and reservation process early, and consider reserving several domain names.

Finally, file an intent-to-use trademark application. It's not necessary to wait until the actual commencement of marketing to file a trademark application. The filing date of an intent-to-use application will act as a constructive date of first use, which will be earlier than the actual date of first use. **I H T**

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